

Notice of Audit and Governance Committee

Date: Thursday, 26 November 2020 at 6.00 pm

Venue: Virtual Meeting



Membership:

Chairman:

Cllr J Beesley

Vice Chairman:

Cllr L Williams

Cllr M F Brooke

Cllr D Brown

Cllr D Butt

Cllr L Fear

Cllr A Filer

Cllr M Phipps

Cllr T Trent

All Members of the Audit and Governance Committee are summoned to attend this meeting to consider the items of business set out on the agenda below.

The press and public are welcome to view the live stream of this meeting at the following link:

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?MId=4355>

If you would like any further information on the items to be considered at the meeting please contact: Democratic Services Team or email democratic.services@bcpCouncil.gov.uk

Press enquiries should be directed to the Press Office: Tel: 01202 454668 or email press.office@bcpCouncil.gov.uk

This notice and all the papers mentioned within it are available at democracy.bcpCouncil.gov.uk

GRAHAM FARRANT
CHIEF EXECUTIVE

18 November 2020



Maintaining and promoting high standards of conduct

Declaring interests at meetings

Familiarise yourself with the Councillor Code of Conduct which can be found in Part 6 of the Council's Constitution.

Before the meeting, read the agenda and reports to see if the matters to be discussed at the meeting concern your interests

Do any matters being discussed at the meeting relate to your registered interests?

Disclosable Pecuniary Interest

Yes

Declare the nature of the interest

Do NOT participate in the item at the meeting. Do NOT speak or vote on the item EXCEPT where you hold a dispensation

You are advised to leave the room during the debate

Local Interest

Yes

Declare the nature of the interest

Applying the bias and pre-determination tests means you may need to refrain from speaking and voting

You may also need to leave the meeting. Please seek advice from the Monitoring Officer

No

Do you have a personal interest in the matter?

Yes

Consider the bias and pre-determination tests

You may need to refrain from speaking & voting

You may also need to leave the meeting. Please seek advice

No

You can take part in the meeting speak and vote

What are the principles of bias and pre-determination and how do they affect my participation in the meeting?

Bias and predetermination are common law concepts. If they affect you, your participation in the meeting may call into question the decision arrived at on the item.

Bias Test

In all the circumstances, would it lead a fair minded and informed observer to conclude that there was a real possibility or a real danger that the decision maker was biased?

Predetermination Test

At the time of making the decision, did the decision maker have a closed mind?

If a councillor appears to be biased or to have predetermined their decision, they must NOT participate in the meeting.

For more information or advice please contact the Monitoring Officer
(susan.zeiss@bcpcouncil.gov.uk)

Selflessness

Councillors should act solely in terms of the public interest

Integrity

Councillors must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships

Objectivity

Councillors must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias

Accountability

Councillors are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this

Openness

Councillors should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing

Honesty & Integrity

Councillors should act with honesty and integrity and should not place themselves in situations where their honesty and integrity may be questioned

Leadership

Councillors should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

AGENDA

Items to be considered while the meeting is open to the public

1. **Apologies**

To receive any apologies for absence from Councillors.

2. **Substitute Members**

To receive information on any changes in the membership of the Committee.

Note – When a member of a Committee is unable to attend a meeting of a Committee or Sub-Committee, the relevant Political Group Leader (or their nominated representative) may, by notice to the Monitoring Officer (or their nominated representative) prior to the meeting, appoint a substitute member from within the same Political Group. The contact details on the front of this agenda should be used for notifications.

3. **Declarations of Interests**

Councillors are requested to declare any interests on items included in this agenda. Please refer to the workflow on the preceding page for guidance.

Declarations received will be reported at the meeting.

4. **Confirmation of Minutes**

To confirm and sign as a correct record the minutes of the Meeting held on 22 October 2020.

7 - 16

5. **Public Issues**

To receive any public questions, statements or petitions submitted in accordance with the Constitution. Further information on the requirements for submitting these is available to view at the following link:-

<https://democracy.bcpCouncil.gov.uk/documents/s2305/Public%20Items%20-%20Meeting%20Procedure%20Rules.pdf>

The deadline for the submission of public questions is Thursday 19 November 2020.

The deadline for the submission of a statement is 12.00 noon, Wednesday 25 November 2020.

The deadline for the submission of a petition was 12.00 noon, 11 November 2020.

6. **Governance Overview of BCP Housing companies**

To receive a short PowerPoint and verbal presentation on governance of BCP Housing companies (Seascope South Ltd., Seascope Homes and Property Ltd., Seascope Group Ltd. and Bournemouth Building Maintenance Ltd.)

7.	Report of the Constitution Review Working Group - Changes to the Council's Constitution	17 - 30
	<p>The report summarises the issues considered by the Constitution Review Working Group and sets out a series of recommendations arising from the Working Group for consideration by the Committee.</p> <p>Any recommendations arising from the Committee shall be referred to full Council for adoption.</p>	
8.	Chief Internal Auditor's Annual Opinion Report 2019/20	31 - 46
	<p>It is the opinion of the Chief Internal Auditor that during the 2019/20 financial year:</p> <ul style="list-style-type: none"> • arrangements were in place to ensure an adequate and effective internal control environment and that where weaknesses were identified there was an appropriate action plan in place to address them; • the systems and internal control arrangements were effective and that agreed policies and regulations were complied with; • adequate arrangements were in place to deter and detect fraud; • there was an appropriate and effective risk management framework; • managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls; • the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that <p>the arrangements, in respect of the Chief Internal Auditor, were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".</p>	
9.	Annual Governance Statement 2019-2020	47 - 80
	<p>The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts. This report seeks approval for the AGS for BCP Council.</p> <p>The AGS concludes that BCP Council "has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework".</p> <p>After considering all the sources of assurance (for governance arrangements), BCP Corporate Management Board identified that the following significant governance issues existed:</p> <ul style="list-style-type: none"> • Governance of Children's Social Services • Adjustments to the Highways Register • Governance Arrangements with Wholly Owned Companies, Lower Gardens and Five Parks Charitable Trusts, BH Live and Russell Cotes Museum • Minor Omission to make available for public inspection the draft Annual Governance Statement in June 2019 <p>An action plan to address these significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit and Governance Committee in January 2021.</p> <p>*and as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020</p>	
10.	External Audit - Audit Findings Report 2019/20	81 - 144

The attached report sets out the findings of the Council's external auditor following their audit of the Council's Statement of Accounts 2019/2020. The key points to note are:

- Grant Thornton anticipate providing an unqualified opinion on the financial statements for the Council; and that Grant Thornton have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources and anticipate issuing an unqualified value for money conclusion.

11. Statement of Accounts 2019/20

145 - 270

This report presents the BCP Council statement of accounts 2019/20 for consideration and approval.

The statement of accounts has been prepared in accordance with the CIPFA Local Authority Accounting Code of Practice, and presents a true and fair view of the authority's financial performance for 2019/20 and financial position as at 31 March 2020.

This report highlights any significant issues within the statement of accounts, and provides an opportunity for robust Member scrutiny prior to their formal approval.

12. Audit & Governance Committee Forward Plan (refresh)

271 - 274

This report sets out the reports to be received by the Audit & Governance Committee for the 2020/21 municipal year.

No other items of business can be considered unless the Chairman decides the matter is urgent for reasons that must be specified and recorded in the Minutes.

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BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 22 October 2020 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Williams – Vice-Chairman

Present: Cllr M F Brooke, Cllr D Butt, Cllr L Fear, Cllr A Filer,
Cllr S McCormack and Cllr T Trent

26. Apologies

At the commencement of the meeting the Chairman welcomed new members to the Committee and recorded his thanks for past service and contribution from Councillors Marcus Andrews, Mike Cox, Beverley Dunlop and Mike White who were standing down.

The Chairman also welcomed the recently appointed BCP Council Monitoring Officer, Susan Zeiss, to her first meeting of the Committee.

Apologies were received from Councillor David Brown.

27. Substitute Members

There were no substitutions.

28. Declarations of Interests

Councillor Lawrence Williams declared an interest as a Trustee of a Care Home in Westbourne.

29. Confirmation of Minutes

The Minutes of the meeting on 10 September 2020 were confirmed as a correct record.

30. Public Issues

There were no public issues.

31. 2019/20 Local Government and Social Care Ombudsman annual report

The Director of Organisational Development presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

The Committee was reminded that the Local Government and Social Care Ombudsman (LGSCO) provided an independent and impartial service to

investigate complaints about Councils, or actions taken by another body on behalf of the Council.

It was explained that the LGSCO provided a report annually which detailed the number of enquiries, investigations and resolved complaints for each authority in the past financial year. BCP Council's annual report had been circulated to the Committee.

The 2019/20 report showed that the number of enquiries to the LGSCO had risen slightly, as had investigations, but that there had been a fall in the number of investigations upheld by the Ombudsman to 50%. The report included an analysis of the complaints subject to detailed investigation and a summary of the financial implications arising.

It was reported that there were no identifiable trends in the subjects of complaints and that all recommendations had been actioned to the Ombudsman's satisfaction. There were no major concerns relating to LGSCO findings and BCP Council was performing well in relation to the national picture.

Members raised questions about comparison with previous years. It was explained that direct comparison with previous years was difficult as the earlier figures related to the three legacy Councils rather than to BCP Council although, going forward, year by year outcomes and trends would be a key part of the annual reporting process.

The Committee requested that they receive clarification of certain identified data within the report and the detailed Ombudsman report in addition to the summary already supplied to them. Undertakings were given to provide the information requested.

RESOLVED that Members of the Audit and Governance Committee note the Local Government and Social Care Ombudsman's Annual Reports for 2019/20.

Voting: Unanimous

32. Equality & Diversity Annual Report 2019/20

The Director of Organisational Development presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

The Committee received the 2019/20 Equality & Diversity report which provided an overview of the work undertaken by BCP Council to meet its responsibilities under Section 149 of the Equality Act 2010, the Public Sector Equality Duty.

It was reported that BCP Council's equality commitments were embedded throughout the Council's corporate strategy and delivery plans and equality and diversity actions were captured in a council-wide Equality & Diversity Action Plan. The Plan had been circulated with the report and was built

around the requirements for achieving the 'excellent' level of the Equality Framework for Local Government and the Council.

Progress was described as good against the 152 identified individual actions. Members were also reminded of the recent appointment of Councillor Bobbie Dove as Cabinet Lead on Equalities and the opportunity for her to be involved in future monitoring by the Committee was identified.

The Chief Executive chaired the Strategic Equality Leadership Group as part of the agreed governance framework with the objective of strengthening strategic direction and monitoring performance. The Equality and Diversity Action Plan had been submitted to the Equality Action Commission in September 2020 and challenge by the Commission was expected to strengthen performance.

Members highlighted the importance of ensuring that the Action Planning process reflected what was being achieved across the whole Council and an undertaken was given to provide the Committee, in due course, with assessment of action elsewhere in the Council that was also making a contribution but not shown in the central Action Plan. There was reference to particular initiatives in progress across the BCP Council that would need to be potentially referenced within the Action Plan.

The Committee also highlighted the potential for a more detailed examination of the subject at a future 'extra' Audit and Governance Committee meeting where the Lead Member could also be involved. This was also identified as a process for identifying any further information and governance focussed issues that the Committee might consider should be included within the Action Plan. Undertakings were given to discuss this and report back on progress to the Chairman and Vice-Chairman.

RESOLVED that the Audit and Governance Committee

- a) note the Equality & Diversity 2019/20 End of Year Performance Report.**
- b) note the changes to the Equality & Diversity Governance Framework.**
- c) give further consideration at a future meeting to identification any further equality and diversity information that the Committee might require.**

Voting: Unanimous

33. Governance of Corporate Health & Safety and Fire Safety

The Health and Safety Manager and the Fire Safety Manager presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'C' to these Minutes in the Minute Book.

The report detailed progress made on the delivery of Health & Safety and Fire Safety governance arrangements for BCP Council highlighting particularly the steps taken in response to the COVID-19 pandemic and the

ongoing subsequent progress towards recovery. The report also explained the framework of governance arrangements in place and the process for reporting of health and safety and fire safety issues to the Health & Safety and Fire Safety Board. Progress on development of essential corporate procedures within the new BCP Council context was explained and an appraisal of the human resources available within the team was also presented.

It was reported that, due to the COVID 19 pandemic, the Health & Safety and Fire Safety Board scheduled for July had been postponed and instead, an interim report provided to the Director's Strategy Group to ensure governance of Health & Safety and Fire Safety was reported and discussed. During that meeting, it was agreed that the next Health & Safety and Fire Safety Board would take place on 28th September 2020 and remain quarterly moving forward.

The current development schedule and progress against each objective was reported. It was clear that significant progress on delivery of safety arrangements had been made notwithstanding the pandemic and the Committee recorded their appreciation of the work being undertaken behind the scenes to ensure that these essential arrangements were fit for purpose.

A note about the Fire Safety Bill, introduced into the House of Commons in March 2020, had been circulated and the intention of new legislation was to bring into effect regulations recommended through the Grenfell Tower inquiry relating to buildings in multiple occupation.

RESOLVED that

- a) Health & Safety and Fire Safety on-going governance arrangements are reported annually to the Audit and Governance Committee.**
- b) Audit and Governance Committee note the continued progress in implementing the Health and Safety and Fire Safety governance arrangements, along with the significant contributions made towards managing the risks from the COVID-19 pandemic.**

Voting: Unanimous

34. Emergency Planning & Business Continuity Annual Update (from November 19 to October 20)

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'D' to these Minutes in the Minute Book.

The Committee received a comprehensive high-level overview of the scale and nature of the COVID-19 response, from a governance perspective and

emergency planning and business continuity activity in BCP Council over the reporting period had been dominated by COVID-19.

The specific responses were set out and explained and leadership and management had been successfully delivered in line with established corporate planning and business continuity arrangements. The specific implementation of overview within service areas was also described. In Social Care these included strategic level co-ordination provided through a multi-agency group overseeing Adult Social Care. There were also key roles within the context of Local Outbreak Management Plans and through bodies such as the Dorset Civil Contingencies Unit.

It was clear that plans already in place had worked well and that many of the practical lessons learnt during the pandemic could be carried forward and incorporated as part of future emergency planning processes. The report also explained the work undertaken through the Dorset Resilience Forum and listed a wide range of sub-groups and workstreams in which officers from BCP Council had played a significant participating role.

The report also set out the environment of business as usual which had continued in parallel and identified concurrent and future risks. Significant work had been undertaken by the Emergency Planning Team on a revised resilience governance framework for Emergency Planning generally and this now represented a clear statement of roles and responsibilities across the BCP Council. The full framework document had been circulated with the agenda. The report also highlighted additional challenges and aspirations going forward.

RESOLVED that Audit and Governance Committee

- a) note the significant emergency and business continuity response to COVID-19 to date undertaken by BCP Council alongside multi-agency partners.**
- b) note the new resilience governance framework.**
- c) note the forward issues identified for the remainder of the year.**

Voting: Unanimous

35. Risk Management – Corporate Risk Register Update

The Risk and Insurance Manager presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'E' to these Minutes in the Minute Book.

The report provided an update for the Committee on the BCP Council Corporate Risk Register and in particular the comprehensive review of the Risk Register to incorporate the COVID-19 risks and to reflect the whole BCP Council picture within a single plan.

Members were reminded of the Committee's specific contribution through a useful workshop session held during the summer and the issues highlighted then had now been incorporated. The register would now need to be reviewed again to reflect the second phase of the pandemic. The importance of setting out clearly the identified mitigation measures for each risk was underlined.

RESOLVED that the Audit and Governance Committee note the update provided in relation to the Corporate Risk Register.

Voting: Unanimous

36. Internal Audit - Quarterly Audit Plan Update

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'F' to these Minutes in the Minute Book.

To provide assurance about the effective management of corporate risks, the report detailed progress made on delivery of the 2020/21 Audit Plan for the period July to September (inclusive) of 2020.

The Committee was advised that eight audit assignments had been completed during the reporting period including one 'Substantial' and six 'Reasonable' summary opinions and one Consultancy Review.

Twenty-two audit assignments were reported to be in progress and implementation of audit recommendations was satisfactory.

This work had been achieved within the context of the pandemic although assurances were provided that, notwithstanding this, all instances or allegations of fraud, theft or financial wrongdoing had continued to be thoroughly investigated.

For six weeks during the period, the entirety of the Internal Audit team had been re-tasked to undertake verification work in association with the COVID 19 discretionary grant process although this work was now completed.

The Committee was also referred to the recently published 'Redmond Report' into the oversight of local audit and transparency of financial reporting and a link to the report and its recommendations had been set out in the agenda.

RESOLVED that Audit & Governance Committee note progress made and issues arising on the delivery of the 2020/21 Internal Audit Plan.

Voting: Unanimous.

37. Annual Review of Register of Declarations of Outside Interests and Receipts of Gifts & Hospitality by Officers (2019/20)

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'G' to these Minutes in the Minute Book.

It was explained that the 'BCP Council - Declaration of Interests, Gifts and Hospitality for Policy (for Officers)' had been introduced on 1st April 2020 and made provision for retrospective 'base' declarations dating back to the start of BCP Council on 1 April 2019. This replaced the arrangements for the first operating year of BCP Council when legacy Council policies and procedures had been followed by officers.

It was reported that an effective corporate wide roll-out of the new policy had taken place and assurance was provided that senior managers (tier4 officers and above) were complying with the requirements of the new Policy. The operation and effect of the new arrangements was explained, including a helpful example of the form of declaration required and this now represented a significance piece of the corporate governance framework.

It was noted that there had been no internal or external identified instances, whistleblowing or reports by any other means, where an un-declared interest had led to any disciplinary action or to reputational damage.

RESOLVED that Audit & Governance Committee note the annual review of Register of Declarations of Outside Interests and Receipts of Gifts & Hospitality by Officers (2019/20).

Voting: Unanimous

38. External Audit - Progress Report & Sector Update

The representatives from External Auditors, Grant Thornton, presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'H' to these Minutes in the Minute Book.

The reported provided an update on the External Auditor's progress to date in delivering their responsibilities and there was reference particularly to the difficulties faced nationally in completion of audits within the context of the national pandemic.

The report included a summary of emerging national issues and developments that may be relevant to the Council and an additional presentation covering the independent review by Sir Tony Redmond into the effectiveness of local audit and the transparency of financial reporting was also provided. Grant Thornton expected that the recommendations arising out of the Report would serve to make external audit much more useful to Councils whilst maintaining a robust audit regime and driving up quality.

RESOLVED that Audit & Governance Committee notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided including the review of the Redmond Report.

Voting: Unanimous.

39. Audit & Governance Committee Forward Plan (refresh)

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'I' to these Minutes in the Minute Book.

The report set out the reports to be received by the Audit & Governance Committee for the 2020/21 municipal year.

For new members of the Committee, the Chairman explained the style and purpose of the 'extra' meetings referred to in the Plan and the Chairman invited members of the Committee to suggest future items for consideration at those meetings. In the meantime, subjects initially included were further examination of the governance of 'BH Live' and also a consideration of the roles of members in Outside Bodies inherited from the legacy Councils. It was agreed that the number of 'extra' meeting issues ultimately identified would determine the number of meetings required during the next Municipal Year.

The Committee noted that the report from the Constitution Review Working Group completing its current tranche of review work would be submitted to the Audit and Governance Committee at its next meeting on 26 November 2020. The Chairman repeated his intention to canvas all members of Council to identify further issues for consideration by the Working Group going forward.

The Chairman also referred to the importance of ensuring that members of the Committee were as well trained as possible to most effectively consider the issues that came before the Committee. Members with particular ideas for training, including specific subject areas, areas of weakness or areas of future focus were invited to raise these with him. In the meantime, the Chairman was addressing this subject with the Monitoring Officer and undertook to report back to the Committee.

The Head of Audit and Management Assurance reported the intention to provide an awareness session later in the year for the Committee around the subject of detection of fraud. He also referred to the CIPFA best practice model for Audit and Governance Committees as previously used by the Committee for self-assessment of its performance in certain areas of its work.

RESOLVED that, subject as above, the Audit & Governance Committee approves the forward plan set out at Appendix A.

Voting: Unanimous

40. Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2019/20

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'J' to these Minutes in the Minute Book.

The report detailed counter fraud work carried out by Internal Audit to provide assurance on the Council's response to combating fraud and corruption.

It was reported that Internal Audit have investigated all allegations of suspected fraud or financial irregularity in a proportionate manner. Four whistleblowing referrals for the Council had been received and investigated by Internal Audit during 2019/20.

RESOLVED that Audit & Governance Committee note

- a) The counter fraud work & investigations carried out by Internal Audit during 2019/20.**
- b) The whistleblowing referrals received during 2019/20.**

Voting: Unanimous.

The meeting ended at 8.08 pm

CHAIRMAN

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Report of the Constitution Review Working Group - Changes to the Council's Constitution
Meeting date	26 November 2020
Status	Public Report
Executive summary	The report summarises the issues considered by the Constitution Review Working Group and sets out a series of recommendations arising from the Working Group for consideration by the Committee. Any recommendations arising from the Committee shall be referred to full Council for adoption.
Recommendations	It is RECOMMENDED that: (a) the views and recommendations of the Constitution Review Working Group, as set out in this report at paragraphs 14, 16, 18, 24, 27, 31, 33 and 36, be supported; (b) that necessary and consequential technical and formatting related updates and revisions to the Constitution be made by the Monitoring Officer in accordance with the powers delegated.
Reason for recommendations	To make appropriate updates and revisions to the constitution following consideration by the Working Group.

Portfolio Holder(s):	Councillor Drew Mellor (Leader of the Council)
Corporate Director	Graham Farrant (Chief Executive)
Report Authors	Richard Jones, Head of Democratic Services Susan Zeiss, Director of Law and Governance and Monitoring Officer
Wards	Council-wide
Classification	For Recommendation

Background

1. The Terms of Reference of the Audit and Governance Committee include 'Maintaining an overview of the Council's Constitution and governance arrangements in all respects'.
2. In discharge of this responsibility the Committee established a Constitution Review Working Group of five of its Councillors. The Members of the Working Group consisted Councillor Williams (elected Chairman) and Councillors Beesley, Brooke, D Butt and Cox. Councillor Andrews attended one meeting as a substitute. The Chairman of the Planning Committee, Councillor Kelsey was invited to attend and contribute in relation to discussions about the Planning process. Meetings were attended by the Interim Monitoring Officer and the Monitoring Officer, once in post.
3. The Working Party met on three occasions during September and October 2020.
4. Prior to commencement of its work, the Chairman of the Audit and Governance Committee wrote to all members of Council asking them to submit items for discussion and consideration. Items submitted after the Working Group had begun its deliberations are included on a list of items for future discussion. The Chairman of the Audit and Governance Committee has indicated that it is his intention, in the New Year, to canvas all Councillors once again. The intention is that this will facilitate another tranche of activity for the Working Group.

Review of Procedure Rule 36 (Variation and revocation of Procedure Rules)

5. The Working Group was reminded that recommendations from the Working Group would be presented, in the first instance, to the Audit and Governance Committee who would, in turn, submit recommendations as necessary to the Council. Advice was received from the Interim Monitoring Officer about the implications and effect of Procedural Rule 36 in Part 4 of the Constitution which prescribed the decision-making process for the variation and amendment of Procedural Rules. It was explained that the essential implications of Rule 36 were that any recommendation from the Audit and Governance Committee to vary or revoke procedural rules would need to be deferred to the subsequent meeting of the Council. The Working Group noted the effect of this on their programme of work.

Member call-in of Planning applications

6. Although the provisions for Member call-in of planning applications had been changed during a recent review, there was acceptance that the current 30 day window for Member call-in was causing some concern and potentially imposing unnecessary constraints.
7. However, whatever provision emerged for call-in going forward, the importance of dialogue between Councillors and the applicable Planning Officer was emphasized and requests for call-in should always only be expressed within the terms of proper planning policy reasons. There was potential to provide enhanced guidance for members within the format of a protocol.
8. The Working Group Members underlined the importance of a clear and robust process and the format of the existing call-in request form was explained. Although the current process was working well, was clear and considered easy to use, there was an opportunity to consider with IT whether the request process could be further improved. In any call-in situation early dialogue with the relevant Planning Officer was emphasised as key.
9. The Working Group addressed the specific issue of call-in of Planning applications by ward Councillors who were also members of the Planning Committee and the implications of this on predetermination. The protocol would need to address this and provide clear guidance for Planning Committee members. It would also need to address and define those situations where a call-in by a member of the Planning Committee could be made, on an exceptional basis, when necessary in the public interest.
10. The Working Group considered that these were all matters that could potentially best be addressed within a protocol developed outside the Constitution.
11. Subsequent to the final meeting of the Working Group, additional advice was sought in the development of the draft protocol. The supplementary advice in paragraphs 12 and 13 below were not therefore available to the Working Group at the time of their final meeting when making their recommendations referred to in paragraph 14.
12. The Monitoring Officer has provided advice that such a protocol, albeit sitting alongside the Constitution, would require the approval of full Council. Further, after additional discussion with Legal Services in developing the draft protocol, it is now clear that there is significant concern whether legally or practically this delegation procedure could operate without some clear cut off date. In short, there has to be a point after which it is clear that an officer has the power to make a determination and issue a planning decision without the risk of a call-in being requested. Further, such a date should be sufficiently early to give organisational confidence that a call-in request has not been submitted but not identified prior to a determination being made.
13. Separate to any legal and practical concerns there are also managerial/corporate risks relating to any process that might effectively extend the consultation period. It is understood that the primary reason for concern relating to the existing 30 day cut-off date was to seek to ensure adequate opportunity for members to submit a call-in request. However, for many planning applications, there is a statutory time period of 8 weeks (56 days) within which a decision should normally be made. Depending on the stage of a committee cycle, even a call-in received within the current 30 day period has the potential to push such applications beyond this deadline creating the

scope for an appeal against non-determination. Nevertheless, if members wish to allow more time, a compromise might be to extend the call-in option to 35 days.

14. The Working Group recommend that, subject to consideration of paragraphs 12 and 13 above:-

- (a) the Constitution be amended in Part 3, Section 2, Paragraph 2.2 to remove the 30-day time limit for member call-in of planning applications although the requirement for there to be dialogue between the Councillor calling-in an application and the applicable Planning Officer be retained;**
- (b) the protocol set out at Appendix 1 to this report be adopted.**

Neighbourhood Forum call-in of Planning applications

- 15. In this context the Working Group considered the range of methods that were already in place to call-in an application. This included the trigger for call-in initiated by 20 letters of representation as well as the call-in powers, already addressed above, of local ward members. Members were not of the view that anything could be added to the process by extending the power of call-in to Neighbourhood Forums or indeed to any other consultative bodies.
- 16. The Working Group recommend that the power to call-in planning applications to Committee should not be extended to Neighbourhood Forums.**

Petition call-in of Planning applications

- 17. The Working Group were of the view that the current trigger for call-in initiated by 20 letters of representation provided sufficient facility for local residents.
- 18. The Working Group recommend that the call-in of planning applications upon receipt of a petition from local residents should not be added to the current process for call-in.**

Role of Parish Councils in relation to amended plans

- 19. The Working Group considered the situation which applied where submitted plans were amended by the applicant after a Parish Council had submitted its comments and whether such an amendment should trigger a further phase of consultation with the Parish Council.
- 20. There was awareness of the wide range of types of amendments to an application extending from very minor to those which were more significant. There was also always the possibility that, in some cases, an amendment could potentially decrease impact of an application.
- 21. To reflect this, the protocol should set out very clearly the way in which amended plans should be dealt with. Such a protocol would need to be mindful of the need to balance the benefits of further consultation against the timescales for determining applications and there was clear opportunity for use of Officer discretion within defined parameters.
- 22. It was noted that in most cases there was, in any event, a continuing dialogue around amendments involving the applicant, Planning Officers and, often, consultees. The Working Group emphasized the importance of maintaining a good flow of information between Councillor and Planning Officer and of keeping ward Councillors closely informed throughout. The critical importance of ward Councillors being able to effectively reflect the views of their residents was underlined.

23. The Monitoring Officer provided advice that such a protocol, albeit sitting alongside the Constitution, would require the approval of full Council.
- 24. The Working Group recommend that:-**
- (a) the current arrangements for consultation with Parish and Town Councils after a subsequent amendment be retained;**
 - (b) the protocol set out at Appendix 2 to this report be adopted.**

Process for considering Tree Preservation Orders

25. The Working Group reviewed the current process by reference to a flow chart of the stages involved. Once again, there was emphasis on the importance of there being absolute clarity for Councillors about the process, including the procedures for commencing action in an emergency or when time was short.
26. The current practice for working with local residents was explained. There was a view that returning to the situation where decisions on Tree Preservation Orders were made by the Planning Committee would impose unnecessary additional burden upon the overall process. An informative note would, however, be added to the process to ensure that the emergency process was clearly set out and accessible. A copy of the revised process is attached as Appendix 3 to this report.
- 27. The Working Group recommend that Tree Preservation Orders continue to be processed and determined at Officer level and not be referred to the Planning Committee for determination.**

New Planning Committee Structure

28. The Working Group carefully considered suggestions for changes to the current BCP Planning Committee structure and the comparative information presented about the organisation of the Planning function in other Councils. There were clearly a range of different options in use across the country. In the BCP Council area it appeared that issues arose around perceptions in some quarters of lack of local representation as between the three legacy council areas.
29. Although understanding the points made, the Working Group were of the view that local representation within the planning process was best provided through the special role allocated to local ward Councillors. Examples included the power to call-in and to address the Committee about applications within their ward.
30. The Working Group agreed that the current single committee system worked well in delivering these objectives. Particularly, it was able to provide a non-parochial and objective approach to the application of planning policy to every application submitted to it. This underlined the quasi-judicial role of the Planning Committee and its role in consistent delivery of planning policy.
- 31. The Working Group recommend that the current structure of the BCP Council Planning Committee system remain unchanged.**

Procedural – Form of Address for person presiding at meetings

32. The Working Group considered advice from the Council's Equality Officer. The Constitution was silent on the subject and there was confirmation that no formal regulations applied. There were clearly a number of options for taking this forward but the view of the Working Group was that this should be a matter of choice for individual Councillors as they were appointed to preside at meetings.

33. The Working Group recommend that:-

- (a) no change be made to current practice and leave this as a matter of choice for each individual person presiding;**
- (b) Democratic Services should ascertain, in each case, the preference of individual Councillors as they are appointed.**

Appointment of substitutes for one agenda item only

34. The Constitution prescribes that a substitution can be made only for the entirety of a meeting with notifications of substitution being made by the Political Group Leader to the Monitoring Officer (or their respective nominees).
35. There is no provision for a substitution to be made for one item only where a member of Committee has a declarable interest in only that one agenda item. This also appeared to be the normal provision at other Councils. An individual Councillor with an interest in a specific single item on the agenda, should declare accordingly and leave the meeting for that item. He or she would not, however, be precluded from participating in the rest of the meeting.
- 36. The Working Group recommend that no change be made to current practice of substitution.**

Summary of financial implications

37. There are no financial implications arising from the recommendations in this report.

Summary of legal implications

38. There are significant legal concerns with not having a clear cut off date by when requests for call-in have to be received (see paragraphs 11 to 13 above). The Constitution of the BCP Council complies with relevant legislation.

Summary of human resources implications

39. There are no human resource implications arising from this report.

Summary of sustainability impact

40. There are no sustainability implications arising from this report.

Summary of public health implications

41. There are no public health implications arising from this report.

Summary of equality implications

42. The Constitution of the BCP Council sets out the rights of public access to the democratic process. The Council's Equality Officer was engaged on appropriate issues.

Summary of risk assessment

43. Specific legal risks relating to the absence of time periods for calling in applications are identified above. The Constitution is a legally required document which prescribes the procedural and democratic arrangements for the proper governance of the Council.

Background papers

None

Appendices

Appendix 1 – Draft Protocol for Member Call in

Appendix 2 – Draft Protocol for Consulting on Amended Plans

Appendix 3 – Draft Protocol for Making of Tree Preservation Orders

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Draft Protocol for Member Call in

Introduction

Before setting out the proposed draft protocol for call in, Members of Audit and Governance Committee are advised that criterion (g) (ii) in Part 3 Section 2 (Responsibility for Functions) of the constitution (changes highlighted as underlined below) needs to be revised in order to facilitate the removal of the 30 day time limit:

(g) An Application which a Councillor requests should be referred to the Planning Committee provided that all of the following criteria are met:

(i) The application is potentially contentious and raises material planning issues that affect their ward or would affect the wider public interest

(ii) The Councillor has discussed the proposed referral with a Planning Officer and submits the referral in writing setting out the material planning issues which affect the wider public interest and the referral is made within 30 calendar days from the date the application was first published on the Bournemouth, Christchurch and Poole website, or during any further notification period required following receipt of amendments to the scheme

(iii) The Application is not one of the following:

- *Permission in Principle (PiPs)*
- *Lawful Development Certificates (LDC) (existing or proposed)*
- *Prior Approvals and Prior Notifications*
- *Non-material amendments*
- *Applications other than “major”, “minor” and “householder”*

It is proposed that the Committee consider replacing (g) (ii) with the following wording (presented with (i) and (iii) unchanged so the full context can be considered):

(g) An Application which a Councillor requests should be referred to the Planning Committee provided that all of the following criteria are met:

(i) The application is potentially contentious and raises material planning issues that affect their ward or would affect the wider public interest

(ii) The Councillor has submitted the referral to planning committee request in accordance with the local planning authority’s agreed protocol.

(iii) The Application is not one of the following:

- *Permission in Principle (PiPs)*
- *Lawful Development Certificates (LDC) (existing or proposed)*
- *Prior Approvals and Prior Notifications*
- *Non-material amendments*
- *Applications other than “major”, “minor” and “householder”*

The above proposed change removes the 30-day limit and ensures that the constitution wording remains flexible to allow for the protocol to be amended overtime (as opposed to the constitution) as matters may change such as legislative provisions or to resolve operational issues. The above wording is for discussion purposes only at this stage.

The Draft Member Referral in Protocol

The provisions for a ward Councillor to refer planning applications to planning committee are set out in Part 3 Section 2 (g) of the BCP Council Constitution.

Criterion (g) (ii) requires ward Councillors to submit planning committee referral requests in accordance with the agreed protocol for call in. The call-in protocol is set out as follows:

- (i) A formal referral request must be submitted on the BCP Council Planning Committee referral form;
- (ii) All parts of the planning committee referral request form must be completed for the request to be considered as valid and compliant with the provisions set out in Part 3 Section (g) of the BCP Constitution;
- (iii) The form must set out the material planning reasons for the referral that warrant the application being considered by Planning Committee;
- (iv) The ward Councillor must have first discussed the planning application with the planning case officer before submitting a planning committee referral form. This discussion should take place within the initial planning application notification period. In these discussions, and prior to submitting the form, the ward Councillor must advise the officer whether they are considering submitting a planning committee referral request form so the officer can update the ward Councillor on progress before a recommendation is made.
- (v) To ensure resilience that the planning committee referral requests are formally received by the case officers, request forms should be submitted by email to both the case officer and the relevant office inbox as follows:

planning.bournemouth@bcpcouncil.gov.uk
planning.christchurch@bcpcouncil.gov.uk
planning.poole@bcpcouncil.gov.uk
- (vi) Once the notification period has expired and the officer has not had any contact from a ward Councillor in respect of a potential planning committee referral, Councillors are to be aware that officers are able to make decisions on planning applications under delegated powers in accordance with the BCP Council scheme of delegation.

This protocol was agreed by XXXXX on DATED XXXX

Draft Protocol for Consulting on Amended Plans

Local Planning Authorities (LPAs) are required to undertake a formal period of public notification prior to deciding a planning application. Article 15 of the Development Management Procedure Order (as amended) sets out the minimum statutory requirements for publicising applications for planning permission and affords LPAs discretion about how they inform communities and other interested parties about planning applications. LPAs may also set out more details on how they will consult the community on planning applications in their Statement of Community Involvement (SCI).

Depending on the type of planning application it must be publicised by either one, a combination, or all of the following;

- The erection of a site notice in at least one place on or near the land to which the application relates for not less than 21 days; or
- By serving a notice on any adjoining landowner or occupier.
- By publication of the notice in a newspaper circulating in the locality in which the land to which the application relates is situated.

The initial time period for making comments on a planning application will be set out in the publicity accompanying the planning application once registered. This will not be less than 21 days, or 14 days where a notice is published in a newspaper. LPAs may, at their discretion, take into account comments that are made after the closing date (but have no obligation to do so).

An application can be amended after it has been submitted either at the request of the LPA to overcome a possible objection of the scheme or at the request of the Applicant.

Paragraph 61 of the Government's National Planning Guidance document 'Making an application' states *"it is at the discretion of the Local Planning Authority whether to accept such changes, to determine if the changes need to be reconsulted upon, or if the proposed changes so significant as to materially alter the proposal such that a new application should be submitted"*.

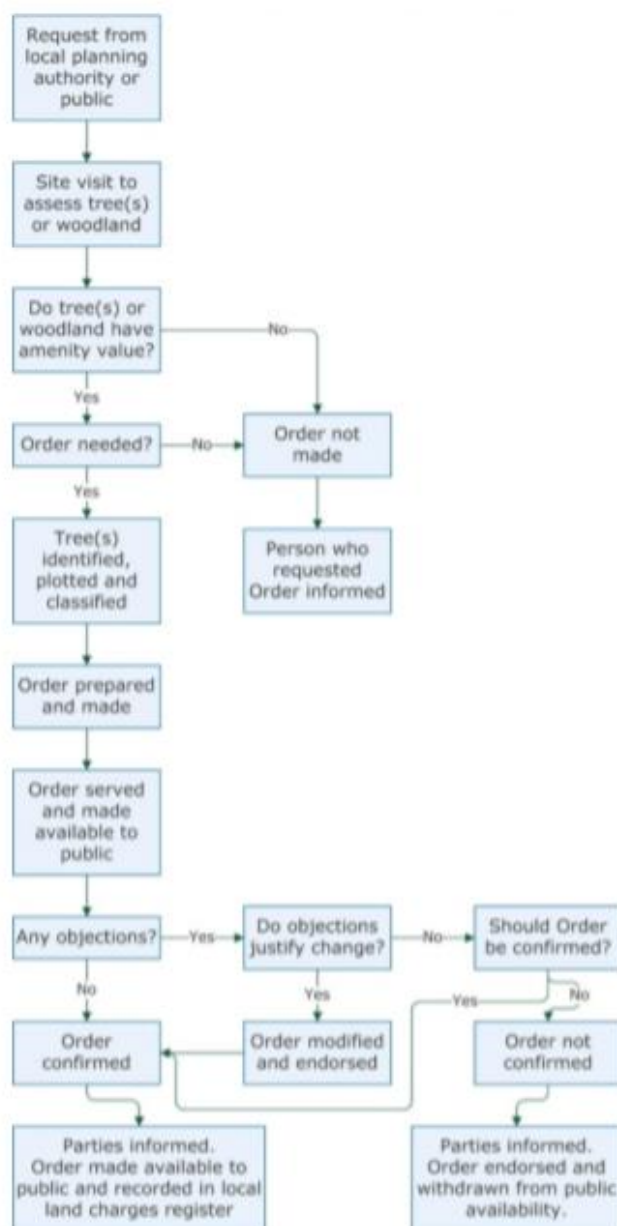
The Council reserves the right to undertake further publicity at any stage during a planning application, including receipt of amended details, in accordance with the following principles:

- Where the Council accepts an amendment to an application, neighbours, and third parties who were originally notified of the application will be formally re-notified where the planning officer considers that the amendments have a greater impact;
- In most instances where amended plans are submitted that reduce the quantum of development, lessen the impact on the amenities of the locality or relate to minor matters of detail the decision will be taken at the discretion of officers that no further publicity will be required;
- In all cases, amended details will be available to view on the online Council's planning application webpages. All comments received to a planning application will be considered in the assessment of the proposals.
- Each case is assessed on its own merits and in line with Government Guidance. Professional planning judgment will be exercised in all cases to assess whether changes to planning applications require further publicity.

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Draft Protocol for Making of Tree Preservation Orders

The process for making and confirming a Tree Preservation Order is as follows:



At the stage where an order is served and made available to the public, the LPA will contact the ward Councillors to make them aware of the order in their area.

The public have 28 days from when the order is made available to the public for any comments and objections to be received. All representations received will be fully considered by officers before the order is confirmed. The local planning authority has 6 months from the point the order is served on the public to make the decision whether the order is confirmed, not confirmed or modified.

The process for serving an emergency Tree Preservation Order follows the above steps and is undertaken by officers through delegated authority. Where an emergency Tree Preservation Order is required, officers will inform ward Councillors at the start of the process and keep them updated.

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AUDIT AND GOVERNANCE COMMITTEE

Report subject	Chief Internal Auditor's Annual Opinion Report 2019/20
Meeting date	26 November 2020
Status	Public Report
Executive summary	<p>It is the opinion of the Chief Internal Auditor that during the 2019/20 financial year:</p> <ul style="list-style-type: none"> • arrangements were in place to ensure an adequate and effective internal control environment and that where weaknesses were identified there was an appropriate action plan in place to address them; • the systems and internal control arrangements were effective and that agreed policies and regulations were complied with; • adequate arrangements were in place to deter and detect fraud; • there was an appropriate and effective risk management framework; • managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls; • the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that • the arrangements, in respect of the Chief Internal Auditor, were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".
Recommendations	<p>It is RECOMMENDED that:</p> <p>the Audit & Governance Committee note the Chief Internal Auditor's Annual Report and opinion on the overall adequacy of the internal control environment for BCP Council.</p>
Reason for recommendations	The Chief Internal Auditor's Annual Report and opinion for BCP Council provides assurance on the effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards.
Portfolio Holder(s):	Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance ✉ nigel.stannard@bcpcouncil.gov.uk</p>

Wards	Council-wide
Classification	For Information

Background

1. The Chief Internal Auditor's Annual Report and Opinion for the BCP Council was produced in compliance with the Public Sector Internal Audit Standards 2017 (PSIAS), which requires the Head of Audit and Management Assurance, in his role as Chief Internal Auditor, to report annually on:
 - the adequacy and effectiveness of the internal control environment; and on
 - conformance by the Internal Audit Section to the PSIAS
2. The Audit & Governance Committee must consider the Councils' Chief Internal Auditor's Annual Report and Opinion before its consideration of the Councils' Annual Governance Statement.
3. It should be noted that the title 'Chief Internal Auditor' is interchangeable with the terms 'Head of Internal Audit', 'Chief Audit Executive' and 'Head of Audit & Management Assurance' used in this report or in other relevant publications, guidance or standards.

