Notice of Audit and Governance Committee

Date: Thursday, 30 May 2024 at 6.00 pm

Venue: HMS Phoebe, BCP Civic Centre, Bournemouth BH2 6DY

Membership:

Chairman: TBD

Vice Chairman: TBD

Cllr M Andrews	Cllr B Castle	Cllr M Phipps
Cllr S Armstrong	Cllr E Connolly	Cllr M Tarling
Cllr J Beesley	Cllr R Herrett	Cllr C Weight

Independent persons:

Samantha Acton	Lindy Jansen-VanVuuren

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=5972

If you would like any further information on the items to be considered at the meeting please contact: Democratic Services on 01202 096660 or email democratic.services@bcpcouncil.gov.uk

Press enquiries should be directed to the Press Office: Tel: 01202 118686 or email press.office@bcpcouncil.gov.uk

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

Available online and on the Mod.gov app

GRAHAM FARRANT
CHIEF EXECUTIVE

21 May 2024

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

Does the matter directly relate to one of my Disclosable Pecuniary Interests (DPIs) (set out in Table 1)?

- Yes → **I have a DPI and cannot take part without a dispensation**
- No → **Does the matter directly relate to the finances or wellbeing of one of my Other Registerable Interests (ORIs) (set out in Table 2)?**
  - Yes → **I have an ORI and must disclose it. I may speak as a member of the public but not discuss or vote and must leave the room**
  - No → **Does it directly relate to the finances or wellbeing of me, a relative or a close associate?**
    - Yes → **I have a NRI and must disclose it. I may speak as a member of the public but not discuss or vote and must leave the room**
    - No → **Does it affect the finances or wellbeing of me, a relative or a close associate or any of my ORIs?**
      - Yes → **Am I or they affected to a greater extent that most people? And would a reasonable person think my judgement is clouded?**
        - Yes → **I have an interest and must disclose it. I may speak as a member of the public but not discuss or vote and must leave the room**
        - No → **I have no interest to disclose**
      - No → **I have no interest to disclose**

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	Predetermination 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?	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 (janie.berry@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. Election of Chair

To elect a Chair of the Audit and Governance Committee for the 2024/25 Municipal Year.

4. Election of Vice Chair

To elect a Vice Chair of the Audit and Governance Committee for the 2024/25 Municipal Year.

5. 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.

6. Confirmation of Minutes 5 - 14

To confirm and sign as a correct record the minutes of the meeting held on 11 April 2024.

7. 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/ieListMeetings.aspx?CommitteeID=151&Info=1&bcr=1

The deadline for the submission of public questions is midday on Thursday 23 May 2024 [midday 3 clear working days before the meeting].

The deadline for the submission of a statement is midday on Wednesday 29 May 2024 [midday the working day before the meeting].

The deadline for the submission of a petition is Wednesday 15 May 2024

[10 working days before the meeting].

8.	**External Audit - 2021/22 ISA260 Audit Findings Report and Statement of Accounts 2021/22** The attached report set out the findings of the council's external auditor following their audit of the council's statement of accounts for 2021/22 as well as presenting the latest revised version of the statement of accounts. The key points to note are: • Grant Thornton anticipates providing an unqualified opinion on the financial statements for the council; and that Grant Thornton anticipates issuing a qualified "except for" value for money conclusion due to the findings of children's services, the councils financial sustainability and governance.	15 - 218
9.	**External Auditor – Audit Plan 2023/24** The attached report at Appendix A sets out the work that the Council's External Auditor, Grant Thornton, plans to undertake for the audit of the Council's Statement of Accounts in respect of 2023/24. The External Auditor plans to give an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	219 - 262
10.	**Commercial Operations - Planning permissions approach** This report details how we have dealt with the legacy approaches in relation to planning requirements for temporary facilities, such as pop-up catering offers, events and sports facilities across the seafront and provides detail of progress made to improve staff awareness and understanding of the requirements to ensure that we confirm with all statutory and local requirements across the Commercial Operations service.	263 - 270
11.	**Arrangements for the use of Consultants & Interim staffing** To receive a power point presentation detailing the arrangements for the use of consultants & interim staffing.	Verbal Report

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.

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 11 April 2024 at 6.00 pm

Present:-

Cllr M Andrews – Chairman

Cllr E Connolly – Vice-Chairman

Present: Cllr J Beesley, Cllr B Castle, Cllr A Chapmanlaw, Cllr M Phipps, Cllr C Weight, Cllr S Armstrong, Jansen-VanVuuren, Samantha Acton and Cllr M Tarling (In place of Cllr R Herrett)

69. Apologies

Apologies were received from Cllr R Herrett.

70. Substitute Members

Cllr M Tarling substituted for Cllr R Herrett.

71. Declarations of Interests

There were none received.

72. Confirmation of Minutes

The minutes of the meeting held on 7 March were approved as a correct record.

73. Public Issues

There were 4 public questions received and 3 public statements as follows:

Mr Alex McKinstry, in relation to agenda item 6 and 2 questions from Mr Ian Redman (being read by Mr McKinstry), in relation to agenda items 9 and 6.

Public Questions from Mr Alex McKinstry

1. Of the Freedom of Information Act requests received by BCP Council in 2023-4, how many were dismissed as vexatious, and how many were reclassified as non-vexatious following a request for an internal review /referral to the ICO? If the number of reclassifications is significant - and I accept that it might not be - is this a matter which is being discussed at Information Governance Board meetings, and if so, what lessons are being learned?

Response from the Chair:

There were 1458 FOI/EIR requests processed in 2023/24, of these none were refused under S14 (vexatious).
There were 2 requests dealt with under an internal review where S14 was applied after further consideration.
There were no reclassifications overturning the S14 decisions to the internal review responses.

2. Of the 38 requests for internal reviews made in 2023-4, how many responses to those requests were issued outside the 20-working-day guideline recommended by the ICO?

Response from the Chair:
9 responses to internal reviews were not made within the ICO response guideline of 20 working days.
Of these 9 responses, 8 were met within 40 days (including a 20 working day permitted extension for complex requests, consultation with third parties or where a substantial amount of information is requested)

Public Questions from Mr Ian Redman

3. Why would aggregating activities into larger packages increase the number of potential providers and offer better value for money for the Council through greater competition? Aggregating activities into larger packages might save work for the council by reducing the number of tenders but larger packages is more likely to prevent smaller businesses taking part in the tender process, reducing competition and providing less choice for consumers.

Response from the Chairman:
The actual Internal Audit recommendation reads :
‘R8 - Formal consideration should be given to aggregating activities into larger packages where possible and appropriate to do so to increase the number of potential providers and potentially offer better value for money for the Council through greater competition’.
The key words in this recommendation are ‘consider’ and ‘where possible and appropriate’, the recommendation does not imply that all activities should be aggregated.
There is a fine balance to strike, Mr Redman is quite right that in certain situations larger packages of activity may prevent smaller businesses from taking part in tendering or providing quotes, thus reducing competition and providing less choice for consumers.
Conversely however in certain situations, if activity packages are too small, this can put off certain suppliers from making the effort to tender or to supply quotes as any eventual return on this effort and on fixed costs incurred is considered insufficient reward. This is simple economies of scale.
Aggregation of activity into large tender opportunity packages can therefore, in certain appropriate situations, be beneficial to both overall value for money and increase competition.

4. PMIs do not measure the quality of FOI responses. There is no indication of customer satisfaction or the number of emails per FOI

request. Dorset Council, like many local authorities, provide full details of all FOI requests on their website. Some LA's even direct you to a list of recent FOIs before you can submit one. Will BCP follow the examples of best practise and start to publish in full, all FOI requests and responses? Hopefully in real time. This will not measure customer satisfaction but would improve transparency, reduce duplication and improve the quality and professionalism of responses.

Response:
IG measure the quality of FOI responses through the data recorded for internal reviews. This provides an indication of customer satisfaction through the quality of the first response.
Table 1 shows that 1458 requests were processed during 2023/24.
Table 9 shows that the authority received 38 requests for an internal review during 2023/24.
From this data we calculate that 97% of applicants were satisfied with the 1st response and 3% were not satisfied and requested an internal review.
We use the data recorded from internal reviews to identify weaknesses and to help improve performance.
The current system does not provide an audit of emails associated with each request – we know that 97% of requestors are satisfied with the first response requiring an average of two emails. Where excessive numbers of emails are received associated to one request, placing a burden on resources, this will be referred to the IG team to investigate.
The current system does not provide the ability to publish a Disclosure log – this would be function sought in any new system in the future.

Public Statements
There were two public statements from Mr Gatrell read out by Democratic Services Officer as follows and one statement from Mr McKinstry which he read out.

1. INTERNAL AUDIT PROCESSES REQUIRING INCLUSION IN THE 2024/25 WORK PLAN RELATING TO THE ACCURACY AND INTEGRATION OF "KEY" ACCOUNTING SYSTEMS GENERATING CORE DATA FOR THE ANNUAL ACCOUNTS: "Capital Adjustment Account" movements are noted in each Statement of Accounts except - incongruously - the second year 2020/21. Discrepancies exist between the notes and latest source spreadsheets I obtained. Similarly, the notes do not identify as prior year restatements these adjustments made to expenditure "Reversal items" - • Increase in "Depreciation and Impairment …" regarding the 2020/21 finalised Accounts adjusted via the page 58 comparative column in the 2021/22 draft Accounts - being £2,305,339 more than the 2020/21 spreadsheet. • Reduction in "Non-Current assets written off …" regarding the 2021/22 Accounts adjusted in the 1 April 2022 balance and 2021/22 comparatives on page 56 of the 2022/23 draft Accounts - being £722,000 less than the 2021/22 spreadsheet. The page 56

comparative 2021/22 subtotals £83,678,000 and £(95,995,000) each contain a £1,000 overcasting error.

2. REGARDING THE CONSTITUTION'S REVIEW: MONITORING OFFICER'S DUTIES SECTIONS 5 AND 5A LOCAL GOVERNMENT AND HOUSING ACT 1989 Constitution 11.3b on 2-24 is fundamentally incorrect because - • The Monitoring Officer must report to each Member - or to Cabinet where the executive arrangements apply - regarding actual and potential contraventions of law as well as Ombudsman investigation decisions on maladministration or service failure. • This reporting duty continues when not "practicable" for that Officer to consult with the Chief Executive and Chief Finance Officer regarding the report. To ensure Council's effective accountability - • Sound decisions by Members - including regarding contended inconsequential contraventions - are dependent upon correct recognition of relevant law and comprehensive compliance registers. • Article 14.2 on 2-29 empowers the Monitoring Officer to implement without referral necessary Constitutional amendments. • The current Officer's preceding tenure at Birmingham Council affirms the necessary amendments identified above. In 26 words Birmingham's Constitution references correct application of Sections 5 and 5A.

3. A development I've noticed recently is for officers to provide updates to those who have submitted Freedom of Information requests, if the statutory deadline is breached; and to provide the requester with any information thus far received. Though not ideal, this is a tremendous step forward and does provide some reassurance for requesters. If the Information Governance Board could look towards adopting this as a default protocol, it would improve the FOI experience no mean degree.

74. Information Governance Update

The Head of Information Governance (IG) 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 report provided an update from Information Governance on performance management information across the Council including that related to Freedom of Information (FOI) Requests and Subject Access Requests (SAR). The Head of IG outlined the structure for the Service and how FOIs and SARs are handled across the Council. The Committee was advised that there was a new management team in place working to review how the IG function worked across BCP and looking to see what improvements could be made to the service. The Committee was also asked to note the response rates for the year.

In responding to the fact that Law and Governance had recorded a 10 percent response rate in Q3 it was explained that requests coming in were rarely simple and therefore it was difficult to find the correct information within the required timeframe and resources were stretched across different areas.

The Head of IG explained in response to a question about the review of the IG structure that this was in the early stages and a workshop was due to take place the following week which would look at how well the service was resourced. The aim for improving the services was that the 90 percent target would be reached. This would be included within the internal audit plan which should help to support and improve this function within LG, which should in turn assist the Data Protection and Information Governance Service. Policies and procedures would also be looked into as part of a comprehensive review. The current performance termed unsatisfactory, the timescale for moving to satisfactory would be approximately 1 year.

It was suggested that the average response time for those falling outside of the requisite period would be useful and that the case management system would be useful to drive this forward.

The Committee discussed the provision of data breach information. It was noted that there was a separate log for this but the service would be looking into how this worked and how it could be combined into the reporting system. The service was working to minimise exposure to risks.

RESOLVED that

(a) Committee note the Information Governance (IG) performance management information (PMI) for 2023/24 (Q1 to Q3 – December 2024) contained in this report.

This includes requests received under the Freedom of Information Act 2000 (FOIA), Environmental Information Regulations (EIRs), Data Protection Act 2018 (DPA) and other agency disclosure requests.

(b) Committee note that currently a review is underway by leadership team of the function of IG within BCP Council.

Voting: Nem. Con

75. Risk Management – Corporate Risk Register Update

The Chief Executive 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 was informed that the report provided an update on the position of the council's Corporate Risk Register. The main updates were outlined to the Committee.

- Two risks were combined (CR02 and CR12)
- One risk was re-included (CR08)
- 4 new risks were added (CR16, CR23, CR24, CR25)
- 3 risks were removed (CR12, CR13, CR22)

The Committee was advised that it was expected that CR02 was increased from 6 to 12 incorrectly and that this would be reduced in the next iteration of the Risk Register. The material updates for the quarter were outlined in the report.

The Committee discussed the response to CR15 concerning staff recruitment, retention and support, which was 'to tolerate or accept'. This would be followed up with the Risk and Insurance Manager, but it was noted that there were limits in terms of attracting staff. The Committee suggested that it would be useful for the register to include the direction of travel over the course of a year.

There was a concern raised that there wasn't a risk recorded regarding meeting the statutory requirements for housing. It was noted that this would be included within the Housing Service Risk Register. CR20, regarding the environment and CR03 on information governance were also raised as previously downgraded and it was questioned whether these should be put back on the register. In consideration of the merge of CR02 and CR12 it was noted that these areas were repetitive in the Corporate Risk Register but there was a complete risk register for Children's Services which would provide a complete breakdown for the service area.

It was noted that the change with CR13 and CR25 had already happened. This was a significant risk. It was noted that this was due to a change in the direction of the transformation programme to services. It was suggested that it would be helpful if as soon as ready could be distributed to the Committee.

It was asked whether CR16 - Failure to Secure Partnerships, should be linked to the transformation programme. The Chief Executive advised that the Council did not have a devolution deal. There was concern that there would be a re-entrenchment in police, health and local government. The risk reflected the challenges in the current public sector environment.

There was general support expressed for the submission of the risk register to Cabinet and possibly Council. There was also general agreement that the Committee should look at Service Level Risk Registers. It was agreed that the programme and scheduling for this be agreed with the Service Lead and Chair. It was proposed that this begin with Children's Services and this would be followed up by the Chief Executive and Director of Childrens Services.

RESOLVED that the Audit and Governance Committee note the update provided in this report relating to corporate risks.

Voting: Nem. Con

76. Internal Audit - Audit Charter & Audit Plan 2024/25

The Head of Internal Audit 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 report set out the Internal Audit Charter and the Audit Plan for 2024/25. The Committee needed to approve these documents as a requirement of the Public Sector Internal Audit Standards (PSIAS). The Committee was informed that some minor amendments had been made to the Internal Audit Charter which includes an updated Data Analytics Strategy.

The final Internal Audit Plan for 2024/25 included some minor amendments from the version provided to the Audit & Governance Committee in January 2024. The completion of the plan would enable the Head of Audit & Management Assurance to provide an annual opinion on the adequacy and effectiveness of the Council's control environment.

The allocated budget resource for 2024/25 was considered adequate to deliver the Internal Audit Charter and Audit Plan for 2024/25. The Committee was advised of the process for ensuring the independence of Chief Internal Auditor in respect of the other services they managed.

The Committee asked how the allocation of audit hours related to the corporate and operational risk registers. In response the Committee was advised that the allocation of days was broadly on budget and a professional assessment. Children services was already under external inspections and an improvement board and therefore there tended to be less work in this area as formal assurance process was in place externally.

There was no resource allocated for 2024/25 for the allocation of grants which was an area which may be impacted by fraud. There was a process for the approval of grants which had to be signed off by the Head of Internal Audit and the Chief Executive. Risks around grants would be reported within the quarterly update to the A&G Committee if required.

As scoping was not completed for each audit it was explained that the determination of allocated days was planned at the start of the year to be strategic and set out a broad allocation. Certain key assurance functions were planned in and the time requirements were known on annual basis for some functions. However, there was a need to be more dynamic in the approach to high-risk functions and these would be addressed in an initial meeting between auditors and Service Directors.

RESOLVED that

- **the Internal Audit Charter be approved and that the Chair sign the document to record this approval (this may be a virtual sign off using email).**
- **The Internal Audit Plan 2024/25 including the detailed breakdown of quarter 1 audits be approved**

note the 2024/25 budget for the Internal Audit service which was approved by Council as part of the 2024/25 Council Budget setting and Medium Term Financial Plan update in February 2024

Voting: Nem. Con

77. Internal Audit - 4th Quarter, 2023/24, Audit Plan Update

The Head of Internal Audit 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 was asked to note the progress against the implementation of the recommendations from the Review of Pop-up/Temporary activities incorporating Bayside Restaurant Review.

The report detailed the progress made on delivery of the 2023/24 Audit Plan for the 4th quarter 2024. The Committee was advised of the key areas outlined in the report. It was noted that five ‘High’ priority audit recommendations had not been fully implemented by the original target date but explanations from respective Directors appeared reasonable and revised target dates had been agreed. It was noted that whilst not preferred audits had been taken out on the basis of risk.

A number of areas within the Internal Audit 4th Quarter Audit Plan were raised by the Committee and responded to or assurances provided that further information would be shared outside of the meeting. The scope of the in-progress audit entitled ‘Developer Contributions - Management of Spend Audit’ would be provided to members of the Committee outside of the meeting. It was noted that the business case template developed as part of the recommendations for the Review of Pop-up/Temporary activities incorporating Bayside Restaurant would be circulated to members to assure the Committee that it included the required content. A further concern was raised regarding the firewall risk outlined in the paper and an update would be brought to the next meeting.

Concern was raised that the number of high priority recommendations issued had increased from the previous year. It was explained that direct comparisons from one year to another could not be drawn, as many factors impact, such as type and scope of the audit, framing of the recommendation and only ‘key assurance’ audits are completed on an annual basis.

The Head of Internal Audit advised that he would not want to create any perverse incentives within the Internal Audit team to make or not make recommendations to align with previous year levels; he further explained it is his responsibility to ensure that the recommendations made were relevant and appropriate. If the number of recommendations reduced significantly there may be some concern as it may mean the right high-risk areas were not being targeted for audits. It was suggested by a committee member that the level of assurance was less due to the greater number of findings. The Head of Internal Audit explained that such a stark conclusion could not be drawn given the impacting factors explained previously.

It was noted that it was hard to demonstrate that some of the recommendations had been completed and it was requested whether further tests could be put in place to check the recommendations were embedded.