The Chief Internal Auditor's Consideration & Opinion Summary

4. The Chief Internal Auditor's Annual Report & Opinion 2019/20 for BCP Council is provided at Appendix A.
5. In summary it is the opinion of the Chief Internal Auditor for BCP Council that:
 - arrangements were in place to ensure an adequate and effective internal control environment and that where weaknesses were identified there was an appropriate action plan in place to address them;
 - the systems and internal control arrangements were effective and that agreed policies and regulations were complied with;
 - adequate arrangements were in place to deter and detect fraud;
 - there was an appropriate and effective risk management framework;
 - managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
 - the arrangements at the Council in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".

Options Appraisal

6. An options appraisal is not appropriate for this report.

Summary of financial implications

7. The total actual net cost, for the 2019/20 financial year, of the Internal Audit section was £672,744; compared against the budget of £699,200, this resulted in a net underspend of £26,456. These numbers were inclusive of the Head of Audit & Management Assurance who managed several other teams and an Auditor who specialises in corporate fraud investigation, detection and prevention.

Summary of legal implications

8. The Public Sector Internal Audit Standards (2017), which encompass the mandatory elements of the chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), require that the Council's Chief Audit Executive provides an annual report and opinion on the adequacy and effectiveness of the internal control environment to those charged with governance of the organisation.

Summary of human resources implications

9. There was 13.55 full-time equivalent (FTE) Internal Audit staff members employed across the Council during 2019/20 inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud investigation, detection and prevention. It is the opinion of the Chief Internal Auditor that these resources were sufficient to provide Audit & Governance Committee and the Council's Corporate Management Board with the assurances outlined in this report.

Summary of sustainability impact

10. There are no direct sustainability impact implications from this report.

Summary of public health implications

11. There are no direct public health implications from this report.

Summary of equality implications

12. There are no direct equality implications from this report.

Summary of risk assessment

13. The risk implications are set out in the content of this report.

Background papers

None

Appendices

Appendix A – Chief Internal Auditor's Annual Report & Opinion 2019/20
Including Annexe 1, 2 and 3

Chief Internal Auditor's Annual Report & Opinion 2019/20

Introduction

- 1 This annual report is produced in compliance with the Public Sector Internal Audit Standards 2017 (PSIAS). The PSIAS encompasses the mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows: Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing. The PSIAS require the Chief Internal Auditor to report annually on the adequacy and effectiveness of the internal control environment; this report covers the period 1 April 2019 to 31 March 2020.
- 2 The scope of the Council's internal control environment that the Chief Internal Auditor is required to provide an opinion on is set out in the Council's Assurance Framework. The opinion given by the Chief Internal Auditor assists the Audit & Governance Committee in forming their view on the Annual Governance Statement.

Chief Internal Auditor's Audit Opinion 2019/20

- 3 The establishment of adequate and effective control systems is the responsibility of management. Internal Audit reviews were conducted using risk-based scoping, planning and sampling methodology; consequently, not every Council activity, transaction or project has been reviewed in-year by Internal Audit. It therefore follows that the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.
- 4 Based on the work undertaken by Internal Audit during 2019/20, it is the opinion of the Chief Internal Auditor that:
 - a arrangements were in place to ensure an adequate and effective internal control environment and that where weaknesses were identified there was an appropriate action plan in place to address them;
 - b the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
 - c adequate arrangements were in place to deter and detect fraud;
 - d there was an appropriate and effective risk management framework;
 - e managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - f the Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
 - g the arrangements in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".
- 5 This opinion is based on the results of the Internal Audit work undertaken and reported upon during 2019/20. While internal control weaknesses and non-compliance with policies were identified during Internal Audit reviews, corrective actions have been agreed with

management. This willingness to respond to and correct issues raised during audit reviews is a key aspect in the Chief Internal Auditor giving an 'unqualified opinion'.

Basis of the Chief Internal Auditor's Opinion – A summary look back at work undertaken in 2019/20

Regularity Audit Work

- 6 The work of Internal Audit is designed to provide an annual opinion on the adequacy and effectiveness of the internal control environment. The work carried out in 2019/20 to provide the annual opinion was agreed by the Audit & Governance Committee.
- 7 All Service directorates were audited during 2019/20 and a high percentage (87%) of the audit plan was completed. This was slightly under the 90% target due to the impact of carrying out unplanned COVID-19 grant work in March and April 2020, however the level of work carried out on the audit plan has enabled this overall Chief Internal Auditor's opinion to still be adequately evidenced. A list of all audits completed during 2019/20 is attached at Annexe 1.
- 8 Each audit report provides an overall level of assurance on the adequacy of the management arrangements to manage the identified risks within the area reviewed. The assurance level definitions are as follows:

Assurance Level Definitions	
Substantial	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal	The control framework is generally poor as such service objectives are at significant risk.

- 9 The list of audits carried out during 2019/20 in Annexe 1 also details the assurance level given for each review. In summary, 8 'Substantial', 52 'Reasonable' and 14 'Partial' assurance level opinions were given during the year (additionally 4 consultancy reviews have been carried out during 2019/20). There were no Minimal assurance opinions given for any of the audits. The 'Partial' opinion audits were:

	Audit	High Priority recommendations to improve controls covering:
1	Adult Social Care - Mosaic Payment Processes Project	Potential duplicate payments; homecare packages uplifted with learning disability framework charge rates; provider accounts in credit monitored and cleared; residential care service users in receipt of gross payments invoiced for user contributions.
2	Adult Social Care - Partnerships (Dorset Health Care)	No framework for common performance management in place resulting in non-compliance with several partnership agreement objectives.

	Audit	High Priority recommendations to improve controls covering:
3	Inclusion & Family Learning - Financial Management (Budgetary Control & Direct Payments)	High needs block financial recovery plan (detailed operation plan of how savings are to be made); legacy Christchurch children reviewed & monitored in accordance with policy and ensuring always have direct payment (DP) agreements in place; effective financial monitoring and surplus balance recovery for DP children within legacy Poole.
4	Environment - Governance of Charities (Parks & Gardens)	Trust governance structures, trustee roles and responsibilities clarification to ensure sufficient separation between the Council's roles as a Local Authority and as a Trustee; formal service level agreement between the Council and the Trusts, Lower Central Gardens Management Plan formally agreed and to provide for sufficient separation between the Council's roles as a Local Authority and as a Trustee; Management Plan for Five Parks Trust.
5	Housing - Governance of Companies	Formal assessment of whether the Housing companies have met their aims and objectives under the legacy BBC Housing Strategy and an appraisal of delivery options; proactive Council control and oversight of BBML and SGL to demonstrate effective governance; ensure knowledge, experience and capacity within the Housing Service Unit to take on the proposed transfer of the Company Secretary role; newly-appointed Directors to undertake training to allow them to understand and comply with their roles and responsibilities; consider risk of inequality and associated legal challenge for staff employed by BBML who are subject to substantially different terms and conditions than those employed directly by the Council.
6	Communities - Poole Market	Segregation of duties for the collection, recording and banking of all income from the market.
7	Communities - Licensing	Secure storage of 'Poole Zone' hard copy application forms and supporting documentation containing sensitive personal information.
8	Law & Governance - Declaration of Interest	Consistency of the Declaration of Interest process (based on four legacy Employee Code of Conducts).
9	IT & IS - Councillors IT Equipment	Access to personal, resident or confidential data after the return of Councillors IT equipment.
10	IT & IS - Local Land Property Gazetteer (LLPG)	Ensure LLPG database meets 'Bronze' standard as set by GeoPlace (to prevent risk of fines being issued).
11	Finance - Business Continuity	Business Continuity & Emergency Planning governance framework and the business continuity strategy are not yet in place for BCP.

	Audit	High Priority recommendations to improve controls covering:
12	Organisation Development - Business Planning & Performance Management	New BCP Performance Management Framework requires approval and implementation.
13	Communities - Health & Safety	Corporate Health & Safety and Fire Safety Board attendance by all representatives; Service Directorate Health & Safety and Fire Safety meetings frequency and monitoring; legacy Christchurch area cautionary contact register data accessibility and update.
14	Organisation Development - Programme/ Project Management	Corporate change governance framework not in place resulting in risk that projects are carried out in an inconsistent manner across the Council and without an appropriate level of corporate oversight.

- 10 Regularity Audit work undertaken in 2019/20 covered a range of systems in different service areas and schools and included an audit of the Council's fundamental financial systems, including Main Accounting, Creditors, Debtors, Payroll, Housing Rents, Housing Benefits, Treasury Management, Council Tax and NDR systems as set out in Annexe 2.
- 11 The Council's assurance map set out at Annexe 3 has been populated to show Internal Audit coverage during 2019/20 over the significant risks facing the Council.
- 12 Recommendations were made throughout the year across all service areas and schools and action plans detailing management actions to mitigate the risks and control weaknesses identified have been agreed in all cases.
- 13 For all audits finalised during the period April 2019 to March 2020, a total of 517 recommendations were made. 100% of these recommendations have been accepted by management. The establishment of robust follow-up procedures has provided assurance that the implementation of audit recommendations is high; the current position on the implementation of high priority recommendations is 85%.
- 14 Outstanding actions in response to recommendations have been noted; the majority of these outstanding actions relate to longer term improvements, those with target dates not yet reached, and those actions for which other priorities or service needs have necessitated a revised implementation date to be agreed. It has therefore not been necessary to instigate the audit recommendation escalation policy agreed with the Audit & Governance Committee.
- 15 Auditees score individual areas of the audit process resulting in a combined total client satisfaction score (100% Very Satisfied, 75% Satisfied, 50% Dissatisfied, 25% Very Dissatisfied). The auditee satisfaction score for 2019/20 of 85% exceeded the target of 75%, illustrating a high level of satisfaction with the way in which audits are conducted.

Counter Fraud Work

- 16 Counter Fraud work was undertaken during 2019/20 to improve the Council's arrangements for combating fraud & corruption. This work included targeting fraud risk areas such as creditor payments, cash income, petty cash, NDR small business rate relief, recourse to public funds and also tackling high value external fraud against the Council.
- 17 Internal Audit have provided specialist investigative resource to support management with high risk fraud areas (housing applications/tenancies, right to buy and blue badges). Time was also spent on coordinating the Cabinet Office National Fraud Initiative (NFI) data matching exercise.

- 18 Proportionate investigations were undertaken during the year in response to every identified or suspected case of financial irregularity.
- 19 The outcomes of this counter fraud work (including concluded investigations and NFI results) are incorporated into the Internal Audit Counter Fraud Work and Whistleblowing Referrals annual report which was presented to the October 2020 Audit & Governance Committee meeting.

Risk Management Framework

- 20 An annual audit review of the key assurance function Risk Management was carried out and resulted in an 'Reasonable' audit opinion, demonstrating the adequacy of the risk management framework. The Audit and Governance Committee receive, on a quarterly basis, an update on the Council's corporate risk register.

Governance Work

- 21 A BCP Local Code of Governance was in place from 1 April 2019. An update to the Local Code is being taken to this Committee meeting as part of the Annual Governance Statement report.
- 22 Progress made against actions arising from the 2018/19 Annual Governance Statement (AGS) has been reviewed and presented to the Audit & Governance Committee in 2019/20.
- 23 Work has been undertaken to compile the 2019/20 AGS for inclusion in the Council's statement of accounts. As part of the review Service Directors have evaluated the adequacy and robustness of their management controls via the completion of Management Assurance Statements.

Compliance with Professional Standards

- 24 From 1 April 2013, the Public Sector Internal Audit Standards came into effect. The PSIAS apply the IIA International Standards to the UK Public Sector. Under standard 1310, the Council must ensure that it puts in place a quality assurance and improvement programme in respect of Internal Audit, which must include both internal and external assessments. An external assessment is required to take place within 5 years of the effective date of the PSIAS.
- 25 An annual internal self-assessment has been carried out which demonstrated all standards were met. Independence and objectivity have been maintained at all times, in accordance with the standards.
- 26 In order for technical compliance with the PSIAS an external review of the Internal Audit Section is required to be undertaken every 5 years. Options for the external assessor were presented to the Audit & Governance Committee earlier in the year and plans were in place to procure a provider and CIPFA were the preferred provider. COVID-19 work volume and budgetary pressures put this aspiration temporarily on hold. CIPFA are now re-engaged and a revised timetable of agreeing the assessment in quarter 1, 2021/22 is being agreed.
- 27 CIPFA has produced a publication "The Role of the Head of Internal Audit in Public Sector Organisations". This document demonstrates the Head of Internal Audit's (HIA) critical role in delivering the organisation's strategic objectives. An annual assessment has been carried out in respect of the five principles contained in this document, which states that the HIA:
- a should promote good governance, assess the adequacy of governance and management of existing risks, and advise on proposed developments;
 - b should give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - c must be a senior manager with regular and open engagement across the organisation with the Leadership Team and the external auditor;

- d must lead and direct an internal audit service that is resourced to be fit for purpose; and
- e must be professionally qualified and suitably experienced.

28 The Chief Finance Officer (CFO) has confirmed, through regular 1:1 meetings and a formal annual appraisal, that the Council's Chief Internal Auditor is compliant with all of these five principles.

Conclusion

29 It is the opinion of the Chief Internal Auditor that the Internal Audit Team complies with professional standards and has completed sufficient and appropriate work to provide assurance on the adequacy and effectiveness of the Council's internal control environment.

Appendices

Annexe 1	2019/20 Audits Completed
Annexe 2	Key Financial System Audit Opinions
Annexe 3	Internal Audit Assurance Map 2019/2020

Annexe 1: 2019/20 Audits Completed

	Service Area	Audit	Assurance Opinion
	SERVICE UNIT AUDITS		
1	Adult Social Care	Debt Management Review (inherited legacy BoP system)	Reasonable
2	Adult Social Care	Debt Management Review (inherited legacy BBC system)	Reasonable
3	Adult Social Care	Partnerships KAF – Dorset Health Care	Partial
4	Adult Social Care	ASC Finance Review Project	Consultancy
5	Adult Social Care	Mosaic Payment Processes Project	Partial
6	ASC Commissioning	Moving on from Hospital s75 Funding Agreement	Reasonable
7	Public Health	CFO Statement of Assurance: Ring Fenced PH Grant	Reasonable
8	Children's Social Care	Out of Hours Service	Reasonable
9	Children's Social Care	Aspire Adoption	Reasonable
10	Children's Social Care	Private Fostering	Consultancy
11	Quality & Commissioning	Procurement (Contracts Register)	Substantial
12	Inclusion & Family Learning	Financial Management (Budgetary Control & Direct Payments)	Partial
13	Inclusion & Family Learning	Virtual School - Pupil Premium Reform	Consultancy
14	Childrens Services	GDPR (follow up)	Reasonable
15	Childrens Services	ICT Systems Applications	Reasonable
16	Growth & Infrastructure	Car Parks	Reasonable
17	Development	Asset Management	Reasonable
18	Development	Investment Strategy	Reasonable
19	Destination & Culture	Arcade	Reasonable
20	Destination & Culture	Adult Education	Reasonable
21	Destination & Culture	Seafront Cash Income	Reasonable
22	Destination & Culture	Libraries administration (Income)	Reasonable
23	Environment	Governance of Charities (Parks & Gardens)	Partial
24	Environment	Parks Asset Management and Health & Safety	Reasonable
25	Environment	Parks Cash Income	Reasonable
26	Environment	Kings Park Nursery Cash Income	Reasonable
27	Environment	Cash Income (Parks Catering/Boscombe Mini Golf, QP Golf Club)	Reasonable
28	Housing	Governance of Companies	Partial
29	Communities	Poole Market	Partial
30	Communities	Licensing	Partial
31	Communities	CCTV	Reasonable
32	Law & Governance	Declaration of Interest	Partial
33	IT & IS	Councillors IT Equipment	Partial
34	IT & IS	Local Land Property Gazateer	Partial
35	IT & IS	Commissioning and Install of IT Equipment	Substantial
36	IT & IS	System Application Access Across BCP Networks	Substantial
37	Organisation Development	Social Media	Reasonable

	Service Area	Audit	Assurance Opinion
38	SVPP	GDPR & Information Governance	Reasonable
	KEY ASSURANCE FUNCTION AUDITS		
39	Development	Asset Management	Reasonable
40	Finance	Business Continuity	Partial
41	Organisation Development	Business Planning & Performance Management	Partial
42	Finance	Financial Management	Reasonable
43	Communities	Health & Safety	Partial
44	Organisation Development	Human Resources	Reasonable
45	IT & IS	ICT Policies	Reasonable
46	Law & Governance	Information Governance	Reasonable
47	Organisation Development	Programme/ Project Management	Partial
48	Finance	Risk Management	Reasonable
49	Finance	External Arrangements	Consultancy
	KEY FINANCIAL SYSTEMS AUDITS		
50	Finance	Council Tax	Reasonable
51	SVPP	Council Tax	Reasonable
52	Finance	Non-Domestic Rates	Reasonable
53	SVPP	Non-Domestic Rates	Substantial
54	Finance	Housing Benefits	Substantial
55	SVPP	Housing Benefits	Substantial
56	Finance	Debtors	Reasonable
57	Finance	Cashiering Services	Substantial
58	SVPP	Cashiering Services	Substantial
59	SVPP	Social Care Financial Assessments	Reasonable
60	Finance	Payroll	Reasonable
61	Finance	Treasury Management	Reasonable
62	Housing & Communities	Housing Rents	Reasonable
	SCHOOL AUDITS		
63	Inclusion & Family Learning	St Edwards	Reasonable
64	Inclusion & Family Learning	Hillbourne	Reasonable
65	Inclusion & Family Learning	Christchurch Learning Centre	Reasonable
66	Inclusion & Family Learning	Christchurch Infant School	Reasonable
67	Inclusion & Family Learning	Mudeford Junior School	Reasonable
68	Inclusion & Family Learning	Mudeford Community Infants School	Reasonable
69	Inclusion & Family Learning	Somerford Primary Community School	Reasonable
70	Inclusion & Family Learning	St Joseph's Catholic VA Primary School	Reasonable
71	Inclusion & Family Learning	Highcliffe St Mark Primary School	Reasonable
72	Inclusion & Family Learning	Burton CE Primary School	Reasonable
73	Inclusion & Family Learning	The Priory CE VA Primary School	Reasonable
	COUNTER FRAUD AUDITS		

	Service Area	Audit	Assurance Opinion
74	Finance\SVPP	NDR SBR Relief Data Match	Reasonable
75	Finance	Creditor Duplicate Payments	Reasonable
76	All service areas	Cash Income	Reasonable
77	All service areas	Petty Cash	Reasonable
78	Adult Social Care	Recourse to Public Funds	Reasonable

Audits Being Carried Out Across 2019/20/21			
	Service Area	Audit	
79	Finance	Creditors	
80	SVPP	Debtors	
81	ASC Commissioning	Performance Monitoring	
82	Environment	Fleet Management	
83	Environment	Cash Income (Waste & Recycling Centres)	
Audits Deferred For Consideration In 2020/21			
	Service Area	Audit	Comment/ rationale
84	Adult Social Care	Adult Safeguarding	Requested deferral by ASC Corporate Director due to ongoing review of corporate safeguarding arrangements.
85	Adult Social Care	Social Services Financial Assessments	Delayed due to staffing/resources issues in financial assessments team and implementation of new IT system.
86	ASC Commissioning	ASC Commissioning - Volunteer Organisation contract Management	ASC Director group agreed revised scope to cover contractual arrangements over use of volunteers to be carried out in 2020/21.
87	ASC Commissioning	Micro Commissioning Project	ASC Director Group requested delay until 2020/21 (when projects available to review).
88	Childrens Services	Health & Safety	Audit delayed in March due to COVID-19 work
89	Finance	Procurement	Audit delayed in March due to COVID-19 work
90	Housing	Lifeline / Telecare Services	Request from management to delay until quarter one 2020/21 (due to staffing issues).
91	Housing	Asset Management - Facilities Management	Audit delayed in March due to COVID-19 work
92	Quality & Commissioning	Commissioning ART	Requested deferral by Childrens Corporate Director due to ongoing restructure of service.
93	Public Health	Governance Arrangements and VFM Outcomes Framework	Audit delayed in March due to COVID-19 work

Annexe 2: Key Financial Systems Opinions

Assignment Title	Service Area	2019/20 Opinion	2018/19 Opinion	2017/18 Opinion
Council Tax	Finance	Reasonable	Reasonable	Substantial
Council Tax	SVPP	Reasonable	Reasonable	Reasonable
NDR	Finance	Reasonable *	Substantial	Substantial
NDR	SVPP	Substantial	Substantial	Substantial
Housing Benefits	Finance	Substantial	Substantial	Substantial
Housing Benefits	SVPP	Substantial	Reasonable	Reasonable
Debtors	Finance	Reasonable	Reasonable	Reasonable
Debtors	SVPP	2019/20/21 Audit	Reasonable	Reasonable
Main Accounting	Finance	Reasonable	Reasonable	Reasonable
Creditors	Finance	2019/20/21 Audit	Partial	Reasonable
Payroll	Finance	Reasonable	Reasonable	Substantial
Treasury Management	Finance	Reasonable**	Substantial	Substantial
Housing Rents	Housing	Reasonable	Reasonable	Partial
Cashiering Services	Finance (Christchurch)	Substantial	-	-
Cashiering Services	SVPP	Substantial	Reasonable	Reasonable
Social Services Financial Assessments	Adult Social Care	c/fwd to 20/21	-	-
Social Services Financial Assessments	SVPP	Reasonable	Reasonable	Reasonable

Notes

*NDR (Finance) - Recommendations were made to improve controls over NNDR write-offs and credit balances

**Treasury Management - Recommendations were made to improve controls over monitoring reports, compliance with the Treasury Management Policy, payment system access controls and authorisation guidance for officers.

Annexe 3

BCP Internal Audit Assurance Map 2019/20

INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Internal Audit	<ul style="list-style-type: none"> All Service Directorates audited during 2019-20 78 out of 93 Audits completed (see Annexe 1 for list of audits) and 5 carried out across 19/20/21. 8 Substantial, 52 Reasonable and 14 Partial Assurance Level opinions were given during the year (4 consultancy) There were no Minimal assurance opinions
Procurement	<ul style="list-style-type: none"> Internal Audit review of Procurement ongoing across 2019/20/21. No significant concerns raised to date See separate Annual Report on Breaches and Waivers reported to this committee in July 2020.
Risk Management	<ul style="list-style-type: none"> Legacy Council's Corporate Risk Management Strategies and frameworks in place Regular risk management reporting took place during the year to Audit & Governance Committee and Senior Management Audit review carried out on current arrangements for risk management ('Reasonable' audit opinion)
Financial Management	<ul style="list-style-type: none"> Regular reporting took place in year to Cabinet and Council Internal Audit review of Main Accounting system undertaken during the year ('Reasonable' audit opinion)
Business Continuity	<ul style="list-style-type: none"> Regular reporting took place during the year on corporate emergency planning arrangements to Audit & Governance Committee Corporate Resilience Strategy is in place Audit review carried out on current arrangements for business continuity. Business continuity & emergency planning governance framework and the business continuity strategy are not yet in place for BCP, resulting in 'Partial' audit opinion.
Information Communication Technology	<ul style="list-style-type: none"> Audit reviews carried out on several IT & IS service areas during the year with the following opinions: System Application Access Across BCP Networks (Substantial), Commissioning & Install of IT Equipment (Substantial), ICT Policies (Reasonable), Councillors IT Equipment (Partial), Local Land Property Gazetteer (Partial).
Asset Management	<ul style="list-style-type: none"> Internal Audit carried out an annual assurance review on Asset Management ('Reasonable' audit opinion)



INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Counter Fraud	<ul style="list-style-type: none"> Audit assignments carried out during 2019/20 have considered the risk of fraud Corporate Fraud Officer has provided support to service units on high risk external fraud areas (including housing allocation/tenancy) Several investigations carried out and recommendations made to improve controls Participation in National Fraud Initiative (NFI) data matching exercise
Information Governance	<ul style="list-style-type: none"> Information Governance Board in place. Internal Audit carried out an annual assurance review of Information Governance resulting in 'Reasonable' audit opinion.
Project & Programme Management	<ul style="list-style-type: none"> Audit review carried out on corporate arrangements for the management of projects and programmes. Corporate change governance framework not in place resulting 'Partial' audit opinion.
Human Resources	<ul style="list-style-type: none"> Audit review carried out on corporate Human Resources arrangements covering policies and mandatory training ('Reasonable' audit opinion)
Health & Safety	<ul style="list-style-type: none"> Detailed reporting of arrangements to Audit & Governance Committee in the year Internal Audit carried out an annual assurance review. Recommendations made to improve arrangements over Corporate Health & Safety and Fire Safety Board attendance, Service Directorate Health & Safety and Fire Safety meetings and the legacy Christchurch area Cautionary Contact Register, resulting in 'Partial' audit opinion.
Business Planning & Performance Management	<ul style="list-style-type: none"> Audit review carried out on corporate arrangements for business planning & performance management. New BCP Performance Management Framework requires approval and implementation resulting in 'Partial' audit opinion.
Management Assurance Statements	<ul style="list-style-type: none"> Received from all Service Directors Any potential significant issues raised were considered for inclusion on the Annual Governance Statement.
EXTERNAL SOURCES OF ASSURANCE	
External Audit	
External Reviews & Inspections	
Regularity Bodies	
Quality / Accreditation Schemes	
External Benchmarking	
Peer Reviews	

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AUDIT AND GOVERNANCE COMMITTEE



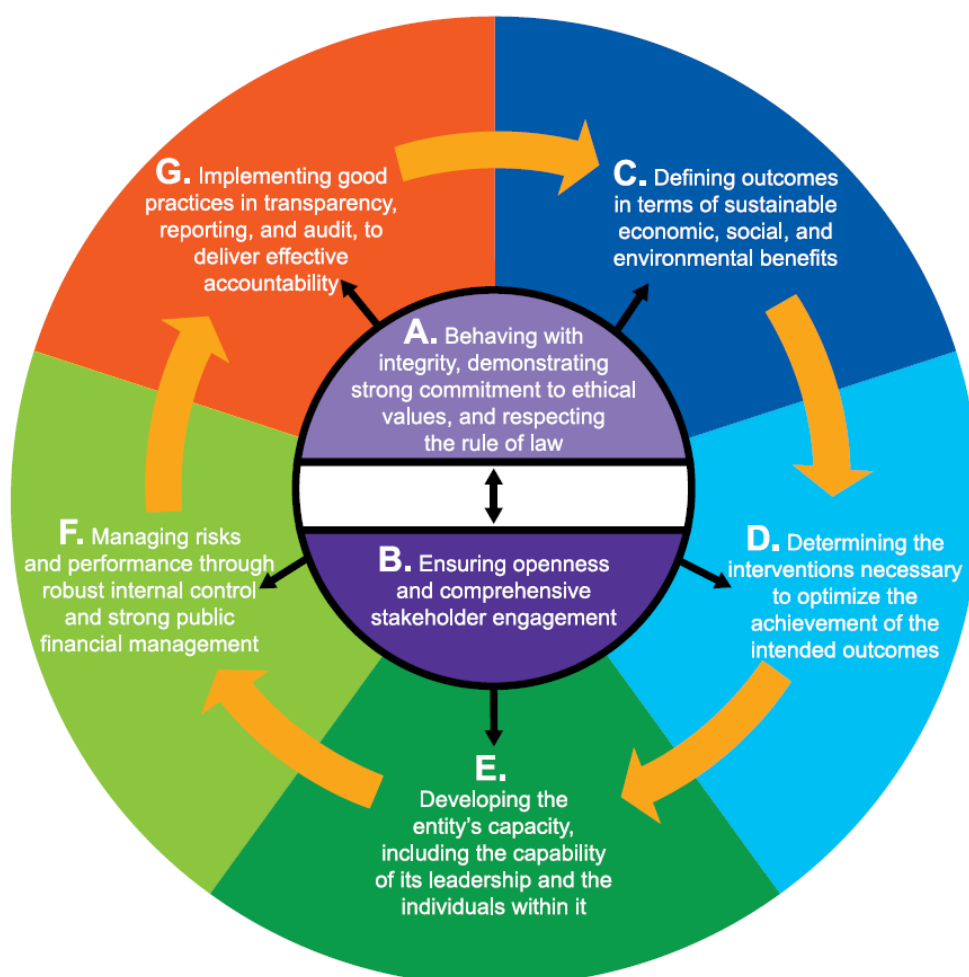
Report subject	Annual Governance Statement 2019-2020
Meeting date	26 November 2020
Status	Public Report
Executive summary	<p>The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>This report seeks approval for the AGS for BCP Council.</p> <p>The AGS concludes that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”.</p> <p>After considering all the sources of assurance (for governance arrangements), BCP Corporate Management Board identified that the following significant governance issues existed:</p> <ul style="list-style-type: none"> • Governance of Children’s Social Services • Adjustments to the Highways Register • Governance Arrangements with Wholly Owned Companies, Lower Gardens and Five Parks Charitable Trusts, BH Live and Russell Cotes Museum • Minor Omission to make available for public inspection the draft Annual Governance Statement in June 2019 <p>An action plan to address these significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit and Governance Committee in January 2021.</p> <p><small>*and as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020</small></p>
Recommendations	<p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> The Annual Governance Statement 2019/20 for BCP Council is approved and the Leader and Chief Executive are asked to formally sign it The BCP action plan to address significant governance issues is approved and a progress update will be presented to Audit & Governance Committee in January 2021.

Reason for recommendations	The Accounts and Audit Regulations 2015 require authorities to conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's Statement of Accounts.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard Head of Audit & Management Assurance  nigel.stannard@bcpCouncil.gov.uk Ruth Hodges  ruth.hodges@bcpCouncil.gov.uk Audit Manager
Wards	All
Classification	For Decision

Background

1. The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. BCP Council's Local Code of Governance describes the Council's governance framework using the seven principles of governance identified by best practice, shown in diagram 1 below.
4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The AGS is published with the Council's Statement of Accounts and is required to be signed by the Chief Executive and Leader, who must be satisfied that the document is supported by reliable evidence. It is reviewed by External Audit as part of the 2019/20 Audit. The Audit & Governance Committee is required to review the AGS and monitor the Council's response to the issues identified in the action plan.

Diagram 1, taken from the 'International Framework: Good Governance in the Public Sector'



Process for Compiling the AGS

6. The AGS is compiled from a wide range of evidence sources across the Council, including in-year elements and a year-end assessment which includes:
 - a. Service Unit Annual Management Assurance Statements (MAS);
 - b. Strategic Director Assurance Statements (DAS);
 - c. Internal documentation and reports such as those reported during the year to the Audit / Audit & Governance Committee (for example, the Corporate Risk Register, Breaches, Waivers and Exemptions, and Fraud, Corruption & Whistleblowing reports);
 - d. Chief Internal Auditor's Annual Report and Opinion 2019/20 (reported separately to this Committee);
 - e. Findings from internal and external reports (such as those from the external auditor, OFSTED and peer reviews);
 - f. A follow up of the previous year's AGS Action Plan; and
 - g. Consideration of any matters arising from the public inspection period where the draft Statement of Accounts (including the AGS) are made available.

7. A range of potential issues was identified during the evidence gathering process and was considered by BCP's Corporate Management Board (CMB). CMB recognise whether an issue constitutes a significant governance issue is one of judgement rather than fact, however, the criteria below provides a framework for those judgements:
- has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
 - has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
 - has/may led to a material impact on the accounts;
 - has/may attract significant public interest or has/may seriously damage the reputation of the Council;
 - has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or
 - has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion and areas requiring improvement

8. The AGS concludes that BCP Council **"for the year ended 31st March 2020 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework."**
9. Whilst overall governance arrangements are considered sound, the Council has identified **four significant governance issues** where governance arrangements require strengthening as follows:
- **Governance of Children's Social Services**
 - **Adjustments to the Highways Register**
 - **Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors**
 - **Minor Omission to make available for public inspection the draft Annual Governance Statement in June 2019**
10. One of these issues, Governance of Children's Social Services, was included as a significant governance issue in the legacy Bournemouth Borough Council (BBC) Annual Governance Statement in 2018/19. Whilst significant progress has been made, areas for further improvement remain, and therefore it has been included in the AGS for 2019/20.
11. Three new significant governance issues were agreed by CMB, which were:
- Adjustments to the Highways Register** – an amendment seeking a reduction to the Highways Register was made without use of a stopping up order which resulted in an incorrect amendment. The issue has been addressed and arrangements in place to ensure all future reductions to the Highways register are correctly made.
 - Governance Arrangements with Key Partners, Wholly Companies, Trusts, and Contractors** – A range of governance considerations were identified during the first year of BCP Council, including roles and responsibilities of key officers and councillors, potential or perceived conflicts

of interests, and decision making. As a result, BCP Council recognises that it needs to ensure that its governance arrangements with the above organisations are sufficiently robust and fit for purpose.

- c. **Minor Omission to make available for public inspection the draft Annual Governance Statement in June 2019** – the 2018/19 AGS was not included with the statement of accounts during the public inspection period as required by the Accounts and Audit Regulations 2015. This has been addressed for this and future years, and the report of the interim Monitoring Officer to Council on 15th September (agenda item 11) explains this in more detail.

- 12. An action plan to address these issues has been put in place and high-level progress against these actions will be reported to Audit and Governance Committee during the coming year. Two issues, a) and c) in paragraph 11 above (Adjustment to the Highway Register and Public Inspection of the draft AGS), have already been addressed and processes have been embedded to prevent any recurrence. Consequently, these two elements do not feature in the action plan.
- 13. In considering potential significant governance issues and adequacy of the Council's governance arrangements, CMB reflected on the following two issues in particular. They have both had significant impacts and necessitated some changes to governance arrangements but did not represent or cause a significant governance weakness. As such, CMB considered it was appropriate that they were included by way of commentary in the AGS:

a. Impact of COVID-19

BCP Council considers that its governance framework has remained fit for purpose during the COVID-19 epidemic. It swiftly implemented robust governance arrangements to manage the impacts of the epidemic, such as daily meetings of the Corporate Incident Management Team in the initial stages.

The Council also ensured that it maintained effective governance of 'business as usual' activities during this time, and where necessary, developed alternative arrangements to ensure governance was maintained. For example, arrangements were put in place to maintain local democracy, through holding committee meetings online, to allow key decisions to be taken and for public participation.

Whilst there has inevitably been an effect, particularly on the speed of delivery of planned improvements and financial impacts, the Council continues to maintain solid governance across the organisation.

b. Legacy Governance Arrangements

When BCP Council was formed on 1st April 2019, its key governance structures, such as its Constitution, legal framework and democratic arrangements were operational from day 1. However, as reflected in the Local Code of Governance, the Council chose to continue to operate a number of legacy policy arrangements during the year. These included, for example, business planning, performance management, HR policies and risk management. Whilst the Council continues to introduce BCP specific policies, such as the Declaration of Interests, Gifts and Hospitality Policy, it does not consider that reliance on legacy policies is a significant governance weakness, and appropriate policies and processes are in place. The Council remains focused on introducing BCP specific policies.

14. CMB considered a range of issues and determined that whilst there were risks and some minor weaknesses (including governance), the following did not meet the definition of a significant governance issue and therefore did not warrant inclusion on the AGS:

a. Budgetary Monitoring

CMB recognised that in some parts of the Council, in particular where there were complex restructures, budget monitoring was not always timely or directed to the most appropriate level of management. CMB considered that this did not meet the criteria set out in paragraph 7 above.

b. Localised Incidences of Fraud

BCP Council, as is the case with all large and diverse organisations, does experience isolated cases of fraud, theft and wrongdoing, perpetrated by both employees and third parties. Governance arrangements dictate that Internal Audit are involved in investigating each case, resolving any control weaknesses and reviewing the effectiveness of those controls. This culminates in an annual report to Audit and Governance Committee. Consequently, CMB considers that robust governance arrangements exist and therefore this issue does not meet the criteria set out in paragraph 7 above.

c. High Needs Element of the Dedicated Schools Grant Block

This is a significant budgetary risk to the Council, however, the appropriate governance is in place, for example, inclusion on the Corporate Risk Register, regular reporting to appropriate Committees and the actions of the service and Finance. Therefore, CMB considered that this did not meet the criteria set out in paragraph 7 above.

15. Information Governance, which was included on both legacy Bournemouth Borough Council and Borough of Poole Council's 2018/19 AGS, is no longer considered a significant governance issue and has not been included in the 2019/20 AGS, as improved arrangements were embedded at BCP Council during the year.

BCP Council – Local Code of Governance

16. The BCP Local Code of Governance was agreed by the Shadow Authority in February 2019 and so was in place from 1st April 2019. Due to the evolution of governance arrangements during the year, as new BCP governance arrangements were developed, an update was brought to Audit and Governance Committee in October 2019. A further update to reflect development of BCP specific arrangements is attached in Appendix B for information only.

Options Appraisal

17. An options appraisal is not applicable for this report.

Summary of financial implications

18. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.

Summary of legal implications

19. The Accounts and Audit Regulations 2015 require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of human resources implications

20. There are no direct human resources implications from this report.

Summary of sustainability impact

21. There are no direct sustainability impacts from this report.

Summary of public health implications

22. There are no direct public health implications from this report.

Summary of equality implications

23. There are no direct equality implications from this report.

Summary of risk assessment

- 24. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.
- 25. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background papers

None

Appendices

Appendix 1 – BCP Council AGS 2019/20

Appendix 2 – Local Code of Governance (October 2020 update)



BCP COUNCIL ANNUAL GOVERNANCE STATEMENT 2019/20

Author: Nigel Stannard, Head of Audit & Management Assurance

Date: September 2020

Scope of Responsibility

- 1 BCP Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for, and used economically, efficiently and effectively.
- 2 In discharging this overall responsibility, BCP Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.
- 3 BCP Council has adopted a Local Code of Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this Code will be made available on the Council's website.
- 4 The Annual Governance Statement explains how BCP Council complied with the Code and met the requirements of regulation 6 (1 & 2) and 10 (1) of the Accounts and Audit Regulations 2015 (and as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) in relation to the preparation, approval and publication of an annual governance statement.

The Purpose of the Governance Framework

- 5 The governance framework comprises of the systems and processes, culture and values by which the authority is directed and controlled, and by which it accounts to, engages with and lead its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It could not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control 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 and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 7 BCP Council had a governance framework in place from its inception on 1st April 2019 and for the year ended 31st March 2020 and up to the date of the approval of the Statement of Accounts. As a new Council, governance arrangements are continually being adapted and improved during the year, as there was a move away from legacy to BCP arrangements.

Review of Effectiveness of the Governance Framework

- 8 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
- 9 The review considers both in-year, continuous elements and year-end review processes to consider its effectiveness.

- 10 The in-year, continuous elements process applied by the Council in maintaining and reviewing the effectiveness of the governance framework during the 2019/20 financial year included the following:
- Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, and Standard Committee, operating in line with the Council's Constitution
 - The Audit and Governance Committee which provides independent assurance to the Council on the effectiveness of governance arrangements, risk management and the internal control environment
 - Established arrangements for senior officers to meet as part of Corporate Management Board, Transformation Board and Directors Strategy Group
 - Regular meeting of Statutory Officers Group, which comprises the Chief Executive, Monitoring Officer and Chief Financial Officer (CFO)
 - The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements is set out in the Council's Constitution. The Council's financial management arrangements conform to the governance requirements of the *CIPFA Statement of the Role of the Chief Financial Officer in Local Government* (2016). The Head of Finance is designated as the Council's CFO
 - The Council's assurance arrangements also conformed to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2019). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit
 - The Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it was lawful, up to date and fit for purpose
 - The Council reached a good level of performance against the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption'. This means the organisation had put in place effective arrangements across many aspects of the counter-fraud code and took taking positive action to manage its risks
 - Internal Audit, who provide an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems
 - External reviews and inspections, the results of which are reported and acted upon as appropriate. This included, for example, the Ofsted focused visit looking at arrangements for planning and achieving permeance for children in care.
 - Regular scrutiny of financial monitoring reports by councillors and officers
- 11 In addition, a year end assessment of the effectiveness of the governance arrangements was undertaken, using sources of evidence including:
- Completion of Management Assurance Statements by all service directors
 - Completion of Directors Assurance Statements by all corporate directors
 - Internal Audit documentation and reports
 - Chief Internal Auditor's Annual Report
 - Findings from internal and external reports
 - Follow up of the previous year's AGS action plan resulting from the legacy Councils' Annual Governance Statements

Evaluation, Conclusion and Significant Governance Issues

- 12 Follow reviewing and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31st March 2020 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework.**

- 13 In considering the effectiveness of the governance arrangements this year, the Council's Corporate Management Board reflected on the following issues:

a. Impact of Covid-19

BCP Council considers that its governance framework has remained fit for purpose during the Covid-19 pandemic. It swiftly implemented robust governance arrangements to manage the impacts of the pandemic, such as daily meetings of the Corporate Incident Management Team in the initial stages.

The Council also ensured that it maintained effective governance of 'business as usual' activities during this time, and where necessary, developed alternative arrangements to ensure governance was maintained. For example, arrangements were put in place to maintain local democracy, through holding committee meetings online, to allow key decisions to be taken and for public participation.

Whilst there has inevitably been an effect, particularly on the speed of delivery of planned improvements and financial ramifications, the Council continues to maintain solid governance across the organisation.

b. Legacy Governance Arrangements

When BCP Council was formed on 1st April 2019, its key governance structures, such as its Constitution, legal framework and democratic arrangements were operational from day 1. However, as reflected in the Local Code of Governance, the Council chose to continue to operate a number of legacy policy arrangements during the year. These included, for example, business planning, performance management, HR policies and risk management. Whilst the Council continues to introduce BCP specific policies, such as the Declaration of Interests, Gifts and Hospitality Policy, it does not consider that reliance on legacy arrangements is a significant governance weakness, and appropriate policies and processes are in place. The Council remains focused on introducing BCP specific policies.