RESOLVED that

a) **The progress made and issues arising on the delivery of the 2023/24 Internal Audit Plan be noted.**

b) **The explanations provided (Appendix 1) be noted and the Committee determined, in the case of High Priority recommendations not implemented by the initially agreed target date, if further explanation and assurance from the Service / Corporate Director is required.**

c) **Note the progress against the implementation of the recommendations from the Review of Pop-up/ Temporary activities incorporating Bayside Restaurant Review.**

Voting Nem. Con.

78. Review of the Council's Constitution - Recommendations of the Constitution Review Working Group

The Constitution Review Working Group 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 Head of Democratic Services advised that the plan would be to review these recommendations and that any recommendations arising from the Committee would be referred to full Council for adoption. The intention was to bring forward additional procedure rules for the budget setting meeting. The report summarised the issues considered by the Constitution Review Working Group and set out a series of recommendations arising from the Working Group for consideration by the Committee relating to the introduction of budget and policy framework procedure rules. It was noted that the recommendations arose from the best value review and was put into the CE review on previous MOs request.

It was noted that the recommendations would bring clarity around the budget and corporate monitoring framework and provided an option for issues if there was disagreement with the budget recommendation. In the discussion it was noted that there was no impact on the Leader of Finance Portfolio Holder positions. There was an aim towards a dedicated budget Council. There was a plan to survey Councillors on some of the other issues raised and come back with a further package of proposals.

RECOMMENDED that in relation to Issue 1 (Budget and Policy Framework Approval Procedure Rules) the proposed amendment to insert the new Procedure Rules into Part 4E of the Constitution, as set out in Appendix 1 to this report, be approved; any necessary and consequential technical and formatting related updates and revisions to the Constitution be delegated to the Monitoring Officer.

Voting: Unanimous

79. Forward Plan - Indicative for the 2024/25 municipal year

The Head of Internal Audit presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix '?' to these Minutes in the Minute Book. The report set out the indicative list of reports to be considered by the Audit & Governance Committee for the 2024/25 municipal year in order to enable it to fulfil its terms of reference.

RESOLVED that
The Audit & Governance Committee approves the indicative Forward Plan set out at Appendix A.

Voting: Nem. Con.

The meeting ended at 8.00 pm

CHAIRMAN

AUDIT AND GOVERNANCE COMMITTEE

Report subject	**External Audit - 2021/22 ISA260 Audit Findings Report and Statement of Accounts 2021/22**
Meeting date	30 May 2024
Status	Public Report
Executive summary	The attached report set out the findings of the council's external auditor following their audit of the council's statement of accounts for 2021/22 as well as presenting the latest revised version of the statement of accounts. The key points to note are: • Grant Thornton anticipates providing an unqualified opinion on the financial statements for the council; and that • Grant Thornton anticipates issuing a qualified "except for" value for money conclusion due to the findings of children's services, the councils financial sustainability and governance.
Recommendations	**It is RECOMMENDED that Audit & Governance Committee:** **(a) Note the anticipated audit opinion and findings of the council's external auditor included as Appendix 1 to this report, following the audit of accounts 2021/22;** **(b) Approves the 2021/22 financial statement included at Appendix 2.** **(c) Approves the signing of the Statement of Responsibilities and the Letter of Representation by the Chair of the Audit & Governance Committee and the S151 Officer once the audit work is complete.**
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 2021, as set out in the report attached.

Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Matthew Filmer, Assistant Chief Financial Officer
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. gives 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. has 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 2021/22.
4. The Committee is today asked to note the audit findings report (Appendix 1) as well as the Statement of Accounts 2021/22 (Appendix 2). The Committee are also asked to approve the signing of the Letter of Representation and the Statement of Responsibilities by the Committee Chair and S151 Officer once the audit is complete at the end of March. The final documentation will be published on the council’s website as well as notification of the conclusion to the audit.

Audit Findings Report

5. The attached report (Appendix 1) highlights the key matters arising from the audit of the council’s financial statements for the year ended 31 March 2022. A verbal update will be given to the committee to cover the outstanding area of pensions.
6. The following key issues from the report are noted:

   - Grant Thornton anticipates providing an unqualified opinion on the financial statements for the council; and that.
   - Grant Thornton have reviewed the council’s arrangements to secure economy, efficiency, and effectiveness in its use of resources and have not been able to satisfy themselves this is place at the council.

Audit Fees

7. The attached report indicates that the total proposed external audit fee will £252,000 for the 2021/22.
8. These have been agreed by the Council, Grant Thornton, and Public Sector Audit Appointments.

Summary of financial implications

9. The direct financial implications relate to the audit fees set out above.

Summary of legal implications

10. There are no direct legal implications for this report.

Summary of human resources implications

11. There are no direct human resources implications for this report.

Summary of sustainability impact

12. There are no direct sustainability impacts for this report.

Summary of public health implications

13. There are no direct public health impacts for this report.

Summary of equality implications

14. There are no direct equality implications for this report.

Summary of risk assessment

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

Appendices

Appendix 1 – Grant Thornton Audit Findings Report for year ending 31st March 2022

Appendix 2 – BCP Council Statement of Account 2021/22

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The Audit Findings for Bournemouth, Christchurch and Poole Council

Year ended 31 March 2022

Bournemouth, Christchurch and Poole Council

November 2023 updated May 2024

Contents

Your key Grant Thornton team members are:

Peter Barber
Key Audit Partner
E Peter.A.Barber@uk.gt.com

Katie Whybray
Senior Manager
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George Amos
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

This Audit Findings presents the observations arising from the audit as at 21 May 2024 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. An earlier version of this report was presented to the Audit and Governance Committee in November 2023.

Name : Peter Barber
For Grant Thornton UK LLP
21 May 2024

1. 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 2022 for those charged with governance.

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) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We recommenced our post-statements remote audit in July 2023 and as at 21 May 2024 our work is substantively complete. The delay in concluding the audit was due to the late receipt of the IAS19 Pension Fund letter of assurance. This was received on the 26 April 2024 and supplemented with further communication on 7 May 2024. Our subsequent review of these responses is almost complete. We will provide a verbal update on the outstanding areas at Audit & Governance Committee on 30 May 2024. Our findings are summarised on pages 5 to 28.

We have identified a number of material and non-material errors and adjustments, including prior period adjustments to the draft financial statements the majority of which relate to property valuations which are set out in detail on pages 11-14 of the report.

Audit adjustments are detailed in Appendix C. Management have indicated that all material areas identified will be corrected in the revised financial statements. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B and a number of these are still outstanding.

The time taken to complete this opinion audit work for 2021/22 reflects many of the challenges faced in the prior year. Following the conclusion of the 2020/21 opinion audit in March 2023 it was agreed with officers to defer the 2021/22 post-statements financial statements audit to July 2023 to allow finance officers to undertake a further quality assurance process on the draft 2021/22 financial statements.

The Council reconsidered the draft statements for 2021/22 and undertook a number of adjustments to these given the issues reported as part of the prior year audit. We are therefore auditing the updated accounts and highlight in this report changes made by management to the draft accounts prior to our audit as part of our amendments schedule.

The complexity of BCP's financial statements combined with the continued usage of multiple predecessor financial systems and multiple valuers has implications for delivery of a timely audit. That said, the direction of travel since the 2020/21 audit is a positive one, with less issues arising to date than the prior year. We have also noticed a marked improvement in the timeliness of responses, which is much appreciated. Despite this, significant additional audit time has been incurred by our audit team again this year discharging our role and there were a small number of areas where there was long delays in receiving evidence and response to queries. There is therefore further way to go to improve the audit process going forward. We expect some of the issues to continue until the Council's new accounting systems which was effective from 1 April 2023 begins to deliver the improvements in both internal and external financial reporting. We will continue to work with the finance team to support improvements in the areas which can be improved before then.

This additional work also reflects the continuous raising of the bar and us as auditors providing greater challenge to the Council especially in the areas subject to greatest estimation and uncertainty.

We anticipate issuing an unqualified audit opinion, as detailed in Appendix E. This is the final updated version of this report, a previous version of this report was discussed with the Committee in November 2023.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our proposed audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have completed our VFM work for 2021/22, combining it with our reporting for 2022/23. The detailed commentary is set out in the separate Auditor's Annual Report, which we presented to the Audit and Governance Committee in September 2023. For 2021/22, this report included a number of key recommendations as well as a large number of improvement recommendations. As a result, we reported four significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Given the significant of the issues identified within the VFM report, we have set up regular meetings with the Chief Executive, Director of Finance and Cabinet Portfolio holder responsible for finance to discuss progress against our recommendations as well as other recent external reports as well as emerging issues. Our findings are set out in more detail in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • 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.	We have not exercised any of our additional statutory powers or duties. We will certify the completion of the audit when we give our audit opinion.
Significant Matters	The audit team identified a significant number of amendments, issues and control weaknesses during the 2021/22 audit with the continued complexity of the Council's underlying financial systems and particular areas of the financial statements, such as property plant and equipment continue to have a significant impact on the efficiency and timeliness to deliver our audit. There has been an improvement in the timeliness of responses which is reflected in the reduction in the overall time taken to complete the audit from the prior year. The additional time spent by the team in gaining assurance over all elements of the financial statements along with significant additional work in respect of our VFM responsibilities in 2021/22 will be reflected in the final audit fee, to be confirmed once all work is complete.

2. Financial Statements

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 the Audit and Governance Committee.

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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;
- 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 asset balances were required
- Analytical procedures were undertaken on the three charities consolidation into the group accounts

We have not had to alter the planned approach reported to you in our audit plan.

Conclusion

Our audit of your financial statements our work is substantially complete but subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as soon as we receive the Pension Fund letter of assurance as detailed in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the course of this extended audit.

The audit team has worked well alongside the council finance team to deliver the audit remotely and although improvements have been seen since the prior year audit, there are still further improvements to be made to ensure the audit is more efficient going forward.

2. Financial Statements

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 remain the same as reported in our audit plan on 27th October 2022 but we have set specific materiality levels for Senior Officer Remuneration, due to the sensitive nature of this disclosure and the interest of the reader.

We detail in the table (right) our determination of materiality for BCP Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13.5m	13.3m	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was the same as used in the prior year. We considered that 1.4% was an appropriate rate to apply to this benchmark, reflecting on the size and complexity of the Council.
Performance materiality	8.8m	8.7m	The performance materiality percentage is reduced to reflect the number of misstatements identified in the prior year accounts.
Trivial matters	700k	700k	Calculated as a percentage of headline materiality and in accordance with auditing standards
Materiality for Senior Officer Remuneration	16k	16k	The public sensitivity surrounding the disclosure of senior officer pay.

2. Financial Statements - Group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Planned audit approach	Findings
BCP Council	Yes		Full scope audit performed by Grant Thornton UK LLP	• Findings set out in this report.
The Russell Cotes Art Gallery and Museum Charitable Trust	No		Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.	• We undertook specific procedures on the material balances of property, plant and equipment and heritage assets. No issue were noted. • We undertook analytical procedures for each component and there were no significant year on year movements in line with our expectations. • We identified above trivial differences in the group consolidation due to the timings of the preparation of the group accounts and the council using prior year accounts rather than audited current year accounts. The council amended the group consolidation to reflect the final audited figures. • A number of the amendments which we identified in the single entity accounts also impacted the group figures and these have all been amended appropriately.
For Five Parks Charity	No		Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.	
The Lower Central Gardens Trust	No		Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.	

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride 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. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement	We: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationales for any changes in accounting policies, estimates or significant unusual transactions We did not identify any significant changes in estimation techniques adopted between years. More information on our work on estimates can be found on pages 17 to 21. Critical judgements and estimation uncertainty disclosures where reviewed to ensure that they meet the requirements of the CIPFA code and accounting standards, with only those estimates at risk of material misstatement in future years being disclosed. The size of the Council's ledge made obtaining a full data download difficult. We have again invested audit resource working with the Council to obtain a full nominal ledger download to facilitate our journals testing, however in order to select items for testing for specific areas such as fees and charges and operating expenses, further additional work was necessary to isolate items for testing. The continued issues identified by our IT audit team particularly relating to segregation of duties and enhanced permissions increased the inherent risk for the audit and resulted in a significant increase in our testing of journals, compared to an entity with no significant deficiencies in its IT systems. The segregation of duties issue also led to increased work being required in other areas of the audit. Our testing of high risk journals did not identify any instances of management override of controls. However, we identified a number of control weaknesses and have raised recommendations to the Council regarding this: • It was identified in the prior year three finance managers were instructing junior staff to post journals which they then subsequently authorise. Since we reported this in the prior year audit findings report, the Council has reiterated to finance managers that this practice is unacceptable. We undertook specific work on this in 2022/23 and we did not identify any further instances in 2022/23 with these three finance managers, however we did identify one further finance manager (who has now left the Council) who did instruct junior staff to post journals on their behalf. This renders the underlying control ineffective and more junior staff are less likely to challenge the purpose of any journal. We therefore undertook further focused review on Journals authorised by this individual.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride 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. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement	• It was identified that the Deputy S151 journal postings had not been independently reviewed and approved as is required by the Council's policies. There is therefore opportunity for this individual to post inappropriately. We recommend that the review process is followed going forward • Upon review of the journal reviewers control spreadsheet, it was noted that there were delays in the retrospective review and approval of journals, some of which were reviewed more than two months after creation date of journal. The Council should ensure there is a timely approval process for all journals going forward • For three items within our testing population, no dates were included to indicate when the journals has been approved and reviewed. This should be completed for all journals • For three items there were delays in reporting of transactions (for example a transaction was posted 3 months after it took place) It is evident that the Council need to continue to look to strengthen their control environment in respect of journals, in particular around the authorisation of journals in order to ensure controls are implemented effectively and we have made recommendations in respect of this. As a result of the control weaknesses, once again this year we have significantly extended our testing in this area. This additional work and the findings from our initial testing has not identified any issues with the appropriateness of the journals. For all the journals reviewed we concluded that they were appropriate transactions.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 Revenue Risk Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • 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	We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for BCP Council. Our audit work has not identified any issues in respect of improper revenue recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings including council dwellings and investment properties

The valuation represented a significant estimate by management in the financial statements due to this size of the numbers involved and the sensitivity of the estimates to changes in key assumptions.

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.
- appointed our own auditor's valuation expert to provide additional challenge to the process of auditing the Land & Buildings and Investment Property valuations.
- evaluated the competence, capabilities and objectivity of the valuers used by the Council.
- discussed with and wrote to the Council's valuers to confirm the basis on which the valuation was carried out.
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding and engaged our own valuer to assess the instructions to the Council's valuers, the Council's valuers' report and the assumptions that underpin the valuation.
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated 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 work in this area has identified the following issues:

Valuation of Land & Buildings

- Through completing initial reconciliation work between the draft accounts, the council's Fixed Asset Register (FAR) and the Norse valuation report, we discovered that the accounts were prepared using figures obtained from an earlier version of the valuation report as these were the figures processed in the FAR during year end closedown. A revised valuation report was provided to the council in June 2022 and this had not been reflected in the 21/22 accounts. This resulted in complications in agreeing the revalued figures in the accounts to the valuer's report. This exercise resulted in a total increase in the Land & Buildings for the council of £5.986m. This adjustment included a revision for the value of Meyrick Park Golf Club, which was recognised fully in the Charity accounts, when the council's share is 26% of the asset. The adjustment that relates to this asset recognises an extra £0.658m in the council Land & Buildings, with 74% recognised in the Charity accounts (£1.875m) with the asset having a total value of £2.534m.

- Whilst auditing the valuation of Hillbourne Primary School, we challenged the valuation basis of the surrounding land, as the valuer had valued this at a nominal rate and was classed as undeveloped land with no planning permission. We discovered that the land had an intended use by the council, and plans for residential development had been made before the year end 31 March 2022. Therefore, the valuation of the land relating to this asset was reconsidered and subsequently increased by £4.658m. There was no impact on the value of the building.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, council dwellings and investment properties (continued)	Reviewing the valuation calculations for Poole High School and Linwood School highlighted incorrect guidance being used by the council's valuer with respect to MEA (modern equivalent asset) site areas to be used in valuation. The valuer had used incorrect school types for the basis of their site area calculations, and this resulted in inappropriate valuations. In the case of Poole High School, once revised by the valuer, the valuation increased from £33.681m to £35.545m (£1.864m increase). In the case of Linwood school once revised by the valuer, the valuation decreased from £15.122m to £13.316m (£1.864m decrease). • From our review of the valuation of Avenue Road Car Park, we noted significant movement in valuation between 20/21 and 21/22 of 68% (decrease). The value had decreased significantly due to a lower gross income being used in valuation by the valuer in 21/22 than 20/21. We challenged the reasonableness of this and determined that the figure used by the valuer was inappropriate as it used estimated income that included the impact of periods impacted by the covid-19 pandemic, which artificially decreased car park income due to travel restrictions. The council's internal valuer is in the process of providing the audit team with a revised valuation, using a more suitable income figure, so we can assess this for reasonableness and quantify the impact on the Land & Buildings balance. • Our review of the valuation for Somerford Primary School identified that incorrect age data had been input into the calculation by the valuer, which overstated the valuation. A revised valuation was prepared by Norse, which was £1.517m lower than the original, decreasing the value of the asset from £12.081m to £10.564m. Overall, in the accounts and FAR, the asset value moved by £1.809m, following double counting of the caretaker's bungalow (NBV of £0.292m before revaluation to £0.300m) in the draft accounts. • Through our audit of the valuation of Highcliffe Castle, we were able to conclude that we were satisfied that the asset value was materially accurate, however we recommend that management discuss and review the inputs and assumptions for Highcliffe castle with their valuers in 22/23 to ensure they are comfortable with how these are applied, due to the highly unique nature of the asset and the breadth of assumptions that could be used, which could cause significant valuation swings in the future. • From testing build costs and location factors applied in DRC valuations, we came across two assets (Broadstone Leisure Centre and Nuffield Waste Transfer Centre) where an oversight by the valuer had resulted in the build cost rate applied being uplifted twice by the suitable location factor in calculation, rather than once. This resulted in these valuations in total being £0.411m higher than expected. Due to the size of the error, no adjustment is proposed, however we wanted management to be aware of this inconsistency and ensure, through valuer enquiry, that these mistakes do not happen in the future. Out of the 15 DRC valuations tested, these were the only exceptions noted.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, council dwellings and investment properties (continued)	• From reviewing the valuation for Upton Country Park Car Park and Public Conveniences, we identified the toilet block valued had been demolished in January 2022, in preparation for the construction of a new visitor centre. Therefore, this should not have been valued as an operational asset as at 31 March 2022 and should not have been on the council's asset register. The value of this asset was trivial (£137k), however we recommend that management ensure that assets included in the valuation exercise all exist at the valuation date and that regular discussions with estates and the capital projects team take place to ensure disposed assets are excluded from valuation exercises and the fixed asset register. No further instances of this type of error were noted and due to the size of the asset, no further work was performed as we were comfortable this was not indictive of material misstatement. Our work in this area is complete. The total adjustment in light of our audit findings results is an increase in the PPE figure £10.162m. This correspondingly increases the Revaluation Reserve by £9.250m and the Capital Adjustment Account by £0.912m. The updated valuations have also been reflected in the Revaluations history table presented in Note 12. The findings above which are significant in number and value, as was the case in 2020/21 and reinforces the recommendations made last year in respect of greater quality assurance and oversight by both estates and management with a more thorough review of assets with significant movements between years and challenge the valuers on the assumptions used to determine whether the movements are reasonable and in line with their expectation.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, council dwellings and investment properties (continued)	Valuation of Investment Properties Through our review and challenge of valuations performed for Investment Properties, we have found no material issues and are comfortable that the valuations provide a materially accurate and reasonable estimate. Some differences between auditor recalculations and valuer results were noted, suggesting a potential £3m overstatement of valuations, however as these are estimation differences and not factual errors, we deem the estimate reasonable. We note that through review of assumptions used in Investment Property valuations, that the valuer is applying the deduction of purchaser's costs (i.e. stamp duty) from valuations inconsistently across the portfolio of assets. This only results in a small element of the asset's gross value being deducted from the valuation, however, through engagement with our auditor's expert, are of the view that this should be applied consistently to all valuations. We recommend that management discuss the application of this assumption in future valuations with their external valuer to ensure consistency in application. Valuation of Council Dwellings Through our review and challenge of valuations performed for Bournemouth and Poole HRA Council Dwellings, we are satisfied that the beacon approach has provided a materially accurate and reasonable valuation estimate as at 31 March 2022. Following audit review of the Revaluations History table presented in Note 12, it was found that £13.049m of the £681.586m total for HRA Assets should have been classified as being valued at Historic Cost, rather than current value – this was corrected for in the final accounts and does not impact total value disclosed, it is a disclosure amendment only. We identified some inconsistencies in relation to the application of assumptions throughout the Bournemouth HRA valuation exercise, further detail can be seen on page 19 of this report. We deem that these do not have a material impact on the accuracy of the estimate. No such issues were noted in the Poole HRA valuations. Conclusion Following the adjustments made to the revised financial statements, as a result of our work, we are now comfortable that the Council's land and buildings, council dwellings and investment properties are materially stated.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Pension Fund Liability The Council's pension fund net liability, as reflected in its 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 (£808.513m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	We have: • 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 and fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary that estimated 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 • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We are awaiting responses from the actuary to our challenges and questions in order to gain sufficient assurance over the inputs and assumptions used. The pension fund's triennial actuarial review was carried out as at 31 March 2022 and the Council was required to consider the impact of publication of the results on the pensions valuations. This resulted in changes in member numbers within pension funds and has led to a material adjustment in the pension liability disclosures for the Council as at 31 March 2022. The Council requested that it's actuary, Barnett Waddington undertake an updated actuarial review. This was received and management included the relevant adjustments in the revised accounts. This has decreased the net defined benefit liability at 31 March 2022 by £75.126 million from the liability disclosed in the draft accounts (final figure is £808.513m). We received a response to our request to the Auditors of the Pension Fund in April 2024 and May 2024. Work is almost complete in this area, with our work to date not identify any material issues affecting the net pension fund liability disclosure. Subject to conclusion of the outstanding procedures, we are able to gain sufficient assurance over the material accuracy of the net pension fund liability from their work. One issue identified as part of the Auditors of the Pension Fund response was in relation to an understatement of the Dorset Pension Fund assets at 31 March 2024 of £8m. BCP's share of this understatement is approximately £2.8m, indicating that that the Council's IAS19 liability at 31 March 2022 disclosed in the financial statements is overstated by this amount. Management have determined not to adjust this error on the ground of materiality, we concur with this assessment and we have included this within our schedule of unadjusted errors.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £721m	Other land and buildings comprises £376m of specialised assets such as schools and libraries, 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. The remainder of other land and buildings (£345m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Norse to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 20% of total assets, representing around 50% of the total value of the councils assets were revalued during 2021/22. Management have considered the year end value of non-valued assets, through an indexation exercise carried out using appropriate indices supplied by their external valuation experts, to determine whether there as been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the carrying value of these assets. The total year end valuation of land and buildings presented in the draft accounts was £721m, a net increase of £9m from 2020/21 (£712m).	We have assessed Norse to be competent, capable and objective, however minor inconsistencies in the preparation of the valuation spreadsheets were identified through review of valuation calculations, these were not deemed significant. There were also occasions where incorrect inputs had been used in valuations. These were challenged and correctly by Norse. We have carried out completeness and accuracy testing of the underlying information provided to the valuer and we have identified some inconsistencies resulting in revision of valuations relating to Hillbourne Primary School and Avenue Road Car park. A revised valuation for Hillbourne Primary School was obtained and deemed appropriate, resulting in an adjustment being processed (see pg 10 and appendix C for more details). A revised valuation for Avenue Road Car park is being processed by the council's internal valuer, due to an inconsistency with the gross income figure estimated by the valuer and income data held by the council. **Alternative Site areas** Alternative site assumptions are considered by the valuer in their valuation of schools assets and are done so based on applying a suitable area per pupil number. We identified that where such site area assumptions were applied, these had been done so using inappropriate rates. These findings relate to Poole High School and Linwood School. We also note a weakness in management's responsibility to assess and take ownership for alternative site assumptions. We recommend that management assess the requirement for alternative site assumptions to be considered for their asset portfolio to support whether these assumptions are relevant for their assets or not.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £721m		The Council requires an explanation within the valuation reports of individual assets for unusual movements or to identify potential errors. Although these were reported within the valuation report, management had not taken steps to investigate comments made in the valuations of assets included in our sample – these include Poole High School and Avenue Road Car park discussed previously. Follow up of comments made by the valuer would have enabled these inconsistencies to be rectified or explained prior to submitting the accounts for audit. This was an observation also noted in the prior year audit. **Assets not revalued in the year** Management are required to assess whether the current value of its assets is not materially different from the carrying value and has undertaken an exercise to assess this using indices which we are currently reviewing. The working papers in this important area have continued to improve, however the greater emphasis placed on estimates because of the revision of ISA 540 means that further work is needed in this area by management to fully challenge the valuer and understand the basis of the estimates made. We confirmed that overall the valuation method unless otherwise reported, remains consistent with the prior year.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £92m	The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. The Council engaged its external valuation expert to value its investment properties. Norse were engaged and valued these properties alongside their Land & Buildings valuations. The Council owns a significant retail shopping centre located in Bournemouth. The Council has further considered the appropriateness of the valuation of this asset by assessing the strength of its tenant base to understand the reasonableness of the valuation received. The year end valuation of investment properties was £92m at 31 March 2022 an increase of £2m from the 2021/22 valuation.	We have reviewed management's processes, and no issues were identified. We have considered: The completeness and accuracy of the underlying data used to determine the estimate. The reasonableness of the overall decrease in the estimate. The adequacy of the disclosure of the estimate in the financial statements. Immaterial point estimate differences were noted through comparison of valuer's calculations and auditor recalculations, this provides us with assurances that the valuations made by Norse were materially accurate. We note that through review of assumptions used in Investment Property valuations, that the valuer is applying the deduction of purchaser's costs (i.e. stamp duty) from valuations inconsistently across the portfolio of assets. This only results in a small element of the asset's gross value being deducted from the valuation, however, through engagement with our auditor's expert, are of the view that this should be applied consistently to all valuations. We recommend that management discuss the application of this assumption in future valuations with their external valuer to ensure consistency in approach.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council dwellings and other HRA PPE valuations – £682m	The Council owns over 9,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Resource Accounting Guidance. The guidance requires the use of a beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council continues to maintain the council house stock of the former Poole and Bournemouth councils separately and engaged different valuers to perform the valuation of these properties. For the Poole properties, a full valuation of the beacon properties was undertaken. This was performed by the VOA (external valuer). For Bournemouth 20% of beacons were revalued in line with the 5 year cyclical exercise. This was performed by the council's internal valuer. Of the £682m total HRA Asset value, £661m relates to Council Dwellings, with £6m relating to other Land & Buildings (also considered in valuation process) and the remaining £14m relates to assets valued at historical cost (assets under construction (£11m), Surplus Assets (£2m) and Plant & Equipment (£1m).	We have reviewed management's processes and no issues were identified. We have agreed a sample of dwellings to comparable market evidence with no issues identified. We identified the following issues in our testing of Bournemouth HRA properties - Bedroom uplifts were not applied consistently across valuations . The council's policy is to add 20% to the valuation in this instance. We performed a further review of this in and determined that there were other variant beacons that were incorrectly valued due to a difference in number of bedrooms. We recalculated the valuations using the correct uplifts and there was a difference of £0.738m so there is no risk of material misstatement was noted. - As a result of our testing we identified that the council were applying a 12% reduction if a property was a non traditional construction property. We challenged this assumption and the internal valuer advised that there is no evidence to support this figure as this is a historical policy, in 'Non Trad Review' a review of all beacon variants that have been subject to this change and determined that there is no material uncertainty that results in the application of this assumption. - As a result of our testing, we have identified that a property has been included in a variant beacon when we have not noted a difference between this property and the beacon property. We are satisfied that there is not a risk of material misstatement here. However, we recommend that beacon categories need to be reviewed to ensure that these are consistent with the beacon variants valuation report. No issues were noted with the valuation of Poole HRA properties. A separate review was performed on a sample basis on the carrying value of Assets Under Construction, with no issues noted.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £808.5m	The Council's net pension liability at 31 March 2022 is £808.5m (PY £1.101bn) comprising the Dorset Pension Fund Local Government funded defined benefit scheme. 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. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place. • We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made: (see table below) • We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate, • We have gained assurance over the reasonableness of the Council's share of LGPS pension assets, and • We have reviewed the adequacy of disclosure of the estimate in the financial statements.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value 2019 valuation	Revised Actuary Value 2022 valuation	PwC range	Assessment
Discount rate	2.6%	2.6%	2.55-2.6%	●
Pension increase rate	3.2%	3.2%	3.05-3.45%	●
Salary growth	4.2%	4.2%	3.7-5.7%	●
Life expectancy – Males currently aged 45 / 65	23.1	22.10	20.5-23.1	●
Life expectancy – Females currently aged 45 / 65	24.7	24.20	23.4 - 25	●

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £14.169m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VAO) and previous success rates. The provision has decreased by £0.885m in 2021/22	• No issues were identified with the appropriateness of the underlying information used to determine the estimate • There has been no change to the method used to determine the provision • The method is in line with industry practise adjusted to reflect the specific circumstances of the Council • The disclosure of the estimate in the financial statements is adequate • Management has increased the amount set aside against the majority of its provisions, however we note that the increase in the provision is not reflective of the amount of provision used, which is generally lower than the increase. This indicates that the Council is taking a cautious approach to the recognition of provisions. • We are satisfied that the current levels of provisions for NNDR appeals are reasonable.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
Minimum Revenue Provision - £10.511m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as the Minimum Revenue Provisions (MRP). The basis for the charge is set out in regulations and statutory guidance. There has been no change in the method for calculating MRP during the year. The year end MRP charge was £10.511m, a net increase of £1.080m from 2020/21.	The Council is required to prepare a policy on MRP annually and present to members. The Council's policy was presented to Cabinet in February 2021. We are satisfied that the Council's MRP has been calculated in accordance with statutory guidance and the policy is compliant and reasonable	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Funding of the Capital Transformation programme using HRA funds.	Management have charged £2m of their transformation programme costs to the HRA in 2021/22. The £2m represented an upfront charge to the HRA in respect of transformation costs to date as well as future year spends in the capital transformation programme. We are advised that no further transformation costs will be funded from the HRA.	• We challenged management's decision to fund the costs using the HRA with reference to the HRA ringfencing guidance • The Council provided us with valid justification that there decision was supported by their interpretation of the HRA ringfencing guidance • Although we disagree with the exact amount the Council has charged to the HRA in 2021/22 by making a one off transfer rather than spreading the costs over the duration of the transformation program, given the Council has had significant spend on the transformation programme in previous years, the amount transferred in 2021/22 is our judgement is not unreasonable or material to either the general fund or HRA.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	Within our disposals testing we identified assets which had been disposed of in the accounts within 2021/22 however on review these had been disposed of in prior years but not accounted for in the year they were disposed in.	• We recommend management review the processes and procedures in place for disposals, particularly around how the finance team are notified when disposals take place. **Management response** • The accountancy team are reliant on disposal notification from the estates team. We have now have a process in place to make sure all assets disposals are notified to the team.
●	It was noted that journals posted by the deputy S151 officer has not been reviewed and approved as required in the Council's journal policies. There is a risk of this individual posting inappropriate journals. We also noted that some journal approvers did not include that date of when the journal was reviewed and approved.	• We recommend all finance staff are reminded of the Council's policies around authorisation of journals and all approvers should ensure they include all relevant information in their approvals including the dates of the approval. **Management response** • The new finance system requires all journals to have a separate authorisation before posting to the ledger.
●	In our agreement of the fixed register to the valuation reports, it was noted that not all the latest information from the valuer had been reflected in the fixed register asset. The valuation reports also include commentary where assets have moved significantly year on year which if reviewed by the Council would likely have identified some of the issues picked up by our audit work on this.	• We recommend management implement stronger controls in relation to the processing of valuation report results into their Fixed Asset Register. **Management response** • A review will be carried out by the finance manager who oversees the asset accountant to ensure processing of valuation report has been completed.
●	Within our testing of receipts in advance and prepayments, we found significant errors in accounting, whereby income or expenditure was being recorded in advance even if cash had not been received or paid by the council as at the Balance Sheet date. This caused an equal and opposite material overstatement of Debtors and Creditors respectively. However, as this is equal and opposite, it has no impact on the overall financial position of the council.	• We recommend management implement stronger controls in relation to accounting for receipts in advance and prepayments, including detailed closedown procedures for the reporting of these balances. **Management response** • Significant training has been carried out with the accountants in the lead up to the 23/24 accounts production. Checks of all receipts in advance and prepayments have been carried out to ensure they are correctly treated.

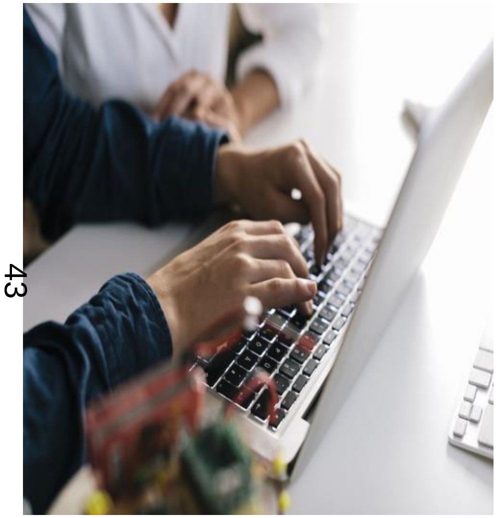
Assessment
● Significant deficiency – risk of significant misstatement
● Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

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	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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. OR
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers and organisations with whom the Council has loan or investment arrangements. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. A number of changes to disclosures have been made as a result of the audit. Our review found no material omissions in the revised financial statements.

2. Financial Statements - other communication requirements



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Issue	Commentary
Audit evidence and explanations/ significant difficulties	In 2021/22, we have noted an improvement in the responsiveness of the Council to our audit requests and we have built a good relationship with the key members of the finance team who have supported us throughout the audit. This is evidenced by the reduction in the time taken to complete the audit than in the prior year. However, a number of issues we identified in the prior year were still visible in the 2021/22 audit, namely • Significant number of adjustments required to be made to the draft accounts even after the Council revisited the draft accounts and put in place quality assurance arrangements • IT audit work identifying a number of issues which resulted in additional audit procedures being required • Lack of review of property, plant and equipment including no challenge of significant and unusual movements in assets • Some areas of the audit where there was a significant delay in the council providing evidence and responding to queries. We consider that more work is required to ensure the Council has fully effective arrangements in place to produce complete and accurate financial statements.

2. Financial Statements - other communication requirements

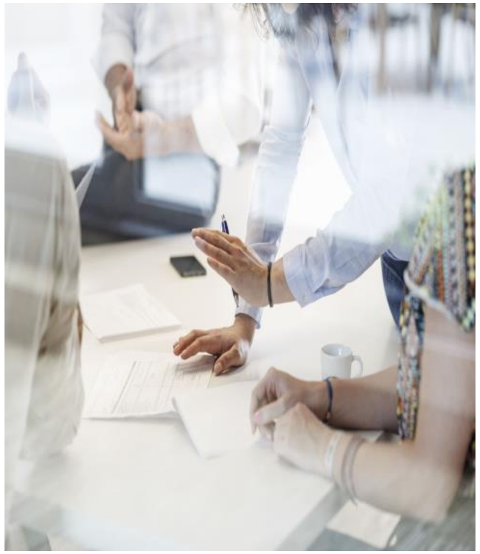
Our responsibility

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have reported a number of significant weaknesses in respect of the Council's value for money arrangements and these were reported within the annual auditors report which was taken to the September 2023 Audit and Governance Committee. We have nothing further to report on these matters



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	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. For the Council, detailed work is not required as the Council does not exceed the threshold set by the NAO.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit of Bournemouth, Christchurch and Poole Council in the audit report, as detailed in Appendix E.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions.

Our conclusions are summarised below. Our auditor's report, taken to the September Audit and Governance Committee contains details of the significant weakness in arrangements, as required by the code. Note we confirm there have been no changes to our overall judgements since the draft report was taken to the committee in September and the date of this report.

Criteria	Risk assessment	2021/22 Auditor Judgment	
Financial sustainability	Risks identified relate in the main due to uncertainties in relation to the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings.	Red	2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made.
Governance	Significant risks identified in Governance in relation to leadership, partnerships and the Transformation programme	Amber	No significant weaknesses in arrangements identified, 7 improvement recommendations made
Improving economy, efficiency and effectiveness	Risk identified because of the inadequate rating issued by Ofsted in respect of children in care	Red	2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made

Key	
Green	No significant weaknesses in arrangements identified or improvement recommendation made.
Amber	No significant weaknesses in arrangements identified, but improvement recommendations made.
Red	Significant weaknesses in arrangements identified and key recommendations made.

5. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms]). In this context, we disclose the following to you:

As discussed with the Section 151 Officer on 13th October 2021. the former deputy section 151 officer of the Council, has taken up employment with Grant Thornton post-year end. We have considered the ethical implications of this change of employment and we have ensured that appropriate safeguards have been in place since his commencement of employment with us.

These safeguards include the following:

- Him not having any involvement [covered person) in the BCP Council audit or its affiliates - this will be for a minimum of 2 years
- He will not be a people manager in his new role, he will therefore not people manage any of the BCP team and is therefore not able to exert influence over anyone who works on the audit
- Restricting his access to any files or documents relating to BCP or its affiliates, and ensuring he is not present at any meetings where audit issues are discussed.
- Confirming that he has resigned from the role as Director of Finance for Seascape Group Ltd, a company wholly owned by the council and companies house is aware of this.

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 D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

5. 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 group. The following non-audit services were charged in respect of 2021/22. A full list of payments of non audit services are provided on slide 49

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	£7,500 (£5,000 for 20/21)	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 £7,000 in comparison to the estimated fee for the audit £213,875 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.
		Management	A management threat could be perceived as providing information to DLUHC is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by DLUHC and on its completion issue a report of factual findings.
Certification of Teachers Pension Return	£7,500 (£5,000 for 20/21)	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 £7,500 in comparison to the total fee for the audit of £213,875 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.
		Management	A management threat could be perceived as providing information to the Teacher's pension is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the engagement in line with the Reporting Accountant Guidance issued by the Teacher's Pension.