- 14 BCP Council inherited two significant governance issues from the legacy Councils' 2018/19 Annual Governance Statements. These were Information Governance (legacy Bournemouth Borough Council and Borough of Poole) and Ofsted – Inspection of Children's Social Services (legacy Bournemouth Borough Council).
- 15 These significant governance issues were carried over for action and monitoring by BCP Council in 2019/20. Good progress has been made against implementing these actions, and Information Governance is no longer considered a significant governance issue. The remaining issue in Children's Social Services has seen significant improvements, with further improvement identified still to be fully implemented and embedded, therefore it has been included in the AGS for 2019/20. A more detailed update against each is included below:

2018/19 Issue (as inherited by BCP Council)	2019/20 Update
<p>Information Governance (legacy Bournemouth Borough Council and legacy Borough of Poole Council)</p> <p>Some elements of GDPR* have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.</p> <p><i>*General Data Protection Regulation</i></p>	<p>Work continues to embed Information Governance (IG) arrangements at BCP Council. Service Directors are now in place and are the Information Asset Owners for their service areas. The IG Team have recently undertaken work to establish the Information Asset Advisors for all service units. Information asset registers continue to be enhanced and refined following restructures and changes to systems. The IG Board met during the year and agreed the IG team are responsible for compliance checks.</p> <p>The 2019/20 Internal Audit report provided 'reasonable assurance' on the Information Governance function, and service are committed to implementing the recommendations made.</p> <p>Therefore, Information Governance is no longer considered a 'significant governance issue' for BCP Council.</p>
<p>Ofsted – Inspection of Children’s Social Services (legacy Bournemouth Borough Council)</p> <p>The outcome of the Bournemouth Ofsted inspection of Children’s Social Services in July 2018 was inadequate / requires improvement*, and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children’s Services Overview & Scrutiny Panel.</p> <p><i>*Both Bournemouth Borough Council (BBC) and Borough of Poole (BoP) were assessed overall as ‘requires improvement’ in their last Ofsted inspections. However, BBC was assessed as being ‘inadequate’ in relation to the Leadership and Management judgement only.</i></p>	<p>The issues raised in the legacy Bournemouth Ofsted report helped inform the Children’s Services Development Improvement Plan. Improvements against the plan were made during the year and monitored by children’s services directorate management board, through the Chief Executive’s leadership and governance of the risk register, and periodically through the Children’s Services Overview and Scrutiny Committee.</p> <p>Action has been taken to improve both the governance of service delivery and of the improvement plan. Clear lines of accountability have been established to ensure that there is a clean 'line of sight' to the performance and quality of services. This ensures that any issues that are identified are visible to strategic leaders, including Councillors, at the earliest opportunity. A challenging and supportive model has been developed by leaders to drive up standards and ensure compliance with statutory and regulatory standards.</p> <p>Significant improvements were made during the year, such as harmonisation of the social work, Special Educational Needs and Disabilities (SEND) and early help structures, a new quality assurance and learning framework, a strong workforce plan to address recruitment and retention, and the set up of a safeguarding service creating a new system-wide approach to addressing child exploitation (which went live May 2020).</p> <p>However, a number of internal and external reviews during 2019/20, together with the new Corporate</p>

	<p>Children's Director of Children's Services, were able to identify areas for further improvement.</p> <p>For example, in November, an Ofsted focused visit on permanency made five key recommendations, and a peer review in February 2020 of virtual school highlighted four key areas for improvement. A 'Partners in Practice' review of Front Door in May 2019 and a BCP hosted pan-Dorset multi-agency piece of work to define what a good Multi-Agency Safeguarding Hub (MASH) looked like took place in early 2020 has led to improvements.</p> <p>The Learning and Improvement Plan (LIP) was produced in February, incorporating the previous Development Improvement Plan. It reflects the 3 key priority areas; 1-Children who need help and protection, 2-Children in care and achieving permanence, 3-Leadership, Management and Governance, with 38 improvement objectives to focus on good outcomes for BCP Children and families.</p> <p>As at 30 June 2020, of the 38 LIP objectives; 7=Red (needs escalating), 27=Amber (manageable), 4=Green (on track)</p> <p>A robust performance management framework has been implemented. Performance is monitored via the Quality Improvement & Performance Board (QPIB), a Performance Surgery group every 6 weeks and children's directorate management board, where performance or LIP objectives are showing exceptions (high or lower than expected), exception reports are submitted to QPIB by lead managers.</p> <p>This remains a significant governance issue for the 2019/20 AGS and has been retitled 'Governance of Children's Social Services' – see Table 1 below for details of current issues and action plan.</p>
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16 In conclusion, whilst overall governance arrangements are considered sound, the Council has identified **four significant governance issues** as follows:

- **Governance of Children's Social Services**
- **Adjustments to the Highways Register**
- **Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors**
- **Minor Omission to make available for public inspection the draft Annual Governance Statement in June 2019**

- 17 The following criteria was used to help evaluate significant governance issues:
- a) The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
 - b) The governance issue may, or has, result/ed in a need to seek additional funding to allow it to be resolved, or may, or has, result/ed in a significant diversion of resources from another service area;
 - c) The governance issue may, or has, led to a material impact on the accounts;
 - d) The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
 - e) The governance issue may, or has, be/en publicly reported by a third party (e.g. external audit, Information Commissioner's Office) as a significant governance issue;
 - f) The governance issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 18 Details of the concerns relating to all the governance issues identified, together with an action plan including target dates, are included on Table 1 below, for each of the four significant governance issues identified.

Table 1 - 'Significant Governance Issues' and Action Plan

61	<p>1 Governance of Children's Social Services</p> <p>Significant improvements were made during the year, such as harmonisation of the social work, SEND and early help structures, a new quality assurance and learning framework, a strong workforce plan to address recruitment and retention, and the set up of a safeguarding service creating a new system-wide approach to addressing child exploitation (which went live May 2020).</p> <p>However, a number of internal and external reviews during 2019/20, together with the new Corporate Children's Director of Children's Services, were able to identify areas for further improvement.</p> <p>For example, in November 2019, an Ofsted focused visit on permanency made five key recommendations, and a peer review in February 2020 of virtual school highlighted four key areas for improvement. A 'Partners in Practice' review of Front Door in May 2019 and a BCP hosted pan-Dorset multi-agency piece of work to define what a good MASH looked like took place in early 2020 has led to improvements.</p> <p>The Learning and Improvement Plan (LIP) reflects the 3 key priority areas; 1-Children who need help and protection, 2-Children in care and achieving permanence, 3-Leadership, Management and Governance, with 38 improvement objectives to focus on good outcomes for BCP Children and families.</p> <p>As at 30 June 2020, of the 38 LIP objectives; 7=Red (needs escalating), 27=Amber (manageable), 4=Green (on track)</p> <p>A robust performance management framework has been implemented. Performance is monitored via the Quality Improvement & Performance Board (QPIB), a Performance Surgery group every 6 weeks and children's directorate management board, where performance or LIP objectives are showing exceptions (high or lower than expected), exception reports are submitted to QPIB by lead managers.</p>		
	Action Points	Responsible Officer	Target Date
	<p>1. Implementation of the Children's Services Learning and Improvement Plan (LIP)</p> <p><i>Please note – there is an ambition for there to be a front facing LIP which will be available to the public. It is suggested that we include a link to this here in the AGS for transparency. It is hoped this will be available prior to the AGS being published.</i></p> <p><i>Please note that Children's Overview and Scrutiny Committee will receive and scrutinise regular updates of the LIP.</i></p>	Corporate Director – Children's Services	As per the LIP

2	Adjustments to the Highways Register		
	During the year, an issue regarding the maintenance of the BCP Council Highway Register came to light, where an amendment seeking a reduction to the Highways Register was made without use of a stopping up order in legacy Bournemouth Borough Council in 2018/19. This resulted in an incorrect amendment. These arrangements were inherited for BCP Council for the Bournemouth geographical area.		
	Action Points	Responsible Officer	Target Date
	1. Ensure that all amendments seeking to reduce the Highways Register are only completed following a stopping up order	Director of Growth & Infrastructure / Corporate Director of Regeneration & Economy	Implemented

3	Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors		
	BCP Council recognises that it needs to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose.		
	Following changes to officers, councillors and restructures, the Council needs to ensure that the roles and responsibilities of key officers and councillors are identified and understood. Furthermore, it recognises that with some organisations, there may be potential or perceived conflicts of interest for officers or councillors who have a role in the organisation in addition to their Council role.		
	During 19/20, partial audit opinions were given by Internal Audit for its Wholly Owned Companies (comprising of Bournemouth Building and Maintenance Limited, Seascope Group Limited, Seascope South Limited, and Seascope Homes and Property Limited) and Lower Gardens and Five Parks Charitable Trusts, identifying a number of governance issues which required improvement, such as decision making, and achievement of strategy.		
	Review of the governance arrangements at Russell Cotes Museum is underway and due to be reported to Cabinet in the year.		
	The Council recognises that the governance arrangements with BH Live need to be reviewed to ensure they are appropriate for the new Council.		

Action Points	Responsible Officer	Target Date
1. CMB lead an overarching review of governance to include: <ul style="list-style-type: none"> a. Determine which organisations this should apply to (only those identified above, other key partners / contractors / companies) b. Clarify roles and responsibilities of councillors and officers c. Arrangements for evaluation and management of conflicts of interest d. Appropriateness of governance structures – performance, meetings, financial etc e. Determining whether any specific reviews of organisations (in addition to those below) are required f. Consideration of whether a corporate lead / ‘Centre of Excellence’ is appropriate, and if so, what it’s role should include (e.g. guidance / advice / compliance) 	Chief Executive	December 2020
2. Ensure implementation of recommendations in the Wholly Owned Companies and the Lower Gardens and Five Parks Trusts internal audit reports	Corporate Director of Environment & Community	December 2020
3. Ensure that governance arrangements for Russell Cotes Museum are reported to Cabinet as planned and agreed actions implemented	Corporate Director of Regeneration & Economy	December 2020
4. Undertake a review of governance of BH Live contract and implement appropriate changes	Corporate Director of Regeneration & Economy	December 2020

4	Minor Omission to make available for public inspection the draft Annual Governance Statement in June 2019 The Accounts and Audit Regulations 2015 provide that the Authority prepare and approve an annual governance statement, and that this is made available for public inspection at the same time as the statement of accounts. In 2019, the 2018/19 AGS was not made available during the statutory public inspection period of 3 June to 12 July. The omission occurred because of the reliance in the first year of BCP upon the predecessor authority procedures (Bournemouth Borough Council and Borough of Poole). The draft AGS was published on 17 July 2019 as part of the Committee reports and, upon its adoption, was published on the website. No objections were raised by any electors to the accounts nor were any requests received to make the draft available during the inspection period. In accordance with the Local Government Act 1989, the Council’s Monitoring Officer has reported this minor breach of legislation to Council, and has consulted with the Chief Executive and Section 151 Officer as required. New processes are now in place, and the 2019/20 AGS was made available during the statutory public inspection period in 2020.		
	Action Points	Responsible Officer	Target Date
	1. Ensure that processes in place to ensure that the 2019/20 and future AGS are made available during the statutory public inspection period for the Statement of Accounts	Monitoring Officer / Chief Finance Officer	Implemented

This statement explains how BCP Council has complied with the requirements of the code and also meets the requirements of the Accounts and Audit Regulations 2015 (and as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

G Farrant - Chief Executive of BCP Council

Date

Drew Mellor - Leader of BCP Council

Date



LOCAL CODE OF GOVERNANCE

Finance

Author: Ruth Hodges

Date: 26th November 2020

Document Control

Policy title	Local Code of Governance
Policy owner	Head of Audit & Management Assurance
Effective from date	1 st April 2019
Current version	V2.3
Approval body	Audit & Governance Committee
Approval date	26 th November 2020
Review frequency	Annually on 1st April
Next review due	April 2021

Revision History

Date	Version	Significant Changes
February 2019	v1	New Policy created
October 2019	V2.2	Update to reflect the rapid changes in the new BCP Council and add in Section 6
November 2020	V.2.3	Update to reflect ongoing changes in BCP Council governance framework

Minor Amendments and Editing Log

The Head of Audit & Management Assurance has primary responsibility for maintaining the Local Code of Governance. It is recognised there may be a need to clarify or update certain elements of the Local Code of Governance from time to time; this may require minor amendments or editing. Minor amendments and editing changes will be made by the Head of Audit & Management Assurance, and these will be logged in the table below. The Local Code of Governance is presented to Audit & Governance Committee annually.

Date	Description of amendments or editing	Page
-	-	-

Consultees

The following individuals/groups have been consulted during the original development of this policy:

Name	Organisation	Date Consulted
BCP Programme Managers, Julian Osgathorpe	Bournemouth and Poole Councils	Jan 2019
Jane Portman, Bill Cotton	Bournemouth Borough Council	Jan 2019
Andrew Flockhart, Kate Ryan, Jan Thurgood	Borough of Poole	Jan 2019

The following individuals/groups have been consulted during the revised version of the policy

Name	Organisation	Date Consulted
Bridget West, Head of Insight, Policy & Performance	BCP Council	Sept 2019
Corporate Management Board	BCP Council	Sept/Oct 2019
Corporate Management Board	BCP Council	June/October 2020

Equalities Impact Assessment

Assessment date	29 th January 2019. The Local Code of Governance is a signposting tool which directs people to relevant policies, each of which should have already had an EIA or EIA screening carried out. As such, this overarching document does not require a separate full EIA.
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1. Introduction

- 1.1 The Local Code of Governance demonstrates BCP Council's commitment to the highest standards of corporate governance. The Local Code sets out its governance arrangements in relation to the seven best practice principles in the CIPFA/IFAC 'International Framework: Good Governance in the Public Sector' (see Section 4) and as required by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

2. What is Corporate Governance?

- 2.1 Corporate governance comprises of the arrangements put in place to ensure that the intended outcomes for service users and stakeholders are defined and achieved, while acting in the public interest at all times. It is about doing the right things, in the right way, for the right people, in a timely, inclusive, open, transparent, honest and accountable manner.

3. Responsibilities for Corporate Governance

- 3.1 All councillors and officers have a responsibility for upholding the principles of good governance. It is a key responsibility for the Leader of the Council and the Chief Executive.
- 3.2 The Statutory Officers Group, comprising of the Monitoring Officer, the Chief Financial Officer and the Chief Executive are responsible for the development, delivery and review of robust corporate governance arrangements.
- 3.3 The Audit and Governance Committee has responsibility for monitoring and reviewing the Council's corporate governance arrangements.
- 3.4 The Chief Auditor produces an Annual Report to Audit and Governance Committee on the adequacy and effectiveness of the Council's systems of internal control.
- 3.5 The Annual Governance Statement is produced following a review of the effectiveness of the Council's corporate governance arrangements, as outlined in this Code. Any significant governance weaknesses are highlighted, and an action plan produced to address these issues, and monitored by the Audit and Governance Committee.

4 The Governance Framework

- 4.1 The diagram below, taken from the International Framework: Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.

**“Achieving the Intended Outcomes while acting in the
Public Interest at all times”**



- 4.2 BCP Council's Local Code of Governance is based on this framework, and the table in section 5 demonstrates the Council's governance arrangements in relation to it.

5 How BCP meets the Principles of Good Governance

BCP has implemented new governance arrangements across the organisation. However, there is still reliance on legacy and/or hybrid arrangements in some areas whilst BCP considers and develops new policies and procedures. These are shown with an asterisk (*) in the table below.

Principles of Good Governance	How we meet these Principles
(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Constitution
	Member Code of Conduct
	Member-Member, and Member-Officer Protocols
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Standards Committee
	Councillor Development Framework
	Audit and Governance Committee
	Overview and Scrutiny Committee/s
	Member Registers of Interests and Registers of Gifts and Hospitality
	Member induction programmes and training plans
	Financial Regulations
	Statutory officers (including Monitoring Officer and Chief Financial Officer) fulfil duties in line with regulatory requirements
	Officer Code of Conduct *
	Officer induction programmes
	Mandatory learning including equality and fraud
	Officer Declaration of Interests, Gifts and Hospitality Policy
	Scheme of Delegations to Officers
	Decision making process for Officers
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Officer Performance Conversation template
	Corporate Complaints Procedure

	Equality and Diversity Policy and Governance Framework
	Recruitment and Selection Policy
	Behaviours Framework (under development)
	Anti-Fraud and Corruption Policy
	Whistleblowing Policy
	Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
	Serious and organised crime checklist
	Contractual arrangements, <i>for all new contracts entered into</i>
	Partnership Registers / Partnership Agreements *
	Corporate Values
	Staff Surveys
	Local Plan Local Development Scheme *
	Council People Strategy
	Council Organisational Design (including Operating Model)
	Agreements with subsidiaries, partners, ALMO and external providers, <i>for all new contracts entered into</i>

(B) Ensuring openness and comprehensive stakeholder engagement	Multi-channel public communications, including: email newsletters, BCP website, magazines, Facebook and Twitter
	Local Transparency Code, proactive publication and reporting - IG
	Online Council Tax information
	Corporate Strategy & Delivery Plan
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Corporate Complaints Procedure
	Social Care Statutory Complaints Procedure *
	Public/residential surveys, including online
	Key national data. e.g. the Census and Indices of Deprivation
	Joint Strategic Needs Assessment
	Consultation Planning and Guidance
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Internal Communications Strategy
	Media Relations Protocol
	Branding Guidelines
	Social Media Policy (in draft)
	Partnership Registers / Partnership Agreements *
	Neighbourhood Plans, <i>follow BCP format for all new Plans adopted</i>
	Statement of Community Involvement

(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	Corporate Strategy & Delivery Plan
	Medium Term Financial Plan process
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Joint Strategic Needs Assessment
	Consultation Planning and Guidance
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Risk Management Framework *
	Capital Investment Strategy (Non-Treasury) 2019-2022
	Investment Strategy
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Equality and Diversity Policy and Governance Framework
	Corporate Management Board
	Capital Programme Board
	Transformation Programme Board
	Operational governance groups: <ul style="list-style-type: none"> - Corporate Property Group - Asset Investment Panel
	Local Transport Plan *
	Local Plan *
	Contractual arrangements, <i>for all new contracts entered into</i>
	Partnership Registers / Partnership Agreements *

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Medium Term Financial Plan process
	Risk Management Framework *
	Corporate Strategy & Delivery Plan
	Benchmarking and research, including CFO Insights VFM Tool
	Capital Investment Strategy (Non-Treasury) 2019-2022
	Key Facts 2019 – State of Bournemouth, Christchurch and Poole Report
	Youth Justice Plan
	Council Safeguarding Strategy
	Pan-Dorset Safeguarding Children Partnership
	Local Government Organisation – Phase 3 Transformation of the Council
	Corporate Parenting Board
	Health & Wellbeing Board

(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Benchmarking and research, including CFO Insights VFM Tool
	People Strategy
	Job descriptions for all employees *
	Roles of Cabinet, individual Cabinet Members and all other Members and Committees defined
	Roles of statutory officers (Chief Executive, Chief Financial Officer and Monitoring Officer) and other senior officers defined
	Member-Member, and Member-Officer Protocols
	Scheme of Delegations to Officers
	The Constitution
	Member induction programmes and training plans
	Officer induction programmes
	Mandatory learning including equality and fraud
	Officer Performance Conversation template
	Standards Committee
	Councillor Development Framework
	Public/residential surveys, including online
	Key national data. e.g. the Census and Indices of Deprivation
	Joint Strategic Needs Assessment
	Consultation Planning and Guidance
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Corporate and HR policies and procedures, including those to support health and wellbeing *
	ICT Framework *
	Peer Reviews and Inspections
	Tier 3 Management Structure
	People Strategy
	Pay and Reward including Terms and Conditions *
	Workforce Strategy for Children's Services

(F) Managing risks and performance through robust internal control and strong public financial management	Risk Management Framework *
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Corporate Complaints Procedure
	Benchmarking and research, including CFO Insights VFM Tool
	Overview and Scrutiny Committee/s
	Internal Audit Charter operating to Public Sector Internal Audit Standards
	Risk-Based Annual Audit Plan and Key Assurance Work
	Chief Auditors Annual Report
	Anti-Fraud and Corruption Policy
	Whistleblowing Policy
	Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
	Annual Governance Statement
	Audit and Governance Committee
	Information Governance Accountability Framework
	Medium Term Financial Plan process
	Financial Regulations
	Corporate Strategy & Delivery Plan
	Treasury Management Strategy
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions
	Record of Chief Executive's Delegated Authority decisions
	Corporate and HR policies and procedures *
	Health & Safety Policy
	Fire Safety Policy
	Emergency planning and resilience and arrangements (corporate)

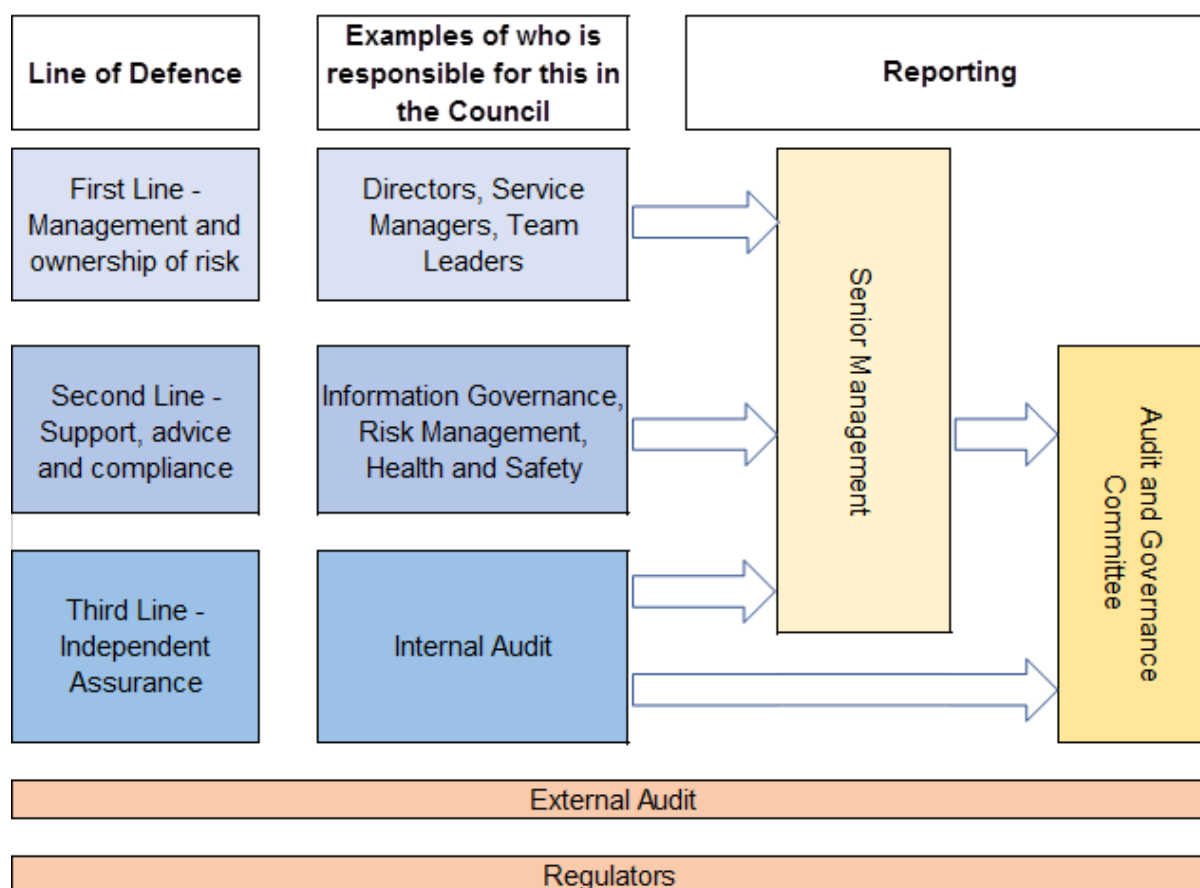
(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Multi-channel public communications, including: email newsletters, BCP website, magazines, Facebook and Twitter
	Local Transparency Code, proactive publication and reporting
	Annual Financial Statements
	External audit reports: Audit Findings Report, Annual Audit Letter and Certification Report
	External reviews, including Ofsted and Peer Reviews
	Annual Governance Statement
	Internal Audit Function operating to Public Sector Internal Audit Standards
	Risk-Based Annual Audit Plan and Key Assurance Work
	Internal Audit recommendation implementation reported to Audit and Governance Committee
	Compliance with CIPFA's Statement on the Role of the Head of Internal Audit
	Partnership Registers / Partnership Agreements *

6 How BCP ensures Good Governance is delivered in practice

6.1 The Three Lines of Defence model is widely recognised across both the public and private sectors as a best practice approach to implementing effective risk management and corporate governance. It is designed to provide organisations with resilience in these areas, with each Line of Defence complementing the others, as summarised below:

6.2 BCP Council will adopt the following model

The Three Lines of Defence Model (Best Practice)



First Line: The First Line of Defence is responsible for the implementation of risk management and governance processes within the organisation. In BCP this is the responsibility of Management of all levels across all Services in the organisation.

Second Line: The Second Line of Defence is responsible for the provision of advice, guidance and policy in support of risk management and governance processes. This Line is also responsible for monitoring compliance with risk and governance requirements by services in the First Line. Typically, this role is fulfilled by corporate functions with defined governance and policy remits, for example:

- Emergency Planning
- Health and Safety
- Human Resources


- Information Governance
- Procurement
- Risk Management

Where there is no clear corporate function with responsibility for compliance, Corporate Management Board will pragmatically determine the need for this and who will act as the second line of defence in a proportionate response to the scope and remit of the function.

Third Line: The Third Line of Defence is responsible for providing independent assurance to Senior Management and Members on the effectiveness of the first two lines. In BCP this is the responsibility of the Internal Audit Service.

AUDIT AND GOVERNANCE COMMITTEE



Report subject	External Audit - Audit Findings Report 2019/20
Meeting date	26 November 2020
Status	Public Report
Executive summary	<p>The attached report sets out the findings of the Council's external auditor following their audit of the Council's Statement of Accounts 2019/2020. The key points to note are:</p> <ul style="list-style-type: none"> • Grant Thornton anticipate providing an unqualified opinion on the financial statements for the Council; and that • Grant Thornton have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources and anticipate issuing an unqualified value for money conclusion.
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee notes the anticipated audit opinion and the provisional findings of the Council's external auditor following their audit of the Council's statement of accounts 2019/20.</p>
Reason for recommendations	To ensure that the Audit & Governance Committee are fully informed of the audit opinion and findings of the Council's external auditor following their audit of the Council's financial statements for the year ended 31 March 2020, as set out in the report attached.
Portfolio Holder(s):	Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard Head of Audit & Management Assurance  nigel.stannard@bcpcouncil.gov.uk</p>
Wards	Council-wide
Classification	For Information

Background

1. Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditor is required to report whether, in their opinion, the group and Council's financial statements:
 - a. give a true and fair view of the financial position of the group and the Council and their income and expenditure for the year; and
 - b. have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
2. In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
3. This report sets out the findings of the Council's external auditor following their audit work to date on the Councils' Statement of Accounts 2019/2020.

Audit Findings Report

4. The attached report (Appendix A) highlights the key matters arising from the audit of the Council's financial statements for the year ended 31 March 2020.
5. The following key issues from the report are noted:
 - Grant Thornton anticipate providing an unqualified opinion on the financial statements for the Council; and that
 - Grant Thornton have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources and anticipate issuing an unqualified value for money conclusion.
6. The following conclusion is included in the attached report:

"At the time of issue, there remains outstanding work in progress including sample testing of transactions and work to support the valuation of property assets. We will issue an updated reported to the January Audit and Governance Committee.

Based on the work completed to date and subject to the correction of errors identified in the valuation of property assets we anticipate issuing an unqualified audit opinion. Our audit opinion will include an emphasis of matter paragraph reflecting the uncertainty in property valuations identified by the Council's valuers arising from Covid 19 and potentially an uncertainty in respect of assets held by the Dorset Pension Fund".

7. The core audit fee previously reported to the Audit & Governance Committee (July 2020) was proposed at £160,000 and was subject to agreement by the Public Sector Audit Appointments.
8. The attached report indicates that additional external audit fees are proposed, in part due to the number of valuers engaged by the Council (£15,000) plus Covid-19 related additional fees (£21,000). The proposed total core fee is therefore now £196,000. These fees are currently indicative and are subject to discussion and agreement between the Council, Grant Thornton and Public Sector Audit Appointments.
9. In addition to the core audit fees, the Council will incur costs for grant claims and non-audit services totalling £35,000.

Options Appraisal

10. An options appraisal is not appropriate for this report.

Summary of financial implications

11. The proposed core fee has increased from £160,000 to £196,000 and will equate to a budget pressure if agreed. There are also additional fees for other audit services totalling £35,000.

Summary of legal implications

12. There are no direct legal implications from this report.

Summary of human resources implications

13. There are no direct human resource implications from this report.

Summary of sustainability impact

14. There are no direct sustainability impact implications from this report.

Summary of public health implications

15. There are no direct public health implications from this report.

Summary of equality implications

16. There are no direct equalities implications from this report.

Summary of risk assessment

17. The areas identified for development by the Council's external auditor will be fully discussed during the risk management review process and appropriate mitigations will be discussed with the Corporate Management Team.

Background papers

None

Appendices

Appendix A - Grant Thornton Audit Findings Report for year ending 31/3/20

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The Audit Findings for Bournemouth Christchurch and Poole Council

Year ended 31 March 2020

8 November 2020



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bournemouth Christchurch and Poole Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19 and LGR

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The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council, including carrying out a pivotal role in supporting local people and business through the administration of central government grant funding to businesses, ensuring front line carers were appropriately equipped, the closure of schools, staff redeployment, securing accommodation for rough sleepers, the provision of critical services during lockdown and the additional challenges of reopening services under new government guidelines.

In common with other resort towns, the easing of lock down restrictions and the restriction on foreign travel and good weather, brought further challenges, managing a significant influx of visitors over the summer with illegal parking, littering and anti social behaviour.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the target date for audited financial statements to 30 November 2020.

BCP Council was formed on the 1 April 2019, from the bringing together of the former Bournemouth Borough Council, Christchurch Borough Council and Borough of Poole, together with the upper tier services including schools and social care administered for the Christchurch area by the former Dorset County Council.

This represents a significant challenge for the Council, compounded by the delays in receiving approval from central government for the reorganisation, reducing the time available for the Council to implement the necessary processes and changes required.

Covid 19 has impacted on the Council's financial position, the Council has needed to continually assess the impact on its finances and the budget for 2020/21 and the medium-term financial plan.

The work associated with addressing local government reorganisation and the impact of Covid-19 has had a significant impact on the capacity of the Council and as the Council has focussed rightly on managing its finances and the impact of the pandemic, this has impacted on officers' ability to focus on the highly demanding task of producing first-year financial statements and responding to auditor queries.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued and reported our considerations in the audit plan on 30 July 2020. In our plan we reported a financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. The transfer of opening balances to the new Council was also identified as a significant risk.

Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including the remote accessing of financial systems, video calling, and verifying the completeness accuracy of information produced by the entity through screensharing.

The absence of a final opening balance position and clear predicted outturn, reduced our ability to undertake substantive audit work early in the year, requiring the majority of work to be undertaken in the final accounts period.

The Council prepared its financial statements in line with the revised closedown timetable and these were presented for audit on 29 July 2020.

In many areas the Council continues to operate the legacy councils' systems, resulting in a significantly increased level of complexity and work required to both produce the accounts and undertake the audit. This has ultimately made this the most complex audit in our national portfolio for 2019/20.

Our initial review of the financial statements in August, identified a number of errors and omissions, including those effecting the Income and Expenditure Statement and the Expenditure and Funding Analysis note which required revision and impacted on our ability to select samples for testing. However these were of a presentational and technical accounting nature and did not affect the Council's financial outturn.

The complexity of the underlying financial systems has also made the sampling process more time consuming.

The financial statements were submitted in advance of the 31 August deadline. Subsequent audit work identified technical accounting and presentational amendments required to the pensions note, investment properties, financial instruments, related parties and group accounts. Revised financial statements were resubmitted for audit on 13 October 2020, but the amendments impacted on the efficiency of our audit work.

Headlines

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work commenced during August, however due to the complexities inherent in this first year and the impact of Covid-19, the work remains ongoing. Audit adjustments to date are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited is up until 31 March 2020 which was prior to the main financial impact of the Covid-19 pandemic.

Based on the work concluded to date, our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting PPE valuation material uncertainties.

Headlines

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bournemouth Christchurch and Poole Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Bournemouth Christchurch and Poole Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our Vfm risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new Vfm risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, Our findings are summarised on pages 29-34.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion and complete our work in respect of Whole of Government Accounts.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and are presented to the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls. The findings from our IT review are included in Appendix D;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for land and buildings and heritage assets was required for the Council's three subsidiary charities. The work was undertaken by the audit team.

Audit approach (continued)

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 30 July 2020.

Conclusion

At the time of issue, there remains outstanding work in progress including sample testing of transactions and work to support the valuation of property assets. We will issue an updated report to the January Audit and Governance Committee. Based on the work completed to date and subject to the correction of errors identified in the valuation of property assets we anticipate issuing an unqualified audit opinion. Our audit opinion will include an emphasis of matter paragraph reflecting the uncertainty in property valuations identified by the Council's valuers arising from Covid 19 and potentially an uncertainty in respect of assets held by the Dorset Pension Fund.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have reduced slightly from those reported in the Audit Plan. The planning materiality was based on an estimate of gross expenditure and has been revised to reflect the actual outturn. We have also determined a lower level of materiality for senior officers' remuneration.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	11,180,000	11,120,000	1.3% of gross expenditure
Performance materiality	8,385,000	8,340,000	75% of materiality
Trivial matters	600,000	600,000	5% of materiality
Materiality for senior officers remuneration	100,000	100,000	Lower level of precision for detecting errors in these specific accounts

Significant audit risks

Risks identified in our Audit Plan

Covid-19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation.
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates.
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

In response to this risk we completed the following;

- Met regularly with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach.
- Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose.
- Evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely.
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances.

Outstanding procedures

- Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.
- Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic including any disclosures required in respect of pension fund assets.

Findings

Local Government reorganisation has had a significant impact on the complexity of the accounts. The need to reassess budgets in the light of the considerable uncertainty brought about by Covid- 19 has impacted on finance staff ability to respond swiftly to audit queries and provide revised accounts suitable for audit.

The impact of remote working has more generally reduced the efficiency of the audit process more widely, requiring more time to complete procedures.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including BCP Council, mean that all forms of fraud are seen as unacceptable	<p>Our consideration that this is not a significant risk for BCP Council remains unchanged from our Audit Plan.</p>

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the group, which was one of the most significant assessed risks of material misstatement.</p>	<p>We:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals; • Analysed the journals listing and determined the criteria for selecting high risk and unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration, and considered the impact of IT control weaknesses within this testing (refer to page 19); • Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>The Council uses Oracle Fusion for its general ledger, this is a complex system and required a review by our IT audit function. This review identified a number of significant deficiencies. We have had to spend extensive amounts of time obtaining journal listings which resulted in using data downloaded onto 24 separate spreadsheets</p> <p>The issues identified by our IT team are detailed in Appendix D and required additional audit procedures to be undertaken to gain assurance over journals.</p> <p>Findings</p> <p>Subject to completion of outstanding procedures, there are no issues to bring to your attention. We are aware that streamlining systems is a key part of the transformation programme, however until this is effected, the accounts and audit process will remain lengthy and complex.</p>

Significant audit risks continued

Risks identified in our Audit Plan

Auditor commentary

Valuation of pension fund net liability

The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£763m) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

We:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- Considered the impact of Covid-19 in the net assets statement; and
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report. In particular, reviewing the adjustments made as a result of the McCloud judgement and considering the impact of the 'other experience' adjustment arising from the updating of member data as part of the 2019 triennial actuarial update.

Findings

We are awaiting responses to our audit queries from the auditor of Dorset Pension Fund, however subject to completion of outstanding procedures, there are no issues to bring to your attention.

Significant audit risks continued

Risks identified in our Audit Plan

Valuation of land and buildings, council dwellings and investment properties

The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£702m) and the sensitivity of the estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2020 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

Council dwellings (£597m) and investment properties (£97m) were revalued at 31 March 2020.

We identified the valuation of these assets, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation experts;
- Discussed with and wrote to the valuers to confirm the basis on which the valuation was carried out;
- Engaged our own valuer expert, Montague Evans, to provide commentary on:
 - the instruction process in comparison to requirements from CIPFA/ IFRS / RICS;
 - the valuation methodology and approach, resulting assumptions adopted and any other relevant points; and
 - a detailed review of each valuation methodology for reasonableness.
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- Tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and

Outstanding procedures

- Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
- Our testing of revalued assets requires us to review the floor areas and other base data used by the valuer to determine the value of the assets and the detailed review of valuation methodologies is not yet complete.
- The work of our external valuation experts remains ongoing.

Findings

The Council's asset base consists of the legacy balances transferred from the former Bournemouth, Christchurch and Poole Councils, together with £34m of land and buildings transferred from the former Dorset County Council. The Council continues to operate separate housing revenue accounts for the Bournemouth and Poole neighbourhoods with the Poole neighbourhood being managed by Poole Housing Partnership Ltd, a subsidiary arms length management organisation of the Council.

In this first year of operation and reflecting capacity within the Council and to capitalise on existing knowledge, the valuers instructed to undertake the valuations work mirrors for the most part the arrangements in place at the legacy councils. The Council instructed five valuers to value its asset base. This resulted in a significant amount of additional audit work required in our audit process. The Council has three fixed asset registers, one is managed by Poole Housing Partnership and we experienced some difficulties in reconciling this register to the amount disclosed in the financial statements.

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
	<p>Our testing of the revaluation entries made and the reconciliation of the asset registers to the valuers report identified that the capital expenditure on assets incurred during the year on assets subsequently revalued at the year end had not been correctly transferred to the revaluation reserve resulting in the year end value of land and buildings assets and the Bournemouth council dwellings being overstated by £3m and £8m respectively.</p> <p>The result of this work identified a potential £11 m net reduction to the value of land and buildings and council dwellings, which is supported by a £11m debit to the CIES (which is reversed out of the CIES in the Movement in Reserves Statement, so there is nil impact to usable reserves) and a £11m credit to the revaluation reserve. We are in the process of reviewing the updated fixed asset register and proposed accounting entries for this adjustment.</p> <p>The audit of the legacy councils identified a number of issues in the prior year and progress has been made by the new Council to address these findings, including moving the valuation date from 1 April to 31 March. This move in valuation date resulted in the error noted above. The Council has also implemented further checks and controls over the valuation process which are detailed on page 38.</p> <p>In the valuation reports prepared by all valuers, they have confirmed that as a result of Covid-19 less weight can be attached to market evidence for comparison purposes to inform opinions of value. At the balance sheet date, the valuer was faced with an unprecedented set of circumstances on which to base a judgement and as such the valuations have been reported on the basis of 'material valuation uncertainty'. The Council has reflected this uncertainty in Note 5 to the financial statements. The emphasis of matter paragraph does not qualify the opinion but will refer to the matter of the disclosure on the material uncertainty stated by the valuer included in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.</p>

Other audit risks

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Risks identified in our Audit Plan

Opening balances

2019/20 is the first year of operation for the Council, the merger of the systems and activities of the three predecessor councils as well as the upper tier services, assets and liabilities transferred from the former Dorset County Council creates many challenges.

On creation on 1 April 2019, the Council's opening balances are the closing balances of the predecessor councils and assets and liabilities transferred from the former Dorset County Council.

We therefore identified transfer of opening balances to the new Authority as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We:

- updated our understanding of the processes and controls put in place by management to ensure that the opening balances are transferred correctly to the new Council;
- agreed the assets and liabilities transferred to agreement with the former Dorset County Council; and
- sample tested of opening balance for existence and to land registry documents.

Elements of this work remain ongoing.

Findings

Our testing to date identified that as part of the work undertaken by the Council to align the accounting policies of the legacy councils a number of adjustments were made to opening the opening balances transferred. This included £4.3 million of land and buildings classified as investment properties in the accounts of Christchurch Borough Council, which were transferred to land and buildings under the policies adopted by the new Council and a small number of adjustments between grants received in advance and reserves. These were treated incorrectly as an adjustment to opening balances rather than as an in year transfer.