5. Independence and ethics

Audit and non-audit services

Service	Fees £	Threats identified	Safeguards
Audit related			
CFO Insights Subscription	£10,000 (£7,692 for 20/21)	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 estimated fee for the audit of £213,875 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	The audit will consider the accounting treatment of the payments made and this is not part of CFOi service. The work will be undertaken by a team independent of the audit team
		Management	We are not taking any managerial responsibilities at the client. The scope of work does not include making decisions on behalf of management.
Certification of Housing Benefit Claim	£27,900 (£22,650 for 20/21, £19,000 for 19/20)	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 £27,900 in comparison to the total estaimted for the audit of £213,875 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.
		Management	A management threat could be perceived as providing information to DWP is the responsibility of management. To mitigate against the management threat we perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time.

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.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Action plan – Audit of Financial Statements

We have identified a number of recommendations for the group as a result of issues identified during the course of our audit.

Assessment	Issue and risk	Recommendations
	Property, plant and equipment Given the number of issues identified in the audit work on property, plant and equipment and the significant time it took to complete our work in this area we have made a number of recommendations to management to improve this area of the accounts and audit going forward.	In relation to property, plant and equipment we recommend • The finance team should work closely with estates to ensure all parties are clear on their roles within the valuation process. • Modern Equivalent Asset (MEA) assumptions should be considered by management as part of the valuation process. • Management should review assumptions with the valuer for Highcliffe Castle due to the unique nature of the asset to ensure they are appropriate and consistent with Council records. • Management should consider the EPC rating of assets, in particular, investment properties to align with energy standards and to assess if capital expenditure will be required to bring assets up to the required standards. • We recommend management work alongside estates team to ensure information provided to the valuer is up to date and complete to avoid the need for valuation reconsiderations during the audit. Although management use an expert to support them in determining the valuations, it is managements responsibility to ensure the information they are provided with is accurately reflected in the statement of accounts and that valuation reports are reviewed for any unusual or unexpected movements, and these are then discussed with the valuer. **Management response** • Regular meetings are now in place between estates and finance to ensure closer working. Highcliffe castle and EPC ratings of investment properties are being considered separately for the 23/24 accounts. A review will be carried out by the finance manager who oversees the asset accountant to ensure processing of valuation report has been completed

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	<u>Prepayments</u> We identified an item within our debtors testing which was accounted for as a prepayment. However on review of supporting evidence it was identified that although the invoice and purchase order were dated March 2022, the invoice was not paid until April 2022 and therefore was not a prepayment in 2021/22. This resulted in corresponding debtors and creditors balance for this item but this should be have been included within the balance sheet in 2021/22.	We recommend management review their year end closedown processes in relation to accounting for prepayments, ensuring prepayments are only raised where the item has in fact been paid before year end. **Management response** • Significant training has been carried out with the accountants in the lead up to the 23/24 accounts production. Checks of all receipts in advance and prepayments have been carried out to ensure they are correctly treated.
	<u>Receipts in advance</u> We identified a number of receipts in advance where the item had been recorded as a receipt in advance in full when only part of the item had actually been received in advance. This resulted in creditors and debtors being incorrect for these items.	We recommend management review their year end closedown processes in relation to receipts in advance, ensuring only the element of the item that has been received is accounted for in advance. **Management response** • Significant training has been carried out with the accountants in the lead up to the 23/24 accounts production. Checks of all receipts in advance and prepayments have been carried out to ensure they are correctly treated.
	Information Technology 7 recommendation have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail.	Management should continue to implement the recommendations as set out in the detailed IT report. **Management response** • The implementation of the new finance system was built with these recommendations in mind and there are confident there will be less recommendations going forward.
	4 recommendations have been made in respect of internal control – see page 22 for these. A number of prior year recommendations are still in place – see page 37 – 40 for these.	See pages 22 and 37 - 40

B. Follow up of prior year recommendations

We identified the following issues in the audit of Bournemouth, Christchurch and Poole Council's 2020/21 financial statements, which resulted in 10 recommendations being reported in our 2020/21 Audit Findings report. A number of these are still outstanding or need further actions from management.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Information Technology 12 recommendations have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail. This report was discussed with the Audit and Governance Committee in October. Further details are recorded on page 26.	The councils new finance system went live on 1 April 2023 and therefore this recommendation is still outstanding in 2021/22.
X	Financial Statements – Presentations and working papers As identified in the previous year, the Council remains on a journey to fully integrate its financial systems. A number of errors were identified in the financial statements and the quality of evidence provided to support the financial statements is not always sufficient. There remains the need to focus attention on providing the right information first time and with suitable supporting evidence to support samples selected for testing	The Council undertook a quality review of the 2021/22 financial statements once the 2020/21 audit was complete to reflect issues found in the 2020/21 audit. We have noted improvement in the audit process from the prior year however continue to recommend that management improve it's quality review process going forward.

Assessment

✓ Action completed

X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Land and Buildings The council has a significant portfolio of land and buildings assets. The valuation o these assets is managed by the estate development who instruct valuation specialists to undertake valuations in accordance with the Council's policy. Three valuation specialists are currently engaged, including a new valuer for the whole general fund. The Council has designed a number of controls to ensure that large movements in asset values and potential errors can be identified and resolved, however our work has determined that comments made by the valuer are not being reviewed and followed up allowing errors to occur in the financial statements. We reported last year that legacy Bournemouth valuations could not always be supported by floor plans and the Council has undertaken a process to produce floor plans for its assets. Our testing of valuation reports identified that although floor plans had been obtained, the correct details had not been uploaded to the Council's TF Cloud System which the valuer used to produce his valuations. This has allowed errors to again be present in the valuations provided. Management also produced the financial statements using draft valuation figures resulting in incorrect figures being used to produce the financial statements. The format of the valuation report which separated legacy Bournemouth assets from those acquired from other legacy authorities and including operational, surplus, investment and charity assets in one report also required significant work to reconcile to the asset register. During its first year of operation, the Council focused on ensuring that all assets from its legacy entities were captured. The fixed asset register consists of manual excel spreadsheets and this increases the potential error Although the Council has implemented controls to assess the property valuations received it is evident that sufficient challenge of these figures remains lacking	Given a number of errors and issues were identified with the 2021/22 land and buildings valuations, we will continue to recommend management focus on this area. Management response • The finance team and estates team continue to work closely to ensure problems highlighted in the audit can be resolved. The council is continuing to develop an electronic asset register with implementation due alongside the 24/25 accounts.

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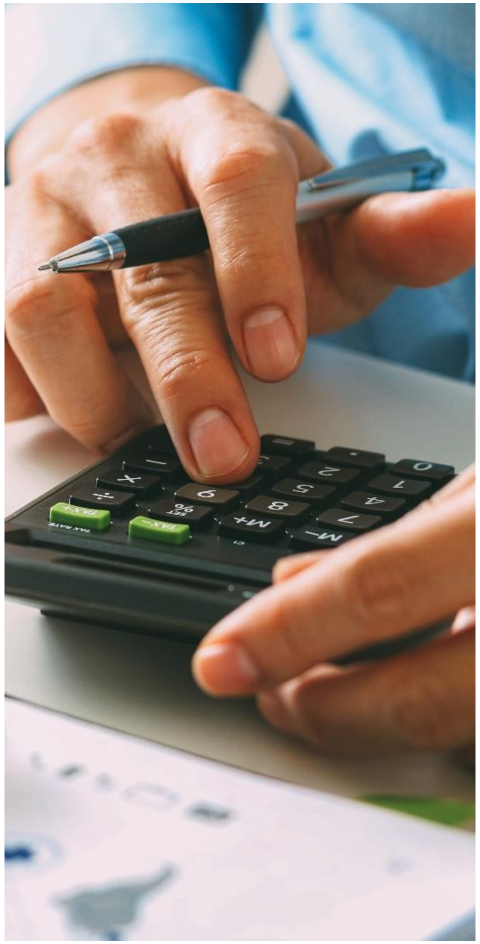
Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Payroll System</u> The Council currently has two payroll systems inherited from its legacy bodies. In addition 10 schools, mainly in the Christchurch area, engage Dorset Council to provide payroll services. The reconciliation between the output of these payroll systems and the financial systems was not straight forward and caused delays in our ability to perform our testing Our testing also identified that contract documentation for a number of employees sampled were not available for review	The payroll reconciliation continues to require significant auditor input. We did not identify any further issues regarding contract documentation. **Management response** • The continuation of the payroll systems is likely to be in place for a number of years until a new system is procured. System reporting is limited and therefore there are limited improvements that can be made to the process at this time.
X	<u>Journals</u> The Council has five finance managers, with responsibility to authorise journal entries posted by more junior staff. Our journal testing has identified that three finance managers are instructing junior staff to post journals which they then subsequently authorise. This renders the underlying control ineffective and more junior staff are less likely to challenge the purpose of any journal.	We did not identify any instances in relation to the three managers instructing others to post journals on their behalf in 2021/22. However, we did identify one different manager who did instructs others to post journals on their behalf. We have made a further recommendation in relation to this. **Management response** • All staff have been reminded to not post journals on behalf of others. The new finance system does allow journals to be delegated to other approvers if there are any instances where an officer is instructed to post.
X	<u>Bad debt policy</u> Management has not yet set up an aligned debt management policy for the whole of the Council to define actions in the case of non-recoverability and regular review of historic debts that are held on the system.	Our review of the bad debt policy identified different proposed percentages for outstanding debt for sundry debtors than the percentages being used in practise. The policy does not cover actions in case of non-recoverability and regular review of historic debts. **Management response** • A refined policy has been put into place covering all three legacy systems for debtors. There are some occasions when debt does require a judgement to be made on bad debt rather than applying a fixed percentage in all cases. When this occurs decisions will now be documented.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>Bournemouth council house asset register</u> As the Council continues to align its processes following reorganisation, the recording of the council house assets in the underlying records for the Poole neighbourhood is maintained at a greater level of detail than is the case for Bournemouth assets. This allows for a more detail of the underlying asset base ad corresponding revaluation reserve to be provided.	This will be implemented from 2022/23 as the management of Poole and Bournemouth housing has returned in house therefore the asset register will be produced on a consistent detailed level. **Management response** • This has now been resolved as the HRA management has been brought together.
TBC	<u>Infrastructure impairments</u> The Council has arrangements in place to monitor the condition of infrastructure assets and this activity informs the annual maintenance programme and that informal inquiries are made of the relevant service departments, but no formal written impairment review document is prepared at that time.	Based on the evidence provided this year it is clear that the council have put in place additional measures to formalise the arrangements for the reviews undertaken at year end. They have worked on making the review process more clear, and making the asset register easier to understand so that the risk of missing an impaired or de-recognised asset. The approach taken by the council is reasonable and they have responded to our recommendation appropriately. Given that the statutory instrument was implemented in 2020/21 and therefore gives the opening position for 2021/22, the risk of material misstatement is low. The risk of impairments in 2021/22 being materially incorrect is low. We will continue to monitor this in future audits, given the highly material Infrastructure assets balance.
TBC	<u>Infrastructure asset lives</u> During the audit, we identified that the assigned asset lives for infrastructure were not fully aligned between assets acquired from the different legacy authorities. We also noted that infrastructure additions during the year, were not in line with the Council's policy. We also identified that infrastructure additions in the legacy authorities were not recorded in the asset register in sufficient detail. There is a risk that asset lives allocated do not reflect the expected period of use and that depreciation is not uniformly charged across the asset base.	As the statutory instrument provides the opening position for 2021/22, to obtain assurance that asset lives are appropriate, we have performed a review of all UEL's applied infrastructure additions in 2021/22. No issues have been identified in this so we deem the asset lives that have been applied to infrastructure additions to be reasonable. Asset lives have been appropriately and consistently applied to additions and therefore our recommendation has been actioned appropriately. We will continue to monitor this in future audits, given the highly material Infrastructure assets balance.
X	<u>Leases</u> Our review of the accounts noted that there had been a significant movement in the disclosures of both finance and operating leases where the Council is the lessor. Our testing identified a number of errors and omissions within this note.	We continued to identify a number of issues on our review of the lease disclosures within the accounts. This continues to be an area the Council need to improve their records and working papers to ensure accurately disclosed figures within the notes. **Management response** • A thorough review of all leases of the Council has been taking place in the lead up to the new accounting requirement for 24/25 accounts.

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. This has not been amended as it is not a material error and only impacts on categorisation within the balance sheet. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Grants receipt in advance were overstated and debtors understated	Nil	Cr Grants received in advance £1.304m Dr Non-Current Debtors £1.304m	Nil	Nil	Not material error
Pension liability overstated by £2.7m		Dr Pension Liability £2.7m Cr Pension Reserve £2.7m			
Overall impact	**Nil**	**£2.7m increase to unusable reserves**	**Nil**	Nil	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Infrastructure assets depreciation We identified that the Council had not fully aligned the asset lives of its infrastructure assets for legacy Bournemouth and Poole assets, with Poole assets having a longer asset life. Had all asset lives been fully aligned, the depreciation charge would increase by £2,717k)	2,717	(2,717)	2,717	The impact is immaterial
Operating expenses Our testing identified that operating expenses included a transaction for a service contract covering the period 31 October 2020 to 30 October 2021. A prepayment should have been recorded for the element of the invoice relating to the 2021/22 year end and as such operating expenses was overstated by £28,000. Due to the large number of transactions within operating expenses we were unable to determine that this error was isolated and we have extrapolated this result across the population which results in a potential error of £2.2 million. This is below our performance materiality. On this basis we are satisfied that this error is unlikely to result in a material misstatement within the financial statements. We do not expect management to correct for this extrapolated error.				

Note – there is no ongoing impact of the operating expenses unadjusted error as this would have corrected on being brought forward in 2021/22.

C. Audit Adjustments

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 2022. The first group of adjustments set out below are those made by management between their first version of the draft accounts and the second version of the draft accounts.

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Differences between Original draft accounts and final accounts as a result of client revision were noted in the CIES.	Adult Services - Dr gross income £0.055m Childrens Services – Cr gross expenditure £0.341m Childrens Services - Dr gross income £1.932m Environment & Community and Regeneration & Economy(now merged into 'Operations') - Cr gross expenditure £0.241m Environment & Community and Regeneration & Economy(now merged into 'Operations') - Dr gross income £4.638m Resources - Cr gross income £3.321m Corporate Items - Cr gross expenditure £0.646m Other Operating Expenditure - Cr gross expenditure £7.389m Other Operating Expenditure - Dr gross income £6.668m Financing and Investment Income & Expenditure - Dr gross expenditure £0.217m Financing and Investment Income & Expenditure - Cr gross income £0.299m Taxation and Non-specific grant income - Cr gross income £3.220m		Decrease in net expenditure £1.947m
As a result of an amended made by the Council prior to the audit, followed by the update due to the Triennial valuation dated 31/03/2022, there has been a decrease in the value of the Council's share of the Pension Fund net liability. Movement in Financing & Investment expenditure also included in movements above) and not double counted, just presented separately to show impact.	Dr Remeasurement of the net defined benefit liability £63.140m Cr Financing and Investment Income and Expenditure £0.082m	Dr Pensions liability £75.126m Cr Pensions reserve £75.126m	Decrease in net expenditure £63.140m

C. Audit Adjustments continued

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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Surplus on Revaluation of Non-Current Assets During our reconciliation of the Bournemouth HRA FAR to the accounts, we noticed an equal and opposite difference between Revaluation movement and disposals. This has nil impact on the Balance Sheet and nil impact in the CIES, but sees above trivial movements in CIES line items. The movement in Operating Expenditure has already been accounted for in the CIES movements on page 42, therefore showing nil impact on net expenditure here.	Dr Surplus on Revaluation Movement £0.722m Cr Other Operating Expenditure £0.722m	Dr Revaluation Reserve £0.722m Cr Capital Adjustment Account £0.722m	Nil impact
Property, plant and Equipment: A number of adjustments were made to the property, plant and equipment notes as set out on pages 11-14 of this report.	Cr Surplus on Revaluation of NCAs £9.250m	Dr PPE £10.162m Cr Revaluation Reserve £9.250m Cr Capital Adjustment Account £0.912m	Decrease in Net expenditure £9.250m
As part of our creditors testing we identified receipts in advance where the full amount of the item was accounted for as a receipt in advance when only a portion of the amount had in fact being receipted in advance. Part of this adjustment (£0.620m) relates to a transfer between Other payables due and Receipts in advance, the net decrease in creditors is £10.342m (all relating to RIA errors), which is an equal and opposite adjustment in Short Term Debtors.	Nil impact	Cr Short Term Debtors (Trade Receivables outstanding) £10.342m Dr Short Term Creditors (Receipts in advance) £9.722m Dr Short Term Creditors (Other payables due) £0.620m	Nil impact
As part of our debtors testing, a prepayment was selected for testing and the supporting evidence showed that the invoice and purchase order were received however payment was not made until after year end. This item should not have been accounted for as a prepayment in 2021/22.	Nil impact	Dr Short Term Creditors (Trade Payables due) £3.109m Cr Short Term Debtors (Prepayments) £3.109m	Nil Impact

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C. Audit Adjustments continued

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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Given the timing of the publication of the accounts, the Council uses prior year audited accounts of the three consolidated charities for the group accounts, adjusting these for changes to the material land and buildings figures. On reperformance of the group consolidation schedule, it was noted that there were differences in the total group income and expenditure above triviality when using the audited current year figures compared to the prior year figures. The consolidation therefore was revised using the current year audited accounts.	Dr Expenditure £0.804m Cr Income £1.108m	Cr reserves £0.304m	Decrease in net expenditure £0.304m
An instant access account was incorrectly classified as a short-term investment when it's correct classification is cash and cash equivalents. Short term investments overstated £29.975m Cash and Cash equivalents understated £29.975m	Nil impact	Dr Cash and Cash Equivalents £29.975m Cr Short Term Investments £29.975m	Nil impact
A reconciling item was identified on the bank reconciliation which has been incorrectly treated, understating the cash balance.	Nil impact	Dr Cash and Cash Equivalents £1.082m Cr Short Term Debtors £1.082m	Nil impact

C. Audit Adjustments continued

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 omission	Auditor Comments	Adjusted?
Note 1c – expenditure and income analysed by nature	The REFCUS balance reported in Note 1c was amended by the Council prior to the note being audited, decreasing REFCUS by £0.786m. This amendment also impact the grant income note.	✓
Note 1c – Income from contracts with service recipients	The income from contracts with service recipients note included all fees, charges and other service income. We challenged whether this was correct and on further review the Council that the disclosure did include income which did relate to contracts with service recipients. The note has been updated to reflect this. As the change to the note is material, the prior year note has also been updated to reflect the change.	✓
Note 9 – other operating expenditure	Net cost of disposal overstated £0.721m. This adjustment was identified and made by the Council prior the note being audited.	✓
Note 11 / Note 30 - Taxation and non-specific grant income	The Local Council Tax Support Scheme grant £3.835m was incorrectly included within NNDR Section 31 Grant in note 11. This has been moved to Note 30 .	✓

C. Audit Adjustments continued

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 omission	Auditor comments	Adjusted?
Note 12 – Property, Plant and Equipment	A number of error were identified and amended within the property, plant and equipment note including: • note 12 missing the 'effects of change in estimates' disclosure • note 13 missing disclosure for transfers between fair values, missing narrative to disclosure as well as clarity on valuation methodology details. • the revaluations table within note 12 incorrectly showed all HRA assets as revalued however HRA assets under construction and HRA plant and equipment are valued at historic costs (totalling £13.049m). The table was updated to reflect this. This table was also updated to reflect the valuation movements in Land & Buildings assets.	✓

C. Audit Adjustments continued

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.

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Disclosure omission	Auditor comments	Adjusted?
Note 12.1 – Infrastructure Assets	Prior to the infrastructure assets note being audited, the Council updated the note to reflect the findings from the prior year audit in relation to infrastructure assets.	✓
Note 14 – Financial Instruments	A number of errors were identified within the financial instruments note which have been amended. The Council also updated the format of their financial instruments note.	✓
Note 21 Unusable Reserves	As a result of adjustments in the primary statements (as noted in Appendix C previously), this has influenced the Reserves notes in equal capacity.	✓
Note 27 – Officers remuneration – bandings note, officer salaries table and exit packages	Errors identified and amendment within the officer's remuneration notes for - employers pension amounts for two senior officers were incorrect - two employee terminations were removed and one termination classification was changed.	✓
Note 29 – Dedicated Schools grant	The dedicated schools grant note was updated by the Council prior to the note being audited to include the DSG usable reserve position at the end of 2020/21 and 21/22	✓
Note 30 – Grant Income	The following adjustments were made by the council between version 1 and version 2 of the draft accounts: Credited to Taxation and Non-Specific Grant Income PFI Support Grant - Cr £372k - change from £1,254k to £1,626k. Covid 19 Tranches Grant - Cr £6,678k - change from £9,893k to £16,571k. Credited to Services Miscellaneous - decrease (Dr) of £76,681k - change from £128,243k to £51,562k.	✓

C. Audit Adjustments continued

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 omission	Auditor recommendations	Adjusted?
Note 22 and Note 23 – Cashflow Statement notes	Prior to auditing the cashflow statement and notes, the Council made a number of adjustment to the cash flow statement. These amendments had no overall impact on the overall cash and cash equivalents at the end of the period. From our review of the cashflow statement and notes, we identified the proceeds from short term and long term investments were incorrectly shown as an adjustment to the surplus or deficit on the provision of services when should be shown within investing activities. As this was a material adjustment, the Council also updated the prior year figures to reflect this. 2021/22: Proceeds from ST and LT investments (adjustments for items that are investing and financing activities) – adjusted from £1,039m to zero Proceeds from ST and LT investments (CFS Investment activities) – adjusted from zero to £1,039m 2020/21: Proceeds from ST and LT investments (adjustments for items that are investing and financing activities) – adjusted from £2,314m to zero Proceeds from ST and LT investments (CFS Investment activities) – adjusted from zero to £2,314mm These changes are also reflected on the face of the cash flow statement for 2020/21 and 2021/22.	✓

C. Audit Adjustments continued

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 omission	Auditor recommendations	Adjusted?
Note 31 – Related Parties	Immaterial disclosure adjustments to this note to bring this in line with the council's ledger records.	✓
Note 33 Leases	Prior to us auditing the leases notes, the Council made a number of adjustments to the notes in light of the findings from the 2020/21 audit. On our review of the updated noted, we identified several issues which resulted in further amendments to the note.	✓
HRA Income and Expenditure Statement	Prior to auditing the HRA income and expenditure statement, the Council increased the gain on disposal of HRA fixed assets by £0.722m	✓
Collection Fund Statement	Prior to auditing the collection fund statement, the Council amended the statement reducing overall income by £84m and overall expenditure by £84m. The format of the collection fund was also updated post audit review.	✓
Notes to the collection fund – distribution of estimated balance	Prior to auditing the collection fund notes, the Council amended the distributed of estimated balance note reducing the total by £4.897m	✓
Note 35 – Defined Benefit pension scheme	The defined benefit pension scheme notes where updated to reflect the changes due to the Triennial review.	✓

D. Fees

We have finalised our fees for the 2021/22. Details on the provision of non-audit services is detailed below.

Audit fees	2020/2021 final fee	2021/22 indicative fee	2021/22 final fee
BCP Council Audit (scale fee element £130,000)		£213,875	£246,000
Additional work required on IAS19 disclosures (as explained on page 15)		£0	£6,000
Total audit fees (excluding VAT)	£261,500	£213,875	£252,000

Non-audit fees for other services	**Proposed fee**	**Final fee**
Audit Related Services	£42,900	£42,900
Other – CFO insights	£10,000	10,000
Total non-audit fees (excluding VAT)	**£50,300**	TBC

Other Non-audit fees billed from 1 April 22 – November 23 (relating to 19/20 and 20/21	**Amounts billed**
Audit Related Services	£51,584
Other – CFO insights	£7,692
Total non-audit fees (excluding VAT)	**£59,276**

Audit fees reconciliation to fees included within Statement of Accounts:

Per note 28:

Total fee payable in respect of audit £0.256m: this relates to £0.213m for the BCP Council audit (agreed to above), £0.038m for grant claims and returns (difference of £4.9k to above due to difference in planned and actual fees) and £5k in relation to the prior year grant claims (in relation to teachers pension) and therefore not included above. The additional £0.006m shown above for IAS 19 disclosures has not been formally agreed and therefore is not included within the statement of accounts.

Fee payable in respect of other services £0.01m – this relates to the CFO insights fee and agrees to the above.

Audit fees for charities £0.037m – the charities are not audited by Grant Thornton and therefore the fee not included above.

D. Fees – detailed breakdown

We set out below our final fees for 2021/22

Audit fees	indicative fee	Final fee
Audit Scale Fee	£130,000	£130,000
Additional Fees previously raised*	£83,875	£83,875
Proposed Audit Fees in Audit Plan	£213,875	£213,875
Additional Fees		
- Additional work required on IAS19 disclosures (as explained on page 15)		£6,000
- VFM		£14,500
- IAS19 additional work – pension fund auditor		£3,000
- Number of errors in draft disclosures and supporting resulting in re-testing. The most resource intensive: • errors in property valuations requiring revaluation and testing • additional work required to gain assurance over receipts in advance and prepayments due to errors identified • additional work required on testing on leases notes due to errors identified		£11,875
- Extra attendance at Audit & Governance Committee		£2,750
Total Proposed Audit Fees		£252,000

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E. Audit opinion

Independent auditor's report to the members of Bournemouth, Christchurch and Poole Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Bournemouth, Christchurch and Poole Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the, Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement , the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the S151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

E. Audit opinion

In our evaluation of the S151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the S151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the S151 Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

E. Audit opinion

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the S151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the S151 Officer. The S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the S151 Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

E. Audit opinion

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012;
- We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals and significant management estimates.

E. Audit opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the S151 Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on journals posted by senior finance officers, those with blank descriptions, those posted on behalf of another person and journals not authorised in line with the Council's policies.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property valuations and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 31 August 2023 we identified:

- A significant weaknesses in the Authority’s arrangements for financial sustainability. This was in relation to how the Authority plans and manages its resources to ensure it can continue to deliver its services detailed in the Authority’s Medium Term Financial Plan and associated transformation programme including delivery of savings. We recommended that the Authority:
  - Undertake an urgent review of the Transformation Programme due to inherent weaknesses in the control and management of the programme, as well as the delivery of savings and management of costs;
  - Ensure there is a robust methodology for monitoring and tracking operational and transformation savings and that reporting an actual performance against plan is more transparent;
  - Ensure that the Transformation Programme is fully financed before there are further commitments to the programme are made;
  - Review the continued sustainability of reserves and balances and ensure the Medium-term financial plan demonstrates a realistic plan to replenish reserves and balance the budget gap in the medium term; and
  - Must not enter into high-risk ambitious and challenging projects without the proper and full consideration of governance arrangements and ensure they are adhered to. Members must consider all advice from statutory officers and ensure they have the best technical, professional and legal support before considering any high-risk and challenging projects.
- A significant weakness in respect of the Authority’s governance arrangements. This was in relation to the Authority not enter into high-risk ambitious and challenging projects without the proper and full consideration of governance arrangements and ensure they are adhered to. We recommended that the Authority:
  - ensures members consider all advice from statutory officers and ensure they have the best technical, professional and legal support before considering any high-risk and challenging projects.
- A significant weakness in respect of the Authority’s arrangement to secure economy, efficiency and effectiveness. The November 2020 findings of a focussed Ofsted inspection of the Authority’s children’s services identified significant failings. We recommend that the Authority:
  - should continue to address the weaknesses identified by Ofsted and the Department for Education to ensure all children have access to quality services which meet their needs in a timely manner.

E. Audit opinion

- A significant weakness in respect of the Authority's arrangement to secure economy, efficiency and effectiveness. This was in relation to the Authority's transformation programme in both the context of costs and delivery of savings. The management of the programme needs to be improved and tangible plans detailing key milestones, and key deliverables need to be circulated to members for scrutiny. We recommended that the Authority

    - Ensure it has a robust decision making processes in place for specific initiatives including the transformation programme, BCP FuturePlaces and other service delivery models as well capital projects and small investments;
    - Ensure there is robust scrutiny and a sound business case for selling Council assets to the fund the transformation programme, This should include a fit for purpose mechanism for developing Business Case, financial appraisal models , and sufficient programme management support to ensure programme objectives are identified, project plan are developed, objectives are delivered, and risk /reward and issues are identified and mitigated/enhanced;
    - Establish a regular cycle of reviewing business plans in relation to all its high value and high-risk investments including its subsidiary companies such as BCP FuturePlaces.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

E. Audit opinion

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Bournemouth, Christchurch and Poole Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Signature – To be added

Peter Barber, Key Audit Partner

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

Bristol

Date – To be added

E. Audit opinion

Grant Thornton

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BCP Council

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL

STATEMENT OF ACCOUNTS 2021/22

CONTENTS

NARRATIVE REPORT

Introduction

The 2021/22 financial year is only the third year that Bournemouth, Christchurch and Poole (BCP) Council has operated since its creation on 1 April 2019 as a result of local government reorganisation in Dorset. The council encompasses the legacy Bournemouth Borough, Christchurch Borough and Borough of Poole Council areas, in addition to providing the upper tier services previously provided by Dorset County Council in Christchurch.

The accounts summarise the council's transactions and financial position for the year ended 31 March 2022. The council is required to prepare an annual statement of accounts in accordance with the Accounts and Audit Regulations 2015, supported by International Financial Reporting Standards (IFRS), statutory guidance, and proper accounting practices.

These proper practices primarily comprise of CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Bournemouth, Christchurch and Poole Council Corporate Strategy

BCP Council's corporate strategy was adopted by Full Council on 5 November 2019. This sets out the council's priorities and values which underpin the way the council will work as it develops and delivers services.

The strategic priorities identified in the corporate strategy 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 education 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.

Figure 1: BCP Council Corporate Strategy

The corporate strategy is the beginning of a golden thread that links personal, team and service performance to the things that matter most to the organisation. It represents the objectives and outcomes that the council's performance will be judged against and as such is a vital component of the performance management framework. The corporate strategy influences the allocation and distribution of resources ensuring that the organisation commits its limited resources in accordance with its stated priorities.

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

As with the 2021/22 budget, the budget for 2022/23 needs to take account of the legacy impact of the world's biggest public health emergency for a generation. Since March 2020 the Covid-19 global pandemic has required urgent, ongoing, and decisive action to support our community and maintain the integrity of the council's financial position and future sustainability.

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 priorities of the council is the organisational structure of officers headed by the Chief Executive. The Chief Executive is supported by a corporate management board, comprising of the following officers:

- Chief Operations Officer
- Director Adult Social Care
- Director of Commissioning for People
- Corporate Director – Children's Services
- Corporate Director Resources
- Statutory S151 Officer / Director of Finance
- Monitoring Officer / Director of Law & Governance

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

Amongst the obvious impact of the pandemic the Council remains operating in a transitionary period moving away from the European Union. Although the impact on the Council is limited the impact has started to be reflected in market prices and supply issues for some services. This has been magnified by inflationary pressures which are now starting to impact on the Council on delivery of services and capital works. It remains an area of uncertainty for the Council in terms for how long inflation will remain at this historically high levels.

The future structure of Local Government financing for 2021/22 remained unclear following a one-year finance settlement announced by the government. Although understandable considering the current environment it does create a period of uncertainty in being able to plan how to provide the local services upon which our local community relies.

Borrowing, servicing of debt and liquidity

The Council's overall borrowing (long & short term) stood at £257.1m at the end of the year, a net increase of approximately £62.3m during the year.

Just over £3.7m of the debt is repayable within the next 12 months with the remainder being scheduled in line with the treasury management strategy principles on maturity.

Interest payable (including PFI and leases) during the year was £9.2m and interest receivable and similar income was £1.4m.

The prudential borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Details of the Council's capital financing requirement is set out in note 32 to the accounts. As noted, external borrowing was £257.1m, with the remainder financed temporarily from the Council's own cash resources.

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due. This included the significant quantum of Government grants that were distributed through the Council during the year.

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

Financial Position for 2021/22

In February 2021 Council agreed the annual general fund net revenue budget of £241 million, a capital programme of £125m alongside budgets for the Housing Revenue Account (HRA).

Budget updates were provided to Cabinet as part of the quarterly budget monitoring process. These updates reported ongoing pressure from Covid 19 and well as service pressures particularly in Children's Services. At quarter three the projected revenue budget net position was a £9.1 million overspend within services. This was due to Covid and other pressures of £11.1 million, loss of net transformation savings of £3.7 million, partially offset by £5.7 million of additional income and grants.

The services overspend was offset by releasing the central unused budget contingency and by positive largely one-off central items. These included additional grants, refinancing the capital programme and release of the uncommitted Covid pressures grant into the revenue account. This forecast position allowed £3.3 million of the grant to be carried forward in reserves to support the 2022/23 budget.

The 2021/22 revenue outturn is a surplus of £6.8 million, with services making efficiencies of £6.2 million and central budgets providing a surplus of £0.5 million.

Services are expected to deliver within the envelope of their annual budget. The previously reported projected overspend of £9.1 million at quarter three has improved to a surplus of £6.2 million at outturn.

Across services in quarter four Covid-related cost pressures increased by £0.6 million, due largely to increased care costs in adult social care and children's services, and grants to support the budget reduced by £0.3 million. These new pressures were offset by net service savings (£9.8 million), a significant improvement in income recovery (£4.8 million) with delivery of transformation savings (£1.6 million).

The improved position is across all directorates except for children's services where there has been a small increase in the annual overspend. It was recognised early in the year that children's services needed extra resources to manage increased social care demand from the impact of higher care and employee costs and from the impact of Ofsted inspections. As the number one priority area for this Council these resources were made available.

Place operations at quarter three were forecasting a budget surplus and this improved further by £8.8 million in the final quarter. Income recovery from Covid continued to exceeded expectations, particularly for carparking, seafront, attractions, and leisure activities. Expenditure was lower than anticipated in areas such as seafront maintenance and housing. Anticipated savings increased further in waste services from below budget tonnages, collection costs and disposal prices. In addition, some expenditure budgeted as revenue within engineering and environment has been charged instead to the capital programme following a corporate review of national practice.

In adult social care, a small overspend projected at quarter three has been replaced by a positive movement of £4.1 million to deliver a surplus. This is largely from ongoing recruitment difficulties, contributions from the NHS for care packages as progress has been made in clearing the backlog of assessments and previously anticipated care demand not materialising.

The mitigation strategy developed to balance the previously projected overspend is no longer needed. This means that the full unbudgeted £8.2 million of the Covid pressures grant tranche 5 can be transferred to reserves and the £1.4 million provision for lost sales, fees and charges is not needed to be drawn down. In addition, the £2.9 million secured through refinancing the capital programme can be transferred to reserves. These resources can instead be used to support the cost of living pressures.

The surplus of £6.8 million is available to transfer to the financial resilience reserve to support the 2022/23 budget as planned and to support cost of living inflationary pressures.

A summary of the 2021/22 revenue outturn is shown in figure 2 below.

Figure 2: General Fund Summary 31 March 2022

Q3 Variance	Directorate	Revenue	Budget	Outturn	Variance
	Adult Social Care	Expenditure	218,346	228,307	9,961
		Income	(101,634)	(115,131)	(13,497)
543	**Adult Social Care**		**116,712**	**113,177**	**(3,536)**
	Children's Services (excluding the Dedicated Schools Grant)	Expenditure	82,305	90,750	8,445
		Income	(12,017)	(11,105)	912
9,119	**Children's Services**		**70,288**	**79,645**	**9,357**
	Place Operations	Expenditure	150,085	168,639	18,554
		Income	(92,527)	(124,917)	(32,390)
(5,020)	**Place Operations**		**57,558**	**43,722**	**(13,835)**
	Resources & Chief Executive Office	Expenditure	163,268	163,989	721
		Income	(114,702)	(115,831)	(1,129)
802	**Resources & Chief Executive Office**		**48,567**	**48,159**	**(408)**
5,444	**Net Cost of Services**		**293,125**	**284,703**	**(8,422)**
	Transformation (including target savings)	Expenditure	22,537	2,621	(19,916)
		Income	(22,049)	0	22,049
3,690	**Transformation Total**		**488**	**2,621**	**2,133**
9,134	**Net Service Outturn**		**293,613**	**287,324**	**(6,289)**
(12,392)	Corporate Items - set out in Appendix A2		(51,398)	(50,883)	515
(3,258)	**Total Budget**		**242,215**	**236,442**	**(5,773)**
0	Total Funding - set out in Appendix A2		(242,215)	(243,247)	(1,032)
(3.258)	**Net Outturn**		**0**	**(6,805)**	**(6,805)**

Dedicated Schools Grant (DSG)

The DSG is allocated within four expenditure blocks for early years, mainstream schools, central council services and high needs. The aim would normally be to set the DSG budget for a balanced position overall.

The 2021/22 budgeted high needs funding shortfall is £10.8 million, reducing to £9.7 million after a £1.1 million (0.5%) transfer of funding from the school block. Other DSG blocks have been set with balanced budgets with no surplus available to reduce the overall funding gap.

This budget is being monitored through the High Needs Block Deficit Recovery Board. The quarter three position indicated an overspend of £3.2 million, resulting in an annual funding gap for 2021/22 of £12.9 million.

The final outturn position is a small improvement with the overall annual funding gap reduced to £12.5 million.

The High Needs Block outturn position is £2.5 million overspent compared with budget. This includes a £0.9 million provision for a disputed case with backdated costs following a ruling from the Secretary of State, although an appeal has been lodged on the advice of counsel.

There has been a net overspend on the early years funding formula of £0.4 million, due to the increase in provider payments to support pupils with additional needs.

The accumulated deficit has increased from £7.8 million at 1 April 2021 to £20.3 million at the end of the year as shown in figure 3 below:

Figure 3: Summary Position for Dedicated Schools Grant

Dedicated Schools Grant	Quarter 3 Projection £m	Outturn £m
Accumulated deficit 1 April 2021	**7.8**	**7.8**
Budgeted high needs shortfall 2021/22	9.7	9.7
In-year over spend on high needs	3.1	2.5
In-year net over spend on other blocks	0.1	0.3
Projected accumulated deficit 31 March 2022	**20.7**	**20.3**

Reserves

The council held £124.1 million in revenue reserves as at 31 March 2022 which are earmarked for a variety of purposes and are summarised in the table below.