The Code requires that where an authority is created under a machinery of government change, a note is included in the accounts setting out the opening balances transferred. The draft accounts included this disclosure on the face of the balance sheet. This has now been amended and is included as note 1a to the accounts.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases	<p>In our review of the Council's accounting policies we identified that the disclosure in relation to IFRS 16 was omitted from the draft accounts.</p> <p>Recommendation</p> <p>In finalising assessment of the impact of IFRS 16, in preparation for its implementation, the Council must ensure completeness of the assessment of leases so that all relevant leases are included in the assessment</p>

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Council Housing - £597m	<p>The Council owns 9,657 dwellings including those in shared ownership and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council continues to operate two neighbourhood housing revenue accounts. Bournemouth is managed by the Council, and Poole by Poole Housing Partnership Ltd a wholly Council owned arms length management organisation. The Council has engaged its internal valuer to complete the valuation of these properties for Bournemouth and the Valuations Office Agency to value the Poole neighbourhood assets.</p> <p>The year end valuation of Council Housing was £597m, a net increase of £8m from the opening position transferred to the Council of £589m. There was also a net increase of 26 dwellings between 2018/19 to 2019/20. The valuers' statement with regards to material uncertainty of property prices and valuations as a result of Covid-19 also applies to the Council's portfolio of dwelling properties.</p>	<ul style="list-style-type: none"> The Council's valuers last valued the entire housing stock on 31 March 2020 using the beacon methodology. Our work in this area remains ongoing. We engaged our own valuer expert, Montague Evans, to provide commentary on the instruction process for the valuers, the valuation methodology and approach, and the resulting assumptions and any other relevant points. We are carrying out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report at this time. The valuation method remains consistent with the prior year. We are reviewing valuation movements against local market data, which differs between the Bournemouth and Poole areas and compared a sample of council house values to similar properties in the local area. Poole showing a house price increase of 3.2%, whereas Bournemouth property prices exhibited a small decrease. We have reviewed independent sources of house price movements and are satisfied that the movements are supportable. A detailed check for a sample of individual properties is underway. We have agreed the HRA valuation reports to the Statement of Accounts and fixed asset register. 	TBC

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £702m	<p>Other land and buildings comprises £364m of specialised assets such as schools and leisure centres and also includes the Bournemouth International Centre and Highcliffe Castle, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£91m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged NPS, its internal valuer and the Valuation Office Agency to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 60% of total assets were revalued during 2019/20.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £37m. Management has considered the year end value of non-valued properties, based on the market review provided by the valuer as at 31 March 2020, to determine whether there has been a material change in the total value of these properties. The increase in value of these assets resulting from this procedure was £15m. In order to ensure that the carrying value of these assets is not materially different from current value and adjustment has been made to the financial statements.</p> <p>The total year end valuation of other land and buildings was £702m, a net increase of £30m from the opening position at 1 April 2019 (£672m).</p> <p>In line with RICS guidance, the Council's valuers disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue within its Key Judgements and Material Estimates note in the Statement of Accounts.</p>	<p>Our work in this area remains ongoing.</p> <ul style="list-style-type: none"> We have considered the independence of the Council's internal valuer and confirmed that he is sufficiently independent from the finance function to provide objective valuations. We are carrying out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. We are reviewing the process undertaken by management and its valuer to determine the increase in value resulting from the application of indexing to assets not formally revalued during the year. We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate. We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts – refer to page 12 for our findings. 	<p>TBC</p>

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Investment Property – £97m	<p>Investment properties comprises a number of assets including three shopping centres, an industrial estate, student accommodation and a range of other assets held for the receipt of rental income.</p> <p>Investment properties are revalued annually by the Council's valuation experts at market value.</p> <p>The prescribed valuation basis for investment properties are fair value at the balance sheet date.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's investment properties at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £24m, reflecting the impact of Covid 19 particularly on the Council's shopping centre investments.</p>	<p>Our work in this area remains ongoing.</p> <ul style="list-style-type: none"> We have considered the independence of the Council's internal valuer and confirmed that he is sufficiently independent from the finance function to provide objective valuations. We are carrying out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. The valuation method remains consistent with the approach taken by the predecessor authorities. 	TBC

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area

Auditor commentary - Internal Valuer

Land and buildings, council dwellings and investment property

We have used Montague Evans as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Montague Evans comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	The Red Book requires that, at the outset of the instruction "All assumptions and special assumptions that are to be made in the conduct and reporting of the valuation assignment must be identified and recorded.	All assumptions and special assumptions are set out in the valuer's final valuation report.	Our work in this area remains ongoing
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	We are comfortable that the four classifications of valuation approaches have been set out in accordance with the Code.	N/A	Our work in this area remains ongoing
Reasons for changes in assumptions or methodologies employed from prior periods.	No assets changed measurement basis since they were last valued – understand the reason for change in measurement basis.	N/A	Our work in this area remains ongoing
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	Confirm if MEA adjustments have been made to arrive at DRC building values, where appropriate. Confirm that the valuer has undertaken market evidence research to ensure land values are kept up to date with market movements.	Our work includes review and challenge of the MEA assumptions, and review of evidence to support land values adopted for the sample of assets tested – no issues identified.	Our work in this area remains ongoing
Confirmation that asset lifting estimates appear reasonable and in accordance with the detailed guidance.	Check that the valuer has assessed remaining economic lives in accordance with the DRC Guidance Note.	The Council uses experts in its property services department to assess the useful remaining economic lives of its assets. This is undertaken annually. We have reviewed the changes to economic lives which appear reasonable.	Our work in this area remains ongoing
How has obsolescence been arrived at for DRC valuations?	Understand how the age and obsolescence has been calculated.	In our testing of DRC assets we compared the obsolescence factors used against the expected scale – no issues identified.	Our work in this area remains ongoing

Significant findings – key estimates and judgements

Accounting area

Auditor commentary NPS Ltd

Land and buildings and investment property

We have used Montague Evans as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Montague Evans comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	The Red Book requires that, at the outset of the instruction “All assumptions and special assumptions that are to be made in the conduct and reporting of the valuation assignment must be identified and recorded.	All assumptions and special assumptions are set out in the valuer’s final valuation report.	Our work in this area remains ongoing
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	We are comfortable that the four classifications of valuation approaches have been set out in accordance with the Code.	N/A	Our work in this area remains ongoing
Reasons for changes in assumptions or methodologies employed from prior periods.	No assets changed measurement basis since they were last valued – understand the reason for change in measurement basis.	N/A	Our work in this area remains ongoing
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	Confirm if MEA adjustments have been made to arrive at DRC building values, where appropriate. Confirm that the valuer has undertaken market evidence research to ensure land values are kept up to date with market movements.	Our work includes review and challenge of the MEA assumptions, and review of evidence to support land values adopted for the sample of assets tested – no issues identified.	Our work in this area remains ongoing
Confirmation that asset lifting estimates appear reasonable and in accordance with the detailed guidance.	Check that the valuer has assessed remaining economic lives in accordance with the DRC Guidance Note.	The Council uses experts in its property services department to assess the useful remaining economic lives of its assets. This is undertaken annually. We have reviewed the changes to economic lives which appear reasonable.	Our work in this area remains ongoing
How has obsolescence been arrived at for DRC valuations?	Understand how the age and obsolescence has been calculated.	In our testing of DRC assets we compared the obsolescence factors used against the expected scale – no issues identified.	Our work in this area remains ongoing

Significant findings – key estimates and judgements

Accounting area

Auditor commentary – VOA (Highcliffe Castle)

Land and Buildings –

We have used Montague Evans as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Montague Evans comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	The Red Book requires that, at the outset of the instruction "All assumptions and special assumptions that are to be made in the conduct and reporting of the valuation assignment must be identified and recorded.	All assumptions and special assumptions are set out in the valuer's final valuation report.	Our work in this area remains ongoing
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	We are comfortable that the valuation approach has been set out in accordance with the Code.	N/A	Our work in this area remains ongoing
Reasons for changes in assumptions or methodologies employed from prior periods.	There has been no change in the assumption or methodology from the prior period.	N/A	Our work in this area remains ongoing
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	Confirm if MEA adjustments have been made to arrive at DRC building values, where appropriate. Confirm that the valuer has undertaken market evidence research to ensure land values are kept up to date with market movements.	Our work includes review and challenge of the MEA assumptions, and review of evidence to support land value adopted for this asset.	Our work in this area remains ongoing
Confirmation that asset lifting estimates appear reasonable and in accordance with the detailed guidance.	Check that the valuer has assessed remaining economic life in accordance with the DRC Guidance Note.	The Council uses experts in its property services department to assess the useful remaining economic lives of its assets. This is undertaken annually. We have reviewed the changes to economic lives which appear reasonable.	Our work in this area remains ongoing
How has obsolescence been arrived at for DRC valuations?	Understand how the age and obsolescence has been calculate.	In our testing of DRC assets we compared the obsolescence factors used against the expected scale – no issues identified.	Our work in this area remains ongoing

Significant findings – key estimates and judgements

Accounting area Auditor commentary- VOA (Council dwellings- Poole neighbourhood)

Council Dwellings We have used Montague Evans as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Montague Evans comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	The Red Book requires that, at the outset of the instruction “All assumptions and special assumptions that are to be made in the conduct and reporting of the valuation assignment must be identified and recorded.	All assumptions and special assumptions are set out in the valuer’s final valuation report.	Our work in this area remains ongoing
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	Council dwellings have been valued at market value adjusted for social housing use, in line with the guidance.	N/A	Our work in this area remains ongoing
Reasons for changes in assumptions or methodologies employed from prior periods.	No assets changed measurement basis since they were last valued – understand the reason for change in measurement basis.	N/A.	Our work in this area remains ongoing
Confirmation of the market values of properties and that the correct social housing discount factor has been applied.	Review the market value of properties against published data.	We have compared market data for a sample of council dwellings and assessed the use of the social housing discount factor.	Our work in this area remains ongoing


Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																							
Net pension liability – £763m	<p>The Council's net pension liability at 31 March 2020 is £763m The opening liability was £745m) comprising the Dorset Pension Fund Local Government Pension Scheme and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £18m net actuarial loss during 2019/20.</p>	<ul style="list-style-type: none"> We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.35%</td><td>2.35%</td><td>● green</td></tr> <tr> <td>Pension increase rate</td><td>1.9%</td><td>Between 2%-1.8%</td><td>● green</td></tr> <tr> <td>Salary growth</td><td>2.9%</td><td>Between 1.9%-2.9%</td><td>● green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioners 23.3 years Non pensioners 24.7 years Used CMI 2018 Model with long term improvement rate of 1.5% and a smoothing parameter of 7.</td><td rowspan="2">Scheme specific but would expect actuary to calculate using the CMI 2018 Model.</td><td>● yellow</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioners 24.7 years Non pensioners 26.2 years Used CMI 2018 Model with long term improvement rate of 1.5% and a smoothing parameter of 7.</td><td>● green</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.35%	2.35%	● green	Pension increase rate	1.9%	Between 2%-1.8%	● green	Salary growth	2.9%	Between 1.9%-2.9%	● green	Life expectancy – Males currently aged 45 / 65	Pensioners 23.3 years Non pensioners 24.7 years Used CMI 2018 Model with long term improvement rate of 1.5% and a smoothing parameter of 7.	Scheme specific but would expect actuary to calculate using the CMI 2018 Model.	● yellow	Life expectancy – Females currently aged 45 / 65	Pensioners 24.7 years Non pensioners 26.2 years Used CMI 2018 Model with long term improvement rate of 1.5% and a smoothing parameter of 7.	● green	
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	2.35%	2.35%	● green																							
Pension increase rate	1.9%	Between 2%-1.8%	● green																							
Salary growth	2.9%	Between 1.9%-2.9%	● green																							
Life expectancy – Males currently aged 45 / 65	Pensioners 23.3 years Non pensioners 24.7 years Used CMI 2018 Model with long term improvement rate of 1.5% and a smoothing parameter of 7.	Scheme specific but would expect actuary to calculate using the CMI 2018 Model.	● yellow																							
Life expectancy – Females currently aged 45 / 65	Pensioners 24.7 years Non pensioners 26.2 years Used CMI 2018 Model with long term improvement rate of 1.5% and a smoothing parameter of 7.		● green																							

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £763m continued		<ul style="list-style-type: none"> The actuary has confirmed that they have updated the assumption using March 2019 triennial valuation data as opposed to using the estimated roll-forward approach from the 2016 triennial valuation, which gives assurance that more recent information has been used. Following the full valuation in 2019 which is reflected in the year end liability, an experience item reflecting movements not reflected in the roll forward has resulted in a movement of £72 million. The reason for this was queried with the actuary and has been caused by movements in membership numbers not reflected in the 2016 valuation. As part of the procedures we undertook to review the actuarial assumptions we performed additional procedures, in particular considering the impact of the McCloud judgement and considering the impact of the 'other experience' adjustment arising from the updating of member data as part of the 2019 triennial actuarial update. We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. We have confirmed there were no significant changes in 2019/20 to the valuation method. We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets. We have requested an assurance letter from the auditor of Dorset Pension Fund, pending completion of the audit of the Dorset Pension Fund audit, this has not yet been received. Subject to receipt of the assurance letter and completion of outstanding procedures, our work confirms that the increase in the IAS 19 estimate is reasonable. 	 GREEN

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been administration of grants to businesses, the closure of leisure centres and car parks, with additional challenges of reopening services under new government guidelines and the need to free up capacity of teams to assist with additional workloads caused by the pandemic in addition to normal responsibilities. In common with all Local Authorities, the Council is facing significant challenges, but has reported a small underspend for 2019/20 and reserves set and has not needed to draw on reserves set aside to support financial resilience and costs arising from LGR. Management have undertaken an analysis of the potential financial implications of Covid-19 together with additional funding being provided. As at the 31 March 2020, General Fund reserves stood at £100m, with total usable reserves of £171m. Although in a strong financial position, it is anticipated that the Council will need to draw on financial reserves to balance the budget during 2020/21.

Going concern commentary

Management's assessment process

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Auditor commentary

Management has undertaken their own assessment of going concern, reflecting the provisions in the 2019/20 Code of Practice section 3.4 (Presentation of Financial Statements) on the going concern accounting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be prepared on anything other than a going concern basis.

Management have also considered the following factors:

- The financial impact of Covid-19.
- The Council's reserves position.
- The impact of cost savings anticipated from items extensive transformation programme following local government reorganisation.
- Budget monitoring reports and projected overspends; and
- The Medium Term Financial Plan. which has been updated to reflect the changing position resulting from Covid-19

We have examined the 2020/21 budget, MTFS to 2023/24 and considered the planned savings proposals and transformation efficiencies for 2020/21 and 2021/22 in our review of the appropriateness of management's use of the going concern assumption.

In 2020/21 the Council expects to achieve a balanced budget, taking into account the additional costs/loss of income due to Covid-19 known at the present time. Additional funding from central government for income loss has supported this position and the Council has a planned use of £1.9 million of reserves

Conclusion

The Council has included Events after the Reporting Period disclosure in the Statement of Accounts in relation to the impact of Covid-19.

We have not identified any material uncertainty about the Council's ability to continue as a going concern.

Our work to assess the impact of Covid-19 on the Council's cash flows and financial position will continue until the financial statements are approved.

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary	Auditor commentary
Work performed	<p>We have viewed the Council's financial assessment of the impact of Covid-19, cash flow forecasts, future financial plans and the We concur with managements assertion that no material uncertainty in relation to going concerns needs to be disclosed.</p> <p>Management are conscious of the need to remain responsive to emerging circumstances, whilst keeping sight of longer term strategic goals and transformation agenda envisaged from local government reorganisation which underpin future investment decisions from use of reserves.</p>
Concluding comments	<p>We are satisfied that the Council's financial statements are appropriately prepared on a going concern basis, and that no further disclosure is required.</p>

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.




Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	<p>Related party transactions are disclosed in note 30 to the financial statements. The Council had taken an overly transparent approach to reporting transactions where officers or members have disclosed an interest, even where these do not meet the definition of a related party transaction as set out in IAS 24. The Council had also omitted transactions with the charities where it is the corporate trustee. The note has been amended.</p> <p>We are not aware of any further related parties or related party transactions which have not been disclosed.</p>
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the group.
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All requests were returned with positive confirmation.</p> <p>We also received permissions to deal directly with the Council's valuer and actuary.</p>
Disclosures	Our review of disclosures identified a number of disclosure errors and omissions. We also identified a number of disclosures which related to immaterial balances which have been removed. Further details can be found in Appendix B.
Audit evidence and explanations/significant difficulties	<p>All information and explanations requested from management was provided.</p> <p>As previously reported, the Council has been stretched to deal both with local government reorganisation and the pandemic. This has impacted on the preparation and accuracy of the financial statements. Although the accounts were received at the end of July in line with the agreed revised timetable, there were a number of errors and omissions affecting our ability to select samples.</p> <p>The Council has also used five valuers to undertake valuations of its land, building, dwellings and investment properties. There are also three asset registers and some difficulties arose in reconciling the Poole neighbourhood asset register to the accounts. This has resulted in a significant level of additional work being required to complete our procedures.</p> <p>The Council is, in many areas, still operating legacy systems below its main ledger. This has again resulted in added complexity in the audit process.</p>

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work in this area is ongoing.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters at this time.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500 million we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>This work has not been completed. The Council is also unable to complete the consolidation pack at the present time as it has not been set up on the central WGA system and is working to resolve this issue.</p>
Certification of the closure of the audit	<p>We are unable to certify the closure of the 2019/20 audit of Bournemouth, Christchurch and Poole Council in the audit report, until the work on the financial statements audit and WGA consolidation pack is complete.</p>

Internal controls

The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters we identified during the course of our audit are set out in the table below. These and other recommendations, together with management, are included in the action plan at Appendix A.

	Assessment	Issue and risks	Recommendations
1	 High	Complexity of the financial systems This is the first year of the bringing together of the three legacy Councils and incorporating the upper tier services for the Christchurch area. The first phase of LGR focussed on the delivery of services to residents and ensuring business as usual, however there remains a significant program of work to align the systems underpinning the financial statements. In many areas the Council continues to operate three legacy systems with different ways of working which has added considerably to the work required to both produce and audit the financial statements. The impact of Covid-19 reducing officer time available to respond to auditor queries and implement checks on the financial statements has also impacted on the efficiency of the audit process.	We are aware that the Council's transformation programme is working to address these issues, however this work needs to progress at pace to enable the process of accounts preparation and audit to be undertaken in a more efficient and timely manner in the future. Management Response:
12	 High	Land and building additions and the capital programme Our testing of year end valuations identified £11 million of capitalised work on the Council's existing asset base that was recorded in addition to the asset valuation supplied by the valuer. Enquiries made of the valuer confirmed that the valuation supplied at 31 March 2020 considered all relevant information and this expenditure should have been written out of the accounts rather than treated as adding value.	Processes should be in place to ensure that valuations are accurately included within the financial statements. Management should consider what processes can be introduced to capture capital spend to inform the valuation process. Management Response:
3	 MEDIUM	Reconciliation of the Poole Neighbourhood Fixed Asset Register The Council currently maintains three fixed asset registers covering general fund assets and separate registers for the Poole and Bournemouth neighbourhood fixed asset registers. These are brought together to generate the disclosures in the financial statements. We could not immediately reconcile the Poole neighbourhood fixed asset register to the financial statements. This is maintained by Poole Housing Partnership Ltd.	Management should ensure that all subsidiary fixed asset registers are reconciled to the financial statements and overall responsibility for this function is appropriately assigned. Management Response:

Value for Money

Background to our VFM approach

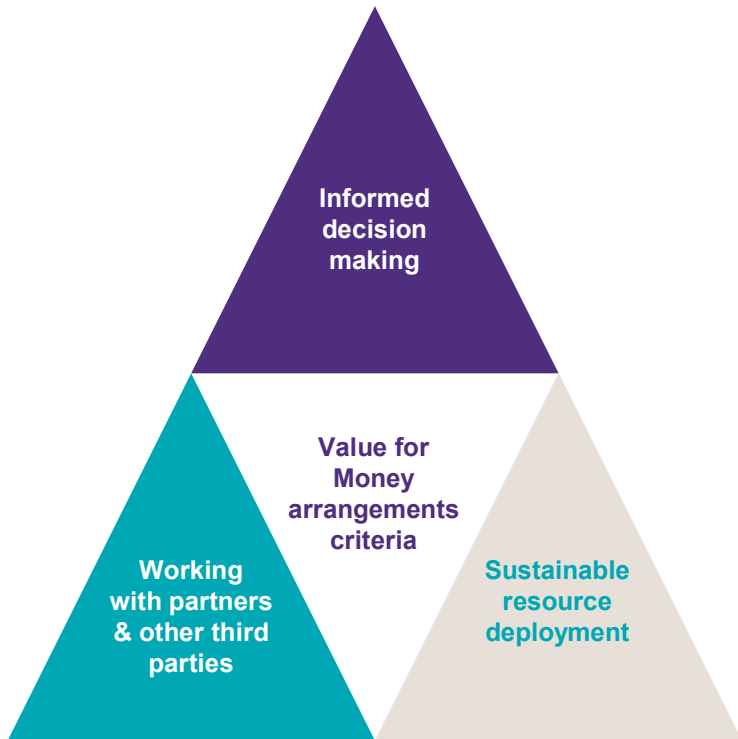
We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 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."

This is supported by three sub-criteria, as set out below:

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Risk assessment

We carried out an initial risk assessment in January 2020 and identified a one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated July 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19, although the impact to date has been considered in our work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's 2019/20 financial outturn;
- The robustness of the Council's 2020/21 budget and Medium Term Financial Strategy, including savings and income proposals; and
- Progress towards transformation.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on pages 45-48.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Significant Risk - Financial Sustainability

In addition to improving the delivery of services, local government reorganisation in Dorset aims to reduce costs and deliver efficiencies. The predecessor councils have historically performed well in managing their financial position although reductions in funding and increasing demand for services have made this increasingly challenging. The new Council has set a balanced budget for 2019/20 and 2020/21, however budget reporting has identified that savings and efficiencies of £20 million are required over the next two years to deliver this balanced budget.

The Council came into existence on 1 April 2019, from the merger of Bournemouth Borough Council, Christchurch Borough Council and Borough of Poole. In addition the new Council assumed responsibility for the upper tier services relating to the Christchurch area of the former Dorset County Council.

BCP Council had been operating in a shadow form during 2018/19, where the budget and Medium Term Financial Plan (MTFP) for the new Council were determined. The legacy councils had historically managed their finances well providing a firm footing to support the activities of the new Council. The opening general fund reserves of the new Council were £15.3m offset by £4.6m of DSG overspend with earmarked reserves of £84 million.

2019/20 Outturn

The Council published its outturn report at the end of July in line with its revised closedown timetable. The general fund outturn was a surplus of £0.2 million as budgeted and without the need to draw down on financial resilience contingencies and reserves set aside to manage uncertainties arising in this first year of operation.

This is an improved position on that anticipated at quarter 3, where the use of £2.7 million of financial resilience reserves was predicted and reflects in the main the impact of work undertaken to establish an opening balance position including a review of inherited debt and align accounting treatments in the new Council. As can be seen in Figure 1 overspends were incurred in children's services and regeneration and economy.

Covid-19 has had a significant impact on the Council with additional reported costs of £3.5 million in lost revenue in the main from car parking. These pressures were largely offset by favourable variances in other directorates however the main impact of Covid-19 will manifest over the coming periods.

Figure 1: General Fund – Summary – Outturn as at 31 March 2020

December Variances £000s		Approved Resources £000s	Outturn (net) £000s	Outturn Variance £000s
	Service Budgets			
960*	Adult Social Care & Public Health	108,377	107,508	(868)
2,540*	Children's Services	60,543	63,053	2,510
330	Regeneration & Economy	5,235	9,815	4,580
700	Environmental & Community	49,141	49,575	435
272	Resources	31,023	29,502	(1,521)
4,802	Total Service Position	254,319	259,454	5,136
	Corporate Budgets			
558	Investment Property Income	(5,507)	(4,829)	678
0	Pensions (back funding)	9,428	9,428	0
0	Repayment of debt (MRP)	9,274	8,456	(818)
0	Interest on borrowings	2,864	1,656	(1,207)
(110)	Investment Income	(185)	(412)	(227)
0	Revenue Contribution to Capital	2,244	2,244	0
0	Other Corporate Items	(727)	(1,754)	(1,026)
448	Total Corporate Budgets	17,390	14,790	(2,601)
5,250	Total Budget excluding Contingency	271,709	274,244	2,535
(2,536)	Use of Contingency	2,438	42	(2,396)
(2,714)	Use of Resilience Reserves	0	175	175
0	Net Budget	274,147	274,462	315
	Funding Budgets			
0	Council Tax Income	(209,612)	(209,612)	0
0	Parishes / Town Precepts	(545)	(545)	0
0	New Homes Bonus	(3,788)	(3,788)	0
0	Revenue Support Grant	(2,957)	(2,957)	0
0	NNDR Net Income	(47,408)	(47,537)	(129)
0	NNDR 31 Grants	(9,637)	(9,822)	(185)
0	Surplus on the Collection Fund	(200)	(200)	0
0		0	0	0

Value for Money

Budget setting and monitoring and Medium Term Financial Planning

2020/21 and beyond

At its first meeting in June 2019, the Cabinet approved its strategy for planning the 2020/21 budget, including the approval of an outline strategy to support the delivery of a balanced budget for 2020/21 and the design of a two year base budget review process to aid decision making to support budget setting. The MTFP agreed in February 2020 was subsequently refreshed in June as part of the base budget review process to include projections to 2023/24. Work has been ongoing through the year to further refine the budget and agree savings options.

A balanced budget was approved by Cabinet in February 2020. This preceded the Covid -19 pandemic which has had a significant impact on the Council and society generally. The Council reacted quickly to the crisis, with the establishment of a Corporate Incident Management Team and has reported monthly to Cabinet on the impact of the pandemic including the effect on finance and service delivery. The impact of Covid-19 on the Council's finances remains uncertain but is likely to have a continuing and significant effect on income levels including reduced rates and council tax collection and income from fees and charges. To support planning, different scenarios reflecting the impact of lockdown and other restrictions were profiled over three time frames. The Council demonstrates a good understanding of the impact of this evolving situation and arrangements in place to respond to all issues are considered good.

➡ In the light of the emerging financial impact of the pandemic, Cabinet members and officers held budget meetings during April and May to develop the mitigation strategy to consider measures needed to balance the budget for 2020/21. In budget monitoring reporting to Cabinet in June 2020, it was noted that the Council had received £22 million of emergency funding from central government to cover projected additional costs and lost income of £52.3 million in the general fund with a resulting funding gap of £30.3 million. The report included a range of measures introduced to reduce expenditure not being incurred in support of the pandemic. This included temporary adjustments to services, continuing the vacancy freeze, bringing forward transformation savings and delaying projects. The residual gap would also need to be supported by the reprioritisation of reserves.

The Council is heavily dependent on income from fees and charges, which have been significantly impacted by the pandemic. The Council received an additional £3.2 million of emergency funding and has estimated that it will receive a further £12 million to compensate in part for the lost fees and charges income that is directly related to the pandemic. The Council will be able to submit three claims during the course of the financial year but must cover the first 5% of the budgeted amount for these losses, after which the government will compensate for 75% of the remaining loss. The exact amount receivable will not be known until the three payments on account are received and a final reconciliation and verification exercise is carried out by MHCLG after the year end.

The November budget monitoring report showed that due to anticipated and received central government funding and mitigating actions taken, the projected 2020/21 revenue outturn is for a balanced position, after potentially using £1.9 million of reserves, reducing the need to draw on reserves which are needed to finance the transformation programme however this is dependent on identified savings being delivered.

2021/22

Based on information available to date, the Council estimates that ongoing and recurring pressures means that it will need to make further savings of £13.4 million in addition to the £8.8 million of savings and £15 million transformation savings already identified in order to set a lawful balanced budget for 2021/22. The unprecedented level of uncertainty arising from the pandemic has been considered by the Council in drawing up its plans and a range of outcomes are under consideration. The lack of clarity means that the Council will need to continue to plan with little or no funding certainty over the medium term. Difficult decisions about which services to prioritise and protect, and which to reduce in order to balance the budget will need to be taken to continue to deliver affordable and sustainable budgets.

Key findings

Covid-19

Following publication of the MTFS and the 2020/21 budget, Covid-19 lockdown came into effect which has made the financial outlook for the Council challenging. The Council reacted swiftly to the pandemic and has kept its budget forecast for 2020/21 under review. A revised financial management framework was implemented in March 2020, bringing in new rules. Unless agreed by the Corporate Incident Management Team, expenditure could only be incurred if it directly supported the Council's response to Covid-19, unless it honours an existing contractual commitment, safeguards services to vulnerable members of the community or is funded entirely from an external source. A corporate wide vacancy freeze was also implemented.

The response to the pandemic has also put increased pressure on the Council, being at the front line of implementing government policy and supporting residents.

The Council initially planned against three lockdown scenarios, determining that a lockdown period of twenty four weeks was the most likely outcome. The Council's initial predictions in June 2020 identified potential budget pressures of £52.3 million as a result of Covid-19 for the 2020/21 financial year. These costs are in addition to the £3.5 million incurred in 2019/20. Cost pressures include additional support for adults' and children's social care, temporary accommodation for homeless people, personal protective equipment and excess deaths management. Income pressures have been identified relating to car parking, tourism, leisure centres and reductions in the amounts of business rates and council tax income that will be collected.

In the period since the year-end of the financial year, officers have put in place robust arrangements to ensure that risks and uncertainties are given due consideration in short and medium-term financial planning and the impact is effectively modelled to the best of their ability. Management have updated budgets for a number of income and expenditure scenarios and have updated their cashflow models.

The estimated pressures due to the pandemic have increased from £52.3 million gross of government grant (£30.3 million net) in the June report to £55.5 million gross (£18.2 million net) in September. The £3.2 million increase in gross pressures since June is largely due to children's social care, support for leisure centre and conference centre operators and the cost of safely opening up facilities post lock down. The Council has developed a range of savings to mitigate these cost pressures and has the ability to utilise reserves should this prove necessary.

To date the Council has received central government funding to directly support its activities of £ 37 million, including a current estimate of £12 million to mitigate against the loss of income from fees and charges. The Council will, however, need remain alert to the possibility of further lockdown measures. We deem that management's assumptions within their updated financial forecasts and financial strategy are prudent, assuming reductions in income across most revenue streams.

As a result of these Government Funding and initiatives, prior year underspends and prudent financial planning at the legacy council, including setting aside contingencies in the budget-setting process, the Council has sufficient resources in place to meet the expected shortfalls in income and increases in expenditure for 2020/21 arising from the Covid-19 pandemic and is not facing the kinds of challenging decisions in the immediate term around service cuts or Section 114 notices which other local authorities could be subject to.

In the medium term, the picture remains far more uncertain as the longer-lasting impact of the pandemic on the economy, in the context of wider financial risks beyond the control of officers or members, remain significant unknowns. One of the key positives arising from local government reorganisation is the ability for the Council to realise the benefits of economies of scale and drive forward an ambitious transformation agenda. Members will need to be mindful of the significant impact of Covid 19 on both the national and local economies and the need to maintain a prudent financial position when considering its future plans.

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Value for Money

Transformation

The key drivers underlying the LGR process has been to not only deliver improved and more joined up services to residents, but also by embracing new ways of working to deliver significant savings to support medium term financial sustainability.

LGR was envisioned as a three part process.

Phase 1 - To create the new authorities through the parliamentary process.

Phase 2 – Transition services safely and establish business critical systems and processes.

Phase 3 – Design and build the new organisation

Following the successful delivery of phases 1 and 2 the Council has moved forward with phase 3. This work as been facilitated by the use of external consultants to support the Council in this work. The first phase completed in 2019 has been to fully understand how the new Council operates and to consider what changes can be made to realise the benefits envisioned in LGR. A corporate plan has been developed setting out the Council's values, priorities and key actions and a base budget review undertaken at service level to analyse how services are currently delivered and to look at ways to further integrate and improve.

Work has continued during this first year to further implement plans. and the Council has commenced a procurement process to select a strategic partner that will work with the council to deliver the vision. Progress has also been made in key areas including estates strategy and the adult social care charging strategy.

The savings derived from the transformation programme are a key element of the Council's MTFP and efforts to deliver a balanced budget. £15 million of savings are included in the 2021/22 budget. The transformation programme is forecast to deliver up to £43.9 million in annual savings once fully implemented. It will form the single largest and most comprehensive response to addressing the budget pressures identified in the Council's MTFP, realising benefits through streamlining services, reducing third party spend and harmonising fees and charges.

The Council will fund this project through the flexible use of capital receipts, additional borrowing to fund the capital elements of the plan. Revenue elements will be funded through the use of reserves.

Overall Conclusion

Our overall view is that BCP Council has managed its first year of existence in an effective manner and throughout has been focused on ensuring its financial sustainability. The Council reacted quickly to the Covid 19 pandemic and has spent significant time focusing on measures to achieve financial sustainability. We believe members are fully aware of the risks that have impacted other councils and the dangers of running down reserves. The creation of BCP Council was very much about transformation and scale and driving efficiencies across a potential costal economic powerhouse, BCP was born with a lower level of reserves than some of its wealthier peers. Covid 19 represents an existential threat to the financial sustainability of many councils. Members should be aware at all times not to choose the pathways taken by those councils who have recently been the subject of a public interest report. Members have a fiduciary duty to maintain sound finance and not to take steps that would mortgage the future. Investment is certainly required to drive the new Council and its residents and business forward but this must be done in considered and balanced way.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 8 November 2020, where not previously reported as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
120	Audit related		
	Certification of Housing capital receipts grant	4,000 Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £196,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	Certification of Teachers Pension Return	4,000 Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £196,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	Certification of Housing Benefit Claim	18,000 Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,000 in comparison to the total fee for the audit of £196,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 8 November 2020, where not previously reported as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £196,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights
			The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

Follow up of prior year recommendations

We identified the following issues in the audit of [insert client name] Council's 2018/19 financial statements, which resulted in [x] recommendations being reported in our 2018/19 Audit Findings report. *We are pleased to report that management have implemented all of our recommendations.*

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Bournemouth Borough Council</p> <p>Management instruct an expert, a member of the Authority's in-house valuation team to undertake valuations of council dwellings and other land and buildings assets.</p> <p>A number of mathematical errors were identified in the valuation schedules provided to management by the valuer for both council dwellings and other land and buildings. A further review of all valuations undertaken during the year was carried out by a different valuation expert within the Council's property services department with no further discrepancies identified.</p> <p>We also identified that following a change in the instructions to the valuer, assets last subject to valuation in 2013/14 had been omitted from the valuation instruction.</p> <p>The errors identified reflect that management has not undertaken a review of property valuations provided by the valuer or made enquiries where valuations resulted in significant movements year on year or sought to challenge these movements.</p>	<p>BCP Council has introduced a more robust review of all external valuations by suitably qualified valuation experts within the estates department. Information to support valuation movements in excess of 10% have been included within the documentation provided for audit.</p>
✓	<p>Christchurch Borough Council and Borough of Poole</p> <p>We reported that both predecessor councils were not revaluing assets within their programme at 31 March.</p>	<p>BCP Council has instructed its valuation experts to revalue its assets at 31 March.</p>

Assessment

✓ Action completed

X Not yet addressed

Appendix B

Audit adjustments (to date)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Pension interest income This was incorrectly credited to the Cost of Services Resources line in the financial statements, rather than being included in Financing and Investment income and expenditure.	+/-25,072	No impact	0
Property. Plant and Equipment Capital expenditure incurred on land and buildings and council dwellings was not reversed as part of the revaluation adjustment, resulting in the carrying value of these assets being overstated. Revaluation movements are reversed through the movement in reserves statement and have no impact on general fund reserves.	11,000	(11,000)	11,000
Overall impact	£11,000	£11,000	£11,000

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Detail	Auditor recommendations	Adjusted?
Balances transferred at 1 April 2019	The draft statements included details of balance transferred on the face of the balance sheet. The Code requires that this detail is disclosed in a note to the accounts.	The Council has made the necessary amendment.	✓
External auditor costs Note 27	The audit fee note has been amended to remove the reference to company audits not undertaken by Grant Thornton and to include details of the Council's CFO Insights subscription.	The Council has made the necessary amendment.	✓
Financial Instruments	The Council had calculated the fair values of its PWLB loans with reference to the premature repayment rate rather than the new loan rate. The fair value of the substantive loan from Prudential to purchase the Madeira Road student accommodation was omitted.	The Council has made the necessary amendment.	✓
Expenditure and Funding Analysis Note 3	Our testing of the IFRS 15 disclosure identified that £46,448k of education grants had been incorrectly classified as fees and charges rather than grant income received.	The Council has made the necessary amendment.	✓
Investment Properties Note 13	The investment properties note did not include all the required detail in respect of the type of investment and details of the fair value hierarchy used in the valuation process.	The Council has made the necessary amendment.	✓
Officers remuneration Note 25	The Council identified that benefits paid to the Chief Executive were understated by £8000.	The Council has made the necessary amendment.	✓
Related Parties Note 30	This note has been updated to reflect transactions with the Council's subsidiary charities. We also note that the Council has been overly transparent of its inclusion of entities as related parties within this note, where they do not meet the definition of a related party within the relevant accounting standards.	The Council has amended the note to include transactions with its subsidiary charities, but has not removed transactions with other entities not within the definition of a related party.	Partial

Audit adjustments

Disclosure	Detail	Auditor recommendations	Adjusted?
Group Accounts	A number of amendments have been made to the group accounts, including to heritage assets. Our audit work in this area remains ongoing.	The Council has made the necessary amendments to date	✓
Accounting Policies	A number of minor amendments have been made to accounting policies to more fully reflect the requirement of the Code.	The Council has made the necessary amendment.	✓
Assumptions made about the future and other estimation uncertainty	This note has been revised to include more detail of the impact of the uncertainties disclosed.	The Council has made the necessary amendment.	✓

Appendix C

Fees

We confirm below our final fees charged for the audit and provision of non-audit services, not previously reported.

Audit fees	Proposed fee	Final fee
Council Audit	160,000	196,000
Charitable Trust Audits	37,000	37,000
Total audit fees (excluding VAT)	£197,000	£233,000

The fees reconcile to the financial statements subject to the additional fees set out below

Council audit fees per the financial statements	£160,000
– Additional external valuers fees due to the number of valuers engaged by the Council	£15,000
– Covid-19 related additional fees	£21,000
Total fees per above	£196,000

Over the last six months the current Covid-19 pandemic has had a significant impact on all our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements has been multifaceted. This included:

- Revisiting planning- we have needed to revisit our planning and refresh our risk assessments, materiality and planning as well as additional work in areas such as going concern and disclosures in accordance with IAS 1 in particular in respect to material uncertainties.
- Managements assumptions and estimates - there is increased uncertainty over many estimates including investment and property valuations. Our audit opinion will include an emphasis of matter in respect of this.
- Remote working – the most significant impact of terms of delivery is the move to remote working. We, as have other auditors, have experienced delays and inefficiencies resulting from this new working environment. This is understandable and arise from the availability of relevant information, the need for us to devise alternative methods to evidence the veracity of the information provided and not being able to sit with an officer to discuss a query or a working paper. Obtaining an understanding via teams or telephone is often more time consuming.


We have been discussing the matter with PSAA over the last few months and these issues are similar to those experienced in the commercial sector and the NHS. In both sectors there is a recognition that audits will take longer with commercial deadlines expended by four months and the NHS deadline by one month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/about-the-frc/covid-19/covid-19-bulletin-march-2020> sets out the expectations of the FRC.

Please note that these additional proposed fees are subject to approval by PSAA in line with the terms of engagement.


Fees - Other audit and non audit related services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Grant Claims	25,000	TBC
Non- Audit Related Services CFO Insights Subscription	10,000	10,000
Total non- audit fees (excluding VAT)	£35,000	£XX,XXX


Internal controls IT - Oracle Fusion Observations

Assessment	Issue and risks	Recommendations
1	 <p>Segregation of duty (SoD) threats due to Oracle system administrator accounts with elevated finance roles</p> <p>We identified that the Finance Management Systems (FMS) Team with the IT Security Manager role also have elevated Finance roles assigned to them, which is a critical SoD conflict.</p> <p>Among the conflicting Finance roles assigned to these users we found AP Manager, AR Manager, Asset Manager, Cash Manager, GL Manager, Payroll Manager, Supplier Manager and Tax Manager.</p> <p>While we understand that the FMS team provide system support, elevated privileges to finance system roles should not be a standard profile for these users.</p> <p>These issues pose the following risk:</p> <p>Users with both system administration and other elevated finance access can perform unsegregated functions, increasing the risk of misstatement due to fraud or error.</p>	<p>Access to all Oracle functions and data should be based on a least privileged principle. We recommend that:</p> <p>a) Management undertake a review of all roles in use that are allocated to BCP Oracle Fusion users. The scope of this review should include BCP users and roles that have been copied from default roles.</p> <p>b) The review should also include appropriate consideration of conflicts created through assigning combinations of IT administrator and elevated business / financial access roles. Where a financial role is required to provide support for users, assignment of the role should be managed and for a limited period.</p> <p>c) If management is unable to segregate access for the users highlighted in the finding, consideration should be given to the risk created and whether additional compensatory controls (i.e. high-risk activity monitoring) are required.</p> <p>d) To monitor the risks arising, we also recommend that these are formally documented and periodically reviewed.</p> <p>Management Response:</p> <p>These roles are assigned within the FMS Team to enable carry out business admin functions and development/testing. Interfacing external systems with Fusion is an end user function of the FMS Team.</p> <p>Controls are in place to ensure that these roles are used appropriately. For example, end user functions are documented and records of the processing by the FMS Team are kept.</p> <p>The purpose of why each role is assigned to each user will be documented and kept under review as will the effectiveness of the controls in place.</p>


Internal controls IT

	Assessment	Issue and risks	Recommendations
2		<p>FMS self-assigning Oracle roles without formal approval or subsequent timely removal</p> <p>We identified 31 instances in the financial year when 7 users from the Finance Management Systems (FMS) Team self-assigned additional roles without recorded approval from management.</p> <p>The self-assigned access includes high risk roles such as Suppliers Administrator, BCP Capital Project Manager and BCP Supplier Manger which have not been subsequently reassessed for appropriateness and removed if no longer required.</p> <p>There is no process in place to document requests to self-assign responsibilities and obtain management approval. The additional privileges were not end dated nor removed.</p> <p>We also found that audit logs are not enabled to determine whether activities of these users were appropriate and that the additional access was not misused.</p> <p>These issues pose the following risk:</p> <ul style="list-style-type: none"> i. Where self-assignments of additional access occur and there are no documented approvals / the access is not end dated following the completion of requirement the risk of bypass of system enforced access controls due to segregation of duties conflicts is significantly increased. This subsequently increases to the risk of fraud or misstatement. ii. Internal access to information assets and administrative functionality may not be restricted on the basis of legitimate business need. 	<ul style="list-style-type: none"> a) Management should review current access processes so that where IT administrative staff require additional Oracle functionality, they are required to formally request this. b) The procedure to support this should include documented approval for the access assignment from a separate individual. c) Any such access granted should be required to be end-dated accordingly. d) Management should also review the self-assigned responsibilities occurring during since the system implementation and determine whether this access is still required. e) Management should implement periodic monitoring controls to identify instances where members of staff have assigned themselves additional roles and any non-compliance with the process described above should be investigated. <p>Management Response:</p> <p>We will review all self-assigned roles and ensure that all are documented for purpose and duration.</p> <p>The assigned roles will be reviewed quarterly to ensure they are still required.</p> <p>All future roles to be added will require line manager approval.</p>

Internal controls IT

	Assessment	Issue and risks	Recommendations
3		<p>SoD threats due to Oracle system administrator accounts with developer / implementation roles</p> <p>The 14 active named system administrators (five administrators have two named accounts) are also assigned conflicting Application Implementation and Application Developer roles. We acknowledge that only Oracle has access to change source code, thus these named user accounts are limited to making configuration changes (e.g. changes to workflows). All users found to have these conflicts are members of the FMS Team, who 'sit' between Financial functional staff and ICT.</p> <p>Whilst Oracle Fusion allows for limited 'development' work for reports and review, the level of access in the application level (as some changes can affect data flows and processes) is deemed a risk and where there is no monitoring enabled (see item 6 below) nor formal monitoring of changes (see item 5 below).</p> <p>These issues pose the following risk:</p> <p>There is a risk that unauthorized changes may be made to the production system leading to loss of data integrity, processing integrity and/or system down-time.</p>	<p>Management should remove the ability of administrators to modify the production system or data and remove the application implementation and developer roles from their profiles.</p> <p>If management is unable to segregate access for this group of users, consideration should be given to the risk created and whether additional compensatory controls are required. For example, high-risk user activity monitoring (see Issue 6); formally supported, recorded and authorised change management process etc. (see Issue 5)</p> <p>Management Response:</p> <p>The FMS Team is responsible for both the admin and the limited development of the Oracle System. As identified, development capability is extremely limited and is focussed on configuration.</p> <p>The current modules in use (i.e. not full Payroll / HR) requires constant configuration/development access to maintain workflows for Procurement/Account Payables.</p> <p>On the topic of Control for example, any changes to approval rules are not initiated by the FMS Team. They required authorisation which is documented from the Service Director or Service Accountant.</p>

Internal controls IT


	Assessment	Issue and risks	Recommendations
4		<p>Inappropriate critical security and configuration functions embedded in standard roles</p> <p>Five users in the IT Security Roles have access to a privilege 'impersonate roles' through the 'Application Implementation Manager', 'Application Developer' and 'Sales Administrator' roles that allow them to log on to the application and conduct activities in another users name without leaving an audit trail relating to their own User Identifier (ID).</p> <p>Also, a member of the Procurement Team who was part of the original implementation team still has an IT Security role privilege set, which should have been rescinded once the project was complete. We have identified that this access has been removed since being identified through the audit process.</p> <p>We also found that the audit logs are not sufficient to determine whether activities of these users were appropriate except for Supplier Details.</p> <p>These issues pose the following risks:</p> <ul style="list-style-type: none"> i. Bypass of system-enforced internal control mechanisms through inappropriate use of administrative functionality by making unauthorised changes to system configuration parameters, creation of unauthorised accounts, making unauthorised updates to their own account's privileges. ii. Internal access to information assets and administrative functionality may not be restricted on the basis of legitimate business need. 	<p>a) The 'Impersonate User' privilege should be removed from the application, or at minimum de-linked from the roles identified.</p> <p>b) Full audit logging and review processes should be introduced to monitor activities of all users with elevated privileges. (see Issue 6)</p> <p>Management Response:</p> <p>Access to the privilege to 'impersonate roles' and the Procurement team member with the IT Security role have been removed.</p> <p>Audit logging is enabled for all changes to Supplier records.</p> <p>Data about who performed an action for "Payables Invoices" and "Journals" can be found in the main system.</p> <p>Audit logging on these items would not increase the understanding about who worked on these documents but would reduce performance.</p>

Internal controls IT


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Assessment	Issue and risks	Recommendations
5	<p>Lack of formal documented change management processes and procedures at application level</p> <p>There are no formally documented procedures nor processes to manage application level changes outside the FMS team mailbox. The evidence provided does not provide confirmation that any testing has been conducted outside the live system or that there has been any approval for the changes to be made.</p> <p>While we understand that the underlying system changes are managed by Oracle Cloud services, application level changes can impact on the system and users.</p> <p>These issues pose the following risks:</p> <ol style="list-style-type: none"> Integrity of application processing, data, reports, and controls may become impaired through introduction of untested or improperly Changes management may not be effectively administered, leading to loss of data integrity, processing integrity and/or system down-time. 	<p>Management should implement a formal change management process for Oracle Fusion application level changes. This should be commensurate with the level of acceptable risk. For example, at minimum, changes should be:</p> <ul style="list-style-type: none"> Assigned a 'category/type' including application and emergency changes (please see issue 3) to ensure that the appropriate approach is taking to assessing the change raised, gaining expenditure approval etc. Recorded in either or service desk or a shared register with details of the individual raising it and what further approval is required etc. Assigned a testing strategy (system, UAT etc). Testing should be consistent and appropriate according to the change type. Individual sign-off and dates should be retained along with user approval to migrate into production. Data migration plans, along with sign-off of any reconciliations performed by senior finance staff. Rollback processes recorded. <p>All supporting documentation should be retained so that it is available for future scrutiny.</p> <p>Management Response:</p> <p>Since the audit our process for testing the quarterly updates has been formalised using Teams to document all tests to be completed, who is assigned and any variation from expected result and additional information when further investigation is required. Prior to May 2020 testing documentation was more fragmented.</p> <p>Substantial changes required to implement the BCP FMS from that inherited from the legacy councils was managed through an FMS working group.</p> <p>This group used a detailed worklist to identify change projects, assign lead officers and produce progress updates. This group reported to S151 Officer and continues to manage major change to the FMS Team.</p> <p>Each individual project had its own project plan, testing plan and sign-off as appropriate.</p> <p>Ad-hoc / BAU changes are requested via the Oracle Fusion inbox and additional authorisation is sought if required.</p>

Internal controls IT

Assessment	Issue and risks	Recommendations
6	<p data-bbox="168 371 210 416"></p> <p data-bbox="295 363 1111 387">Audit logs are not enabled on the Oracle application and database</p> <p data-bbox="295 408 1341 496">Audit logging has not been enabled on Oracle Fusion except for Supplier monitoring and no security functions were being monitored. Also, we were informed that the logging that is conducted is only reviewed retrospectively if an issue is identified.</p> <p data-bbox="295 512 719 536">These issues pose the following risk:</p> <p data-bbox="295 555 1288 643">Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.</p>	<p data-bbox="1361 363 1966 547">Management should review the configuration of audit logging in Oracle Fusion to ensure that meaningful information can be obtained from audit logs. This could include a review of key activities / tables to ensure that only high-risk areas are subject to audit logging.</p> <p data-bbox="1361 563 1966 746">Additionally, audit logs for high risk areas / key database tables should be periodically reviewed. These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p> <p data-bbox="1361 762 1659 786">Management Response:</p> <p data-bbox="1361 802 1937 858">The configuration will be reviewed and meaningful information about key activities obtained.</p> <p data-bbox="1361 874 1937 936">All available reports for high risk areas will be periodically reviewed by the FMS Team Manager.</p>

Internal controls IT

7	Assessment	Issue and risks	Recommendations
134		<p>Weak or non-compliant Oracle password settings</p> <p>The Oracle Fusion password settings do not meet the Council's own minimum password requirements. The Council Information Security (IS) Policy states that passwords should be at minimum 9 characters and the last 3 passwords should be remembered.</p> <p>Oracle Fusion settings require a minimum 8-character password, which must include at least 1 uppercase and 1 numeral with 1 previous password being remembered.</p> <p>These issues pose the following risk:</p> <p>Compromise of user accounts through password guessing or cracking leading to fraud and financial misstatement.</p>	<p>We recommend that the Oracle Fusion passwords settings are changed to meet the Council's own IS password settings:</p> <ul style="list-style-type: none"> - Password length should be set to 9 characters - Password history should be set to 3 <p>Management Response:</p> <p>The Oracle System is unable to comply with the BCP password policy without enhancement being progress by Oracle.</p> <p>Currently the system will lock user accounts after 5 unsuccessful attempts.</p> <p>The system could be changed to add the requirement of using a special character. The implications of making this change will be reviewed.</p>


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Internal controls IT - IT General Controls Review Observations

9	Assessment	Issue and risks	Recommendations
136		<p>Privileged user access – Bournemouth Domain</p> <p>We identified 286 Bournemouth accounts (User-ID's) prefixed with 'PAU_' which indicates Privileged Access User. Whilst 45 of these had been disabled, only one of these disabled accounts had been locked. The remaining 241 accounts were enabled.</p> <p>Historically, the 'PAU_' account was used by staff at Bournemouth Council to perform limited IT management processes such as installing software, resetting passwords etc. However, we have been unable to confirm whether that the elevated permissions have been removed from all these users</p> <p>We also identified 50 'ADM' accounts whilst 35 of these were disabled, only 31 of these 35 was 'locked'.</p> <p>These issues pose the following risks:</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative functionality by making unauthorised changes to system configuration parameters, creation of unauthorised accounts, making unauthorised updates to their own account's privileges.</p>	<p>We recommend that management review all users with a designated 'PAU_' and 'ADM' and remove any elevated privileges which are not appropriate for their role.</p> <p>The number of administrator accounts should be reduced to enable management to monitor more effectively those accounts with elevated accounts that remain.</p> <p>A review of these user's activities over the 19/20 audit period should be conducted to ensure that they have not made any system changes that would not be appropriate for their role.</p> <p>Management Response:</p> <p>The PAU list will be reviewed "by IT and Finance". We will ensure that all non-IT PAU accounts are identified. These will then be reviewed to ensure elevated permissions are commensurate with the privileges required under that account. Unused or obsolete accounts will be disabled or deleted.</p>

Internal controls IT

	Assessment	Issue and risks	Recommendations
10		<p>SoD issues arising from system account management by local business teams</p> <p>Security management of system accounts for both Radius Debtors and Capita Debtor's system are held by the local business teams that manage these applications and have additional privileges based upon their 'PAU' account designation, please see issue 9 above.</p> <p>Furthermore, Radius and Capita generic passwords managed by these local admin team who do not use the tool 'keypass' to safeguard these passwords.</p> <p>Finally, we have been informed that internal staff do not perform DBA activities. However, the 'aisdba' account is required to perform some activities (e.g. update permissions following an upgrade) and is accessed by the System Administration Team and members of IT. The password is reset based on the standard settings of the application (see Issue 14). Activity is not currently monitored although audit logs are available for review (see Issue 12).</p> <p>These issues pose the following risk:</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative functionality by making unauthorised changes to system configuration parameters, creation of unauthorised accounts, making unauthorised updates to their own account's privileges.</p>	<p>We recommend that management should:</p> <p>a) Remove access to system accounts from business/ functional teams and secure these accounts in the IT team's 'Keypass' repository.</p> <p>For Radius</p> <p>b) Review and reduce where practical the enhanced access privileges given to Radius Debtors administrators to reduce SoD conflict.</p> <p>For Capita:</p> <p>c) Review and reduce access to the Capita 'aisdba' account to a minimum number of users, where possible restrict to IT users only.</p> <p>d) Implement appropriate password management protocols.</p> <p>e) Implement monitoring activities.</p> <p>If the above is not possible, mitigating controls should be introduced instead. For example, enable security audit logging to monitor the use of these accounts.</p> <p>Management Response:</p> <p>The Radius Debtor System is managed by the Bournemouth Sundry Income Team. Without access to parameters, creation of accounts etc, they would be unable to set up new users or alter parameters that Civica advise should be altered.</p> <p>For item c), the 'aisdba' account in the Capita Debtors system is restricted to system administrators and IT database administrators.</p> <p>All access will be reviewed. Password management controls and monitoring activities will be reviewed, and controls implemented as appropriate over the next six months.</p>

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Issue and risks

Recommendations



There were no standardised user access management procedures and processes to support all financial systems and we were informed that user access could be requested via email or phone in addition to the existing user access forms. These forms also varied in format according to application e.g. Capita Debtor access captured the user's acknowledgement that they had read and would abide by BCP's IS Policy prior to access being granted but this was not required to access Radius Debtors.

The new user access, movers and leavers we did review for our sample were found to have been properly authorised for Capita Debtors though we did not receive sufficient evidence to review the leaver and mover process for Radius Debtors.

Our review of Oracle Fusion revealed that leavers were marked as '(Do not use - Account deactivated)'. However, these accounts appeared on the 'active users' list and so had not been fully deactivated. This could mean that such accounts could be used (by others) to circumvent internal controls and misuse the system as such activity would be difficult to trace back to the individual responsible.

We also detected 6 system administrators who had left BCP but whose access had not been removed at the time of the audit.

We were informed that HR did provide leaver details. However, such reports should not be relied upon solely to remove users as the information is not always timely. For instance, a monthly HR Leavers Report would mean that a leaver's account is available up to the time the HR report is issued for actioning, which could be up to a month after the individual had left.

These issues pose the following risks:

i. Internal access to information assets may not be restricted on the basis of legitimate business need leading to fraud and financial misstatement.

a) Management should ensure that all leavers are 'deactivated' promptly. In addition, the six system administrator accounts of leavers should be removed, and steps taken to ensure that such accounts had not been used following their departure dates.

b) BCP's user access arrangements should be reviewed and, if necessary, a new procedure introduced to ensure a standardised, formal approach across all applications.

All users should be formally authorised (by their line managers) and have access to financial systems and data in accordance with their role. It would also help avoid inappropriate access permissions accumulated by staff as they transfer between roles and ensure the prompt removal of leavers.

The policy should also include the management of system and generic accounts. Any new policy should be reviewed and authorised by senior management and made freely available to all staff.

c) User access forms should be consistent by capturing similar information for example, that the user had read the Council's IS Policy and would abide by it.

All forms should be retained for future scrutiny and annual user access reviews conducted to support compliance with this process.

Management Response:

The six system administrator accounts were locked and not usable without access to the email account linked to them. Since the audit all have been deactivated.

With regards to Radius access, all users are asked to complete a User Access Request Form to enable access. On a quarterly basis, all users of Radius are sent an email to ascertain if access is still required, giving the user the opportunity to be voluntarily removed.

We are currently undergoing a Council wide restructuring exercise. Once completed we will review user management processes in line with the new organisational structure once implemented

Internal controls IT

Assessment	Issue and risks	Recommendations
	<p>ii. Accumulation of access rights as a result of a job transfer may cause segregation of duties conflicts leading to fraud and financial misstatement.</p> <p>iii. Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls. Terminated employees may continue to access information assets through enabled, no-longer-needed user accounts leading to fraud and financial misstatement.</p>	

Internal controls IT

Assessment	Issue and risks	Recommendations
12	<div><div><div></div></div><div><p>Audit logs are not enabled on Active Directory (AD) and lack of proactive monitoring</p><p>User access security audit logging is not been enabled on Active Directory and 'Splunk' is not yet in operation on the network domains.</p><p>Although logging is enabled on Radius and Capita Debtors systems, we were informed review of the logged data is only conducted retrospectively if an issue is identified.</p><p>These issues pose the following risk:</p><p>Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.</p></div></div>	<p>Management should utilise the 'Splunk' monitoring service and review the configuration of all critical systems to ensure that security logging is enabled, and that meaningful information can be obtained from audit logs.</p> <p>This could include a review of key activities / tables to ensure that only high-risk areas are subject to audit logging.</p> <p>Additionally, audit logs for high risk areas / key database tables / privileged user activities should be periodically reviewed.</p> <p>These reviews should be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p> <p>Management Response:</p> <p>We intend to implement a SIEM within the BCP AD as part of our AD consolidation work.</p> <p>Radius already has an audit trail on every aspect of updates/changes made by a user and of automated changes (i.e. recovery letters being generated).</p> <p>In Capita debtors, as users log in with single sign on, the event log will not identify issues such as repeated invalid login attempts.</p>

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Assessment	Issue and risks	Recommendations
	<p>Active Directory (AD) Network - domain user management</p> <p>Work is currently ongoing to provide a single BCP Council domain and until complete, each entity has a separate domain which operate on different naming conventions and processes.</p> <p>In common to all Domains (CED, BBC, BoP) there are large number of generic 'Test', 'Train' and 'Temp' user accounts, which are enabled and used regularly.</p> <p>While we understand that the 'Train' accounts are limited to specific assets and are used widely for the training programmes delivered through HR and IG Governance Teams, 'Test' accounts should not be active on a live network and any temporary staff should still have named accounts to ensure accountability and not be shared even if access is limited.</p> <p>These issues pose the following risks:</p> <p>Internal access to information assets may not be restricted on the basis of legitimate business need leading to fraud and financial misstatement.</p>	<p>Management should review the allocation of access using generic (i.e. 'Test', 'Train' and 'Temp') accounts and review the adequacy of controls to ensure accountability for all system users.</p> <p>As part of the work to provide a single BCP Council Domain, the Council should identify and remove all non-essential and unused accounts. We also recommend that the work to develop a single naming convention across all domains is concluded as soon as practicable.</p> <p>Management Response:</p> <p>Agreed</p>

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Assessment	Issue and risks	Recommendations
	<p>Non-compliant password settings</p> <p>BCP is introducing a single network domain but in the review period, the password settings on the three AD domains (at Bournemouth, Poole and Christchurch) varied and did not comply with BCP's IS Policy:</p> <ul style="list-style-type: none"> • All domains' password age is set to '120' days not '90' days as stated in the IS policy. • The Christchurch AD password length is set to six, not nine as stated in the IS Policy. • Attempted login controls varied. Bournemouth domain is set to 8 attempts in 30 minutes before admin reset, Poole Domain 6 attempts in 30 minutes before admin reset whilst the Christchurch Domain was 5 attempts in 30 minutes and reset after 30 minutes (no admin reset). • Capita Debtor's password length is set to 7. <p>These issues pose the following risk:</p> <p>Compromise of user accounts through password guessing or cracking leading to fraud and financial misstatement.</p>	<p>AD domain password parameters should comply with BCP's IS Policy settings:</p> <ul style="list-style-type: none"> • For all domains, the password age is changed to 90 days. • Christchurch domain password length should be increased to nine. • Harmonise account lock-out controls to ensure administrator reset after agreed number of attempted logon attempts within 30 minutes. <p>In addition, Capita Debtor's password length should be increased to 9.</p> <p>Management Response:</p> <p>Agreed. This forms part of our work to consolidate the 3 legacy domains into 1 BCP AD domain.</p> <p>Radius does not generate passwords. It utilises the same password the User has entered to access their PC/laptop. It therefore follows BCP's own IS Policy. Capita debtors also utilises single sign on based on the user's account in the Active Directory.</p>



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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Statement of Accounts 2019/20
Meeting date	26 November 2020
Status	Public Report
Executive summary	<p>This report presents the BCP Council statement of accounts 2019/20 for consideration and approval.</p> <p>The statement of accounts has been prepared in accordance with the CIPFA Local Authority Accounting Code of Practice, and presents a true and fair view of the authority's financial performance for 2019/20 and financial position as at 31 March 2020.</p> <p>This report highlights any significant issues within the statement of accounts, and provides an opportunity for robust Member scrutiny prior to their formal approval.</p>
Recommendations	<p>It is RECOMMENDED that the Audit and Governance Committee:</p> <p>(a) Consider and approve the statement of accounts 2019/20;</p> <p>(b) Agree that the Chair of the Audit and Governance Committee signs the statement of responsibilities included in the statement of accounts and the letter of representation on behalf of the Committee once the audit is complete.</p>
Reason for recommendations	The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require that Local Authorities approve their 2019/20 financial statements by 30 November 2020.
Portfolio Holder(s):	Councillor Drew Mellor, Leader of the Council
Corporate Director	Chief Executive

Report Authors	Adam Richens, Chief Finance Officer and Director of Finance Dan Povey, Assistant Chief Financial Officer Matthew Filmer, Finance Manager
Wards	Council-wide
Classification	For Decision

Background

1. The presentation of the annual accounts closes the financial management cycle for 2019/20. The deadline for the approval of the statement of accounts is usually 31 July, but this was extended to the 30 November for the 2019/20 accounts due to covid-19.
2. The pandemic has impacted on the completion of the audit due to remote working by the finance team and auditors, increased uncertainty with regard financial markets and financial assumptions in the accounts which require additional audit work to assess, and the ability of the finance team to respond swiftly to audit queries while having to assess the considerable impact of the pandemic on the council's budgets.
3. In addition to the impact of covid-19, the audit of the BCP Council statement of accounts is particularly complex for 2019/20, the first year of the new council's existence. The requirement to audit opening balances from four legacy authorities, and the complex financial systems inherited from these legacy authorities has also required additional audit effort.
4. The pandemic and additional complexity with auditing the BCP Council statement of accounts should also be considered against the national background of the increased assurance work that auditors need to carry out with regard to areas such as property valuations and pension disclosures.
5. The factors referred to above will delay the completion of the external auditor's work and issuing of their opinion until after 30 November 2020. The auditor's work is substantially underway and they expect to issue an unqualified opinion. Therefore the Audit and Governance Committee is asked to approve the statement of accounts as presented today in Appendix A. It is recommended that approval is also given for the Chair to sign of the statement of responsibilities and letter of representation once the audit is complete.
6. Any material changes to the statement of accounts after approval will be reported back to the next meeting of the Audit and Governance Committee in January 2021, for further approval if necessary.

Roles and responsibilities

7. To comply with the Accounts and Audit (England) Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020;
 - The Chief Finance Officer (CFO) certified that the 2019/20 statement of accounts presented a true and fair view of the authority's financial position

by 31 August 2020. The CFO is required to re-certify the statement of accounts before Audit and Governance Committee approval.

- Since certification by the CFO of the accounts by 31 August 2020, they have been the subject of a detailed external audit by Grant Thornton. The findings of the external auditor are reported to this Committee in the Audit Findings Report that is on the agenda to be considered today.
- The Audit and Governance Committee are responsible for approving and issuing the statement of accounts. The Committee also plays a key role in ensuring accountability and that value for money is demonstrated to the public.
- Consequently, the role of the Audit and Governance Committee is to consider and accept the audited statement of accounts for 2019/20, including the annual governance statement, and agree that the Chair can sign and date the document by 30 November 2020.
- The council is required to publish the statement of accounts and audit opinion by 30 November 2020. As referenced in paragraph five, the audit opinion will not be issued until the completion of the audit and so a notice of delayed audit opinion will be published alongside the draft statement of accounts on the council's website, in accordance with the Accounts and Audit Regulations 2015.
- It is also a requirement that Grant Thornton is supplied with a letter of representation from the council and that this is signed at this Committee by the Chief Finance Officer and Chair of the Audit and Governance Committee. The letter confirms that the council has knowingly supplied all relevant information in order for the external auditors to complete their audit. It recommended that this Committee give approval for the CFO and Chair to sign the letter of representation once the audit is complete.
- The annual governance statement which forms part of the statement of accounts is required to be signed by the Leader of the Council and the Chief Executive at this Audit and Governance Committee.

Interpretation of the accounts – general

8. The Statement of accounts comprise:

- Narrative report
- Statement of responsibilities for the statement of accounts
- Financial statements including the comprehensive income & expenditure statement, movement in reserves statement, balance sheet and the cash flow statement.
- Notes to the accounts (including accounting policies and pensions disclosures).

9. A **narrative report** is produced as a concise and easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the council's financial position and a commentary on the major influences on income and expenditure, cash flow, assets and liabilities.

10. The **movement on reserves statement** shows the movement in the year in the different reserves held by the authority analysed into “usable reserves” that can be applied to fund expenditure or reduce local taxation and “unusable reserves”. The surplus or deficit on the provision of services line reflects the economic cost of providing services shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance and housing revenue account for council tax and dwelling rent setting purposes.
11. The **comprehensive income and expenditure statement** brings together all of the council’s activities, showing the resources that it has generated, consumed or set aside in providing services for the year.
12. The **balance sheet** is fundamental to the understanding of an authority’s financial position. It shows its balances and reserves and its long-term indebtedness, and the long term and current assets employed in its operations, together with summarised information on the property, plant and equipment held.
13. The **cash flow statement** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
14. The **statement of responsibilities** identifies the respective responsibilities of the Council and the Chief Finance Officer for the statement of accounts.
15. The **notes to the financial statements** provide further explanation or disclosures in respect of certain items of income and expenditure, reserves and balances, as required by the Code of Practice. These include (with references to the statement of accounts page numbers):
 - Expenditure and funding analysis – used to bring together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the general fund and housing revenue account (P25).
 - Members allowances (P52).
 - Employee remuneration (P52 – P53).
 - Termination benefits and exit packages (P54).
 - Retirement benefits (P62 – P67).
 - Accounting policies – used to explain the basis for recognition, measurement and disclosure of transactions and other events in the accounts (P72 – P84).
 - Housing revenue account – a statutory account which independently records the costs of maintaining and managing the council’s own housing stock and how these costs are met by rent payers and other income (P85).
 - Collection fund – shows the transactions of the council as a billing authority in respect of the council tax and business rates income and its distribution to precepting authorities, the government and the council’s general fund (P90).
 - Group accounts –are produced to include material interests the council has in other companies and charities. These group accounts therefore consolidate

the council's accounts with the entities where it has been determined that the council has control and significant influence, these being the Lower Central Gardens Trust, Five Parks Charity and the Russell Coates Art Gallery and Museum Charitable Trust (P94).

- The group accounts are made up of all four statements as per the council's single entity accounts but also show the additional transactions, reserve movements and balance sheet items associated with the council's share of the entities that have been consolidated.

Key messages from the BCP Council statement of accounts 2019/20

16. The key messages from the statement of accounts are summarised as follows:

- Outturn per narrative report consistent to that reported to Cabinet in July with a £0.2 million surplus after the use of £2.4 million budget contingency.
- The accounting deficit on the provision of services in the comprehensive income and expenditure statement is £99.1 million. This includes items not funded from council tax such as depreciation and pension accounting costs.
- Total comprehensive income and expenditure is a £6.7 million surplus. This is the increase in net worth of the council over the financial year and is due mainly to asset revaluations and movements in the pension liability.
- The movement in reserves statement shows a net £1.2 million increase in usable reserves.
- The balance sheet shows the net worth of the council as at 3 March 2020 was £687.7 million. The pension deficit of £763.3 million has a significant impact on the net worth of the council.
- The council had £269.8 million in outstanding debt at the balance sheet debt, although this represents a significantly "under borrowed" position compared to the council's capital financing requirement as the council has utilised its own cash balances instead of external borrowing.
- There are no comparatives for prior years within the statement of accounts as this is the first year that BCP Council has existed.

Options Appraisal

17. Not applicable.

Summary of financial implications

18. The statement of accounts play a key role in demonstrating to taxpayers and other stakeholders how public money has been used.

Summary of legal implications

19. This report has been produced in accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, that require local authorities approve their audited 2019/20 financial statements by 30 November 2020. Authorities unable to do so

must publish a notice stating the reasons why this is not possible and publish the audited accounts as soon as is reasonably practicable to do so. Under the Council's constitution approval of the financial statements is delegated to the Audit and Governance Committee.

Summary of human resources implications

20. None.

Summary of sustainability impact

21. None.

Summary of public health implications

22. None.

Summary of equality implications

23. Equality impact assessments are carried out by services in order to support budget their proposals.

Summary of risk assessment

24. The financial health of the authority as demonstrated within the statement of accounts will be used to inform the council's overall financial risk assessment and reserve strategy.
25. Failure to produce an unqualified statement of accounts would result in reputational risk with regards to how the council is viewed by the community it serves and by central government.

Background papers

The 2019/20 Outturn Report was presented to Cabinet on 29 July 2020.

<https://democracy.bcpCouncil.gov.uk/documents/s18271/201920%20Outturn%20Report.pdf>

Appendices

Appendix A BCP Council Statement of Accounts 2019/20



BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL

STATEMENT OF ACCOUNTS 2019/20

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NARRATIVE REPORT

Introduction

The Annual Statement of Accounts 2019/20 are the first set of accounts prepared by Bournemouth, Christchurch and Poole (BCP) Council since its creation on 1 April 2019.

The accounts summarise the council's transactions and its financial position for the financial year ended 31 March 2020. The council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 supported by International Financial Reporting Standards (IFRS) and statutory guidance, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Local Government Reorganisation in Dorset

BCP Council and Dorset Council came into existence on 1 April 2019 following parliamentary approval for local government reorganisation in Dorset.

The creation of two new unitary councils from the nine preceding local authorities in Dorset was a strategic response to the ongoing financial challenges faced by all local authorities, particularly those upper tier authorities facing significant demand and cost increases in Adults and Children's Social Care services. Cutting out duplication and lowering administration costs delivered by the reduction from nine local authorities to two in Dorset was designed to improve value for money for local council taxpayers and better enable the protection of quality front line services to the community.

Bournemouth, Christchurch and Poole Council

BCP Council's Corporate Strategy was adopted by Council on 5 November 2019. The vision is to create vibrant communities with outstanding quality of life where everyone plays an active role. The high-level strategy sets out five council priorities and a commitment to become a modern, accessible and accountable council committed to providing effective community leadership. The priorities are:

- **Sustainable Environment** - leading our communities towards a cleaner, sustainable future that preserves our outstanding environment for generations to come;
- **Dynamic Places** - supporting an innovative, successful economy in a great place to live, learn, work and visit;
- **Connected Communities** - empowering our communities so everyone feels safe, engaged and included;
- **Brighter Futures** - caring for our children and young people; providing a nurturing environment, high quality educations and great opportunities to grow and flourish;
- **Fulfilled Lives** - helping people lead active, healthy and independent lives, adding years to life and life to years.

The strategy is underpinned by an agreed set of core values and delivery plans which set out how the council will achieve the priorities.

Figure 1: BCP Corporate Strategy



A corporate strategy is vital for identifying and gaining visibility of the council's key priorities, which represent the objectives and outcomes that the council's performance will be judged against. The corporate strategy objectives are the beginning of a golden thread that links personal, team and service performance to the things that matter most to the organisation, and as such will be a vital component of the council's performance management framework.

In February 2020 Cabinet approved the delivery plans which show how corporate priorities will be achieved. These high level delivery plans explain the journey so far and the current and future planned activity under each individual objective. The plans explain how success will be monitored and measured, and will form the basis for the development of a corporate performance framework going forward. The next steps will be to set the measurement processes, baseline positions and targets that will form the basis of the performance framework.

In addition to a delivery plan for each of the five corporate priorities, there is an additional plan that sets out how the council will achieve its commitment to be a modern, accessible and accountable council.

Governance Arrangements

The BCP Council area comprises 33 wards with 76 elected councillors to represent residents. The council operates on a Cabinet model where the Leader appoints up to ten councillors to form the Cabinet. Members of the Cabinet take lead responsibility for specific service areas in their role as Portfolio Holders. The Cabinet is responsible for most day to day decision making and can make decisions that are in line with the council's key policy framework and budget.

The Council Constitution sets out the rules and procedures that govern how council business is conducted and decisions are made.

Supporting the work of the elected councillors in delivering the corporate aims of the council is the organisational structure of officers headed by the Chief Executive. The Chief Executive is supported by a Corporate Management Team, comprising of five Corporate Directors, the S151 Officer and Monitoring Officer. The council's operations are split into five directorates as follows, each with a responsible Corporate Director and supported by Service Directors.

- Adult Social Care
- Children's Services
- Regeneration and Economy
- Environment and Community
- Resources
- Housing Revenue Account

The Annual Statement of Accounts includes an Annual Governance Statement (AGS). The AGS describes in detail the council's governance framework which comprises the systems, processes and culture by which the council is directed and controlled. The AGS provides commentary on the effectiveness of these arrangements, identifying significant governance issues which need to be addressed.

National Picture

BCP Council operates in an extremely challenging financial environment where central government funding to local authorities has been significantly reduced through the recent period of austerity. When compared to 2010/11, the council areas that make up Bournemouth, Christchurch and Poole Council have experienced cumulative reductions in core government funding of £103 million per annum by 2020/21.

Nationally a council's funding is significantly influenced by the government's cyclical spending reviews which set out the resources they will allocate to the various government departments. Within those broad allocations amounts awarded to individual authorities were previously set out in a four year Local Government Finance Settlement. The 2019/20 financial year was the last of the previous four year settlement periods, as announced in the 2015 Spending Review.

The intention of the 2015 Spending Review was to set out a long-term economic plan that fixed the public finances, returned the country to an annual surplus with a healthy economy that starts to pay down the country's debt. The effect of this plan was to reduce the expenditure limit for local government from £11.5 billion in 2015/16 to £5.4 billion in 2019/20, a 53 per cent reduction.

The government's assumption was that overall local government spending would be £0.2 billion higher in cash terms in 2019/20 compared to 2015/16 due to the generation of local revenues through annual increases in council tax up to the referendum threshold plus an additional precept for adult social care.

The 2019 Spending Round was supposed to see the introduction of a new financial framework for local government with the implementation of a new fairer funding formulae and roll out of a new 75 per cent business rates retention system. The announcement of a green paper on the funding of adult social care was also anticipated. Government departmental spending limits were also expected to be set for the following three to four financial years.

However due to the national work involved in preparing for the UK exit from the European Union a one year spending round was announced for 2020/21 which included the delay of the business rate and fairer funding reforms.

Financial Position for 2019/20

The final outturn position for 2019/20 is a surplus of £0.2 million after the use of £2.4 million budget contingency. The surplus will be added to the financial resilience reserve. This compares with the quarter three projected position of using £2.7 million of earmarked financial resilience reserves in addition to the contingency to balance the budget. This represents an improvement of £2.9 million between quarters three and four.

Directorate budgets are £5.1 million overspent at year end (compared with a projection of £4.8 million at quarter three). The improvement in the overall position is largely due to favourable movements in central items as a result of finalising and undertaking a full review of the four legacy balance sheets and aligning accounting provisions and bad debts.

Figure 2: General Fund Summary 31 March 2020

December Variances £'000		Approved Resources £'000	Outturn (net) £'000	Outturn Variance £'000
	Service Budgets			
960	Adult Social Care & Public Health	108,377	107,508	(868)
2,540	Children's Services	60,543	63,053	2,510
330	Regeneration & Economy	5,235	9,815	4,580
700	Environmental & Community	49,141	49,575	435
272	Resources	31,023	29,502	(1,521)
4,802	Total Service Position	254,319	259,454	5,136
	Corporate Budgets			
558	Investment Property Income	(5,507)	(4,829)	678
-	Pensions (<i>back funding</i>)	9,428	9,428	-
-	Repayment of debt (MRP)	9,274	8,456	(818)
-	Interest on borrowings	2,864	1,656	(1,207)
(110)	Investment Income	(185)	(412)	(227)
-	Revenue Contribution to Capital	2,244	2,244	-
-	Other Corporate Items	(727)	(1,754)	(1,026)
448	Total Corporate Budgets	17,390	14,790	(2,601)
5,250	Total Budget excluding Contingency	271,709	274,244	2,535
(2,536)	Use of Contingency	2,438	42	(2,396)
(2,714)	(Use of) / addition to Resilience Reserves	-	175	175
-	Net Budget	274,147	274,462	315
	Funding Budgets			
-	Council Tax Income	(209,612)	(209,612)	-
-	Parishes / Town Precepts	(545)	(545)	-
-	New Homes Bonus	(3,788)	(3,788)	-
-	Revenue Support Grant	(2,957)	(2,957)	-
-	NNDR Net Income	(47,408)	(47,537)	(129)
-	NNDR 31 Grants	(9,637)	(9,822)	(185)
-	Surplus on the Collection Fund	(200)	(200)	-
-		-	-	-

Although the lockdown occurred very late in the financial year, the impact of Covid-19 in 2019/20 has still been significant. The emergency funding received (£22 million as at June 2020) has all been allocated to the financial year 2020/21 to support the significant additional expenditure and projected loss of income from the major period of the pandemic and recovery. Extra costs due and income lost as a result of the pandemic is estimated at £3.5 million for 2019/20. Net favourable budget movements across other service areas have largely compensated.

Regeneration and economy directorate budgets were those most impacted by the pandemic with it making a significant contribution to the overall directorate overspend of £4.6 million for the year. Lost

car parking revenue of £1 million is a direct result of the lockdown with further losses of £2 million allowed for the expected longer-term impact in the local economy.

The adult social care (ASC) outturn position is an overall surplus of £0.9 million, after the planned use of £2 million of earmarked reserves. This final position is despite the need to absorb £0.5 million of extra costs from the pandemic to support the care market. There were other net favourable budget movements across ASC services, including from year-end adjustments to account for the increase in deferred income of £0.8 million, and employee savings from delayed recruitment and general service savings of £1 million.

The children's services outturn is an overspend of £2.5 million after taking into account additional public health funding of £0.5 million. The outturn reflects the rising numbers and costs for looked after children which is overspent by £2 million and additional costs of school transport of £1.2 million. Staff costs are above budget by £1 million largely to enable faster progress to be made in improving services. Savings from budget management across the service have partially offset these pressures in-year.

Environment and community directorate was overspent by £0.4 million at the year end. Budget variances within individual services include overspending by £0.6 million in the bereavement service, offset by additional income and grants within housing to support expenditure.

Resources directorate achieved a budget surplus of £1.5 million primarily due to the release of the bad debt provision no longer needed for housing benefit overpayments of £0.8 million. This adjustment has aligned policies across BCP and taken account of the lower level of outstanding debt due to the roll out of the national universal credit system.

In central budgets outside the service directorates, net favourable movements over the final quarter emerged to achieve the small surplus overall. In quarter four agreement was reached with Dorset Council on the final balance sheet amounts to transfer to BCP Council from legacy Dorset County Council for the share of assets and liabilities attributable to Christchurch residents. The subsequent review of all opening balances from the four legacy councils has enabled £1.3 million of balances no longer needed to be released to the revenue account. In finalising the inherited debt position £2 million of savings were achieved from debt repayments (minimum revenue provision) and lower interest costs, due to prudent budget assumptions.

Dedicated Schools Grant (DSG)

The DSG outturn is an in-year deficit of £1 million for 2019/20. This is in addition to the cumulative £3.6 million deficit brought forward from the legacy councils to give an overall accumulated deficit at 31 March 2020 of £4.6 million. A deficit recovery plan has been developed, with progress in managing demand and bringing down average costs monitored closely by senior management.

The growing deficit is a result of unfunded pressures in high needs, with the in-year deficit for this block of expenditure at £1.9 million. The deficit is due to a growing caseload of pupils with special educational needs as well as fee increases from independent special schools.

The high needs budget annual deficit was partially mitigated by prior year adjustments of £0.6 million and small underspend on the other three spending blocks of the DSG of £0.3 million.

A funding gap of £6 million has been identified for 2020/21. Children's Services are working with schools and other stakeholders to develop strategies to recover this position in future years.

Reserves

The Council's earmarked revenue reserve balances increased from £52.681 million as at 1 April 2019 to £53.766 million at 31 March 2020. The increase was due in part to the allocation of £2.1m to financial resilience reserves from the disaggregated general fund balance of Dorset County Council. The balance as at 31 March 2020 has also been bolstered by the receipt of £11.102 million government grant for emergency Covid-19 funding, which has been allocated to funding financial pressures relating to the pandemic in 2020/21.

These receipts were largely offset during the year by expenditure across a range of reserves, the most significant being £9.422 million spend across transition and transformation reserves in supporting local government reorganisation costs, further transformation costs and supporting the high needs block within the dedicated schools grant.

Figure 3: Earmarked Revenue Reserves 31 March 2020

Reserve Type	Balance 31 March 2020 £'000
Financial resilience reserves	13,318
Transition and transformation reserves	3,454
Asset investment strategy	2,491
Insurance reserve	3,500
Held in partnership for external organisations	3,071
Required by statute or legislation	3,013
Planning related	1,396
Government grants	18,190
Maintenance	1,601
ICT development and improvement	1,203
Corporate priorities and improvement	2,529
Total Earmarked Revenue Reserves	53,766

The un-earmarked reserve balance as at the date of transfer as part of LGR was £15.4 million. As part of the council's Covid-19 mitigation strategy, up to £3.502 million un-earmarked reserves could be redirected to fund costs relating to the pandemic. This allocation will only be made if required. Should the full amount be required then un-earmarked reserves will need to be topped up by £2.302million in 2021/22 in order to maintain a minimum prudent balance of 5% of net budget.

Capital Investment Programme (CIP)

In February 2019 BCP Shadow Council approved a CIP budget of £87.5 million (reduced to £72.2 million at quarter three). This compares with final capital spend of £59.1 million. Delivery of the planned capital programme has been affected to some degree in quarter four by challenges posed by the outbreak of Covid-19. Unspent approved capital resource (from 2019/20) of £16.5m has been added to the CIP for 2020/21, relating to a variety of council capital schemes.

CIP spend for 2019/20 includes the following:

- £12.3 million Growth and Infrastructure projects utilising funding from the Dorset Local Enterprise Partnership, for example Blackwater Junction and the A338 plus town side access to the Port of Poole;
- £7.8 million Major Housing Schemes, including increasing the council's temporary accommodation portfolio and the housing scheme at St Stephen's Road;
- £7.4 million Adult Social Care, including the acquisition of Fairways care home;
- £4.0 million Children's Services on improvements to various schools in the BCP Council area;
- £3.6 million of Fleet Management including replacements to the waste collection fleet and green waste vehicles;
- £2.9 million on Seafront Development, including improvements to zig zags and improving the amenities available to users of the water front;
- £2.3 million Housing and Communities, including disabled facility adaptations to homes;
- £2.0 million Coast Protection and Flood Management, including the Poole Bay Beach Management Programme;
- £1.8 million on Economic Generation including spend on Lansdowne Business District.

The council's remaining capital investment programme for the three years to 2022/23 totals £258.027 million as set out in Figure 4.

Figure 4: BCP Council Capital Investment Programme

Service Area	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Transforming cities fund	3,635	30,876	34,451	68,962
Major housing schemes	29,669	12,162	6,185	48,016
Road maintenance	9,809	8,237	8,237	26,283
Coast protection and flood management	9,703	5,795	5,869	21,368
Children's services	18,512	-	-	18,512
Seafront development	11,469	-	-	11,469
Economic generation	7,277	3,624	-	10,901
Growth and infrastructure	8,754	1,601	390	10,746
Fleet management	6,221	-	-	6,221
Housing and communities	4,192	1,975	-	6,167
Parks and open spaces	5,634	123	-	5,757
Other maintenance	2,092	740	740	3,572
Commercial assets	3,071	-	-	3,071
Bridges maintenance	1,521	690	690	2,901
Culture, arts, libraries and museums	1,412	1,392	70	2,874
Adult social care	1,595	1,127	-	2,722
Active and greener travel	1,823	-	-	1,823
Estate management	608	518	518	1,644
ICT investment plan	1,644	-	-	1,644
Travel safety measures	919	-	-	919
Public alternatives to the car	785	-	-	785
Strategic network improvements	557	-	-	557
Waste and cleansing	461	-	-	461
Maintaining existing network	259	-	-	259
Skills and learning	200	-	-	200
Sports and recreational facilities	170	-	-	170
Green infrastructure development	24	-	-	24
Total BCP Council Capital Programme	132,015	68,861	57,151	258,027

Major capital schemes included in the CIP for 2020/21 include £68.962 million for the Transforming Cities Fund (TCF). The council is committed to promoting more environmentally sustainable means of travel across the conurbation and was successful in its bid for government grant funding from the TCF. The bid will generate a significant increase in capital funding for sustainable transport scheme delivery over three years from April 2020 to 2023.