Figure 4: Revenue Reserves 31 March 2022

Reserve Type	Balance 31 March 2022 £'000
Financial resilience reserves	(42,626)
Transition and transformation reserves	(14,334)
Government grants (non Covid-19)	(11,192)
Other miscellaneous earmarked reserves	(28,449)
Non Covid-19 related revenue reserves	**(96,601)**
Business rate relief Covid-19 grant carried forward	(18,001)
Covid-19 government grants & resources carried forward	(9,579)
Total revenue reserves	**(124,181)**

Note: These amounts include amounts relating to schools, the HRA and capital.

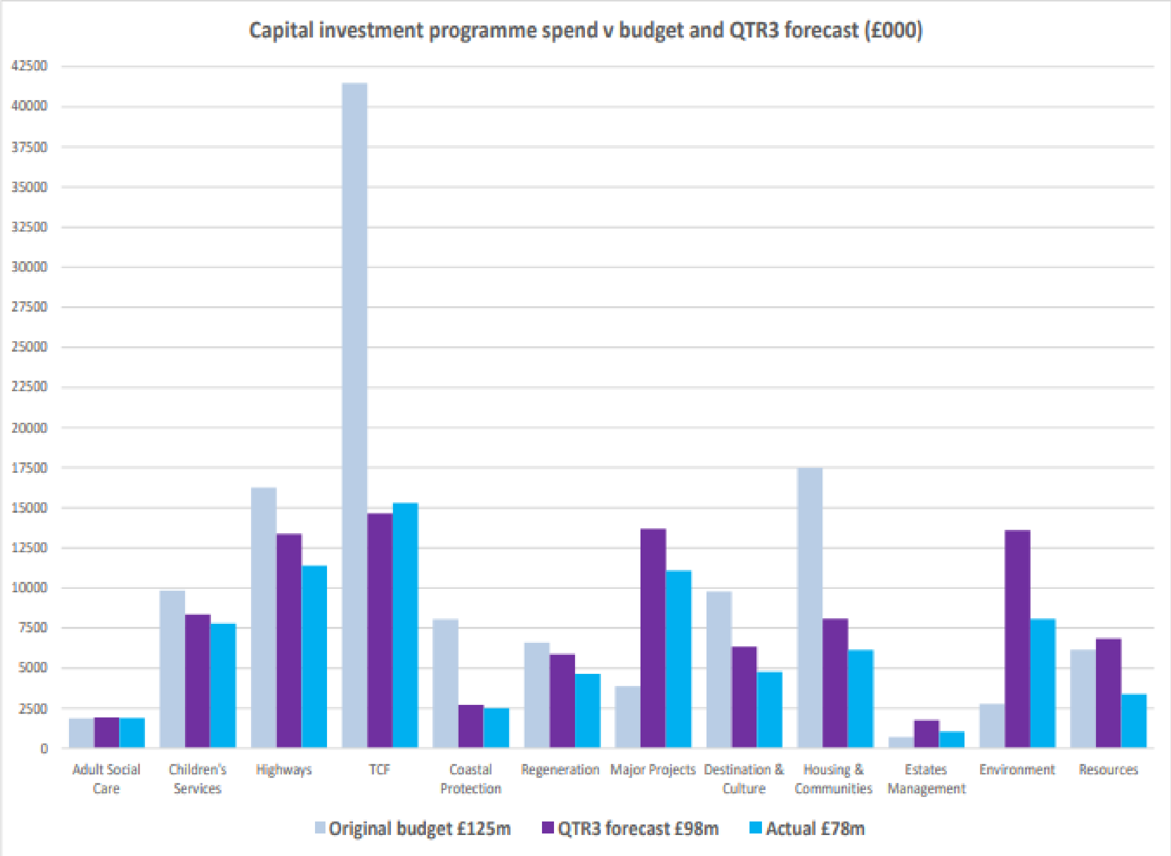
Financial resilience reserves totalling £42.6 million include £20.7 million to be drawn down in support of the 2022/23 budget. Transformation reserves of £14.3 million are available to fund the costs of transformation and are planned to be fully drawn down to support the budget in 2022/23.

Un-earmarked reserves of £15.3 million are the council's risk-based reserves held to fund unexpected budget pressures. They represent 5.4% of the net revenue budget and as such represent a minimum prudent level. The council plans to increase un-earmarked reserves over the period of the MTFP.

Capital Investment Programme (CIP)

In February 2021 Council approved a capital investment programme budget of £125 million for 2021/22. Final spend for the year was £97.6 million. Approved capital budget not utilised in 2021/22 will be carried forward into the capital investment programme 2021/22. Figure 5 below summarises capital spend against budget by service.

Figure 5: Revenue Reserves 31 March 2022



CIP highlights for 2021/22 was as follows:

1. Adults Social Care £1.9 million – BCP invested £1.9 million (through the Better Care Fund) in integrated community care equipment to further promote independent living at home. A business case is being prepared for the provision of Extra Care Housing under the Council Newbuild Housing and Acquisition Strategy (CNHAS) programme.

2. Children's Services £7.8 million – In February Council approved an additional £3.4 million capital budget for planned repairs and maintenance, urgent works, climate change/low carbon reduction, design fees for both maintained schools and the SEND programme.

3. Highways £26.7 million –£15.3 million of capital spend was invested in 2021/22 in the Transforming Cities Fund (TCF) programme. This programme delivers approved highways improvements to facilitate sustainable means of travel across the conurbation. During 2021/22 several sections of the sustainable and cycle corridors were completed. This included sections in Bournemouth Gardens, Whitelegg Way, Kings Park, Rigler Road and Queen Anne Drive. This has introduced 6 new crossings (toucan and parallel), 6.4km of new cycle lanes, 3 new bus shelters with RTI, 3 new street lighting schemes and 3 wayfinding schemes.

4. Coastal Protection £2.5 million – BCP coastal protection programme is delivered in partnership with the Environment Agency. Spend in 2021/22 included £1.4 million further investment in the ongoing Poole Bay Beach Management programme and £0.4 million to progress Poole Bridge to Hunger Hill (PB2HH).

5. Regeneration £4.7 million – This included further investment of £3.2 million in the Lansdowne Business District public realm scheme (funded by DLEP grant and local contribution via developer funding). Phases 1 and 2 are close to completion, the art installation being the principal outstanding works. Further funding for future phases of the scheme is yet to be approved.

Work on relocating the Skills and Learning Service from Oakdale to the Dolphin Centre began in 2021/22. Spend of £0.6 million was incurred with a further £0.8 million profiled to complete the scheme in 2022/23.

6. Major Development £11.1 million – The council spent £9.5 million on the Carter's Quay project which is a Build to Rent (BTR) scheme to provide 161 new homes and ancillary ground floor residential amenity and commercial space funded by prudential borrowing.

£1.4 million was spent on the delivery of two of the ten Towns Fund projects, namely Smart Places and Kings Park which included the purchase of the Bournemouth Indoor Bowls Club. Other funds were spent on small scale improvements to the precinct and project and business case development, for the projects approved in the Towns Appendix C Investment Plan, including feasibility work on the Royal Arcade and Phase 1 Masterplan.

Additionally, The Futures Fund approved £5.87m for the Smart Place Gigabit Fibre Scheme. The purpose of this investment is to install a core gigabit fibre network, which will be owned by the council, and which can be used to serve key Council buildings and assets across the BCP area. Not only will this help to reduce future revenue costs associated with leasing fibre for the council's WAN network, the fibre can also be used to help serve other council functions such as controlling traffic signals and connecting existing and new CCTV networks. The core fibre network can also be used to support the deployment of future Smart Place infrastructure and devices. £2.6m has also been allocated to supporting the improvements at Pokesdown train station.

7. Destination and Culture £4.9 million – This included a total of £3.3 million spent on the seafront development programme of which £1.4 million related to the Durley Chine Environmental Innovation Hub. This project benefited from Coastal Communities Fund grant and has made good progress. Additional capital budget is potentially required to complete the project, with a report from the service expected in due course.

8. Housing £6.1 million – The council approved its Council Newbuild Housing & Acquisition Strategy (CNHAS) in November 2021 with £2.6 million spent under this programme in 2021/22, the majority of which was on the acquisition of 1 bedroom flats under the Rough Sleepers Accommodation Programme (RSAP).

9. Estates £1 million - This represents spend on hard facilities management across the authority and includes investment in the maintenance of BH Live assets and delivery of a decarbonisation programme funded by Salix grant.

10. Environment £8.1 million – The council spent £5.6 million as part of its Sustainable Fleet Management Strategy (approved in September 2021 and funded by prudential borrowing.) This was an underspend of around £4 million against profiled budget which is now added to the 2022/23 profiled allocation. There may be a need for additional budget to be approved over the course of the MTFP in response to increased acquisition prices and supply delays.

11. Resources £3.4 million – The Accommodation strategy programme facilitating the move to new civic office accommodation in Bournemouth continued to progress with a spend of £2.9 million during the year. Further works are required to complete the programme this year which will include the Coroners Service at Poole civic centre and remodelling of BCP Civic Space (West Wing).

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 6 below summarises the outturn for the council's HRA neighbourhood accounts for 2021/22.

Figure 6: BCP Council HRA Outturn 31 March 2022

HRA Bournemouth Neighbourhood - Revenue Account 2021/22

	budget £000	forecast £000	actuals £000	Dec variance £000	March variance £000	Change variance £000
Income						
Dwelling rents	(22,879)	(22,879)	(22,851)	0	28	28
Non-dwelling rents	(149)	(149)	(145)	0	4	4
Charges for services and facilities	(482)	(587)	(758)	(105)	(276)	(171)
Contributions to expenditure	(60)	(90)	(161)	(30)	(101)	(71)
Other income	0	0	0	0	0	0
Total income	**(23,570)**	**(23,705)**	**(23,915)**	**(135)**	**(345)**	**(210)**
Expenditure						
Repairs and Maintenance	5,782	5,782	6,318	0	536	536
Supervision and Management	6,144	5,689	5,709	(455)	(435)	20
Rent, rates, taxes and other charges	220	240	198	20	(22)	(42)
Bad or doubtful debts	188	188	76	0	(112)	(112)
Capital financing costs (debt management costs)	75	75	75	0	0	0
Depreciation	6,878	6,878	6,869	0	(9)	(9)
Net interest payable	2,487	2,127	2,127	(360)	(360)	(0)
Total expenditure	**21,774**	**20,979**	**21,371**	**(795)**	**(403)**	**392**
Net operating (surplus) / deficit	**(1,796)**	**(2,726)**	**(2,544)**	**(930)**	**(748)**	**182**
Appropriations to reserves						
Transfer to/from HRA reserve	1,796	2,726	2,544	930	748	(182)
Total appropriations	**1,796**	**2,726**	**2,544**	**930**	**748**	**(182)**
(Surplus) / deficit	**0**	**0**	**0**	**(0)**	**(0)**	**0**

HRA Poole Neighbourhood - Revenue Account 2021/22

	budget £000	forecast £000	actuals £000	Dec variance £000	March variance £000	Change variance £000
Income						
Dwelling rents	(20,357)	(20,400)	(20,396)	(43)	(39)	4
Non-dwelling rents	(43)	(27)	(32)	16	11	(5)
Charges for services and facilities	(1,390)	(1,359)	(1,392)	31	(2)	(33)
Contributions to expenditure	(54)	(54)	(54)	0	0	0
Other income	(273)	(266)	(499)	7	(226)	(233)
Total income	**(22,117)**	**(22,106)**	**(22,373)**	**11**	**(256)**	**(267)**
Expenditure						
Repairs and Maintenance	4,031	4,030	4,031	(1)	0	1
Supervision and Management	6,235	6,509	6,462	274	227	(47)
Rent, rates, taxes and other charges	162	162	160	0	(2)	(2)
Bad or doubtful debts	197	197	32	0	(165)	(165)
Capital financing costs (debt management costs)	107	107	107	0	0	0
Depreciation	4,665	4,665	4,768	0	103	103
Net interest payable	3,072	3,233	3,120	161	48	(113)
Total expenditure	**18,469**	**18,903**	**18,680**	**434**	**211**	**(223)**
Net operating (surplus) / deficit	**(3,648)**	**(3,203)**	**(3,693)**	**445**	**(45)**	**(490)**
Appropriations to reserves						
Transfer to/from HRA reserve	3,648	3,203	3,693	(445)	45	490
Total appropriations	**3,648**	**3,203**	**3,693**	**(445)**	**45**	**490**
(Surplus) / deficit	**0**	**0**	**0**	**0**	**0**	**0**

Within the HRA the council operated two separate neighbourhood accounts for 2021/22. The Bournemouth account comprises 5,100 tenanted properties and is directly managed in-house by the council. The Poole account comprises 4,517 tenanted properties and is managed by Poole Housing Partnership (PHP). PHP operate as an arm's length management organisation (ALMO) in line with a management agreement with the council. In May 2022 Council agreed to bring the two neighbourhoods into a single service.

In quarter three the HRA forecast a contribution of £5.9 million from its revenue account to the new build capital programme reserve (£5.4 million originally budgeted). The final contribution to HRA reserves is £6.2 million.

Rental income from rents (dwellings and non-dwellings) across both neighbourhoods is in line with budget and forecast. Both neighbourhood accounts reported favourable variances to budget and forecast on other income – including £0.3 million unbudgeted contributions towards expenditure from leaseholders.

Repairs and maintenance spend in Bournemouth neighbourhood is higher than budget and forecast. This reflects market pressures on the cost of materials and labour and the level of unbudgeted work required on void properties. This position will continue to be monitored closely during 2022/23. There are no significant variances to repairs and maintenance within the Poole neighbourhood.

Supervision and management spend forecasts were adjusted in quarter three to reflect the impact of increasing gas and electricity prices in the second half of this year. These estimates have largely borne out – each neighbourhood has incurred additional utilities spend to original budget of £0.2 million (£0.4 million across the HRA combined). Quarter three forecast underspends in other areas of supervision and management (principally Bournemouth neighbourhood) from additional recharges of housing development team staff costs to capital and other staff related savings have also been realised in final outturn numbers. The overall underspend to budget is £0.2 million in supervision and management across the two neighbourhoods.

As a result of continued focus on cash collection of rents, the HRA has not had to increase its bad debt provision significantly. This has resulted in a favourable variance to budget of £0.3 million across both neighbourhoods.

Favourable variances of £0.3 million arose within treasury management because of reduced interest payable to budget on HRA loans.

The overall impact of budget variances is that the combined annual contribution to new build capital programmes for 2021/22 is £6.2 million (£5.4 million originally budgeted, increasing to £5.9 million at quarter three). This consists of £2.5 million contribution from the Bournemouth neighbourhood and £3.7 million from the Poole neighbourhood.

Bournemouth and Poole Neighbourhoods - Capital programme

As with the general fund, planned capital spend across both HRA neighbourhoods was reprofiled significantly in quarter three. This adjustment was made to reflect the ongoing impact of Covid-related pressures on the deliverability of the HRA capital programme. The original budget for 2021/22 estimated £56.5 million capital spend. This was reduced to £41.5 million in quarter three. Actual capital spend for the year is £38.5 million, which is 93% of quarter three projection.

As with the general fund, unspent approved capital budget from 2021/22 will be reprofiled into 2022/23 capital programme.

Work on major capital projects across both neighbourhoods has progressed steadily – including Sterte Court and Project Admiral in the Poole neighbourhood, and Moorside Road, Luckham Road / Charminster Way, Mountbatten Gardens, Templeman House, Cabbage Patch and Ibbertson Way in the Bournemouth neighbourhood. Both neighbourhood capital programmes have required approval of additional capital budget for schemes underway. This is a result of inflationary pressures on materials and labour – the impact of Covid / Brexit on the market. Sterte Court cladding works undertaken in Poole neighbourhood benefitted from £3.0 million of external government grant funding.

The HRA invested £13.2 million in its annual programmed maintenance programme in 2021/22 (£6.4 million in the Bournemouth neighbourhood and £6.8 million in the Poole neighbourhood). Principal areas of investment include £3.0 million in building improvements (including doors, roofing, and lifts), £2.7 million in its kitchen and bathroom replacement programmes, £1.8 million in heating and hot water systems, £1.6 million in window replacement and £1.1 million in disabled adaptations.

The Council's Transformation Programme

Following the successful implementation of local government reorganisation 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 from door to access council services. The new operating model will be implemented over the next five years.

A high-level business case was presented to Cabinet in November 2019 which set out the original scope of the council's organisational design project, which was facilitated by KPMG, and identified that it could potentially deliver up to £43.9 million of gross annual savings. Council on 7 July 2020 agreed that the £43.9 million must now be adopted as our minimum expectation of savings and efficiencies.

The 2022/23 budget is premised on the council delivering £8.7 million which is £1.2m more than the £7.5m included in the baseline for 2021/22 and represents a significant delaying of the forecast benefits of the programme. In respect of future years additional annual savings of £10m will now be assumed to be delivered for 2023/24 and further annual savings of £25.2m in 2024/25. Overall, the total ongoing annual savings assumption continues to be £44m which represents an 18-month payback period.

- The cumulative 2022/23 savings from the transformation programme are specifically associated with.
- Reduction in employee headcount through the consolidation of common roles/work.
- Reduction in employee headcount through the consolidation of organisational layers/structures.
- in third-party spend through more robust procurement and contract management. This will include smarter ways of working such as the digital mail and the reduction of spend throughout the council by the centralisation of spending on items such as stationery, photocopying and printing.
- Review of the corporate structure to enable the council to continue to reflect and realign its management structure to ensure we are continuously improving towards being the organisation that we aspire to be and to ensure we deliver our priorities for our residents. This includes the integration of the library services with customer facing services and community hubs and the recruitment / appointment of a new corporate director for marketing, communications & strategy
- The Council's estate and accommodation project

In respect of the £8.7m accumulated annual saving for 2022/23, £2.1m has already been delivered with the necessary adjustments to the budget made. A further £2.6m has been itemised as the necessary budget adjustments are capable of being processed subject to certain key milestones and events. This leaves £4m still to be itemised on a line-by-line basis. However, it is a key priority work stream for the council with significant activity providing reassurance that the total £8.7m saving for 2022/23 is achievable. Direct assurance has also been received from the corporate management team on the validity of this assumption including the presentation from the Corporate Director for Transformation to the Transformation Programme Board of a revised business case at its January 2022 meeting.

National Context: 2022/23 provisional local government finance settlement

Before considering the impact of the 2022/23 provisional LG Finance Settlement it is worth noting that on 7 September 2021 the Prime Minister announced significant plans for the future of adult social care in the form of the Build back better: our plan for health and social care' publication. The centrepiece of the plan is a new UK-wide 1.25 per cent National Insurance Health and Social Care Levy that will be ringfenced to fund a range of proposals, including:

- People will no longer pay more than £86,000 in care costs over their lifetime, from October 2023. This will be implemented via a cap on personal care costs which does not include food and accommodation costs.
- Once people have reached this cap, ongoing personal care costs will be paid by local authorities.
- Those with less than £20,000 in assets (up from the current threshold of £14,250) will not have to pay towards personal care costs from their assets at all. They might have to contribute from their income.
- Those with between £20,000 and £100,000 in assets will get means-tested help towards personal care costs from the council.

- People will only be required to pay for the full cost of their own personal care if their assets are more than £100,000 (up from the current threshold of £23,250) up to the £86,000 cap.
- Self-funders will be able to request that their council arranges their care so they can access it at council-funded rates. The government intention being to end the cross subsidisation where care providers charge higher rates to self-funders compared to local authorities.
- An expectation that councils will use some of the additional funding to pay providers a 'fair price for care'.
- The tax will be raised through a 1.25% increase in both employers and employee's national insurance from April 2022 onwards. A 1.25% increase in employers' national insurance will cost BCP council approximately £1.4m per annum. This ignores the consequential impact on any contract or commissioned costs provided to the council where the contractor directly employees individuals.
- From 2023, the National Insurance increase will become a separate Health and Social Care Levy with National Insurance rates returning to previous levels.
- In addition, there will be a 1.25% tax rate increase in income from share dividends. This may have an impact on the valuation of the Dorset County Local Government Pension Fund.

The Levy is expected to raise an additional £12 billion a year, hypothecated for health and care, across the UK. It is proposed that most of the funds raised over the next three years will be spent on catching up on the backlog in the NHS. A smaller proportion, £5.4billion, will go towards implementing and funding the financial consequences from having lower levels of client contributions towards care (due to the changes to the thresholds at which people contribute towards their personal social care costs). Implementing and administering the proposed new cap on care costs will be a significant undertaking for councils. Subsequently as part of the Chancellor's Autumn Budget he announced that £3.6 billion of the £5.4 billion available for reform over the next three years will go directly to local government.

In addition, the government's plan made a commitment to working with councils, the social care sector, people with lived experiences and the NHS to develop a new white paper for wider social reforms. This white paper was introduced on the 1 December 2021 when the government set out a ten year vision to improve adult social care paper was published. The white paper included details on providing greater choice, control, and support to help people lead independent lives and referenced funding to transform

homes and improve the physical, digital, and technological infrastructure. Government stated that they will ensure councils have access to sustainable funding for core budgets however their expectation is for demographic and unit cost pressures in social care to be funded through council tax, the council tax social care precept, and long-term efficiencies.

This statement confirmed that the strategic approach taken by government since its 2015 spending review is that local councils should be increasing council tax as the mechanism for funding cost and demand pressures in local services. For the last 6 years in a row (since 2016/17), this has included the use of the Adult Social Care council tax precept as a means of asserting national direction on how such resources should be applied. Any lobbying for higher BCP Council funding allocations from government resources are always responded to by references to the amount the government have made provision for the council's "spending power" to be increased annually. The most significant element of this annual spending power increase is the amount the government have made legislative provision for the council to increase its council tax by.

On the 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, announced the 2022/23 provisional local government finance settlement. It was the fourth consecutive one-year settlement with the emphasis once again on stability through rolling forward key elements of the 2021/22 package alongside a mix of extra grant and the ability to generate extra resources via the social care council tax precept to support major pressure / priority areas. A single year settlement allows government time to assess how it proposes to distribute resources in the future. The Communities Secretary in his statement said, "In outlining these proposals, my priority is to provide stability in the immediate term so I can work closely with local government and other partners on options to update our assessment of local authority needs and resources."

Another one-year settlement is unfortunate for the Council as it impedes effective medium term financial planning and makes delivering value for money more challenging.

Key elements of the settlement include:

- Council tax threshold for 2022/23 set at 1.99% basic, plus 1% social care precept. A further 3% social care precept can be applied by those authorities who deferred their 2021/22 increases. DLUHC assumes every authority will increase council tax by the maximum allowed. No allowance was made that any unused social care precepts can be carried forward in future.
- Confirmation that local government will receive the extra £1.5bn in additional funding announced in the autumn spending review. Only around 40% of this funding has been allocated to social care via an increased Social Care Grant, a smaller share than expected.
- The remainder of the £1.5bn took the form of a £822m national one-off service grant to help fund services pressures including funding to cover the 1.25% increase in employer national insurance contributions for 2022/23 which will transfer into the Health and Social Care Levy from 2023/24 onwards. The £822m is within the system for 2023/24 onwards however the method of distribution will be fundamental reviewed.
- Both the social care grant and the one-off service grant take account of the resources local authorities can comparatively generate from council tax increases.
- An inflationary increase to the Improved Better Care Fund.
- Lower tier services grant, introduced in 2021/22, will be retained.
- Further one-off New Homes Bonus payment in addition to the final legacy payment.
- No adjustments for negative revenue support grant.

The provisional settlement also indicates that a more fundamental redistribution of funding, potentially via the Fair Funding Review, could be implemented as early as 2023/24 which will make forecasting difficult.

Figure 7 below sets out the impact of the provisional 2022/23 local government finance settlement as it pertains to BCP Council. The table ignores any funding made available in respect of the government's fundamental package of Covid support measures which were available as one-off measures in 2021/22.

Figure 7: BCP provisional LG 2022/23 Finance Settlement (extract)

It should be noted that in addition the Council has also been allocated £1.2m from a Market Sustainability and Fair Cost of Care Fund. This funding is specifically to support the announced social care reforms. At this stage it continues to be assumed that this funding will match and be sufficient to cover the additional costs the council will be required to incur including significant preparatory costs.

	2021/22 £m	2022/23 £m	Change £m
Unringfenced Grants			
Revenue Support Grant	3.0	3.1	+0.1
2022/23 Service Grant	0.0	3.8	+3.8
Lower Tier Services Grant	0.4	0.5	+0.1
New Homes Bonus	2.6	1.0	-1.6
Specific Grants			
Social Care Grant	10.9	15.3	+4.4
Improved Better Care Fund	13.0	13.4	+0.4
	29.9	**37.1**	**+7.2**

Medium Term Financial Plan (MTFP)

The Council set the 2022/23 budget and approved an updated MTFP in February 2022. The budget as presented is one which is bold, creative, and dynamic, as well as being one which.

- Delivers a council tax base freeze, accompanied by a 4% adult social care precept.
- continues to work to ensure consistent standards of service are delivered across the BCP area.
- invests £12.3m extra in the council's highest priority area, children's services (excluding council pay base changes). This takes the gross annual increase in revenue spending on children's services to £20.8m per year over the last two years.
- prioritises investment in services to the most vulnerable members of our community with an extra £12.1m allocated for adult services (excluding council pay base changes).
- has due regard to the ongoing uncertainty being caused by the global public health emergency and the need to support the integrity of the council's financial position and its future sustainability.
- creates a £20m Green Futures Fund which will enable the council to continue to support the community response to the impact of the pandemic alongside its commitment to becoming carbon neutral by 2030.
- Supports the continuation of £5.271m of gross on-going investments proposed as part of the 2021/22 budget report which was endorsed in February 2021. Most notably this included.
- £1.750m investment in regeneration.
- £1.155m gross to improve standards in the highway maintenance network and to address the impact of the inherited under-investment across the Christchurch locality.
- £500k in arts and culture recognising the importance of taking forward the BCP Cultural Compact.
- Invests a further £8.2m in new additional council priorities as a one-off for 2022/23.
- is based on the delivery of a further £6.6m in assumed annual service-based and transformation-based savings in addition to the £41.3m delivered to support the 2019/20, 2020/21 and 2021/22 budgets, bringing the total service-based annual savings following local government review (LGR) to £47.9m. These savings have prevented some of the cuts to services being implemented by other local authorities at this time and underpin this Council's ability to invest at scale.
- continues the transformation of the council and our journey to create a vibrant new entity which re-imagines and creates a modern and efficient organisation. This includes increasing the resources being committed to the transformation programme

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

Additional Investment into Services	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Adult social care inc public health (*)	12.1	6.4	6.0	5.0	4.8	**34.3**
Children's services (*)	12.3	3.1	2.4	2.5	2.6	**22.9**
Operations and Development	7.6	(2.0)	3.4	2.4	1.9	**13.3**
Resource services	2.2	(1.7)	(0.0)	0.1	0.0	**0.6**
Transformation - ongoing revenue costs	(0.1)	1.1	0.0	0.0	0.0	**1.0**
Income impacted by COVID-19	(7.8)	(1.9)	(1.4)	0.0	0.0	**(11.1)**
Pay Award 2022/23 onwards	5.5	3.5	3.6	3.6	3.6	**19.8**
Pay Award additional 0.75% 21/22	1.3	0.0	0.0	0.0	0.0	**1.3**
Pay and Grading Project - net revenue impact	0.0	0.0	9.1	(4.5)	0.0	**4.6**
Pension fund – tri-annual revaluation impact	0.7	0.2	0.2	0.2	0.2	**1.6**
Increase in employers NICs to fund cap on social care	1.4	0.0	0.0	0.0	0.0	**1.4**
Contingency - reduced to reflect lower Covid related uncertainty	(1.3)	0.2	0.1	0.0	0.0	**(1.0)**
Debt - Additional Capital (MRP & interest repayments)	1.2	1.0	1.5	0.8	0.4	**4.9**
Carters Quay Housing and Regeneration Scheme	0.1	0.1	(0.1)	(0.3)	(0.1)	**(0.2)**
Securitisation of a net income stream to the Council	3.7	0.0	0.0	0.0	0.0	**3.7**
Total Additional Investment into Services	**39.0**	**10.2**	**24.7**	**9.8**	**13.6**	**97.2**
Cumulative Investment into Services	**39.0**	**49.1**	**74.0**	**83.6**	**97.2**	

Additional Resources	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Council tax – revenue	(8.6)	(6.8)	(7.1)	(7.4)	(7.7)	**(37.7)**
Council tax - taxbase	(5.8)	(3.0)	(2.6)	(1.3)	(1.3)	**(14.0)**
Business rates income	(0.5)	0.0	0.0	0.0	0.0	**(0.5)**
Collection fund – (surplus) / deficit distribution net of S31 grant	(4.1)	4.8	(3.5)	0.0	0.0	**(2.8)**
Use of reserves - inc 75% loss draw down	(35.4)	36.1	1.0	0.0	0.0	**1.7**
Core government funding changes	(2.4)	3.3	0.0	0.0	0.0	**0.9**
Specific / ringfenced government funding changes	(5.2)	(0.4)	(0.4)	(0.4)	(0.4)	**(6.7)**
Local council tax support scheme grant 2021/22	3.8	0.0	0.0	0.0	0.0	**3.8**
Sales, fees and charges compensation 2021/22	1.6	0.0	0.0	0.0	0.0	**1.6**
Top slice covid pressures grant 2021/22	1.0	0.0	0.0	0.0	0.0	**1.0**
Investment income	0.0	(0.6)	(0.1)	(0.1)	0.0	**(0.7)**
Refinancing of capital programme	25.1	0.0	0.0	0.0	0.0	**25.1**
Review of inherited resources	4.7	0.0	0.0	0.0	0.0	**4.7**
Transformation savings	(1.2)	(10.0)	(25.2)	0.0	0.0	**(36.4)**
Proposed transfer of revenue costs to transformation	(6.7)	0.0	0.0	6.7	0.0	**0.0**
Service based savings	(5.4)	(5.5)	(6.2)	(2.8)	(2.6)	**(22.4)**
Following transformation, further net FTE reductions	0.0	0.0	0.0	(7.2)	0.0	**(7.2)**
Total annual extra resource & savings	**(39.0)**	**18.0**	**(44.1)**	**(12.5)**	**(11.9)**	**(89.5)**
Cumulative extra resources & savings	**(39.0)**	**(21.0)**	**(65.0)**	**(77.5)**	**(89.5)**	

Annual – Net Funding Gap	**0.0**	**28.2**	**(19.4)**	**(2.7)**	**1.6**	**7.7**
Cumulative MTFP – Net Funding Gap	**0.0**	**28.2**	**8.8**	**6.1**	**7.7**	

Based on the assumptions within the MTFP, the Council will need to identify a further £28.2m of ongoing revenue savings to balance the 2023/24 budget. This is in addition to delivering.

- £18.7m of annual savings from the transformation programme now being assumed from that financial year onwards
- £7.8m of specific savings and efficiencies in Adults and Children's Services. As highlighted by the (*) in the above table and as a matter of policy the growth in both these services areas has been restricted to 2.99% ignoring any contribution towards the already assumed transformation savings.

This restriction applies from 2023/24 onwards. The restriction is being applied as the council cognises that above inflationary increases in Adults and Children's Services are unstainable. This restriction should be seen alongside the potential extension of the transformation programme. Council will therefore be asked to proactively consider using some of the potential excess capital receipts from the beach hut proposal on specific transformation workstreams in Adults and Children's Services to support the delivery of the changes needed to deliver these savings.
As part of this approach Portfolio Holders and officers will need to deliver a range of proposals for consideration in advance of the formal budget setting for 2023/24 and annually thereafter.

- As a matter of policy, an increase on all local fees and charges in line with inflation

Besides the policy decisions around the restriction of growth in Adults and Children's Services, and the application of an inflationary increase to all local fees and charges from 2023/24 onwards, the MTFP also assumes that a further level of FTE savings in 2025/26 following transformation to reflection the overall level of investment being made.

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.

Eleven years of austerity, the impact of Covid-19 and high inflation have had a significant effect on the financial position of the council. The council has set a balanced budget for 2022/23, but the financial effects of the pandemic continue to be felt as well as inflationary pressures. The Cost of living impact in terms of additional cost has been forecast to total £18.7 million.

The 2022/23 budget includes a £2.2 million base budget revenue contingency which has been reduced by £1.3 million as 2021/22 was increased due to the increased level of uncertainty due to the pandemic.

The council's transformation programme is critical in helping balance the budget over the period of the MTFP. Transformation savings of £8.7 million are built into the 2022/23 budget, with a further £10 million per annum from 2023/24 and £25.2 million per annum from the following year, to give a total annual transformation savings target of £36.4 million by 2024/25.

Based on the assumptions within the MTFP, and the recovery of the majority of the councils sales, fees and charges income streams from the 1 April 2022, the council will need to identify further savings of £28.2 million to balance the 2023/24 budget but this drops to a cumulative deficit of £8.8 million for 2024/25 as the council moves to a net surplus position expected through transformation delivery. The financial strategy workstreams identified as part of the MTFP will be crucial in allowing the council to balance its books over the medium term. This excludes the impact of the cost of living pressures which the earliest forecast was £18.7 million.

The intention underpinning the 2023/24 funding gap is the use of complex capital transactions as a mechanism for balancing the budget. These proposals are still be worked on but due to their innovative nature they do carry a level of risk in their use. This is recognised in the risk assessment of reserves carried out alongside the budget setting of 2022/23.

Although there are a number of external and internal challenges for the Council to face the assessment of the council is that despite these, its financial position is compatible with the status of a going concern.

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:

<u>Five Parks Charity</u>

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.

Asset Valuations

Property, plant and equipment (PPE) assets, for the group saw a year-on-year movement of £100.7 million, with a total value of £1,826.1 million as at 31 March 2022. Prior year was subject to material uncertainty due to Covid 19 global pandemic. At the valuation date these factors have stabilised, and their effects have been rebalanced into the UK's economy and therefore property market and are therefore no longer creating material uncertainty in property valuations. However other two other factors (the war in Ukraine and the cost-of-living crisis) have come into play that are creating instability, which whilst are not considered to be at the level of material uncertainty, are causing valuers to reflect upon their impact.

Where valuations are undertaken that include build cost information there may be some degree of uncertainty caused by inflation in materials cost that the build cost indices will not reflect due to the time lag in reported data. The present cost of living crisis in the UK does not appear to have affected property values yet. This is a factor that may yet come into play over the next 12 months.

Investment properties had a year-on-year movement of £2.4 million, with a total value of £92.7 million at the balance sheet date. Investment property valuations are made on the basis of fair value and use income projections to inform the valuation of these assets.

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 2022. 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:

- HRA 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 HRA 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 HRA financial statements which provide further financial information to enhance understanding of the HRA.

The Collection Fund Statement – 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 set out the respective responsibilities of the Council and the Director of Finance as the Council's S151 Officer.

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.

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.

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

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Council's Responsibilities

The Council is required:

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

2. Chief Financial Officer Responsibilities

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

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

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

The S151 Officer has also:

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

3. S151 Officer's Certificate

I certify that the Statement of Accounts provides a true and fair view of the financial position of BCP Council and its income and expenditure for the year ended 31 March 2022.

Adam Richens **Date: 31 May 2024**
S151 Officer

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

Cllr Marcus Andrews **Date: 31 May 2024**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

RESTATED 2020/21 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		2021/22 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
229,527	(129,395)	100,132	Adult Services	233,112	(115,076)	118,036
201,800	(121,224)	80,576	Childrens Services	220,462	(123,057)	97,405
188,962	(99,646)	89,316	Operations *	222,875	(132,777)	90,097
156,852	(132,507)	24,345	Resources	162,284	(122,519)	39,765
2,702	-	2,702	Transformation	8,500	-	8,500
36,710	(45,875)	(9,166)	Housing Revenue Account	44,564	(47,008)	(2,444)
28,444	-	28,444	Corporate Items	58,702	0.00	58,702
844,996	**(528,647)**	**316,350**	**Cost of Services**	**950,498**	**(540,437)**	**410,061**
2,492	(2,703)	(211)	Other Operating Expenditure (see Note 9)	6,108	-	6,108
56,091	(28,405)	27,686	Financing and Investment Income and Expenditure (see Note 10)	50,165	(30,435)	19,730
4	(360,332)	(360,328)	Taxation and Non-Specific Grant Income (see Note 11)	-	(350,711)	(350,711)
903,583	**(920,086)**	**(16,503)**	**(Surplus) or Deficit on Provision of Services**	**1,006,771**	**(921,583)**	**85,188**
		(57,098)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(68,750)
		202,948	Re-measurement of the Net Defined Benefit Liability			(260,348)
		145,850	**Other Comprehensive Income and Expenditure**			**(329,098)**
		129,347	**Total Comprehensive Income and Expenditure**			**(243,910)**

* Please note that the previous directorates of 'Regeneration & Economy' and 'Environment & Community' have been merged into 'Operations' directorate' for the year ending 31/3/2022 and restated in the merged directorate for 2020/21.