The CIP includes £26.283 million for road maintenance which will include pothole repair, resurfacing and general maintenance. Much of this spend is financed from the Department for Transport.

Growth and Infrastructure spend of £10.746 million is programmed into the CIP. This includes major highway improvement schemes funded in partnership with the Dorset Local Enterprise Partnership such as completing the work at Blackwater Junction and the A338, the Wessex Fields link to the A338 and the Townside Access to the Port of Poole programme.

Appendix A

In October 2019 the council approved the next phase of the 'Poole Bay - beach management scheme' - to provide ongoing coastal protection to the coastal frontages of Bournemouth, Christchurch and Poole from 2020 - 2031. The CIP includes £21.368 million over the next three years for coast protection and flood management.

The CIP includes £48.016 million for major housing schemes. The council's new 46-unit housing development at the St Stephen's site is planned for completion in 2020/21. Princess Road and Prince of Wales Road site developments, which include a new 20-bed family hostel and 34 new private rented sector housing units, are planned for 2020/21.

Housing Revenue Account

The Housing Revenue Account (HRA) is a separate account which ring fences the income and expenditure associated with the council's housing stock. Within the HRA the council operates two separate neighbourhood accounts, Bournemouth and Poole. Figure 5 below summarises the outturn for the council's HRA neighbourhood accounts for 2019/20.

Figure 5: BCP Council HRA Outturn 31 March 2020

Bournemouth				Poole		
Approved Budget £'000	2019/20 Outturn £'000	2019/20 Variance £'000		Approved Budget £'000	2019/20 Outturn £'000	2019/20 Variance £'000
			Income			
(22,393)	(22,329)	64	Dwelling rents	(19,855)	(19,735)	120
(144)	(160)	(16)	Non-dwelling rents	(37)	(51)	(14)
(1,195)	(1,382)	(187)	Charges for services and facilities	(1,316)	(1,259)	57
(582)	(767)	(185)	Contributions towards expenditure	(52)	(51)	1
-	-	-	Other income	(235)	(249)	(14)
-	-	-	Shared ownership receipts	(716)	-	716
(24,314)	(24,638)	(324)	Total Income	(22,211)	(21,345)	866
			Expenditure			
5,209	5,247	38	Repairs and maintenance	5,237	5,235	(2)
7,666	7,389	(277)	Supervision and management	4,316	4,305	(11)
248	251	3	Rent, rates, taxes and other charges	158	157	(1)
188	193	5	Bad or doubtful debts	197	131	(66)
75	75	-	Capital financing costs (debt management)	103	103	-
6,885	6,929	44	Depreciation dwellings	4,882	4,914	32
100	112	12	Depreciation non-dwellings	-	-	-
2,487	2,328	(159)	Capital charges (net)	3,020	3,046	26
1,456	2,114	658	Contribution new builds	4,298	3,292	(1,006)
-	-	-	Contribution to reserves	-	162	162
24,314	24,638	324	Total Expenditure	22,211	21,345	(866)
-	-	-	(Surplus) / Deficit	-	-	-

Both neighbourhood HRA's achieved a balanced outturn position. For the Bournemouth neighbourhood HRA, increased income for services and facilities, and other contributions towards expenditure, along

with a reduced cost for supervision and management, allowed for an increase to the budgeted contribution to capital reserves of £0.658 million.

For the Poole neighbourhood HRA, the requirement to treat the budgeted income relating to shared ownership receipts as capital has resulted in a reduction in income. This, along with other variances to income and expenditure resulted in a reduction to the budgeted contribution to capital reserves of £1.0 million.

HRA capital programme spend was £19.1 million for 2019/20. The split by neighbourhood account is shown below in Figure 6.

Figure 6: BCP Council HRA Capital Programme Spend

Bournemouth				Poole		
Approved Budget £'000	2019/20 Outturn £'000	2019/20 Variance £'000		Approved Budget £'000	2019/20 Outturn £'000	2019/20 Variance £'000
8,050	7,543	(507)	Maintenance	6,726	5,365	(1,361)
13,345	2,077	(11,268)	Major Projects	11,640	4,076	(7,564)
21,395	9,620	(11,775)	Total Capital Expenditure	18,366	9,441	(8,925)

Actual spend was significantly below the budget for the Bournemouth neighbourhood HRA, due to a significant delay in the new build programme. This was not Covid-19 related and was identified in Quarter Two budget monitoring. While forecasting when new builds will be delivered can be difficult, the pipeline of new build homes to come forward in the future remains positive.

The Poole neighbourhood capital programme spend was also significantly below the budgeted figure, again largely in relation to major projects. This was due to the re-phasing of major schemes to future years and also savings delivered on completed schemes.

Group Accounts

The council owns or jointly owns several subsidiary companies, charities and joint ventures. Where the council exerts sufficient control over these entities and they are material to the BCP Council Annual Statement of Accounts, they are consolidated into the BCP Council Group Accounts.

Included within the BCP Council Group Accounts are the following entities:

Five Parks Charity

The Five Parks Charity consists of King's Park, Queen's Park, Meyrick Park, Redhill Parks and Seafield Gardens. The Trust was created under a number of Conveyances and Deeds of Exchange dated 1883 to 1906.

Under the Bournemouth Borough Council Act 1985 s.28 makes provision for the council to manage and control the parks. This power transferred to BCP Council upon local government reorganisation. This includes the provision of facilities for sports and recreations for the benefit of the public at large.

Lower Central Gardens Trust

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

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

Russell Cotes Art Gallery and Museum Charitable Trust

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

The original Indentures were varied by s.57 Bournemouth Borough Council Act 1985. This requires that the council manage, regulate, control and deal with the Trust, premises and property by means of a

management committee appointed by them in accordance with the Local Government Act 1972. This power transferred to BCP Council upon local government reorganisation.

Financial Impact of Covid-19

The impact of Covid-19 has required urgent and decisive action by the council to support its community while also supporting the integrity of the council's financial position and sustainability.

While the full financial effect of the Covid-19 pandemic will not be known with certainty for some time, particularly if additional peaks require further periods of lockdown, the effect on the council's income and expenditure budgets will be significant. Demand for services is likely to change while the nation moves to the new normal and work and leisure habits adjust. As a coastal community, the council and local businesses are significantly exposed to reductions in income from the tourism industry.

As a response to the financial challenges imposed by Covid-19, a revised financial management framework was implemented in March 2020. Unless agreed by the Corporate Incident Management Team, expenditure can only be incurred if it directly supports the council's response to Covid-19, unless it honours a pre-existing contractual commitment, safeguards services to vulnerable members of the community or is funded entirely from an external source. A corporate wide vacancy freeze has also been implemented.

Between March and May 2020 the Council undertook scenario analysis of the financial impact of Covid-19. The scenarios were based on different assumed periods of disruption due to lock-down and social distancing measures, based on 16, 24 and 52 week periods, with the 24 week scenario ultimately taken forward for financial planning purposes. An early budget monitoring report, based on the 24 week scenario, was considered by Cabinet in June 2020.

The table below provides a summary of the estimated revenue impact as reported to Cabinet in June 2020 and the recommended mitigation measures to balance the 2020/21 budget. This position continues to be monitored and evolve as more information becomes available as to the financial effects of Covid-19, and as the government announces further measures to support local authorities through the pandemic.

Figure 7: Summary Revenue Budget Impact at June 2020

Covid-19 Pressures 2020/21 Based on a 24 Week Scenario	At June £ millions
Adults & Public Health	8.0
Children's	1.8
Environment and Community	5.4
Regeneration and Economy	20.9
Resources	2.2
Investments	2.1
Funding - Council Tax / Business Rates	11.9
Total Pressure	52.3
Government Covid19 - Emergency Funding	(22.0)
Net Covid-19 Pressure	30.3
Directorate savings	
Employee cost base	(3.3)
Expenditure cost base	(10.1)
Net Budget Gap	16.9
Potential earmarking of central resources:	
Project review – capital	(2.8)
Potential use of the base revenue budget contingency	(1.1)
Potential use of earmarked reserves	(10.7)
Potential use of un-earmarked reserves	(2.3)
Total Residual Funding Gap	-

The council has identified potential budget pressures of £52.3 million as a result of Covid-19 for the 2020/21 financial year. These costs are in addition to the £3.5 million incurred in 2019/20. Cost pressures include additional support for adults' and children's social care, temporary accommodation for homeless people, personal protective equipment and excess deaths management. Income pressures have been identified relating to car parking, tourism, leisure centres and reductions in the amounts of business rates and council tax income that will be collected.

The council has received two tranches of government funding to support the financial pressures caused by Covid-19. This funding totals £22 million and is not ring fenced, bringing the net forecast budget pressure reported to Cabinet in June down to £30.3 million.

To balance the net pressure a flexible mitigation strategy has been developed that identifies a combination of service savings and potential use of reserves in order to balance the budget.

In total £13.4 million of employee and expenditure cost base savings have been identified in order to mitigate cost pressures. Savings relating to transformation and service alignment are prioritised as they produce ongoing efficiencies that help balance budget gaps in future years. Other savings identified are of a temporary nature where costs have naturally declined through the pandemic or where only a short term impact can be delivered.

Expenditure savings of £10.1 million are identified where services were dormant or operating at reduced levels due to Covid-19. New ways of working during the lockdown period also achieved savings in areas such as printing, travel and training. Other expenditure budgets have been deferred for one year in areas such as one-off Member priorities and the air festival. Process changes and reviews generated savings within adult social care for domiciliary care and direct payments.

Employee savings of £3.3 million are identified through implementing a vacancy freeze and also furloughing employees from income generating services that were closed during the emergency and who could not be redeployed. Service restructures also generated savings in the adult social care, children's services and environment and community directorates.

By supplementing savings with the potential use of £2.3 million un-earmarked reserves and re-designation of £10.7 million of earmarked reserves, the strategy allows for a high degree of uncertainty that remains for the overall impact. The budget projection and mitigation strategy represents a flexible plan that can be refined should additional government funding be received, or pressures be less than projected. The strategy avoids cutting too deeply into service provision at this early stage in the disruption period and financial year. Should the estimated pressures be greater, in the absence of further funding from government, additional management action to reduce costs may be necessary.

A third tranche of un-ring fenced government funding relating to Covid-19 was announced in July 2020. The BCP share is £3.2 million, bringing the total un-ring fenced funding to £25.2 million. The latest tranche is not included in the figures reported to Cabinet in June. The additional funding will be included in the regular budget monitoring that will be undertaken during the year along with updates to the estimated cost pressures relating to Covid-19 as more information becomes available.

The council has received significant Covid-19 funding that is ring fenced for specific purposes or is to passport to the community. While these sums will not mitigate pressures within the council's own budgets, they support local businesses, individuals and health providers. The following are the more significant sums received:

- £128.80 million to distribute in grants to small, retail & hospitality businesses;
- £78.28 million compensation to the collection fund for business retail relief;
- £6.06 million to distribute to care homes for infection control;
- £3.10 million hardship fund for residents in receipt of local council tax support;
- £1.81 million to implement test and tracing plans to manage local outbreaks.

The Covid-19 pandemic has affected the council's cash flows. Cash flows relating to fees and charges have reduced for the period of the lockdown. Council tax and business rate receipts are reduced compared to the levels anticipated and this trend is expected to continue into future financial years due to the long lasting effect of the pandemic on jobs and the economy. At the same time the council is experiencing increased costs as it supports the community through the pandemic. The final impact will not be known for some time due to the many uncertainties surrounding the period of recovery from Covid-19.

Appendix A

The government has made several interventions to bolster the cash flow of local authorities. For BCP Council this includes the ring fenced funding referred to above and the £25 million non-ring fenced grant that the council received in March, May and July 2020. Other measures taken by the government include the payment in March 2020 of the entire £11 million business rate S31 grants that the council was due to receive on a monthly basis during 2020/21, and the payment to billing authorities of the £78.28 million compensation for business retail relief will include the central government and other preceptors shares.

The council is monitoring its cash flows carefully on a daily basis to ensure sufficient liquidity is maintained. Currently there are no projected liquidity problems for the council.

Asset Valuations

Property, plant and equipment (PPE) assets were valued upwards by £93.0 million as at 31 March 2020. The impact of Covid-19 on PPE asset values will not be known for some time, with little evidence available as at 31 March 2020 on which to base revised asset valuations.

The Royal Institute of Chartered Surveyors have however advised that there is “material valuation uncertainty” regarding asset valuations as at 31 March 2020 due to Covid-19. This is because less weight can be attached to previous market evidence to inform opinions of value. Therefore a higher degree of caution should be attached to valuations as at 31 March 2020.

Investment properties were revalued downwards by £24.3 million at the balance sheet date. Investment property valuations as at 31 March 2020 are made on the basis of fair value and use income projections to inform the valuation of these assets. The Covid-19 pandemic increases the risk that this income will reduce and so has affected the value of investment properties.

The Council's Transformation Programme

Following the successful implementation of local government in Dorset, the council undertook an organisational design project in order to determine a new operating model for BCP Council. The rapid bringing together of Bournemouth, Christchurch, Poole and an element of Dorset County Councils created an opportunity to reimagine how BCP Council could deliver services and also realise significant savings from releasing efficiencies in the larger organisation.

The outcome of the organisational design work is a model that will best serve the needs of the community through delivering efficient, timely and high quality services. At the core of the new operating model is the use of strategic technology and data in order to deliver digitally enabled services, including a single digital front door to access council services. The new operating model will be implemented over the next five years.

The transformation programme is forecast to deliver up to £43.9 million in annual savings once fully implemented. It will form the single largest and most comprehensive response to addressing the budget pressures identified in the council's Medium Term Financial Plan, realising benefits through reduced employee numbers, reduced third party spend and harmonising fees and charges.

The high level budget for the programme is £37.62 million in one-off costs plus revenue costs of £4.5 million per annum relating to additional ICT licences. One off costs include the purchase of laptop devices to replace the current desktops that are prevalent across the council. This facilitates modern ways of working and allows the separate accommodation and estates project to realise savings from decommissioning council offices. The budget also includes an allocation for council resources to start building data and analytical capabilities in line with the core principles of the organisational design and operating model. Other costs relate to consultancy costs allowing access to specialist skills that would be hard for the council to recruit and also employee costs relating to backfill and redundancy costs.

Identifying the funding for the £37.62 million one-off costs is challenging given the cumulative effect of austerity over the last 10 years and the impact of Covid-19 on the council's financial position. The council is making use of the capital receipt flexibility allowed by the government to utilise £14 million of capital receipts to fund revenue expenditure up to 31 March 2022. The council has also redirected £11 million of earmarked reserves and £13 million of capital and maintenance resources to fund the programme.

The council is moving forward with implementing its organisational design programme and has commenced a procurement process to select a strategic partner that will work with the council to deliver the vision.

A second work stream, the accommodation strategy, is reviewing the accommodation requirements of BCP Council in comparison to the civic centres inherited from each of the legacy authorities. Members have approved the use of the Bournemouth Town Hall campus as the main civic centre for BCP Council going forward, allowing for the repurposing or disposal of the Poole and Christchurch civic centres. This

will generate both revenue savings and potentially capital receipts for the council and is made possible by implementing the new ways of working proposed in the organisational design work.

The scale of financial benefits and associated implementation costs relating to the accommodation strategy are currently being modelled but are in addition to those associated with organisational design.

The impact of Covid-19 on both the organisational design and accommodation strategy has been considered. Due to the effect of the pandemic on the council's financial position, the high level estimate of gross benefits from the organisational design work of £43.9 million have been adopted as the minimum level of savings that are required.

The pace in which efficiencies will be achieved has also been accelerated, for example by early creation of "centres of excellence" that bring together roles from across the organisation which carry out similar functions. Also key ICT systems can be rationalised where there is clarity with regard the options available which are consistent with the new operating model.

The accommodation strategy has been significantly impacted by the Covid-19 pandemic. New ways of working and the adoption of new technology means many employees are working from home and council offices remain largely empty while services are still provided. Therefore the relocation of staff from Christchurch and Poole civic campuses can be accelerated to allow for the closure and repurposing of these buildings as quickly as possible.

Medium Term Financial Plan (MTFP)

The council's MTFP, covering the period 2021/22 to 2022/23, has been updated using the outputs from the review of the 2020/21 budget. This work will continue and is likely to be an iterative process as the extent of the pandemic and its effects on the council's budgets become clearer. During the current financial year the financial effects of the new normal and the resetting of council services will become established and the MTFP will be updated accordingly.

The February 2020 budget setting report estimated a funding deficit of £17.3 million in 2021/22 and £6.9 million in 2022/23. The annual deficit has increased to £32.3 million for 2021/22 and reduces to £5.1 million for 2022/23. The table below shows the incremental changes to the MTFP since its approval by Members in February 2020.

Figure 8: Incremental Changes to the Medium-Term Financial Plan

	2021/22 £m	2022/23 £m
Position as per February 2020 Budget Report	17.3	6.9
Additional Costs:		
Transformation – revenue implications	3.5	0.5
Winter Gardens – additional £7.6m member loan	0.1	
Reduced Income:		
Council tax income	9.5	
Business rates income	4.8	
Winter Gardens – remove current car park income	0.7	
Bereavement Services – income pressures	0.5	
Contribution to Unearmarked Reserves	2.3	(2.3)
Mitigation Savings Identified:		
Permanent expenditure cost base savings	(4.9)	
Permanent employee cost base savings	(1.5)	
Position as per June 2020 Budget Report	32.3	5.1

The original 2021/22 funding gap of £17.3 million was made up in the main from cost pressures relating to adult social care and children's services, government funding reductions, and cost inflation. This was partially offset by increases to council tax and business rate income and service savings and efficiencies.

The funding gap for 2021/22 has worsened mainly due to the effect of Covid-19 and forecast reductions to council tax and business rate income totalling £14.3 million due to the effect on the local economy of the lockdown. The estimate is based on assumptions around reductions in collection rates, increased costs of local council tax support for and fewer business paying business rates. These estimates will be monitored during the financial year and revised as more data becomes available.

The MTFP budget gap for 2021/22 also reflects the potential use of £2.3 million un-earmarked reserves in 2020/21 in responding to the financial costs of Covid-19. These reserves will need topping back up to the minimum level of 5 per cent of the net budget as benchmarked by CIPFA should they be utilised.

Another significant pressure factored into the MTFP is £3.5 million of additional ICT licencing costs for 2021/22 and a further £0.5 million the following year relating to the council's transformation programme. This programme will deliver the council's new operating and organisational design models and is forecast to deliver efficiencies of up to £43.9 million per annum once fully implemented. In addition to modernising and improving service delivery for residents, the programme will play a key role in balancing the MTFP over the medium term. Once an implementation plan is agreed and savings can be profiled they will be factored into the MTFP, but a target of £15 million savings for 2021/22 has been agreed by Cabinet.

In some cases the savings identified as part of the 2020/21 budget review can be carried forward to future years and generate savings for the MTFP. Of the £10.1 million expenditure cost base savings forecast for 2020/21, £4.9 million are identified as being permanent savings that could be reflected in the MTFP. Similarly, of the £3.3 million employee cost base mitigation savings for 2020/21, £1.5 million were identified as being permanent savings that could be reflected in the MTFP.

Going Concern Assessment

Local authority financial statements must be prepared on a going concern basis. This is because local authorities cannot be created or dissolved without statutory prescription and so they have no ability to cease being a going concern.

Ten years of austerity and the impact of Covid-19 have had a significant effect on the financial position of the council. The impact of Covid-19 after additional government funding is a forecast cost pressure of £30.3 million for the 2020/21 financial year. The MTFP forecasts £32.3 million of savings required to balance the books in 2021/22.

However, the council has responded to these financial challenges to ensure it maintains a sustainable financial position. There is a flexible financial plan that utilises service savings and potentially reserves to address the pressures arising from Covid-19. The council's transformation programme has a savings target of £43.9 million over the next five years and will be fundamental to addressing the pressures identified in the MTFP.

All of the legacy local authorities which joined to form BCP Council had proven track records of responding to the financial challenges posed by austerity and the rising demand for services, particularly with regard to adults and children's social care.

Therefore the assessment of the council is that despite the financial challenges it faces, its financial position is compatible with the status of a going concern.

Statement of Accounts

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

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

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

Balance Sheet – This statement is fundamental to understanding the council's financial position as at 31 March 2020. It shows the balances and reserves at the council's disposal and available to fund future expenditure. The Balance Sheet also shows the council's long and short term liabilities, and also the fixed and current assets at its disposal.

Cash Flow Statement – This statement summarises the cash inflows and outflows incurred by the council in delivering services during the year. Cash is defined for the purpose of this statement as cash in hand and cash equivalents.

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

Housing Revenue Account (HRA) Statements – the HRA reflects the council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

The HRA financial statements are presented in three sections:

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

The Collection Fund – This statement reflects the council's statutory obligation as the billing authority to maintain a separate Collection Fund. The Collection Fund is used to account for business rate and council tax income collected on behalf of preceptors such as central government, the fire and police authorities, local parish councils and BCP Council. The precepts paid to these organisations are accounted for as expenditure in the Collection Fund along with statutory charges such as provisions for bad debts or appeals.

The Statement of Responsibilities for the Statement of Accounts – These statements sets out the respective responsibilities of the Council and the Head of Finance as the Council's S151 Officer.

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

Group Accounts – The Code of Practice on Local Authority Accounting defines the tests for determining which entities the council exercises control over and the degree of control that is exercised. Based on this assessment of control these entities may be included in the council's Group Accounts.

The aim of the Group Accounts is to show the overall picture of the council's activities, including the activities of entities over which it exercises control. The Group Accounts comprise:

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

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

Adam Richens FCCA CPFA

Head of Finance and S151 Officer

Bournemouth, Christchurch and Poole Council

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Council's Responsibilities

The Council is required:

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

2. Chief Financial Officer Responsibilities

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

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

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

The S151 Officer has also:

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

3. S151 Officer's Certificate

I certify that the Statement of Accounts provides a true and fair view of the financial position of BCP Council and its income and expenditure for the year ended 31 March 2020.

Adam Richens

Adam Richens
S151 Officer

Date: 31st July 2020

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Gross Expenditure £'000	2019/20 Gross Income £'000	Net Expenditure £'000
Adult Services	192,695	(76,694)	116,000
Childrens Services	185,486	(115,534)	69,952
Environment & Community	125,168	(60,798)	64,370
Regeneration & Economy	84,809	(57,398)	27,411
Resources	181,742	(140,244)	41,499
Housing Revenue Account	50,266	(49,353)	913
Non Distributed cost	22,588	-	22,588
Cost of Services	842,755	(500,020)	342,734
Other Operating Expenditure (see Note 9)	25,628	(6,633)	18,995
Financing and Investment Income and Expenditure (see Note 10)	76,695	(32,669)	44,027
Taxation and Non-Specific Grant Income (see Note 11)	327	(306,969)	(306,642)
(Surplus) or Deficit on Provision of Services	945,405	(846,292)	99,114
(Surplus) / Deficit on Revaluation of Non- Current Assets			(78,398)
Re-measurement of the Net Defined Benefit Liability			(27,430)
Other Comprehensive Income and Expenditure			(105,828)
Total Comprehensive Income and Expenditure			(6,714)

Appendix A

MOVEMENT IN RESERVES STATEMENT 2019/20

	General Fund £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repair Reserve £'000	Usable Capital Receipts £'000	Capital Grants Unused £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance transferred in as part of LGR	(15,405)	(84,393)	(1,807)	(12,865)	(19,392)	(36,198)	(170,060)	(510,933)	(680,993)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	92,944	-	6,170	-	-	-	99,114	-	99,114
Other Comprehensive Income and Expenditure - CIES	-	-	-	-	-	-	-	(105,828)	(105,828)
Total Comprehensive Income and Expenditure	92,944	-	6,170	-	-	-	99,114	(105,828)	(6,714)
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 7)	(91,395)	-	(8,480)	572	270	(1,329)	(100,362)	100,362	-
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	1,549	-	(2,310)	572	270	(1,329)	(1,249)	(5,466)	(6,714)
Transfers (to) / from Earmarked Reserves (See Note 8)	3,151	(5,431)	2,280	-	-	-	-	-	-
(Increase) / Decrease in Year	4,699	(5,431)	(30)	572	270	(1,329)	(1,249)	(5,466)	(6,714)
Balance at 31 March 2020	(10,705)	(89,824)	(1,837)	(12,293)	(19,122)	(37,527)	(171,308)	(516,399)	(687,707)

BALANCE SHEET

	<u>Note</u>	31/03/20 £'000
Property, Plant and Equipment	12	1,616,521
Heritage Assets		638
Investment Property	13	96,619
Intangible Assets		31
Assets Held for Sale		-
Long-Term Investments		4
Long-Term Debtors		9,564
Total Long-Term Assets		1,723,377
Short-Term Investments	14	84,060
Current Assets Held for Sale		7,060
Inventories		1,428
Short-Term Debtors	15	70,853
Cash and Cash Equivalents	16	7,179
Total Current Assets		170,580
Bank Overdraft	16	(9,217)
PFI Current Obligation		(478)
Finance Lease Current Obligation		(106)
Short-Term Borrowing	14	(85,307)
Short-Term Creditors	17	(112,202)
Grants Receipts in Advance - Revenue	29	(122)
Grants Receipts in Advance - Capital	29	(31,374)
Total Current Liabilities		(238,806)
Provisions	18	(19,569)
Long-Term Borrowing		(176,155)
PFI Capital Obligation		(8,334)
Finance Lease Capital Obligation		(46)
Pensions Liability	34	(763,341)
Total Long-Term Liabilities		(967,445)
Net Assets		687,706
<u>Usable Reserves</u>	19	
General Fund		(10,705)
Housing Revenue Account		(1,837)
Earmarked Reserves		(89,824)
Major Repairs Reserve		(12,293)
Usable Capital Receipts		(19,122)
Capital Grants Unused Reserve		(37,527)
<u>Unusable Reserves</u>	20	
Revaluation Reserve		(436,671)
Capital Adjustment Account		(841,123)
Deferred Capital Receipts		(2,138)
Financial Instrument Adjustment Account		137
Pensions Reserve		763,341
Accumulated Absence Account		2,110
Collection Fund		(2,054)
Total Reserves		(687,706)

The unaudited accounts were issued on the 31st July 2020 by the S151 Officer. The accounts are now subject to external audit.

CASH FLOW STATEMENT

	<u>Note</u>	2019/20 £'000
Net surplus or (deficit) on the provision of services		(99,114)
Adjustment to surplus or deficit on the provision of services for noncash movements	21	186,551
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(43,549)
Net Cash flows from operating activities		<u>43,888</u>
Net Cash flows from Investing Activities	22	(60,362)
Net Cash flows from Financing Activities	23	6,282
Net increase or (decrease) in cash and cash equivalents		<u>(10,192)</u>
Cash and cash equivalents transferred in as part of Local Government Reorganisation		8,154
Cash and cash equivalents at the end of the reporting period		(2,038)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Acquired Operations as a result of Local Government Reorganisation

As mentioned in the Narrative Report to the Statement of Accounts, as a result of Local Government Reorganisation (LGR) the new unitary council of Bournemouth, Christchurch and Poole Council (BCP Council) was created on 1 April 2019. The Statement of Accounts for the legacy authorities of Bournemouth Borough Council; Christchurch Borough Council, Borough of Poole and Dorset County Council can be found on their respective websites.

1a. Opening Balance Sheet of BCP Council

In order to arrive at the opening balance sheet for the new authority the principles of absorption accounting have been applied.

The assets of the former two unitary authorities (Bournemouth Borough Council and Borough of Poole Council) and of the district council (Christchurch Borough Council) have been transferred at their carrying amounts as at 31 March 2019 to BCP Council. The assets of the former Dorset County Council (DCC) have been disaggregated between those relating to the Christchurch area and those relating to the rest of Dorset.

Upon the demise of the DCC and Bournemouth Borough Council and Borough of Poole there was a requirement to disaggregate liabilities appropriately between BCP Council and Dorset Council.

The share of the former DCC's balance sheet that related to the Christchurch area was then combined with the balance sheets of Bournemouth Borough Council, Borough of Poole Council and Christchurch Borough Council to form the BCP Council opening balance sheet.

Balance Sheet – balances transferred in as part of LGR

	01/04/19 £'000
Property, Plant and Equipment	1,556,120
Heritage Assets	2,406
Investment Property	120,931
Intangible Assets	3,839
Assets Held for Sale	174
Long-Term Investments	3,404
Long-Term Debtors	6,392
Total Long-Term Assets	1,693,266
Short-Term Investments	40,556
Current Assets Held for Sale	3,683
Inventories	1,938
Short-Term Debtors	82,985
Cash and Cash Equivalents	14,327
Total Current Assets	143,489
Bank Overdraft	(6,173)
PFI Current Obligation	(444)
Finance Lease Current Obligation	(103)
Short-Term Borrowing	(80,484)
Short-Term Creditors	(108,044)
Grants Receipts in Advance - Revenue	(752)
Grants Receipts in Advance - Capital	(18,817)
Total Current Liabilities	(214,817)
Provisions	(15,006)
Long-Term Borrowing	(171,916)
PFI Capital Obligation	(8,812)
Finance Lease Capital Obligation	(212)
Pensions Liability	(744,999)
Total Long-Term Liabilities	(940,945)
Net Assets	680,993
<u>Usable Reserves</u>	
General Fund	(15,405)
Housing Revenue Account	(1,807)
Earmarked Reserves	(84,393)
Major Repairs Reserve	(12,865)
Usable Capital Receipts	(19,392)
Capital Grants Unused Reserve	(36,198)
<u>Unusable Reserves</u>	
Revaluation Reserve	(370,518)
Capital Adjustment Account	(884,073)
Deferred Capital Receipts	(2,318)
Financial Instrument Adjustment Account	199
Pensions Reserve	744,999
Accumulated Absence Account	2,279
Collection Fund	(1,501)
Total Reserves	(680,993)

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2019/20 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

	2019/20		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Adult Services	109,585	6,415	116,000
Childrens Services	67,369	2,583	69,952
Environment & Community	48,881	15,489	64,370
Regeneration & Economy	10,128	17,284	27,411
Resources	31,558	9,940	41,499
Housing Revenue Account	(10,954)	11,868	913
Non Distributed cost	-	22,588	22,588
Net Cost of Services	256,567	86,167	342,735
Other Income and Expenditure	(271,829)	28,209	(243,621)
Statutory provision for the financing of capital investment	6,607	(6,607)	-
Capital expenditure charged to balances	7,833	(7,833)	-
Renewable Energy Projects	108	(108)	-
Transfer of Deferred Capital Receipts	(24)	24	-
Disposal Costs Chargeable to Capital Receipts	(23)	23	-
(Surplus) or Deficit	(761)	99,875	99,114
Opening General Fund & HRA Balance	(101,605)		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(761)		
Closing General Fund & HRA Balance at 31 March	(102,366)		

2a. Note to the Expenditure and Funding Analysis

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

2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Services	6,927	(468)	(44)	6,415
Childrens Services	3,562	(926)	(52)	2,583
Environment & Community	16,335	(793)	(53)	15,489
Regeneration & Economy	17,940	(634)	(22)	17,284
Resources	1,481	8,493	(34)	9,940
Housing Revenue Account	11,954	(101)	15	11,868
Non Distributed cost	-	22,588	-	22,588
Net Cost of Services	58,199	28,159	(190)	86,167
Other Income and Expenditure from the Funding Analysis	10,169	17,613	427	28,209
Statutory provision for the financing of capital investment	(6,607)	-	-	(6,607)
Capital expenditure charged to balances	(7,833)	-	-	(7,833)
Renewable Energy Projects	(108)	-	-	(108)
Transfer of Deferred Capital Receipts	24	-	-	24
Disposal Costs Chargeable to Capital Receipts	23	-	-	23
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	53,866	45,772	237	99,875

(i) - Adjustments for Capital Purposes

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

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

(ii) - Net Change for Pension Adjustments

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

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

(iii) - Other Differences

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

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

3. Expenditure and Income Analysed by Nature

	2019/20 £'000
Expenditure	
Employee benefits expenses	281,250
Other services expenses	501,653
Support service recharges	14,840
Depreciation, amortisation, impairment	71,766
Debt Management Expenses	0
Interest payments	8,275
Precepts and levies	1,383
Payments to Housing Capital Receipts Pool	914
Gain on the disposal of assets	23,331
REFCUS	8,137
Movement on Investment Properties	24,265
Pension Backfunding	9,009
Apprentice Levy	582
Total expenditure	945,405
Income	
Sale Proceeds	(20,211)
Fees, charges and other service income	(167,126)
Interest and investment income	(26,203)
Income from council tax, non-domestic rates	(268,073)
Government grants and contributions	(364,678)
Total income	(846,291)
Surplus or Deficit on the Provision of Services	99,114

Included within the Council's Income from fees and charges of £167 million are the following amounts derived from contracts with service recipients as:

	2019/20 £'000
HRA Housing Rents	(42,211)
Car Parks	(21,766)
Beaches	(6,850)
Leisure and Recreational	(1,194)
Bereavement and Crematorium	(4,055)
Waste Services	(6,002)
Parks & Buildings	(3,483)
Beach Huts	(6,022)
Housing Services	(3,714)
Hire of premises	(1,665)
Property Rent	(15,580)
Other	(5,588)
Total Income from Contracts with Service Recipients	<u>(118,129)</u>

Material volumes of income that relate to contracts with service recipients relate to car park charges, seafront services on Bournemouth beaches, beach huts licence fees and HRA rental income. The performance obligation relating to HRA rental, car parks and seafront services are fulfilled when the payment is made and so there are no performance obligations unsatisfied at the balance sheet date. Beach hut licences and garden waste are billed yearly for an annual licence, and so again there are no performance obligations unsatisfied at the balance sheet date.

4. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 37 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- the Council is a trustee of the BH Live Leisure Trust, a charitable organisation that operates the conference facilities and leisure centres previously operated directly by the Council. It has been determined that the Council does not have control or significant influence over the Trust which is therefore neither a subsidiary nor an associate of the Council. As a result no transactions relating to BH Live Leisure Trust are recorded or represented in these accounts;
- the Council has produced Group Accounts for subsidiaries / joint entities which it deems to exert significant influence on its activities and are material from the perspective of the user of the accounts. Further consideration is set out in the Group Accounts note.
- the Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in Lower Central Gardens Trust, Five Parks Charity and Russell-Cotes Art Gallery and Museum Charitable Trust are material to the Council's overall financial position and therefore have been consolidated within the Council's group accounts.

5. Assumptions made about the future and Other Major Sources of Estimation Uncertainty

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

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

Valuation of Assets

Assets are valued in line with Accounting Policy q. Asset values and remaining asset lives are provided by qualified valuation staff operating under Royal Institute of Chartered Surveyors (RICS) professional guidance. The current value in the Balance Sheet for Property, Plant and Equipment is £1,617 million.

The impact of judgements on the valuation assumptions would flow through the Balance Sheet and would have no direct impact on the revenue account. An indexation exercise has been conducted to ensure the assets are not materially different to current value. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £1.3 million for every year that remaining useful lives had to be reduced.

A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, the Revaluation Reserve would absorb this.

An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

Pension Liability

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

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 1.0% increase in the Rate for Discount Scheme Liabilities would result in a decrease in the pension liability of £41,431 thousand.

The ongoing impact of the COVID-19 pandemic has created an unprecedented set of circumstances on which to base judgement.

Pension Assets

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

To help mitigate the increased uncertainty around pension asset values caused by Covid-19, valuations of pension assets have been carried out as at 31 March 2020 rather than the usual practice of using an earlier valuation date and rolling the results forward. The independent valuation of the Fund's investment property assets as at 31 March 2020 include a 'material valuation uncertainty' clause due to the potential impacts of COVID-19 on property values.

Britain leaving the European Union

There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the council's assets or change the discount rate which could impact on the pension valuation. However, this assumption will be revisited and reviewed regularly.

Impairment allowance for doubtful debt

As at 31 March 2020, the council had an outstanding balance of short-term debtors totalling £97.4million. Against this debtors' balance, there is an impairment allowance of £26.6million. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt

impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

6. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the S151 Officer on 31 July 2020.

Covid-19 started to effect the UK in the last quarter of the financial year, with restrictions being imposed by the Government from late March 2020. The Health Protection (Coronavirus Restrictions) (England) Regulations 2020 made the restrictions referred to as the “lockdown” legally enforceable from 26 March 2020.

The effects of Covid-19 have been recognised in the 2019/20 accounts to the extent that the pandemic has affected the financial position of the council as at 31 March 2020. Information known up to the date that the accounts were authorised has been taken into account. For example the Comprehensive Income and Expenditure Statement includes £3.5 million of costs incurred and £11.1 million of Covid-19 emergency funding received from the government during March 2020.

Debts outstanding as at 31 March 2020 have been reviewed and increases made to bad debt provisions for sundry debts, council tax and business rates to reflect estimates of the additional reductions in the amounts that will be collected due to the effect of the lockdown on individuals and businesses. In total bad debt provisions have been increased by £6.5 million at the balance sheet date.

The Covid-19 pandemic increases the risk that commercial property income will reduce and so has affected the value of investment properties as at 31 March 2020. Investment properties were revalued downwards by £24.3 million at the balance sheet date because these valuations are made on the basis of fair value and use income projections to inform the valuation of these assets.

7. Adjustments between Accounting Basis and Funding Basis under Regulation

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2019/20

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(29,599)	-	-	-	-	(29,599)	29,599	-
Revaluation Losses on Property, Plant and Equipment	(13,972)	(11,951)	-	-	-	(25,924)	25,924	-
Movement in the Market Value of Investment Property	(24,265)	-	-	-	-	(24,265)	24,265	-
Amortisation of Intangible Assets	(1,103)	-	-	-	-	(1,103)	1,103	-
Capital Grants and Contributions Applied	19,389	232	-	-	-	19,620	(19,620)	-
Revenue Expenditure Funded from Capital under Statute	(7,666)	(2)	-	-	-	(7,668)	7,668	-
Grant Finance of Revenue Expenditure Funded from Capital	6,100	-	-	-	-	6,100	(6,100)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(19,008)	(4,323)	-	-	-	(23,331)	23,331	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	6,607	-	-	-	-	6,606	(6,606)	-
Capital Expenditure charged against General Fund and HRA Balances	4,539	3,294	-	-	-	7,832	(7,832)	-
Sub Total Carried overleaf	(58,978)	(12,751)	-	-	-	(71,729)	71,729	-

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2019/20 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(58,978)	(12,751)	-	-	-	(71,729)	71,729	-
Adjustments Primarily Involving the Capital Grants								
Unapplied Account								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	11,175	-	-	-	(11,175)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	9,845	9,845	(9,845)	-
Adjustments Primarily Involving the Capital Receipts Reserve								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,424	5,209	-	(6,633)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	(5)	-	-	-	-	(5)	5	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	5,817	-	5,817	(5,817)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	300	-	300	(300)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	(23)	-	23	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(914)	-	-	914	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(118)	-	(118)	118	-
Sub Total Carried overleaf	(47,298)	(7,566)	-	304	(1,329)	(55,890)	55,890	-

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2019/20 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(47,298)	(7,566)	-	304	(1,329)	(55,890)	55,890	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(11,959)	-	-	(11,959)	11,959	-
Use of Major Repairs Reserve to repay debt	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	12,530	-	-	12,530	(12,530)	-
<u>Adjustments Primarily involving the Deferred Capital Receipts Reserve:</u>								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(24)	-	-	(33)	-	(58)	58	-
<u>Adjustments Primarily involving the Financial Instruments Adjustment Account:</u>								
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the year in accordance with statutory requirements	62	-	-	-	-	62	(62)	-
<u>Adjustments Primarily involving the Pensions Reserve:</u>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(44,996)	(900)	-	-	-	(45,896)	45,896	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	124	-	-	-	-	124	(124)	-
Sub Total Carried overleaf	(92,133)	(8,465)	572	270	(1,329)	(101,086)	101,086	-

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2019/20 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(92,133)	(8,465)	572	270	(1,329)	(101,086)	101,086	-
<u>Adjustments Primarily Involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with statutory requirements	554	-	-	-	-	554	(554)	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	184	(15)	-	-	-	169	(169)	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	(91,395)	(8,480)	572	270	(1,329)	(100,363)	100,363	-

8. Transfers to/from Earmarked Reserves

	Balance transferred in as part of LGR	Reallocation	Movement	Balance as at 31 March 2020
	£'000	£'000	£'000	£'000
Balances held by schools under a scheme of delegation	(1,328)	0	(1,463)	(2,791)
Financial Resilience Reserves	(11,043)	(2,100)	(175)	(13,318)
Transition and Transformation Reserves	(12,876)	0	9,422	(3,454)
Asset Investment Strategy Rent, Renewals and Repairs	(2,500)	0	9	(2,491)
Insurance Reserve	(3,500)	0	0	(3,500)
Held in Partnership for External Organisations	(4,144)	0	1,073	(3,071)
Required by Statute or Legislation	(4,163)	0	1,150	(3,013)
Planning Related	(745)	(582)	(69)	(1,396)
Government Grants	(7,550)	0	(10,640)	(18,190)
Maintenance	(1,792)	0	191	(1,601)
ICT Development & Improvement	(1,129)	0	(74)	(1,203)
Corporate Priorities & Improvements	(3,239)	395	315	(2,529)
Earmarked for Capital	(18,981)	(395)	(207)	(19,583)
Earmarked Reserves	(72,990)	(2,682)	(468)	(76,140)
<u>Housing Revenue Account</u>				
Housing Revenue Account - Bournemouth	(11,403)	0	(2,280)	(13,683)
Housing Revenue Account Total	(11,403)	0	(2,280)	(13,683)
Total General Fund and HRA Reserves	(84,393)	(2,682)	(2,748)	(89,823)

9. Other Operating Expenditure

	2019/20
	£'000
Levies & Parish Percept	1,383
Payments to the government housing capital receipts pool	914
Asset Value – Disposal	23,331
Sale Proceeds	(6,633)
Total	18,995

10. Financing and Investment Income and Expenditure

	2019/20
	£'000
Interest payable and similar charges	8,520
Net interest on the net defined benefit liability	17,613
Interest receivable and similar income	(1,542)
Income and expenditure in relation to investment properties and changes in their fair value	19,436
Total	44,027

11. Taxation and Non-Specific Grant Income

	2019/20
	£'000
Income from council tax	(210,031)
Business rates income and expenditure	(47,936)
Non-ring-fenced government grants	(17,880)
Capital grants and contributions	(30,795)
Total	(306,642)

12. Property, Plant and Equipment

Depreciation

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

Classification	Depreciation Method
Council dwellings	Straight Line
Other buildings	Straight Line
Vehicles, plant and equipment	Straight Line
Infrastructure	Straight Line
Community assets	Straight Line
Assets under construction	None
Surplus assets	None
Newly acquired assets	If applicable to apply following year

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

Buildings	50 years
Land	0 years
Highways infrastructure	20 years
Bridges	125 years
Coast protection infrastructure	25 years
Plant and equipment	5-20 years
Vehicles	5-10 years
Intangibles	1-3 years

The Housing Revenue Account council dwellings are made up of two neighbourhoods. The depreciation policies are as below, this will be brought into line in 2021/22 :-

- Bournemouth neighbourhood – up to 50 year life
- Poole neighbourhood – up to 99 year life

Capital Commitments

At 31st March 2020, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years. The major commitments over £1m are as follows:

	£'000
Council Housing Improvements	19,040
Corporate Assets	3,442
Schools and Education projects	2,507
Open Spaces	1,595

Academies, Foundation and Trust Schools

This year one school has been removed from Land and Buildings on the balance sheet. This has been converted to an academy, on a 125 year lease. As the major part of the useful life of these assets have been transferred, they have been disposed of.

Effects on Changes in Estimation

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

Revaluations

Other Land and Buildings are re-valued on a five year rolling basis, with the top 20 high value assets re-valued annually. The valuations are carried out using the Council's Estates Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification; the external company NPS Group and the Valuation Office Agency. The valuations are as at 31 March 2020. As part of the valuation a market review has been conducted by the Internal Valuers to ensure any material changes in valuation were identified.

Where assets have not been revalued, relevant property indices have also been applied to the high value assets so that the carrying values within the Balance Sheet are materially correct as at 31 March 2020, this amounts to a £14.816 million increase in assets.

Historic Cost	317,269
2015/16	33,136
2016/17	52,339
2017/18	39,496
2018/19	166,629
2019/20	1,007,652
	<u>1,616,521</u>

All Housing Revenue Account council dwellings are re-valued each year as at 31 March 2020. The Valuer for the two neighbourhoods are:-

- Bournemouth has used the Council's Estate Services
- Poole has used DVS – Property Services (arm of the Valuation Office Agency)

Vehicles, Plant and Equipment, Infrastructure, Community Assets and Assets Under Construction are all valued at Historic Cost within the above table.

12. Property, Plant and Equipment

Movements in Balances 2019/20	HRA Assets*	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
Balance transferred in as part of LGR	607,830	672,094	50,504	418,016	18,652	7,549	4,532	1,779,176	10,000
Additions	19,061	11,977	7,569	23,630	3,098	-	6,163	71,498	-
Revaluation increase/(decrease) recognised in Revaluation Reserve	2,990	47,224	-	-	-	(307)	-	49,906	500
Revaluation increase/(decrease) recognised in Surplus/Deficit on Provision of Services	(16,040)	(21,607)	-	-	-	-	-	(37,647)	-
Derecognition – disposals	(4,322)	(2)	(41)	-	-	(360)	-	(4,724)	-
Derecognition – other	-	(12,642)	(5,100)	-	-	-	-	(17,742)	-
Reclassification - within PPE	1,110	1,583	-	129	66	(60)	(2,828)	-	-
Reclassification - outside PPE	-	(244)	-	-	-	-	-	(244)	-
Balance Carried Forward 31 March 2020	610,629	698,384	52,932	441,775	21,815	6,822	7,867	1,840,225	10,500
Accumulated Depreciation & Impairment									
Balance transferred in as part of LGR	(929)	(25,028)	(27,133)	(165,449)	(4,519)	-	-	(223,058)	(301)
Depreciation for year	(11,959)	(15,486)	(4,260)	(9,511)	(336)	-	-	(41,553)	(345)
Depreciation written out to Revaluation Reserve	7,422	20,161	-	-	-	-	-	27,584	-
Depreciation written to Surplus/ Deficit on Provision of Services	418	3,994	-	-	-	-	-	4,412	-
Impairment losses / reversals recognised in the Revaluation Reserve	-	645	-	-	-	-	-	645	645
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	3,667	-	-	-	-	-	-	3,667	-
Derecognition – disposals	-	-	41	-	-	-	-	41	-
Derecognition – other	-	488	4,049	-	-	-	-	4,537	-
Reclassification - within PPE	-	2	-	-	(2)	-	-	-	-
Reclassification - outside PPE	-	21	-	-	-	-	-	21	-
Balance Carried Forward 31 March 2020	(1,381)	(15,201)	(27,303)	(174,960)	(4,857)	-	-	(223,704)	-
Balance Sheet Amount 1 April 2019	606,901	647,066	23,370	252,567	14,132	7,549	4,532	1,556,119	9,699
Balance Sheet Amount 31 March 2020	609,248	683,182	25,629	266,815	16,958	6,822	7,867	1,616,521	10,500

13. Investment Property

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

	2019/20 £'000
Rental income from investment property	(6,052)
Direct operating expenses arising from investment property	1,223
(Increase)/decrease in fair value of investment property	24,265
Net (gain) / loss	19,436

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

	2019/20 £'000
Balance at the start of the year	120,931
Additions	2
Asset sold	(49)
Gains/loss on revaluation	(24,265)
Balance at the end of the year	96,619

All Investment Properties have been valued as at 31 March 2020.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The Council's has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement other than those disclosed in the capital commitment note.

VALUATION INFORMATION SURPLUS ASSETS AND INVESTMENT PROPERTY

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

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

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

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

Valuation techniques used to determine level 2 fair values

The fair value of investment and surplus property has been measured using the market approach, which takes into account transactional evidence for similar assets in active markets. Market conditions are such that comparable properties are actively purchased and sold and there are a good level of observable inputs which are able to be verified and the source identified. 96% of such assets have been determined as level 2.

Valuation techniques used to determine level 3 fair values

For the vast majority of assets assessed as level 3 the fair value has been measured using a market approach and transactional evidence has been identified. However, where we have deemed the

evidence not directly comparable resulting in significant adjustments needing to be made, or where the inputs are unobservable we have deemed these valuations to be level 4% of such assets have been determined as level 3.

	Levels			Fair Value
	1	2	3	£'000
Residential (market rental) properties	-	16	-	2,504
Office units	-	3	-	2,085
Commercial Units	-	77	4	92,030
	-	96	4	96,619

14. Financial Instruments

Categories of Financial Instruments

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

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

Income, Expense, Gains and Losses

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

	31st March 2020	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000
Net (gains)/losses on :-		
Financial assets at fair value through profit and loss	14	-
Financial assets at amortised cost	10,619	-
Investments in equity instruments designated at fair value through other comprehensive income	-	-
Financial assets at fair value through other comprehensive income	-	-
Financial liabilities at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
Total net (gains)/losses	10,633	-
Interest revenue		
Financial assets at amortised cost	(808)	-
Other financial assets at fair value through other comprehensive income	-	-
Total interest revenue	(808)	-
Interest expense	6,978	-

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by borrowings, long-term debtors and investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

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

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

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

		Non- Current	Current	Fair Value
		Amortised costs		
		As at	As at	As at
		31 March	31 March	31 March
		2020	2020	2020
		£'000	£'000	£'000
Level				
Financial Assets				
Investments	2	4	84,060	84,064
Debtors *	3	9,564	40,073	49,637
Cash and Cash Equivalents	1	-	7,179	7,179
		9,568	131,312	140,880
Financial Liabilities				
Long term borrowing	2	(176,155)	-	(229,991)
Short term borrowing	2	-	(85,307)	(75,307)
Private finance Initiative obligation	3	(8,334)	-	(8,334)
Finance lease obligation	3	(46)	-	(46)
Creditors *	3	-	(86,417)	(86,417)
Cash and Cash Equivalents - Bank Overdraft	1	-	(9,217)	(9,217)
Total Financial Liabilities		(184,535)	(180,941)	(409,312)

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

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

Financial assets held at amortised cost include deferred payments for services granted under The Health and Social Care Act. These items are required to be classed as 'soft loans' by the Council, the write down arising from valuing loans at fair value to the income and expenditure account. This amount can then be reversed out to the Financial Instruments Adjustment Account through the Movement in Reserves Fund Balances. The Code allows authorities to apply de minimus levels in assessing whether there is a need to action the adjustments. Several soft loans have been made and these are disclosed above.

In addition to soft loans which have been advanced by the Council, the Council has also been the recipient of a number of loans from Salix Finance Ltd, which are used to fund energy saving efficiency measures to deliver long-term savings, but which are calculated to payback the investment in the short-term. The balance at 31 March 2020 is £1.016 million. Given the low interest rates over the period that these loans were advanced, the impact upon the accounts of adjusting for the difference between the interest free rate at which the Salix loans were advanced, interest rates at that time and the shorter period for paying back these loans, no adjustment has been made to the accounts for these soft loans receivable as this would not be material.

15. Debtors

	2019/20
	£'000
Trade organisations	15,349
Other entities and individuals	82,073
Doubtful provision	(14,875)
Credit loss	(11,694)
Total	70,853

Impairment allowance for doubtful debts

	2019/20
	£'000
Adult Social Care	(3,601)
Children's Social Care	(66)
Children, Learning and Commissioning	(67)
Cleansing and Waste	(221)
Destination and Culture	(1,991)
Environment	(44)
Housing Benefit	(3,965)
Housing – General Fund	(2,409)
Housing – Housing Revenue Account	(1,703)
Leisure and Tourism	(57)
Planning	(185)
Resources	(567)
Total	(14,875)

16. Cash and Cash Equivalents

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

	2019/20
	£'000
Cash and bank accounts in hand	771
Overdrawn main bank account	(2,809)
Total Cash and Cash Equivalents	(2,038)

Within the table above includes £1.145 million on behalf of Trust Funds for which the acts as trustee and/or administrator.

17. Creditors

	2019/20
	£'000
Trade organisations	(29,309)
Other entities and individuals	(82,893)
Total	(112,202)

18. Provisions

	Insurance Provisions £000's	Business Rates £000's	Property Provisions £000's	Ordinary Residence £000's	Other provisions £000's	Total £000's
Balance transferred in as part of LGR	(3,030)	(9,483)	(741)	(456)	(1,298)	(15,007)
Additional provisions made in 2019/20	(318)	(7,837)	(1,213)	(90)	(360)	(9,819)
Amounts used in 2019/20	25	4859	-	-	107	4991
Unused amounts reversed in 2019/20	-	-	-	-	266	266
Balance as at 31 March 2020	(3,323)	(12,461)	(1,954)	(546)	(1,286)	(19,569)

Insurance Provisions

The insurance arrangements for the legacy councils were varied but at times included a significant degree of self-insurance. In order to manage claims falling within the self-insured limits the councils adopted varying practices including the creation of insurance provisions and funds.

For each of the legacy councils, historically Municipal Mutual Insurance (MMI) provided insurance cover prior to 1992. MMI is an insurer in run-off and subject to a Court approved Scheme of Arrangement. As a result of Local Government Reorganisation on 1 April 2019, BCP Council became the successor to the existing Scheme Creditor bodies of the legacy councils. BCP Council is responsible for the liabilities under the scheme. Details of the Scheme of Arrangement for MMI can be found at www.mminsureance.co.uk.

Business Rate Appeals

Provision in relation to backdated revaluations arising from the Business Rates retention scheme.

Property Provisions

Provision set aside in relation to the Council's property where there is a liability for dilapidation costs to pay to landlords or refund overpaid rental income.

Ordinary residence liability

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

19. Usable Reserves

	2019/20 £'000
General Fund	(10,705)
Housing Revenue Account	(1,837)
Earmarked reserves	(89,824)
Major Repairs Reserve	(12,293)
Usable Capital Receipts	(19,122)
Capital Grants Unapplied	(37,527)
Total Usable Reserves	(171,308)

20. Unusable Reserves

	2019/20 £'000
Revaluation Reserve	(436,671)
Capital Adjustment Account	(841,124)
Deferred Capital Receipts Reserve	(2,138)
Financial Instrument Adjustment Account	137
Pensions Reserve	763,341
Accumulated Absences Account	2,110
Collection Fund Adjustment Account	(2,054)
Total Unusable Reserves	(516,399)

Revaluation Reserve

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

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

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

	2019/20 £'000
Balance transferred in as part of LGR	(370,518)
Upward revaluation of assets	(93,169)
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on Provision of Services	14,771
Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services	(78,398)
Difference between current value depreciation and historic cost depreciation	8,708
Accumulated (gains) and losses on assets sold or scrapped	3,537
Amount Written off to the Capital Adjustment Account	12,245
Balance at 31 March	(436,671)

Capital Adjustment Account

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

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

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

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2019/20 £'000
Balance transferred in as part of LGR	(884,073)
Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account:	
Charges for Depreciation and Impairment on Non-Current Assets	55,523
Depreciation of HRA	11,959
Non-Current Assets to Major Repairs Reserve	(300)
Amount set aside to repay debt	1,103
Amortisation of Intangible Assets	7,668
Revenue Expenditure Funded from Capital under Statute	23,331
Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement	99,285
Adjusting amounts written out of the Revaluation Reserve	(12,245)
Net written out amount of the cost of Non-Current Assets consumed in the year	87,040
Capital Financing applied in the year:	
Use of the Capital Receipts Reserve to finance new Capital Expenditure	(5,817)
Use of the Major Repairs Reserve to finance new Capital Expenditure	(12,531)
Capital Grants and Contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(19,620)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	(6,100)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(9,845)
Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(6,607)
Capital Expenditure Charged against the General Fund and HRA Balances	(7,833)
	(68,355)
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	24,265
Balance at 31 March	(841,124)

Deferred Capital Receipts Reserve

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

receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2019/20 £'000
Balance transferred in as part of LGR	(2,318)
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	-
Transfer to Capital Receipts Reserve upon receipt of cash	118
Write off Deferred Capital Receipt Reserve to Short Term Debtors	62
Balance at 31 March	(2,138)

Financial Instruments Adjustment Account

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

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

	2019/20 £'000
Balance transferred in as part of LGR	199
Proportion of premiums and discounts incurred in previous financial years to be charged to the General Fund balance in accordance with statutory requirements	-
Cost of soft loans charged to Comprehensive Income and Expenditure Statement in year	-
Proportion of cost of soft loans incurred in previous Financial years to be credited to General Fund balance in accordance with statutory requirements	-
Amount by which finance costs shown in the Comprehensive Income and Expenditure Statement are different from the amounts shown in accordance with statutory requirements	(62)
Balance at 31 March	137

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for

which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2019/20 £'000
	744,999
Balance transferred in as part of LGR	
Remeasurements of the net defined benefit liability	(27,430)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	68,846
Employer's pension contributions and direct payments to pensioners payable in the year	(23,075)
Balance at 31 March	763,341

Accumulated Absences Account

The accumulated absences account absorbs the difference that would otherwise arise on the General Fund balance from accruing compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory Arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2019/20 £'000
	2,279
Balance transferred in as part of LGR	
Settlement of cancellation of accrual made at the end of the preceding year	(2,279)
Amounts accrued at end of current year	2,110
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(169)
Amounts accrued at end of current year	2,110

Collection Fund Adjustment Account

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

	2019/20 £'000
	(1,501)
Balance transferred in as part of LGR	
Amount by which council tax and business rates Income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(553)
Balance at 31 March	(2,054)

21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £'000
Interest Received	1,542
Interest Paid	(8,212)
Dividends	100

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

	2019/20 £'000
Depreciation	41,556
Impairment and downward valuations	25,924
Amortisation	1,103
Movements in pension liabilities	45,771
Increase / (decrease) in creditors	4,562
(Increase) / decrease in debtors	14,966
(Increase) / decrease in inventories	510
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	23,331
Other non-cash items charged to the net surplus or deficit on the provision of services	28,828
	186,551

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

	2019/20 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,655)
Any other items for which the cash effects are investing or financing cash flows	(36,894)
	(43,549)

22. Cash Flow Statement - Investing Activities

	2019/20 £'000
Purchase of property, plant & equipment, investment property and intangible assets	(71,698)
Purchase of short-term and long-term investments	(40,104)
Other payment for investing activities	(3,400)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,342
Other receipts from investing activities	49,498
Net cash flows from investing activities	(60,362)

23. Cash Flow Statement - Financing Activities

	2019/20
	£'000
Cash receipts of short and long-term borrowing	10,604
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI	(607)
Repayments of short and long-term borrowing	(1,542)
Other payments for financing activities	(2,173)
Net cash flows from financing activities	6,282

24. Members' Allowances

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

	2019/20
	£'000
Total allowances paid	1,150

25. Officers' Remuneration

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

Remuneration Band in £'s	Number of employees	
	Non Schools	Schools
	2019/20	2019/20
50,000 - 54,999	51	18
55,000 - 59,999	42	11
60,000 - 64,999	28	5
65,000 - 69,999	12	2
70,000 - 74,999	13	6
75,000 - 79,999	1	0
80,000 - 84,999	5	0
85,000 - 89,999	3	1
90,000 - 94,999	2	1
95,000 - 99,999	9	0
100,000 - 104,999	1	0
105,000 - 109,999	3	0
110,000 - 114,999	0	2
	170	46

These figures do not contain the Council's Senior Officers that have been individually listed on overleaf.

25. Officers' Remuneration - (Cont'd.)

	Remuneration Salary (including supplements)	Expense Allowances	Compensation for Loss of Office	Employers Pension Contributions	Total payments including Pension Contributions
	2019/20	2019/20	2019/20	2019/20	2019/20
	£	£	£	£	£
Chief Executive - (Mr G Farrant)	183,600	21,552	0	0	205,152
Corporate Director - Children's Services	142,634	0	0	22,240	164,875
Corporate Director - Adult Social Care	122,400	0	0	0	122,400
Corporate Director - Regeneration & Economy	122,400	0	0	19,094	141,494
Corporate Director - Environment & Community	122,400	0	0	19,094	141,494
Corporate Director - Resources	120,842	0	0	18,851	139,693
Director of Finance	107,100	0	0	16,708	123,808
Director of Law and Governance	107,100	0	0	16,708	123,808
Totals	1,028,476	21,552	0	112,696	1,162,724

26. Officers' Remuneration – Exit Package

	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band £'000
<u>2019/20</u>				
£0 - £20,000	15	46	61	223
£20,001 - £40,000	8	-	8	230
£40,001 - £60,000	5	-	5	303
£60,001 - £80,000	1	-	1	65
£80,001 - £100,000	2	-	2	162
£100,001 - £120,000	2	-	2	216
£120,001 - £140,000	3	-	3	394
£140,001 - £160,000	3	-	3	435
£160,001 - £180,000	2	-	2	339
£180,001 - £200,000	1	-	1	189
£260,001 - £280,000	1	-	1	271
Totals for 2019/20	43	46	89	2,827

27. External Audit Costs

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

	2019/20 £'000
Fees payable to External Auditors with regard to External Audit Services carried out by the appointed Auditor for the year	160
Fees payable in respect of Other Services & Grant Certification provided by the External Auditor during the year	26
Total	186

The charities' accounts will incur a £37 thousand external audit fee.

Non-Audit Services

The Council subscribes to CFO Insights provided by our External Auditors, at a fee of £10 thousand.

28. Dedicated Schools Grant

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

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2019/20 before Academy recoupment			260,129
Academy figure recouped for 2019/20			(172,050)
Total DSG after Academy recoupment for 2019/20			88,079
 Balance transferred in as part of LGR			 (3,605)
less: Carry forward to 2020/21 agreed in advance			3,605
Agreed initial budgeted distribution in 2019/20	34,117	53,962	88,079
In year adjustments	301	(1,195)	(894)
Final budgeted distribution for 2019/20	34,418	52,767	87,185
Less Actual Central Expenditure	(38,810)	-	(38,810)
Less Actual ISB deployed to Schools	-	(51,814)	(51,814)
Movement	2,400		2,400
Carry Forward to 2020/21	(1,992)	953	(4,644)

29. Grant Income

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

	2019/20
	£'000
Credited to Taxation and Non-Specific Grant Income	
Revenue Grants:	
Revenue Support Grant	(2,957)
New Homes Bonus Grant	(3,788)
PFI Support Grant	(1,254)
NNDR S31 Grants	(9,822)
Education Services Grant	(59)
Sub-total	(17,880)
Capital Grants and Contributions	
Miscellaneous Education Grants	(2,355)
Miscellaneous Transport Grants	(16,747)
Miscellaneous Government Grants	(1,136)
Other Contributions	(10,325)
Sub-total	(30,563)
Total	(48,443)

	2019/20
	£'000
Credited to Services	
Dedicated Schools Grant	(87,849)
Pupil Premium Grant	(2,253)
Public Health Grant	(19,353)
Rent Allowances	(85,407)
Rent Rebates	(23,668)
Grants towards Revenue Expenditure Funded From Capital under Statute	(6,100)
Covid 19 Grant	(11,102)
Miscellaneous	(23,691)
Total	(259,423)

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

	2019/20
	£'000
Capital Grants Receipts in Advance	
Government Grants	(15,721)
Other Contributions	(15,653)
Total	(31,374)

	2019/20
	£'000
Revenue Grants Receipts in Advance	
Government Grants	-
Other Contributions	(121)
Total	(121)

30. Related Parties

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants, and prescribes the terms of many of the transactions the Council has with other parties, e.g. council tax bills, housing benefits.

Grants received from government departments are set out in Note 2 within the Expenditure and Funding Analysis. Grant receipts outstanding at 31 March are shown in Note 29.

Members

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

The total of Members' Allowances paid is shown in Note 24.

The amounts paid to these related parties are as follows:

	2019/20
	£'000
Dorset Healthcare University NHS Foundation	996
Bournemouth Collegiate Prep School	108
Poole Hospital NHS Foundation Trust	88
Local Government Association	79
* Ambitions Academies Trust T/A St Aldhelms Academy	54

* Ambitions Academies Trust T/A St Aldhelms Academy has been disclosed by both Members and Senior Officers.

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

	2019/20	2019/20
	Owing to	Owing from
	£'000	£'000
Dorset Healthcare University NHS Foundation	(221)	36
Bournemouth Collegiate Prep School	-	19
Poole Hospital NHS Foundation Trust	(18)	-
Local Government Association	-	-
Ambitions Academies Trust T/A St Aldhelms Academy	-	11

Officers

The amounts paid to these related parties are as follows:

	2019/20
	£'000
Bournemouth Town Centre BID	647

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

	2019/20	2019/20
	Owing to	Owing from
	£'000	£'000
Bournemouth Town Centre BID	-	1

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

The Council has a pooled budget arrangement with other public bodies in the area for the provision of an Integrated Community Equipment Store.

Other Entities the Council has influence over

The Council is a member of The Bournemouth Development Company LLP, where both Members and officers make decisions with regards to the transfer of Council assets, as a form of payment. Although no asset transfer was undertaken during 2019/20, we recognise the potential conflict of interest and always ensure that Members and officers on the board are withdrawn from any negotiations and decisions made by the Council.

The Council acts as trustee for several charities. See the Group Accounts towards the end of the Statement of Accounts for more details. Amounts paid to the charities was zero for 2019/20.

The Council also has established companies, which the Officers and Members have been undertaking Directors roles on their boards. The companies are as follows:

- Seascope South Ltd
- Bournemouth Building & Maintenance Ltd
- Seascope Group Ltd
- Tricuro Ltd
- Seascope Homes & Property Ltd
- M D Care T/A Fairways – purchased by BCP 27 September 2019
- Poole Housing Partnership Ltd

The amounts paid to these companies are as follows:

	2019/20 £'000
Seascope South Ltd	257
Bournemouth Building & Maintenance Ltd	8,010
Seascope Group Ltd	-
Tricuro Ltd	15,992
Seascope Homes & Property Ltd	20
M D Care T/A Fairways	988
Poole Housing Partnership Ltd	3,697

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

	2019/20 Owing to £'000	2019/20 Owing from £'000
Seascope South Ltd	-	37
Bournemouth Building & Maintenance Ltd	-	426
Seascope Group Ltd	-	39
Tricuro Ltd	(2,358)	422
Seascope Homes & Property Ltd	-	34
M D Care T/A Fairways	(28)	2
Poole Housing Partnership Ltd	(33)	917

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2019/20 £'000
Opening Capital Financing Requirement of new Council	434,534
Capital Investment	
- Property, Plant & Equipment	71,498
- Investment Property	2
- Assets Held for Sale	-
- Inventory	-
- Long term Debtor	3,400
- Deferred Debtors	-
Revenue Expenditure Funded from Capital under Statute	7,668
Sources of Finance:	
- Capital Receipts	(5,817)

- Government Grants and Contributions	(35,566)
- Revenue Finance	(7,833)
- Major Repairs Reserve	(12,531)
Other Sums set aside from Revenue:	
- Revenue provision for repayment of borrowing	(6,607)
- HRA Receipt set aside to repay borrowing	(300)
Closing Capital Financing Requirement	448,448
Explanation of movements in year:	
Decrease in underlying need to borrow (supported by Government financial assistance)	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	13,914
Assets acquired under Finance Leases	-
Increase in Capital Financing Requirement	13,914

32. Leases

Council as Lessee

Finance leases

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

	2019/20
	£'000
Other land & Buildings	8,134
Vehicle & plant	189
Total	8,323

When the Council entered the finance leases for the buildings it paid an initial premium in the first year with no subsequent minimum lease payment. However, the Council is committed to making minimum lease payments under the lease for the mercury abatement unit comprising settlement of the long-term liability for the interest in the mercury abatement unit acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2019/20
	£'000
Finance lease liabilities	
Current	106
Non-Current	106
Finance costs payable in future years	-
Minimum Lease Payments	212

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

	2019/20
	£'000
Not later than one year	132

Later than one year and not later than five years	182
Later than five years	344
Total	337

Operating Leases

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

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

	2019/20
	£'000
Not later than one year	278
Later than one year and not later than five years	723
Later than five years	6,737
Total	7,738

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

	2019/20
	£'000
Minimum lease payments	866
Contingent rents	73
Total	939

Council as Lessor

Finance Leases

The Council has leases out a number of properties on a finance leases. The lease is made up of minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the leases come to an end.

	2019/20
	£'000
Not later than one year	333
Later than one year and not later than five years	1,322
Later than five years	17,588
Total	19,243

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

	2019/20
	£'000
Minimum lease payments	327
Contingent rents	46
Total	373

Operating Leases

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

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

	2019/20
	£'000
Not later than one year	4,481
Later than one year and not later than five years	14,876
Later than five years	83,448
Total	102,805

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £6.092 million contingent rents were receivable by the Council.

33. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

	2019/20
Amount paid to Teachers' Pensions Scheme - £'000	4,185,125.76
Percentage of pensionable pay :	
Period 1 (01/04/2019 – 31/08/2019)	16.48%
Period 2 (01/09/2019 – 31/03/2020)	23.68%

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34.

34. Defined Benefit Pension Schemes

Due to the Covid-19 crisis and the levels of volatility the actuary was asked to wait until 31 March asset values were available before producing the reports. In normal years the approach was to take the most recently available assets (29 February) and make an estimate of market movements to 31 March when the actuary estimates the notional asset value attributable to each employer.

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2019/20
	£'000
Present Value of the Defined Benefit Obligation	(1,718,738)
Fair Value of Plan Assets	955,397
Net Liability arising from defined Benefit Obligation	(763,341)

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

	2019/20
	£'000
Opening Fair Value of Scheme Assets – Balance transferred in as part of LGR	1,056,156
Interest Income	25,119
Remeasurement Gain / (Loss)	
- Return on Plan Assets (excluding the amount included in the net interest expense)	(129,008)
- Other	23,171
Administration Expenses	(821)
Contributions from Employer	23,074
Contributions from Employees into the Scheme	9,271
Benefits Paid (net of transfers in)	(51,565)
Receipt of Bulk Transfer Value	-
Closing Fair Value of Scheme Assets at 31 March	955,397

Transactions Relating to Post-Employment Benefits

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

	2019/20
	£'000
Comprehensive Income and Expenditure Statement	
Cost of Services:	
- Service Cost	50,410
- Administration Cost	820
	<u>51,230</u>
Financing and Investment Income and Expenditure	
- Interest Cost	17,615
Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	<u>68,845</u>
Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:	
Remeasurement of the Net Defined Benefit Liability comprising:	
- Return on Plan Assets (excluding the amount included in the net interest expense)	(129,008)
- Actuarial Gains and Losses arising on changes in Demographic Assumptions	74
- Actuarial Gains and Losses arising on changes in Financial Assumptions	228,682
- Other	(72,318)
	<u>27,430</u>
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	<u>96,275</u>
Movement in Reserves Statement	
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(93,918)
Actual amount charged against the General Fund Balance for Pensions in the year:	
- Employers' Contributions payable to the Scheme	<u>22,883</u>

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

	2019/20 £'000
Balance transferred in as part of LGR	(1,801,155)
Current Service Cost	(48,484)
Interest Cost	(42,735)
Contributions from Scheme Participants	(9,271)
Experience loss/gain on defined benefit obligation	(42)
Remeasurement Gain/(Loss)	
- Actuarial Gains/(Losses) arising on changes in Demographic Assumptions	30,857
- Actuarial Gains/(Losses) arising on changes in Financial Assumptions	175,214
- Other	(72,760)
Past Service Cost, including Curtailments	(1,927)
Benefits Paid (Net of transfers in)	48,953
Payment of Bulk Transfer Values	-
Unfunded Pension Payments	2,612
Closing Balance at 31 March	(1,718,738)

Local Government Pension Scheme Assets Comprised:

	2019/20 £'000
Cash and Cash Equivalents	19,914
Equity Instruments	475,945
Bonds & Gilts	78,372
Property	218,516
Other Investment Funds	162,651
	955,398

The percentages of the total Fund held in each asset class:

		31st March 2020	
		% Quoted	% Unquoted
Corporate Bonds	UK	8.2%	-
	Overseas	-	-
Equities	UK	18.1%	-
	Overseas	28.4%	-
Property	All	-	9.8%
Others	Private Equity	-	3.6%
	Infrastructure	-	6.9%
	Derivatives	-	(0.4%)
	Diversified Growth Fund	-	5.7%
	Liability Driven Investment	-	11.4%
	Multi Asset Credit	-	4.5%
	Property Pooled Funds	-	1.7%
	Cash/Temporary Investments	-	2.0%
Net Current Assets	Debtors	-	-
	Creditors	-	-
Total		54.8%	45.2%

Basis for Estimating Assets and Liabilities

Local Government Pension Scheme

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

The Dorset County Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the County Fund being based on the latest full valuation of the scheme as at 31 March 2020.

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

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2019/20
	%
Expected rate of return on assets in the scheme:	10.00
	2019/20
	Years
Mortality assumptions	
Longevity at 65 for current pensioners	
- Men	23.3
- Women	24.7
Longevity at 65 for future pensioners	
- Men	24.7
- Women	26.2

	2019/20
	%
Rate of inflation	2.70
Rate of increase in Salaries	2.90
Rate of increase in Pensions	1.90
Rate for Discounting Scheme Liabilities	2.35

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	23,835	(41,242)
Rate of increase in salaries (increase or decrease by 1%)	42,539	(42,498)
Rate of increase in Pensions (increase or decrease by 1%)	43,619	(41,446)
Rate for Discounting Scheme Liabilities (increase or decrease by 1%)	41,431	(43,636)

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

Discretionary Benefits

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

Impact on the Council's Cash Flows

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

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

The Council anticipates paying £24.711 million in contributions to the scheme in 2020/21.

35. Contingent Liabilities

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

A supplier to the Council which holds a contract for services are seeking additional costs over the life of the remaining life of the contract. This is an ongoing legal matter between the Council and the Supplier to resolve.

A claim has been made against the Council and one of its Subsidiary Companies. The organisation bringing the action argues that services being provided by the company are an extension of the Council's responsibilities and therefore the activities are unlawful. The Council is seeking further legal advice in its defence.

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

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

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

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

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

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

Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. The opening balances for the amortised cost assets would not be materially affected by the expected credit losses and no change to the value of these in the Balance Sheet as at 1 April 2019 has been made.

One further exception to the expected credit losses model applies to investments with Government or other local authorities as there are statutory provisions in place to prevent default on these debts. This is reflected in note 15 – Short term debtors - £11.694 million.

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in interest rates.

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

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

Credit Risk

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

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

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

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

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

No breaches of the Council's counterparty criteria occurred during the reporting period. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Credit risk - Financial Assets:	Balance as at 31 March 2020 £'000
Long-Term Debtors:	
- with other Public Bodies	433
- secured against property	4,741
- unsecured	4,390
Investments:	
Local Government	5,239
Central Government	26,100
UK Domiciled Banks	52,725
Non UK Bank	-
Debtors:	
Trade receivables	15,349
Other receivables	82,073
Total Financial Assets	191,050

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

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

Debts due to the Council are recorded as they become due and the item "debtors" in the Balance Sheet represents the amounts due during the year which remain unpaid at the year end, from which a sum is deducted as a provision for bad debts. This provision is calculated by analysing the age of the debts and setting aside an amount dependent on the age of those debts outstanding. The bad debt provisions are calculated as follows:

- Sundry Debtors – calculated as 10% to 80% of debtors outstanding depending upon age. Based on current review following the Covid-19 situation, an additional £1.7 million has been set aside in the provision for a known supplier's situation.
- Housing Benefits – calculated as 100% of total inhibited debt outstanding, 50% for accounts in payment
- Council Tax – calculated as between 5% and 100% of the debt depending upon age
- National Non Domestic Rates – Calculated as between 10% and 100% of the debt depending upon age

By including these allowances within the accounts, the credit risk is recognised in the accounts.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. One exception to this was in relation to a series of short term loans totalling £75m, which were borrowed from other local authorities at low rates in the short-term pending longer-term financing. These short-term loans become repayable in 2020/21

and the Council has a strategy in place to replace these loans with a long-term loan. The Council also holds significant deposits with approved financial institutions which would allow flexibility when any replacement borrowings need to be taken out.

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

	Balance as at 31 March 2020 £'000
less than one year	(173,456)
between one and two years	(18,509)
between two and five years	(8,422)
between five and ten years	(38,498)
in ten years or more	(118,464)
Total Financial Liabilities	(357,348)

Market Risk

Interest Rate Changes

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

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

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

	2019/2020 £'000
Increase in interest payable/(Receivable) on :	
Temporary Borrowing	179
Short-Term Investments	(610)
Long-Term Debtors	-
Impact on Income and Expenditure	(431)
Decrease in Fair Value:	
	Balance as at 31 March 2020 £'000
Fixed Rate Long-Term Borrowing - Liability	43,836
Soft loans - Assets	66

Price Risk

The Council does not invest in equity shares and has no exposure to losses arising from fluctuations in share prices.

Foreign Exchange Risk

The Council has no assets or liabilities denominated in foreign currencies and thus has no exposures arising from movements in exchange rates.

37. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which state that the Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

b. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The Council has adopted a materiality level of accruals greater than £25,000. In particular:

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

c. Cash and Cash Equivalents

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

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

d. Exceptional Items

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

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

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

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

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

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

f. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

- liabilities are discounted to their value at current prices using a discount rate of 2.35% based on the indicative rate of return on high quality corporate bonds;
- the assets of Dorset Council Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value;
- the change in the net pensions liability is analysed into the following components:
 - I. service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
 - net interest on the net defined liability i.e. net interest expense for the Council – the change during the year in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - II. re-measurements comprising:
 - the net return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - contributions paid to the Dorset Council Pension Scheme is cash paid as an employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

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

Discretionary Benefits

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

g. Events after the Balance Sheet Date

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

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

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

h. Financial Instruments

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

Financial Liabilities

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

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

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

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

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

Financial Assets

The balance sheet figures for 2019/20 are presented in line with IFRS9 classified into one of three categories:

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

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

The Council has made a number of loans at less than market rates. These are called soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the appropriate service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is

credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

i. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been met. Conditions are stipulations that specify future economic benefits or service improvements required to be made using the grant or contribution without which the grant or contribution must be returned to the transferor.

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

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

j. Intangible Assets

Expenditure on intangible assets that have no physical substance but are controlled by the Council as a result of past events e.g. software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

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

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

k. Investment Property

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

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

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

l. Joint ventures

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

m. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

n. Overheads and Support Services

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

- Non-Distributed Costs, the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

The cost category is defined by internal management reporting and accounted for as a separate heading in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

o. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value.

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

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

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, this is at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains which arise from the reversal of a loss previously charged to a service are credited to the Comprehensive Income and Expenditure Statement where they were originally debited.

Decreases in value are accounted for in the following ways:

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

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

Impairment

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

Impairment losses are accounted for in the following ways:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Assets Held for Sale

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

If assets no longer meet the criteria to be classified as assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale and adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the

gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains previously accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, 75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

p. School Assets

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

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

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

When schools become self-governing academies the ownership of the buildings is passed to the governing body either as a disposal or a long lease. For accounting purposes this is treated as a disposal for nil consideration resulting in a substantial loss on disposal in the Comprehensive Income and Expenditure Statement. Despite building work being undertaken, if the Academy has full legal control of the managing the asset, the asset will be removed from our accounts.

Individual schools' balances at 31 March, excluding academies which are not under Local Authority control are included in the Balance Sheet of the Council.

The Dedicated Schools Grant is allocated between central Council budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Children's and Education services.

q. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be a transfer of economic benefits or service potential to the Council.

r. Reserves

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

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

s. Revenue Expenditure Funded from Capital under Statute

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

t. 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.

u. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures require the authority to prepare Group Accounts.

v. Collection Fund

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

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

- in its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax and business rates income on behalf of Central Government the major preceptors and itself.

- while the council tax and business rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to the major preceptors (and Central Government for business rates) and in turn credited to their General Fund.

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

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

w. Fair Value Movement

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability

x. Capital Commitment Disclosures

The Councils General Fund programme is in excess of 500 schemes and over £100 million in value. For disclosure purposes the Council contracted capital commitments will only be disclosed when in excess of £1 million or more.

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

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority 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 that may be relevant for additional disclosures that will be required in the 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. An initial review has deemed that the changes will not have a material impact.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

	2019/20 £'000
EXPENDITURE	
Repairs and Maintenance	10,482
Supervision and Management	11,694
Rents, rates, taxes and other charges	408
Charge for bad & doubtful debts	324
Depreciation and Impairment of Non-current Assets	23,910
Debt Management Expense	178
Total Expenditure	46,996
INCOME	
Dwelling rents (gross)	(42,120)
Non-dwelling rents (gross)	(211)
Charges for services and facilities	(2,740)
Contributions towards expenditure	(912)
Total Income	(45,983)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	1,013
HRA share of Non-Distributed Costs	(101)
Net Cost of HRA Services	912
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(Gain) or loss on disposal of HRA fixed assets	(885)
Interest payable and similar charges	5,617
Investment Income	(243)
Pensions Interest Cost and Expected Return on Pension Assets	1,001
Capital Grants and Contributions	(232)
(Surplus) / Deficit for the year on HRA Services	6,170

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2019/20 £'000
Balance transferred in as part of LGR	(1,807)
(Surplus)/Deficit on HRA Income and Expenditure Statement	6,170
Adjustments between Accounting Basis and Funding Basis under Statute:	(8,480)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(2,310)
Transfers to/(from) Earmarked Reserves	2,280
(Increase)/Decrease in Year on the HRA	(30)
Balance at End of Year	(1,837)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council was responsible for managing the following housing stock, including shared ownership :

	Bedrooms No.	2019/20 No.
Houses	1	2
	2	1,166
	3	2,208
	4	259
	5+	13
Flats	0	436
	1	3,180
	2	1,533
	3	139
Bungalows	0	8
	1	483
	2	161
	3	31
	4	3
Shared Ownership	5	1
		34
		9,657

2. Balance Sheet Value of HRA Assets

Property, Plant & Equipment	Council Dwellings £'000	Other Land & Buildings £'000	Assets Under Construction £'000	Surplus Asset £'000	Plant & Equipment £'000	Total £'000
Cost or Valuation						
Balance transferred in as part of LGR	588,969	4,909	10,098	2,184	1,670	607,830
Additions	14,523	105	3,839	143	450	19,060
Revaluation increase / decrease recognised in Revaluation Reserve	170	1,760	975	84	-	2,989
Revaluation increase / decrease recognised in Surplus/ Deficit in Provision of Services	(15,978)	-	-	(61)	-	(16,039)
Derecognition Disposals	(4,012)	-	-	(309)	-	(4,321)
Reclassifications within PPE	12,504	-	(11,394)	-	-	1,110
Balance Carried Forward 31 March 2020	596,176	6,774	3,518	2,041	2,120	630
Cumulative Depreciation and Impairments						
Balance transferred in as part of LGR	(139)	(337)	-	-	(452)	(928)
Depreciation for year	(11,631)	(155)	-	-	(173)	(11,959)
Depreciation written out to Revaluation Reserve	7,310	112	-	-	-	7,840
Impairment losses recognised in Surplus/Deficit on Provision of Services	3,667	-	-	-	-	3,667
Depreciation written out to Surplus / Deficit on Provision of Services	418	-	-	-	-	3,666
Derecognition – Other	-	-	-	-	-	-
Reclassifications within PPE	-	-	-	-	-	-

Balance Carried Forward 31 March 2020	(376)	(380)	-	-	(625)	(1,381)
Balance Sheet Amount 1 April 2019	588,830	4,572	10,098	2,184	1,218	606,902
Balance Sheet Amount 31 March 2020	595,801	6,394	3,518	2,041	1,495	609,250

The valuation of the housing stock based on vacant possession at 31 March 2020 was £1,706 million (1 April 2019 £1,690 million). This assumes that the stock is unoccupied and could be sold. The carrying value of the stock on the Balance Sheet is based on existing use as social housing. The difference between the two methods reflects the economic cost of providing council housing at less than market rent.

3. Major Repairs Reserve

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

	2019/20
	£'000
Balance transferred in as part of LGR	(12,865)
HRA Depreciation from Capital Adjustment Account	(11,959)
Excess Depreciation to HRA	-
Financing of HRA debt	-
Financing of HRA Capital Expenditure - Council Housing	12,531
Balance Carried Forward 31 March	(12,293)

4. Summary of Capital Expenditure and Sources of Finance

	2019/20
	£'000
Opening Capital Financing Requirement	139,684
Appropriation of property from the HRA	960
Capital Investment:	
Property, plant and equipment	19,061
Revenue Expenditure Funded from Capital under Statute	2
Sources of Finance:	
Capital Receipts	(3,006)
Government Grants and Contributions	(232)
Revenue Finance	(3,294)
Major Repairs Reserve	(12,531)
Reserve	-
Switch between HRA and General Fund	-
Revenue Provision for Repayment of Borrowing	(300)
Closing Capital Financing Requirement	140,344

Explanation of movements in year:
Decrease in underlying need to borrow (supported by Government financial assistance) -
Increase in underlying need to borrow (unsupported by Government financial assistance) 660

Appropriation of property to the HRA

Increase / (decrease) in Capital Financing Requirement

660

5. Capital Receipts

	2019/20 £'000
Usable Capital Receipts - Balance transferred as part of LGR	(18,499)
Capital receipts in year:	
- Sale of Council Houses	(5,186)
- Housing Advances Repaid	-
Pooled Capital Receipts	914
Admin Costs for RTB	23
Repayment of borrowing from General Fund	300
Applied to finance Capital Expenditure:	
- Housing (HRA)	3,006
- Housing (General Fund)	2,421
Balance Carried Forward 31 March	(17,021)

6. Depreciation and Impairment of Non-Current Assets

	2019/20 £'000
Depreciation is charged based on the useful life of assets as follows:	
- Council Dwellings	11,627
- Other Land and Buildings	155
- Plant & Equipment	173
	11,955
Impairment resulting from the reduction in the valuation of non-current assets resulted in a charge to the income and expenditure account as follows:	
- Council Dwellings	5,254
- Other Land and Buildings	106
	5,360
Total charge to income and expenditure account	17,315

7. Rent Arrears

	2019/20 £'000
Cumulative Gross Arrears	1,770
Dwellings rents written off during year	53
Provision for bad debt as at 31 March	1,685

Current Tenant rent arrears expressed as a % of gross rent income was 4.20%.

THE COLLECTION FUND

	2019/20
	£'000
<u>INCOME</u>	
Income from Council Tax	(255,086)
Income Collectable from Business Ratepayers (NNDR)	(149,669)
Contribution from Precepting Authorities - towards deficit balance (NNDR)	-
Total Income	(404,755)
<u>EXPENDITURE</u>	
Council Tax - Precepts and Demands	
- BCP Council	210,157
- Dorset Police and Crime Commissioner	32,690
- Dorset & Wiltshire Fire & Rescue	10,614
Business Rate:	
- Share to Major Preceptors	
- BCP Council	65,444
- Dorset & Wiltshire Fire & Rescue	1,336
- Share to Central Government	66,780
- Transitional Protection Payments	1,023
- Renewable energy disregard	-
- Costs of Collection	596
Impairment of Debts and Appeals	299
Council Tax:	
- Write Offs	-
- Allowance for impairment	1,745
Business Rate:	
- Write Offs	-
- Allowance for impairment	4,738
- Appeals charged against provision	7,837
Contribution of surplus to Preceptors	
- Council Tax	239
- Business Rates	-
Total Expenditure	403,498
Movement in Fund Balance (Surplus)/Deficit	(1,257)
Balance Brought Forward 1 April:	
Council Tax:	
- BCP Council's Proportion	(2,351)
- Preceptors' Proportion	(452)
Business Rate:	
- BCP Council's Share	749
- Central Government Share	765
- Preceptors' Share	15
Balance Carried Forward 31 March	(2,531)
Council Tax:	
- BCP Council's Proportion	(2,024)
- Preceptors' Proportion	(419)
Business Rate:	
- BCP Council's Share	(30)
- Central Government Share	(43)
- Preceptors' Share	(1)
	(2,517)

NOTES TO THE COLLECTION FUND

1. Income from Council Tax

The council tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of tax properties are placed in one of eight valuation bands by Her Majesty's Revenue and Customs. After accounting for discounts, exemptions etc, these are then converted to a Band D equivalent which is known as the Tax Base. There is a requirement to maintain three separate Council Tax bases for Bournemouth, Poole and Christchurch until the Council Tax Band D charge is harmonised for the new authority. The Tax Base for 2019/20 on which the tax was set was:

Bournemouth

Valuation Band	No. Of Properties	Proportion to Band D	No. Of Band D Equivalent Properties	Est. Additions & MOD Properties	Tax Base
A* - disabled relief for Band A property	2	5/9	1	-	1
A	10,898	6/9	7,265	153	7,418
B	13,642	7/9	10,611	223	10,834
C	18,974	8/9	16,866	16	16,882
D	13,549	9/9	13,549	13	13,562
E	7,149	11/9	8,737	9	8,746
F	3,161	13/9	4,566	4	4,570
G	1,414	15/9	2,356	2	2,358
H	98	18/9	191	-	191
Total	68,884		64,142	63,608	64,562
				Expected Collection Rate	98.70%
					63,723

Christchurch

Valuation Band	No. Of Properties	Proportion to Band D	No. Of Band D Equivalent Properties	Est. Additions & MOD Properties	Tax Base
A* - disabled relief for Band A property	3	5/9	1	-	1
A	954	6/9	636	-	646
B	1,488	7/9	1,157	13	1,170
C	4,789	8/9	4,257	18	4,275
D	5,336	9/9	5,336	19	5,355
E	4,601	11/9	5,624	39	5,663
F	1,523	13/9	2,199	1	2,200
G	738	15/9	1,229	-	1,229
H	33	18/9	66	2	68
Total	19,465		20,505	92	20,597
				Expected Collection Rate	99.50%
					20,494

Poole

Valuation Band	No. Of Properties	Proportion to Band D	No. Of Band D Equivalent Properties	Est. Additions & MOD Properties	Tax Base
A* - disabled relief for Band A property	5	5/9	3	-	3
A	2,703	6/9	1,802	32	1,834
B	8,535	7/9	6,638	41	6,679
C	18,808	8/9	16,718	73	16,791
D	10,908	9/9	10,908	74	10,982
E	7,478	11/9	9,139	13	9,152
F	3,669	13/9	5,300	45	5,345
G	3,071	15/9	5,118	30	5,148
H	981	18/9	1,962	24	1,986
MOD properties				158	158
Total	56,158		57,588	490	58,089
				Expected Collection Rate	99.10%
					57,555

2. Income from Business Rate Payers

	2019/20
	£
Total Rateable Value at 31 March (£)	375,559,933
The Multiplier (rate in the £) as set by Government (Pence)	50.4

3. Distribution of Estimated Balance on the Collection Fund

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

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

	2019/20
	£'000
BCP Council	(200)
Dorset Police and Crime Commissioner	(10)
Dorset & Wiltshire Fire and Rescue	(29)
Total	(239)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20
	£'000	£'000	£'000
Service:			
Adult Services	192,695	(76,694)	116,001
Childrens Services	185,486	(115,534)	69,952
Environment & Community	129,781	(64,776)	65,005
Regeneration & Economy	84,809	(57,398)	27,411
Resources	181,742	(140,243)	41,499
Housing Revenue Account	50,266	(49,353)	913
Non Distributed cost	22,588	-	22,588
COST OF SERVICES	847,367	(503,998)	343,369
Other Operating Expenditure	26,160	(6,633)	19,527
Financing and Investment Income and Expenditure	76,695	(32,669)	44,026
Taxation and Non-Specific Grant Income	327	(306,969)	(306,642)
(Surplus) / Deficit on Provision of Services	950,550	(850,269)	100,280
(Surplus) / Deficit on Revaluation of Non-current Assets			(78,398)
Actuarial (gains) / losses on Pensions Assets / Liabilities			(27,430)
Other Comprehensive Income and Expenditure			(105,828)
Total Comprehensive Income and Expenditure			(5,548)

GROUP MOVEMENT IN RESERVES STATEMENT 2019/20

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance transferred in as part of LGR	(15,405)	(84,393)	(1,807)	(12,865)	(19,392)	(36,198)	(170,060)	(510,933)	(680,993)	(96,147)	(777,139)
(Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES	92,944	-	6,170	-	-	-	99,114		99,114	1,167	100,281
Other Comprehensive Income and Expenditure - Group CIES	-	-		-	-	-	-	(105,828)	(105,828)	-	(105,828)
Total Comprehensive Income and Expenditure	92,944	-	6,170	-	-	-	99,114	(105,828)	(6,714)	1,167	(5,547)
Adjustments between Group Accounts and Council Accounts - Donations from Council to subsidise Charitable Trust subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Net (Increase) / Decrease before Transfers	92,944	-	6,170	-	-	-	99,114	(105,828)	(6,714)	1,167	(5,547)
Adjustments Between Accounting Basis and Funding Basis under Regulations - Note 7 Single entity accounts	(91,395)	-	(8,480)	572	270	(1,329)	(100,362)	100,362	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	1,549	-	(2,310)	572	270	(1,329)	(1,249)	(5,466)	(6,714)	1,167	(5,547)
Transfers (to) / from Earmarked Reserves	3,150	(5,430)	2,279	-	-	-	(1)	-	(1)	-	(1)
(Increase) / Decrease in Year	4,699	(5,430)	(31)	572	270	(1,329)	(1,250)	(5,466)	(6,715)	1,167	(5,548)
Balance at 31 March 2020	(10,706)	(89,823)	(1,838)	(12,293)	(19,122)	(37,527)	(171,310)	(516,399)	(687,708)	(94,980)	(782,688)

GROUP BALANCE SHEET

	Note	2019/20	
		01/04/2019	31/03/2020
		£'000	£'000
Property, Plant and Equipment	4	1,585,112	1,644,871
Heritage Assets	5	69,514	67,210
Investment Property		120,931	96,619
Intangible Assets		3,839	31
Assets held for Sale		174	-
Long-Term Investments		3,404	4
Long Term Debtors		6,392	9,564
Joint Venture Investments		-	-
Total Long-Term Assets		1,789,366	1,818,299
Short-Term Investments		40,565	84,069
Assets Held for Sale		3,683	7,060
Inventories		1,978	1,473
Short-Term Debtors		83,074	70,861
Cash and Cash Equivalents		14,327	7,252
Total Current Assets		143,628	170,715
Public Finance Initiative Current Obligation		(444)	(478)
Finance Lease Current Obligation		(103)	(106)
Short-Term Borrowing		(80,484)	(85,307)
Short-Term Creditors		(108,133)	(112,277)
Bank Overdraft		(6,173)	(9,217)
Grants Receipts in Advance - Revenue		(752)	(122)
Grants Receipts in Advance - Capital		(18,817)	(31,374)
Total Current Liabilities		(214,906)	(238,881)
Provisions		(15,006)	(19,569)
Long-Term Borrowing		(171,916)	(176,155)
Public Finance Initiative Capital Obligation		(8,812)	(8,334)
Finance Lease Capital Obligation		(212)	(46)
Pensions Liability		(744,999)	(763,341)
Total Long-Term Liabilities		(940,946)	(967,446)
Net Assets		777,141	782,688
Usable Reserves		(170,882)	(171,312)
Unusable Reserves	6	(606,259)	(611,376)
Total Reserves		(777,141)	(782,688)

GROUP CASH FLOW STATEMENT

	2019/20 £'000
Net Deficit on the provision of services	(100,281)
Adjust net Deficit on the Provision of Services for Non Cash Movements	187,791
Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	(43,549)
Net Cash Flows from Operating Activities	43,961
Investing Activities	(60,362)
Financing Activities	6,282
Net Increase in Cash and Cash Equivalents	(10,119)
Cash and Cash Equivalents at Beginning of the Reporting Period	8,154
Cash and Cash Equivalents at End of the Reporting Period	<u>(1,965)</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General

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

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

2. Accounting Policies

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

a. Basis of Identification of the Group Boundary

Group Accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures and excluding intra-group transactions where necessary to eliminate any effect of grossing up on consolidation. The key basis for identification is the control the Council has over the other entities.

Subsidiary Boundary

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

Associate Boundary

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

Joint Arrangement

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either:

- Joint Venture - Arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint ventures have rights to the net assets of the arrangement.
- Joint Operation - A joint operation as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. To be a joint operation, the arrangement must meet the definition of joint control where decisions about the relevant activities of the arrangement require the unanimous consent of all the parties sharing control.

Materiality

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

Five Parks Charity	Subsidiary	Consolidated
Lower Central Gardens Trust	Subsidiary	Consolidated
Russell-Cotes Art Gallery & Museum Charitable Trust	Subsidiary	Consolidated

The following subsidiaries and joint ventures have not been consolidated in the Group Accounts due to their materiality or significance to disclose:

Bournemouth Building & Maintenance Limited	Subsidiary	Unconsolidated
Seascope Group Limited	Subsidiary	Unconsolidated
Seascope South Limited	Subsidiary	Unconsolidated
Seascope Homes and Property Limited	Subsidiary	Unconsolidated
Fairways (T/A M D Care Ltd)	Subsidiary	Unconsolidated
Poole Housing Partnership Ltd	Subsidiary	Unconsolidated
The Bournemouth Development Company LLP	Joint Venture	Unconsolidated
Tricuro Ltd	Joint Venture	Unconsolidated

b. Basis of the Preparation of the Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the 2019/20 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to the users of the Financial Statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

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

The Group Accounts only incorporate the accounts of the three charities for the year ended 31 March 2020 as they were material due to their asset base. These three Charities comply with the Charities Statement of Recommended Practice (SORP). Audited 2018/19 accounts have been used with adjustments for known asset revaluations during 2019/20.

Subsidiaries

Charities

The Council has overall control over the following charitable trusts as the board of the trust are made up entirely of elected members. The Council therefore treats the trusts as a subsidiary and consolidates them 100%.

Five Parks Charity

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

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

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

Lower Central Gardens Trust

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

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

Russell-Cotes Art Gallery and Museum Charitable Trust

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

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

Companies

The Council has no restrictions on its ability to access or use the assets under the Council subsidiaries. The Council would be liable for any outstanding liabilities of the subsidiaries or joint operations (up to its proportionate share) should they cease operations.

Bournemouth Building & Maintenance Limited

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

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

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

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

Seascope South Limited

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

Seascope Homes and Property Limited

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

Fairways (T/A MD Care Ltd)

During the 2019/20 financial year the Council purchased a care home company with the primary intention to transfer the care home building into the Council's possession. The care home is then subsequently leased to Tricuro to operate. From the point of purchase and asset transfer there has been minimal low value transactions of the company and the net assets are immaterial.

Poole Housing Partnership

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

PHP is a subsidiary of the BCP Council. The Company's principal activity is to manage and maintain the housing stock of the Poole Neighbourhood HRA. Turnover and operating profit arise solely from the housing management activities with the BCP Council.

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

3. Joint Controlled Venture

The Council has no restrictions on its ability to access or use the assets under the Council subsidiaries. The Council would be liable for any outstanding liabilities of the subsidiaries or joint operations (up to its proportionate share) should they cease operations.

Tricuro Limited

On 1 July 2015, Bournemouth Borough Council, Dorset County Council and the Borough of Poole, launched Tricuro. Tricuro is a group of two companies established under local authority trading

company principles to take the transfer of the three authorities' supply-side Adult Social Services business, with staff transferring from each of the three authorities in order to provide care services. All councils in Dorset were involved in Local Government Reorganisation (LGR). This change took effect from 1 April 2019 and resulted in Tricuro having two shareholders (Dorset Council and Bournemouth – 70%, Christchurch and Poole Council - 30%) instead of three. All contracts and agreements were novated to the new two unitary authorities under the structural change order.

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

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

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

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2019-20 was £42.3m (the year to 31 March 2019 saw the group turnover £40.3m). A shareholder agreement regulates the way in which the two councils manage Tricuro, including a profit /cost sharing agreement. Dorset Council is contracted to provide support services to Tricuro, the value of this contract was £1.002m for the period to 31 March 2020. Bournemouth, Christchurch and Poole Council also provides certain support services to the company. The cost of this was £619k for the period to 31 March 2020.

Tricuro has the following main areas of service delivery. All shareholders treat Tricuro as a joint venture in their respective financial statements in 2019-20.

Tricuro has the following main areas of service delivery.

- Residential Care Homes - 7 homes providing residential care for older people, 1 home providing residential and nursing care for older people and 2 homes providing residential care for people with a learning disability.
- Reablement, providing short term support for up to six weeks, enabling people to regain and maximise daily living skills and independence in their own homes with one home providing intermediate care services.
- Day opportunities and other services provide a range of services with identified support needs (older people, dementia, learning disability, mental health, physical disability).

Bournemouth Development Company

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

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

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

4. Property, Plant and Equipment

Revaluations

Note 12 of the single entity accounts gives details of the valuation of the property, plant and equipment included in the group accounts. Charitable Assets are material for the group accounts as a whole and are therefore revalued at the 31 March by the Council's Estate Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification and External Valuers.

Year of Valuation	£'000
Historic cost and awaiting completion of major works	317,269
2015/2016	33,136
2016/2017	52,339
2017/2018	39,496
2018/2019	166,629
2019/2020	1,036,002
	1,644,871

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

Property, Plant and Equipment									
Movements in Balances 2019/2020	HRA Assets £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets Included in Property, Plant & Equipment £'000
Cost or Valuation									
Balance transferred in as part of LGR	607,830	701,087	50,504	418,016	18,652	7,549	4,532	1,808,170	10,000
Additions	19,061	11,977	7,569	23,630	3,098	-	6,163	71,498	-
Revaluation Increase/(Decrease) recognised in Revaluation Reserve	2,990	46,582	-	-	-	(307)	-	49,266	500
Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services	(16,040)	(21,607)	-	-	-	-	-	(37,647)	-
Derecognition - Disposals	(4,322)	(2)	(41)	-	-	(360)	-	(4,725)	-
Derecognition - Other	(0)	(12,642)	(5,100)	-	-	-	-	(17,742)	-
Reclassification - within PPE	1,110	1,583	-	129	66	(60)	(2,828)	0	-
Reclassification - outside PPE	-	(244)	-	-	-	-	-	(244)	-
Balance at 31 March 2020	610,628	726,736	52,932	441,775	21,815	6,822	7,867	1,868,577	10,500
Depreciation									
Balance transferred in as part of LGR	(929)	(25,028)	(27,133)	(165,449)	(4,519)	-	-	(223,058)	(301)
Depreciation for year	(11,959)	(15,486)	(4,260)	(9,511)	(336)	-	-	(41,553)	(345)
Depreciation Written out to Revaluation Reserve	7,422	20,158	-	-	-	-	-	27,581	-
Depreciation Written out to Surplus / Deficit on Provision of Services	418	3,994	-	-	-	-	-	4,412	-
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	645	-	-	-	-	-	645	645
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	3,667	-	-	-	-	-	-	3,667	-
Derecognition - Disposals	-	-	41	-	-	-	-	41	-
Derecognition - Other	-	488	4,049	-	-	-	-	4,537	-
Reclassification - within PPE	-	2	-	-	(2)	-	-	-	-
Reclassification - outside PPE	-	21	-	-	-	-	-	21	-
Balance at 31 March 2020	(1,381)	(15,204)	(27,303)	(174,960)	(4,857)	-	-	(223,706)	-
Balance at 1 April 2019	606,901	676,060	23,370	252,567	14,132	7,549	4,532	1,585,112	9,699
Balance at 31 March 2020	609,247	711,532	25,629	266,815	16,958	6,822	7,867	1,644,871	10,500

5. Heritage Assets

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

Cost or Valuation	Civic Regalia £'000	Sculptures £'000	Museum Collection £'000	Museum Building £'000	Total Assets £'000
Balance as transferred in as part of LGR	2,029	377	44,615	22,493	69,514
Transfer to Trustee	(2,029)	-	-	-	(2,029)
Revaluation	-	262	(356)	(180)	(274)
Brought Forward 31 March	-	639	44,259	22,313	67,211

During the year, BCP Council saw a reduction of £2 million within their heritage asset, as Civic Regalia was transferred to Bournemouth and Poole Charter Trustees.

The valuation is based on insurance values. The assets were last valued during 2019/20.

There are two valuers for Russell Cotes Museum's art work, the curator and Sotheby's, Sotheby's are a world-renowned auction house. The museum curator has a degree in history from Oxford University and a MA in Museum Studies and 10 years' experience of working in museums. There were no concerns in their valuations due to limits on provenance.

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

Valuation of the collection is determined by its size. It would be impractical to value each individual item, instead external professional valuations are sought for key groups of items and, working closely with the Council's insurance team, an informed estimate of the value of the whole collection is made.

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

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

6. Unusable Reserves

	31 March 2020
	£'000
Revaluation Reserve	(505,267)
Capital Adjustment Account	(841,123)
Permanent Endowment Fund	(28,518)
Deferred Capital Receipts Reserve	154
Financial Instrument Adjustment Account	(18)
Pensions Reserve	763,341
Unequal Pay Back Pay Account	2,110
Accumulated Absences Account	(2,054)
Collection Fund Adjustment Account	-
Total Unusable Reserves	(611,376)

7. Intra Group Loans

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

	Seascape South Ltd £'000	BBML £'000	Seascape Group Ltd £'000	BDC £'000	Total £'000
LTI Winter Gardens	-	-	-	3,400	3,400
Working Capital loan	35	200	-	-	235

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

Working Capital Loans

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

Seascape South Ltd - £1 million

BBML Ltd - £1 million

Seascape Homes and Property Ltd - £100,000

Seascape Group Ltd - £100,000



Annual Governance Statement (AGS)

For the Year Ended 31 March 2020

Scope of Responsibility

- 1 BCP Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for, and used economically, efficiently and effectively.
- 2 In discharging this overall responsibility, BCP Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.
- 3 BCP Council has adopted a Local Code of Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this Code will be made available on the Council's website.
- 4 The Annual Governance Statement explains how BCP Council complied with the Code and met the requirements of regulation 6 (1 & 2) and 10 (1) of the Accounts and Audit Regulations 2020 in relation to the preparation, approval and publication of an annual governance statement.

The Purpose of the Governance Framework

- 5 The governance framework comprises of the systems and processes, culture and values by which the authority is directed and controlled, and by which it accounts to, engages with and lead its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It could not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control 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 and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 7 BCP Council had a governance framework in place from its inception on 1st April 2019 and for the year ended 31st March 2020 and up to the date of the approval of the Statement of Accounts. As a new Council, governance arrangements are

continually being adapted and improved during the year, as there was a move away from legacy to BCP arrangements.

Review of Effectiveness of the Governance Framework

- 8 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
- 9 The review considers both in-year, continuous elements and year-end review processes to consider its effectiveness.
- 10 The in-year, continuous elements process applied by the Council in maintaining and reviewing the effectiveness of the governance framework during the 2019/20 financial year included the following:
 - Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, and Standard Committee, operating in line with the Council's Constitution
 - The Audit and Governance Committee which provides independent assurance to the Council on the effectiveness of governance arrangements, risk management and the internal control environment
 - Established arrangements for senior officers to meet as part of Corporate Management Board, Transformation Board and Directors Strategy Group
 - Regular meeting of Statutory Officers Group, which comprises the Chief Executive, Monitoring Officer and Chief Financial Officer (CFO)
 - The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements is set out in the Council's Constitution. The Council's financial management arrangements conform to the governance requirements of the *CIPFA Statement of the Role of the Chief Financial Officer in Local Government* (2016). The Head of Finance is designated as the Council's CFO
 - The Council's assurance arrangements also conformed to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2019). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit
 - The Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it was lawful, up to date and fit for purpose
 - The Council reached a good level of performance against the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption'. This means the organisation had put in place effective arrangements across many aspects of the counter-fraud code and took taking positive action to manage its risks
 - Internal Audit, who provide an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems

- External reviews and inspections, the results of which are reported and acted upon as appropriate. This included, for example, the Ofsted focused visit looking at arrangements for planning and achieving permanence for children in care.
 - Regular scrutiny of financial monitoring reports by councillors and officers
- 11 In addition, a year end assessment of the effectiveness of the governance arrangements was undertaken, using sources of evidence including:
- Completion of Management Assurance Statements by all service directors
 - Completion of Directors Assurance Statements by all strategic directors
 - Internal Audit documentation and reports
 - Chief Internal Auditor's Annual Report
 - Findings from internal and external reports
 - Follow up of the previous year's AGS action plan resulting from the legacy Councils' Annual Governance Statements

Evaluation, Conclusion and Significant Governance Issues

- 12 Follow reviewing and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31st March 2020 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework.**

- 13 In considering the effectiveness of the governance arrangements this year, the Council's Corporate Management Board reflected on the following issues:

a. Impact of Covid-19

BCP Council considers that its governance framework has remained fit for purpose during the Covid-19 pandemic. It swiftly implemented robust governance arrangements to manage the impacts of the pandemic, such as daily meetings of the Corporate Incident Management Team in the initial stages.

The Council also ensured that it maintained effective governance of 'business as usual' activities during this time, and where necessary, developed alternative arrangements to ensure governance was maintained. For example, arrangements were put in place to maintain local democracy, through holding committee meetings online, to allow key decisions to be taken and for public participation.

Whilst there has inevitably been an effect, particularly on the speed of delivery of planned improvements and financial ramifications, the Council continues to maintain solid governance across the organisation.

b. Legacy Governance Arrangements

When BCP Council was formed on 1st April 2019, its key governance structures, such as its Constitution, legal framework and democratic arrangements were operational from day 1. However, as reflected in the Local Code of Governance, the Council chose to continue to operate a number of legacy policy arrangements during the year. These included, for example, business planning, performance

management, HR policies and risk management. Whilst the Council continues to introduce BCP specific policies, such as the Declaration of Interests, Gifts and Hospitality Policy, it does not consider that reliance on legacy arrangements is a significant governance weakness, and appropriate policies and processes are in place. The Council remains focused on introducing BCP specific policies.

BCP Council inherited two significant governance issues from the legacy Councils' 2018/19 Annual Governance Statements. These were Information Governance (legacy Bournemouth Borough Council and Borough of Poole) and Ofsted – Inspection of Children's Social Services (legacy Bournemouth Borough Council).

- 14 These significant governance issues were carried over for action and monitoring by BCP Council in 2019/20. Good progress has been made against implementing these actions, and Information Governance is no longer considered a significant governance issue. The remaining issue in Children's Social Services has seen significant improvements, with further improvement identified still to be fully implemented and embedded, therefore it has been included in the AGS for 2019/20. A more detailed update against each is included below:

2018/19 Issue (as inherited by BCP Council)	2019/20 Update
<p>Information Governance (legacy Bournemouth Borough Council and legacy Borough of Poole Council)</p> <p>Some elements of GDPR* have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.</p> <p><i>*General Data Protection Regulation</i></p>	<p>Work continues to embed Information Governance (IG) arrangements at BCP Council. Service Directors are now in place and are the Information Asset Owners for their service areas. The IG Team have recently undertaken work to establish the Information Asset Advisors for all service units. Information asset registers continue to be enhanced and refined following restructures and changes to systems. The IG Board met during the year and agreed the IG team are responsible for compliance checks.</p> <p>The 2019/20 Internal Audit report provided 'reasonable assurance' on the Information Governance function, and service are committed to implementing the recommendations made.</p> <p>Therefore, Information Governance is no longer considered a 'significant governance issue' for BCP Council.</p>
<p>Ofsted – Inspection of Children's Social Services (legacy Bournemouth Borough Council)</p> <p>The outcome of the Bournemouth Ofsted inspection of Children's Social Services in July 2018 was inadequate / requires improvement*, and included governance related issues such as</p>	<p>The issues raised in the legacy Bournemouth Ofsted report helped inform the Children's Services Development Improvement Plan. Improvements against the plan were made during the year and monitored by children's services directorate management board, through the Chief Executive's leadership and governance of the risk register, and periodically through the Children's Services Overview and Scrutiny Committee.</p> <p>Action has been taken to improve both the governance of service delivery and of the</p>

<p>management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children's Services Overview & Scrutiny Panel.</p> <p><i>*Both Bournemouth Borough Council (BBC) and Borough of Poole (BoP) were assessed overall as 'requires improvement' in their last Ofsted inspections. However, BBC was assessed as being 'inadequate' in relation to the Leadership and Management judgement only.</i></p>	<p>improvement plan. Clear lines of accountability have been established to ensure that there is a clean 'line of sight' to the performance and quality of services. This ensures that any issues that are identified are visible to strategic leaders, including Councillors, at the earliest opportunity. A challenging and supportive model has been developed by leaders to drive up standards and ensure compliance with statutory and regulatory standards.</p> <p>Significant improvements were made during the year, such as harmonisation of the social work, Special Educational Needs and Disabilities (SEND) and early help structures, a new quality assurance and learning framework, a strong workforce plan to address recruitment and retention, and the set up of a safeguarding service creating a new system-wide approach to addressing child exploitation (which went live May 2020).</p> <p>However, a number of internal and external reviews during 2019/20, together with the new Corporate Children's Director of Children's Services, were able to identify areas for further improvement.</p> <p>For example, in November, an Ofsted focused visit on permanency made five key recommendations, and a peer review in February 2020 of virtual school highlighted four key areas for improvement. A 'Partners in Practice' review of Front Door in May 2019 and a BCP hosted pan-Dorset multi-agency piece of work to define what a good Multi-Agency Safeguarding Hub (MASH) looked like took place in early 2020 has led to improvements.</p> <p>The Learning and Improvement Plan (LIP) was produced in February, incorporating the previous Development Improvement Plan. It reflects the 3 key priority areas; 1-Children who need help and protection, 2-Children in care and achieving permanence, 3-Leadership, Management and Governance, with 38 improvement objectives to focus on good outcomes for BCP Children and families.</p> <p>As at 30 June 2020, of the 38 LIP objectives; 7=Red (needs escalating), 27=Amber (manageable), 4=Green (on track)</p> <p>A robust performance management framework has been implemented. Performance is monitored via the Quality Improvement & Performance Board (QPIB), a Performance Surgery group every 6</p>
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	<p>weeks and children's directorate management board, where performance or LIP objectives are showing exceptions (high or lower than expected), exception reports are submitted to QPIB by lead managers.</p> <p>This remains a significant governance issue for the 2019/20 AGS and has been retitled 'Governance of Children's Social Services' – see Table 1 below for details of current issues and action plan.</p>
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- 15 In conclusion, whilst overall governance arrangements are considered sound, the Council has identified **three significant governance issues** where governance arrangements require strengthening as follows:

- **Governance of Children's Social Services**
- **Adjustments to the Highways Register**
- **Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors**

- 16 The following criteria was used to help evaluate significant governance issues:

- 1 The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
- 2 The governance issue may, or has, result/ed in a need to seek additional funding to allow it to be resolved, or may, or has, result/ed in a significant diversion of resources from another service area;
- 3 The governance issue may, or has, led to a material impact on the accounts;
- 4 The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
- 5 The governance issue may, or has, be/en publicly reported by a third party (e.g. external audit, Information Commissioner's Office) as a significant governance issue;
- 6 The governance issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

- 17 Details of the concerns relating to all the governance issues identified, together with an action plan including target dates, are included on Table 1 below, for each of the three significant governance issues identified.

Table 1 - 'Significant Governance Issues' and Action Plan

1	<p>Governance of Children's Social Services</p> <p>Significant improvements were made during the year, such as harmonisation of the social work, SEND and early help structures, a new quality assurance and learning framework, a strong workforce plan to address recruitment and retention, and the set up of a safeguarding service creating a new system-wide approach to addressing child exploitation (which went live May 2020).</p> <p>However, a number of internal and external reviews during 2019/20, together with the new Corporate Children's Director of Children's Services, were able to identify areas for further improvement.</p> <p>For example, in November, an Ofsted focused visit on permanency made five key recommendations, and a peer review in February 2020 of virtual school highlighted four key areas for improvement. A 'Partners in Practice' review of Front Door in May 2019 and a BCP hosted pan-Dorset multi-agency piece of work to define what a good MASH looked like took place in early 2020 has led to improvements.</p> <p>The Learning and Improvement Plan (LIP) reflects the 3 key priority areas; 1-Children who need help and protection, 2-Children in care and achieving permanence, 3-Leadership, Management and Governance, with 38 improvement objectives to focus on good outcomes for BCP Children and families.</p> <p>As at 30 June 2020, of the 38 LIP objectives; 7=Red (needs escalating), 27=Amber (manageable), 4=Green (on track)</p> <p>A robust performance management framework has been implemented. Performance is monitored via the Quality Improvement & Performance Board (QPIB), a Performance Surgery group every 6 weeks and children's directorate management board, where performance or LIP objectives are showing exceptions (high or lower than expected), exception reports are submitted to QPIB by lead managers.</p>		
	Action Points	Responsible Officer	Target Date
	<p>1. Implementation of the Children's Services Learning and Improvement Plan (LIP)</p> <p><i>Please note – there is an ambition for there to be a front facing LIP which will be available to the public. It is suggested that we include a link to this here in the AGS for transparency. It is hoped this will be available prior to the AGS being published.</i></p> <p><i>Please note that Children's Overview and Scrutiny Committee will receive and scrutinise regular updates of the LIP.</i></p>	Corporate Director – Children's Services	As per the LIP

2	Adjustments to the Highways Register		
	During the year, an issue regarding the maintenance of the BCP Council Highway Register came to light, where an amendment seeking a reduction to the Highways Register was made without use of a stopping up order in legacy Bournemouth Borough Council in 2018/19. This resulted in an incorrect amendment. These arrangements were inherited for BCP Council for the Bournemouth geographical area.		
	Action Points	Responsible Officer	Target Date
	1. Ensure that all amendments seeking to reduce the Highways Register are only completed following a stopping up order	Julian McLaughlin / Bill Cotton	Implemented

3	Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors		
	BCP Council recognises that it needs to ensure that it's governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose.		
	Following changes to officers, councillors and restructures, the Council needs to ensure that the roles and responsibilities of key officers and councillors are identified and understood. Furthermore, it recognises that with some organisations, there may be potential or perceived conflicts of interest for officers or councillors who have a role in the organisation in addition to their Council role.		
	During 19/20, partial audit opinions were given by Internal Audit for its Wholly Owned Companies (comprising of Bournemouth Building and Maintenance Limited, Seascope Group Limited, Seascope South Limited, and Seascope Homes and Property Limited) and Lower Gardens and Five Parks Charitable Trusts, identifying a number of governance issues which required improvement, such as decision making, and achievement of strategy.		
	Review of the governance arrangements at Russell Cotes Museum is underway and due to be reported to Cabinet in the year.		
	The Council recognises that the governance arrangements with BH Live need to be reviewed to ensure they are appropriate for the new Council.		
	Action Points	Responsible Officer	Target Date
	1. CMB lead an overarching review of governance to include:	Chief Executive	December 2020

	<ul style="list-style-type: none"> a. Determine which organisations this should apply to (only those identified above, other key partners / contractors / companies) b. Clarify roles and responsibilities of councillors and officers c. Arrangements for evaluation and management of conflicts of interest d. Appropriateness of governance structures – performance, meetings, financial etc e. Determining whether any specific reviews of organisations (in addition to those below) are required f. Consideration of whether a corporate lead / 'Centre of Excellence' is appropriate, and if so, what it's role should include (e.g. guidance / advice / compliance) 		
	2. Ensure implementation of recommendations in the Wholly Owned Companies and the Lower Gardens and Five Parks Trusts internal audit reports	Corporate Director of Environment & Community	December 2020
	3. Ensure that governance arrangements for Russell Cotes Museum are reported to Cabinet as planned and agreed actions implemented	Corporate Director of Regeneration & Economy	December 2020
	4. Undertake a review of governance of BH Live contract and implement appropriate changes	Corporate Director of Regeneration & Economy	December 2020

This statement explains how BCP Council has complied with the requirements of the code and also meets the requirements of the Accounts and Audit Regulations 2020.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

G Farrant - Chief Executive of BCP Council

Date

V Slade - Leader of BCP Council

Date

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

To follow pending external audit

GLOSSARY

Accruals

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

Borrow to Invest Schemes

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

Capital Expenditure

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

Capital Receipt

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

Charging Authority

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Capital Receipts

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

Depreciation

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

Fixed Assets

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

General Fund

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

Government Grants

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

Housing Benefits

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

Housing Revenue Account

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

Infrastructure Assets

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

Leasing

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

Liquid Resources

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

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

Minimum Revenue Provision (MRP)

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

Non-Domestic Rates (NDR)

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

Non-Operational Assets

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

Operational Assets

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

Post Balance Sheet Events

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

Precept

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

Precepting Authority

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

Projected Unit Method

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

Private Finance Initiative (PFI)

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

Provisions

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

Public Works Loan Board (PWLB)

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

Related Party Transaction

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

Reserves

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

Revenue Account

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

Revenue Budget Comparison

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

Stocks

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

Temporary Borrowing/Investment

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

Work in Progress

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

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AUDIT AND GOVERNANCE COMMITTEE



Report subject	Audit & Governance Committee Forward Plan (refresh)
Meeting date	26 November 2020
Status	Public Report
Executive summary	This report sets out the reports to be received by the Audit & Governance Committee for the 2020/21 municipal year.
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee approves the forward plan set out at Appendix A.</p>
Reason for recommendations	To ensure that Audit & Governance Committee are fully informed of the reports to be considered during 2020/21.
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	<p>Nigel Stannard</p> <p>Head of Audit & Management Assurance</p> <p>✉ <u>nigel.stannard@bcpcouncil.gov.uk</u></p>
Wards	Council-wide
Classification	For Recommendation Approval

Background

1. Good practice dictates that a Forward Plan should be agreed which sets out the reports to be considered by the Audit & Governance Committee over the next 12 months.

The Forward Plan

2. The Forward Plan set out at Appendix A has been developed through discussion with the Chair and Vice Chair of the Audit & Governance Committee, the S151 Officer and the Council's External Auditors. The plan sets out proposals for the forward management of reports to be considered by the Audit & Governance Committee in order to enable it to fulfil its terms of reference.

3. The Audit & Governance Committee should note that the plan does not preclude extraordinary items being brought before the Committee in consultation with the Chair and Vice Chair as necessary and appropriate, thus ensuring that the Audit & Governance Committee business is consistent with the requirements of the Council's Financial Regulations.
4. The Chairman regularly asks committee members for any topics requiring this Committee's consideration within its terms of reference and can be added at any time in the year or as they arise. These topics are generally shown in the 'Presentations' section of the Forward Plan, Appendix A. The presentations are made available to the public with the meeting minutes.

Options Appraisal

5. An options appraisal is not applicable for this report.

Summary of financial implications

6. There are no direct financial implications from this report.

Summary of legal implications

7. There are no direct legal implications from this report.

Summary of human resources implications

8. There are no direct human resource implications from this report.

Summary of sustainability impact

9. There are no direct sustainability impact implications from this report.

Summary of public health implications

10. There are no public health implications from this report.

Summary of equality implications

11. There are no direct equality implications from this report

Summary of risk assessment

12. The risk implications are as set out in the report.

Background papers

None

Appendices

Appendix A – Audit & Governance Committee - Forward Plan 2020/21

Audit & Governance Committee - Forward Plan 2020/21

REPORT	18 JUN 2020 (extra)	30 JUL 2020	10 SEP 2020 (extra)	22 OCT 2020	26 NOV 2020 (extra)	21 JAN 2021	11 MAR 2021 (extra)	22 APR 2021
ANNUAL REPORTS								
Statement of Accounts 2019/20 (*Note delayed due to COVID 19 and the Government's decision to allow more time for the production of the Council's statutory accounts).		*			✓			
Annual Governance Statement 2019/20 and Annual Review of Local Code of Governance (1 update on Action Plan only)		*			✓			✓ ₁
Chief Internal Auditor's Annual Opinion Report 2019/20		*			✓			
Annual Breaches, Waivers & Exemptions Report 2019/20		✓						
Annual Review of Register of Declarations of Outside Interests & Receipts of Gifts & Hospitality by Officers				✓				
Use of Regulation of Investigatory Powers Annual Report (including Report to the Office of Surveillance Commissioner) 2019/20		✓						
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2019/20				✓				
Local Government and Social Care Ombudsman Annual Report 2019/20				✓				
Equality & Diversity Annual Report 2019/20				✓				
Emergency Planning & Business Continuity Update				✓				
Treasury Management Policy Refresh/Approval for next financial year						✓		
Assurance Framework & Internal Audit Planning Consultation						✓		
Information Governance Update						✓		
Internal Audit Charter & Audit Plan for next financial year								✓
QUARTERLY / HALF YEARLY REPORTS								
Internal Audit - Quarterly Audit Plan Update (2 to include Audit Charter & Audit Plan for 2020/21)		✓ ₂		✓		✓		✓
Risk Management – Corporate Risk Register Update		✓		✓		✓		✓
Forward Plan (refresh)		✓		✓		✓		✓
Treasury Management Monitoring Report		✓						✓
Health & Safety and Fire Safety Update				✓				✓
AD HOC / OTHER REPORTS								
Whistleblowing, Counter Fraud and Corruption, and Declaration of Interests, Gifts & Hospitality Policies (x3) - annual evolution for 2021/22.							✓	
Financial Regulations - annual evolution for 2021/22.							✓	
Changes to Council Constitution		✓			✓			
Governance of Budget Monitoring		✓						
PRESENTATIONS (rather than formal reports)								
Review of BH Live contractual and governance arrangements. (3 timing subject to agreement based on external factors)		✓				✓ ₃		
Review of structure and operation of the Bournemouth Development Company			✓					
Review of organisational and operational structure of BCP Council			✓					

Governance overview of BCP Housing companies					✓			
EXTERNAL AUDITS REPORTS								
External Auditor – Audit Plan 2019/20 (<i>3 Audit Plan 2020/21</i>)		✓						✓ ₃
External Auditor – Audit Findings Report 2019/20					✓			
External Auditor – Annual Audit Letter 2019/20						✓		
External Auditor – Annual Audit Fee 2020/21						✓		
External Auditor – Certification of Claims and Returns 2019/20						✓		
External Auditor – Audit Progress & Sector Update		✓		✓		✓		✓