MOVEMENT IN RESERVES STATEMENT 2021/22

	General Fund Unearmarked	GF Earmarked Reserves	Total General Fund	Housing Revenue Account Unearmarked	HRA Earmarked Reserves	Total Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants unapplied account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2021	(15,349)	(159,806)	**(175,155)**	(1,746)	(15,524)	**(17,270)**	**(7,516)**	**(17,356)**	**(32,810)**	**(250,107)**	**(286,871)**	**(536,979)**
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	87,762	-	**87,762**	(2,574)	-	**(2,574)**	-	-	-	85,188	-	85,188
Other Comprehensive Income and Expenditure - CIES	-	-		-			-	-	-	-	(329,098)	(329,098)
Total Comprehensive Income and Expenditure	87,762	-	**87,762**	(2,574)	-	**(2,574)**	**-**	**-**	**-**	**85,188**	**(329,098)**	**(243,909)**
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 7)	(49,359)	-	**(49,359)**	9,094	-	**9,094**	6,755	2,716	(597)	(31,390)	31,390	**-**
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	38,403	-	**38,403**	6,520	-	**6,520**	**6,755**	**2,716**	**(597)**	**53,798**	**(297,708)**	**(243,909)**
Transfers (to) / from Earmarked Reserves (See Note 8)	(38,403)	38,403	**-**	(12,746)	12,746	**-**	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	(0)	38,403	**38,403**	(6,225)	12,746	**6,520**	**6,755**	**2,716**	**(597)**	**53,798**	**(297,708)**	**(243,909)**
Balance at 31 March 2022	(15,350)	(121,403)	**(136,752)**	(7,972)	(2,778)	**(10,750)**	**(761)**	**(14,640)**	**(33,407)**	**(196,310)**	**(584,579)**	**(780,889)**

MOVEMENT IN RESERVES STATEMENT 2020/21

	General Fund Unearmarked	GF Earmarked Reserves	Total General Fund	Housing Revenue Account Unearmarked	HRA Earmarked Reserves	Total Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants unapplied account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	(10,705)	(76,141)	**(86,846)**	(1,837)	(14,235)	**(16,071)**	**(11,741)**	**(19,122)**	**(37,527)**	**(171,308)**	**(495,017)**	**(666,325)**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(4,644)		**(4,644)**							**(4,644)**	4,644	**-**
Restated balance as at 1 April 2020	(15,349)	(76,141)	**(91,490)**	(1,837)	(14,235)	**(16,071)**	**(11,741)**	**(19,122)**	**(37,527)**	**(175,952)**	**(490,373)**	**(666,325)**
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	(13,941)	-	**(13,941)**	(2,563)	-	**(2,563)**	-	-	-	(16,504)	-	(16,504)
Other Comprehensive Income and Expenditure - CIES	-	-		-			-	-	-	-	145,850	145,850
Total Comprehensive Income and Expenditure	(13,941)	-	**(13,941)**	(2,563)	-	**(2,563)**	**-**	**-**	**-**	**(16,504)**	**145,850**	**129,347**
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 7)	(69,724)	-	**(69,724)**	1,365	-	**1,365**	4,225	1,766	4,717	(57,651)	57,651	**-**
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	(83,665)	-	**(83,665)**	(1,198)	-	**(1,198)**	**4,225**	**1,766**	**4,717**	**(74,156)**	**203,501**	**129,347**
Transfers (to) / from Earmarked Reserves (See Note 8)	83,665	(83,665)	**-**	1,289	(1,289)	**-**	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	(0)	(83,665)	**(83,665)**	91	(1,289)	**(1,198)**	**4,225**	**1,766**	**4,717**	**(74,156)**	**203,501**	**129,347**
Balance at 31 March 2021	(15,349)	(159,806)	**(175,155)**	(1,746)	(15,524)	**(17,270)**	**(7,516)**	**(17,356)**	**(32,810)**	**(250,107)**	**(286,871)**	**(536,977)**

BALANCE SHEET 2021/22

	Note	31/03/21 £'000	31/03/22 £'000
Property, Plant and Equipment	**12**	1,696,546	1,789,510
Heritage Assets		623	608
Investment Property	**13**	90,225	92,687
Intangible Assets		320	528
Long-Term Investments		4	4
Long-Term Debtors	**14**	10,882	19,762
Long-Term Assets		**1,798,600**	**1,903,099**
Short-Term Investments	**14**	56,920	119,975
Assets Held for Sale		6,300	5,582
Inventories		1,152	1,408
Short-Term Debtors	**16**	85,232	72,724
Cash and Cash Equivalents	**17**	1,369	34,698
Current Assets		**150,973**	**234,387**
Bank Overdraft	**17**	(4,239)	(12,457)
PFI Current Obligation		(515)	(554)
Finance Lease Current Obligation		(109)	-
Short-Term Borrowing	**14**	(37,307)	(3,788)
Short-Term Creditors	**18**	(137,228)	(167,043)
Grants Receipts in Advance - Revenue	**30**	(6,034)	(16,908)
Grants Receipts in Advance - Capital	**30**	(37,054)	(56,718)
Current Liabilities		**(222,486)**	**(257,468)**
Provisions	**19**	(23,851)	(30,020)
Long-Term Borrowing	**14**	(157,491)	(253,331)
PFI Capital Obligation		(7,819)	(7,265)
Pensions Liability	**35**	(1,000,949)	(808,513)
Long-Term Liabilities		**(1,190,110)**	**(1,099,129)**
Net Assets		**536,977**	**780,889**
Usable Reserves	**20**		
General Fund		(15,349)	(15,349)
Housing Revenue Account		(1,746)	(7,972)
Earmarked Reserves		(175,330)	(124,181)
Major Repairs Reserve		(7,516)	(761)
Capital Receipts Reserve		(17,356)	(14,640)
Capital Grants Unapplied Account		(32,810)	(33,407)
Unusable Reserves	**21**		
Revaluation Reserve		(457,691)	(516,224)
Capital Adjustment Account		(885,718)	(911,616)
Deferred Capital Receipts Reserve		(1,565)	(1,494)
Financial Instrument Adjustment Account		68	35
Pensions Reserve		1,000,949	808,513
Accumulated Absences Account		4,483	4,769
Collection Fund Adjustment Account		44,751	11,120
Dedicated School Grant Adjustment Account		7,853	20,318
Reserves		**(536,977)**	**(780,889)**

The unaudited accounts were issued on the 29 July 2022 by the S151 Officer and the audited accounts were authorised by the S151 officer on 31 May 2024. The accounts were amended following the external audit.

Cash Flow Statement – Prior Period Adjustment

It was identified that the Council has misstated the net cashflows from investing activities in the prior period of 2020/21 financial year ending on the 31 March 2021. In accordance with 3.3.2.5 of the CIPFA code of practice the Council has re-stated the Cash Flow Statement in the prior period. There is no impact to the opening or closing Balance Sheet and the net impact is nil to both the Cash Flow Statement and Balance Sheet.

In order for the Council to present more reliable information on its investing activities, it has been essential to restate both the Cash Flow Statement and appending disclosures 22 and 23 as follows:

	Note	2020/21 £'000	Restated 2020/21 £'000	2021/22 £'000
Net surplus or (deficit) on the provision of services		16,503	16,503	(85,188)
Adjustment to surplus or deficit on the provision of services for noncash movements	22	73,924	73,924	204,239
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	2,250,408	(63,274)	(48,097)
Net Cash flows from operating activities		**2,340,835**	**27,153**	**70,954**
Net Cash flows from Investing Activities	23	(2,304,808)	8,874	(127,784)
Net Cash flows from Financing Activities	24	(36,859)	(36,859)	81,941
Net increase or (decrease) in cash and cash equivalents		**(832)**	**(832)**	**25,111**
Cash and cash equivalents at the beginning of the reporting period		**(2,038)**	**(2,038)**	**(2,870)**
Cash and cash equivalents at the end of the reporting period		**(2,870)**	**(2,870)**	**22,241**

Restated Prior Year Disclosure 22 – Cashflow Statement Operating Activities

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

	2020/21 £'000	Restated 2020/21 £'000	2021/22 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,941)	(6,941)	(6,668)
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	2,313,682	0	0
Any other items for which the cash effects are investing or financing cash flows	(56,333)	(56,333)	(41,429)
	2,250,408	**(63,274)**	**(48,097)**

Restated Prior Year Disclosure 23 – Cashflow Statement Investing Activities

	2020/21 £'000	Restated 2020/21 £'000	2021/22 £'000
Purchase of property, plant & equipment, investment property and intangible assets	(87,397)	(87,397)	(105,068)
Purchase of short-term and long-term investments	(2,286,542)	(2,286,542)	(1,034,150)
Other payment for investing activities	(1,891)	(1,891)	(13,766)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,009	9,009	10,269
Proceeds from short-term and long-term investments	0	2,313,682	970,860
Capital Grants Received	62,013	62,013	44,071
Net cash flows from investing activities	**(2,304,808)**	**8,874**	**(127,784)**

NOTES TO THE CORE FINANCIAL STATEMENTS

1a. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2021/22 (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. (Please note that the previous directorates of Regeneration & Economy and Environment & Community have merged into 'Operations')

2021/22

	Management Accounts Report General Fund & HRA	Adjustments	Net Expenditure Chargeable to the General Fund Unearmarked	Net Expenditure Chargeable HRA Unearmarked	General Fund Earmarked Reserves	HRA Earmarked Reserves	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Services	113,177	3,713	116,890	-	-	-	1,146	118,036
Childrens Services	79,645	13,761	93,406	-	-	-	3,999	97,405
Operations	43,722	17,474	61,196	-	-	-	28,901	90,097
Resources	48,159	(7,681)	40,478	-	-	-	(713)	39,765
Transformation	2,621	5,879	8,500	-	-	-	-	8,500
Housing Revenue Account	(6,225)	(5,190)	-	(11,415)	-	-	8,971	(2,444)
Corporate Items	-	-	-	-	-	-	58,702	58,702
Net Cost of Services	**281,099**	**27,956**	**320,470**	**(11,415)**	**-**	**-**	**101,006**	**410,061**
Other Operating Expenditure			1,592	-			4,516	6,108
Financing and Investment Income and Expenditure			(3,056)	5,247			17,540	19,730
Taxation and Non-Specific Grant Income			(275,650)	-			(75,061)	(350,711)
Other Income and Expenditure			**(277,113)**	**5,247**	**-**	**-**	**(53,006)**	**(324,873)**
Statutory provision for the financing of capital investment			10,511	-			(10,511)	-
Capital expenditure charged to balances			904	12,746			(13,649)	-
Renewable Energy Projects			-				0	-
Transfer of Deferred Capital Receipts			(27)				27	-
Disposal Costs Chargeable to Capital Receipts				(57)			57	-
Flexible use of capital receipts			(3,879)				3,879	-
Dedicated Schools Grants Deficit			(12,465)				12,465	-
Movements to/from reserves			(38,403)	(12,746)	38,403	12,746	-	-
(Surplus) or Deficit			**(0)**	**(6,225)**	**38,403**	**12,746**	**40,265**	**85,188**
Opening General Fund & HRA Balance			**(15,349)**	**(1,746)**	**(159,806)**	**(15,524)**		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			(0)	(6,225)	38,403	12,746		
Closing General Fund & HRA Balance at 31 March			**(15,349)**	**(7,972)**	**(121,402)**	**(2,778)**		

2020/21

					2020/21			
	Management Accounts Report General Fund & HRA	Adjustments	Net Expenditure Chargeable to the General Fund Unearmarked	Net Expenditure Chargeable HRA Unearmarked	General Fund Earmarked Reserves	HRA Earmarked Reserves	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Services	98,016	84	98,100	-	-	-	2,031	100,131
Childrens Services	69,950	2,961	72,911	-	-	-	7,665	80,576
Operations	68,513	(348)	68,165	-	-	-	21,154	89,318
Resources	33,319	(7,793)	25,526	-	-	-	(1,181)	24,345
Transformation	2,262	440	2,702	-	-	-	-	2,702
Housing Revenue Account	-	-	-	(11,011)	-	-	1,846	(9,165)
Corporate Items	-	18	18	-	-	-	28,426	28,444
Net Cost of Services	**267,420**	**267,420**	**267,420**	**(11,011)**	**-**	**-**	**59,940**	**316,350**
Other Operating Expenditure			1,578	-			(1,789)	(211)
Financing and Investment Income and Expenditure			(1,965)	5,375			24,277	27,686
Taxation and Non-Specific Grant Income			(358,927)	-			(1,400)	(360,328)
Other Income and Expenditure			**(359,315)**	**5,375**	**-**	**-**	**21,087**	**(332,853)**
Statutory provision for the financing of capital investment			9,431	-			(9,431)	-
Capital expenditure charged to balances			2,303	4,592			(6,895)	-
Renewable Energy Projects			42.17				(42)	-
Transfer of Deferred Capital Receipts			(26)				26	-
Disposal Costs Chargeable to Capital Receipts				(154)			154	-
Flexible use of capital receipts			(311)				311	-
Dedicated Schools Grants Deficit			(3,209)				3,209	-
Movements to/from reserves			83,665	1,289	(83,665)	(1,289)	-	-
(Surplus) or Deficit			**0**	**91**	**(83,665)**	**(1,289)**	**68,359**	**(16,503)**
Opening General Fund & HRA Balance			**(15,349)**	**(1,837)**	**(76,141)**	**(14,235)**		
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			0	91	(83,665)	(1,289)		
Closing General Fund & HRA Balance at 31 March			**(15,349)**	**(1,746)**	**(159,806)**	**(15,524)**		

1b. 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.

2021/22

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	2,846	(1,714)	14	**1,146**
Childrens Services	6,423	(2,569)	145	**3,999**
Operations	33,020	(4,212)	94	**28,901**
Resources	1,229	(2,007)	66	**(713)**
Housing Revenue Account	9,301	(319)	(12)	**8,971**
Corporate Items	(2)	58,694	10	**58,702**
Net Cost of Services	**52,817**	**47,873**	**317**	**101,006**
Other Income and Expenditure from the Funding Analysis	(40,278)	20,039	(32,767)	**(53,006)**
Statutory provision for the financing of capital investment	(10,511)	-	-	**(10,511)**
Capital expenditure charged to balances	(13,649)	-	-	**(13,649)**
Renewable Energy Projects	0	-	-	**0**
Transfer of Deferred Capital Receipts	27	-	-	**27**
Disposal Costs Chargeable to Capital Receipts	57	-	-	**57**
Flexible use of capital receipts	3,879	-	-	**3,879**
Dedicated Schools Grants Deficit	12,465	-	-	**12,465**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**4,807**	**67,912**	**(32,450)**	**40,265**

2020/21

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	3,442	(1,630)	219	**2,031**
Childrens Services	8,524	(2,313)	1,454	**7,665**
Environment & Community	6,099	(2,231)	166	**4,034**
Regeneration & Economy	18,395	(1,631)	355	**17,119**
Resources	681	(2,035)	172	**(1,181)**
Housing Revenue Account	2,093	(282)	35	**1,846**
Corporate Items	1,229	27,183	13	**28,426**
Net Cost of Services	**40,465**	**17,061**	**2,414**	**59,938**
Other Income and Expenditure from the Funding Analysis	(44,176)	17,599	47,664	**21,088**
Statutory provision for the financing of capital investment	(9,431)	-	-	**(9,431)**
Capital expenditure charged to balances	(6,895)	-	-	**(6,895)**
Renewable Energy Projects	(42)	-	-	**(42)**
Transfer of Deferred Capital Receipts	26	-	-	**26**
Disposal Costs Chargeable to Capital Receipts	154	-	-	**154**
Flexible use of capital receipts	311	-	-	**311**
Dedicated Schools Grants Deficit	3,209	-	-	**3,209**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**(16,379)**	**34,660**	**50,078**	**68,358**

(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.

1c. Expenditure and Income Analysed by Nature

	2020/21 Restated * £'000	2021/22 £'000
Expenditure		
Employee benefits expenses	278,792	325,691
Other services expenses	541,754	584,990
Capital Charges*	49,514	61,629
Interest payments	8,374	9,210
Precepts and levies	1,578	1,592
Payments to Housing Capital Receipts Pool	914	914
Loss on the disposal of assets	-	3,602
REFCUS	9,392	12,372
Movement on Investment Properties	6,733	-
Pension Backfunding	5,910	6,089
Apprentice Levy	622	682
Total expenditure	**903,583**	**1,006,771**
Income		
Fees, charges and other service income	(135,055)	(166,006)
Corporate Income	(2,354)	(6,063)
Gain on the disposal of assets	(2,695)	-
Movement on Investment Properties	-	(2,450)
Interest and investment income	(28,172)	(27,421)
Income from council tax, non-domestic rates	(219,755)	(253,113)
Government grants and contributions	(532,056)	(466,531)
Total income	**(920,087)**	**(921,583)**
Surplus or Deficit on the Provision of Services	**(16,504)**	**85,188**

* Capital charges include depreciation and amortisation of intangible assets.

1. Included within the Council's Income from fees and charges of £166.1 million, the amounts attributable to revenue derived from contracts with service recipients in accordance with accounting standard IFRS 15 was £107.9 million (2020/21 amounts within fees and charges of £135.1 million was £93.5 million) are as follows:

	* Restated 2020/21 £'000	2021/22 £'000
Car Parks	(13,980)	(21,487)
Housing Services	(5,858)	(3,467)
HRA Housing Rents	(42,857)	(43,406)
Other	(4,217)	(6,555)
Waste & Environmental Services	(7,551)	(8,530)
Beaches	(3,518)	(6,694)
Beach Huts	(5,525)	(7,205)
Bereavement and Crematorium	(4,400)	(3,911)
Adult Social Care	(156)	(198)
Growth & Infrastructure	(261)	(667)
Parks & Buildings	(2,633)	(2,870)
Leisure and Recreational	(1,135)	(2,446)
Children Social Care	(245)	(9)
Hire of premises	(1,135)	(402)
Total Income from Contracts with Service Recipients	**(93,473)**	**(107,847)**

* Note 1c 'Amounts derived from contracts with service recipients' has been restated from £139.9million in the prior year as amounts identified within fees and charges represented other income not attributable to income from contracts with service recipients. Where HRA housing revenue account tenancy rents have been included the Council has followed 4.2 of the code and IPSAS 9 'Revenue from exchange transactions', all other income from contracts with service recipients follows 2.7 of the CIPFA code of practice. This is to include tenancy rental agreements for social housing whereby a contract form exists.

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.

3. 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:

Local Government Funding

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

Wholly Owned Subsidiaries of the Council

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e., the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

The Council has assessed its group boundary for 2021/22. The Council has produced Group Accounts for subsidiaries which it controls and whose assets are material. It has been deemed that the Lower Central Gardens Trust, Five Parks Charity and Russell-Cotes Art Gallery and Museum Charitable Trust meet these requirements. The Council considers that the other subsidiaries and entities that have not been consolidated are not material from both a qualitative and quantitative perspective to the user of the accounts. Further details are set out in the Group Accounts note.

4. Assumptions made about the future and other major sources of estimation uncertainty

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

Further details on the impact to the Council's Balance Sheet regarding the impact of uncertainty are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Other Land and Buildings – Valuation of Assets, Asset life and Valuer Assumptions	The carrying value of Land and building Assets and its remaining useful lives (RUL) are assessed by the Council's Valuers. Valuations contain estimates and assumptions made by qualified and experienced valuers including nationally derived building cost indices and income and yield estimates. Council dwellings are subject to less uncertainty as an active market exists for housing providing reliable price movement data. The value of Other Land and Buildings as at 31 March 2022 was £768.5 million net book value (NBV)	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 Land and Buildings were to reduce by 10% that would equate to £77 million movement on Property, Plant and Equipment in the statement of accounts.
Pensions 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	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the Rate for Discount Scheme Liabilities would result in a decrease in the pension liability of £58.865 million. The Sensitivity Analysis is provided in Note 35 in a table outlining the impact on the Defined Benefit Obligation in the Scheme.

	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 pension liability amount on the 31 March 2022 was £808.5 million.	
Investment Properties	Investment Properties are measured initially at cost and subsequently at fair value in accordance with IFRS 13 'Fair Value Measurement' and in line with the Council's Accounting policies in Note 37. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, the entity uses the assumptions that market participants would use when pricing the asset under current market conditions, including assumptions about risk. As investment properties under IAS 40 are held solely to earn rentals and/or for capital appreciation, market yields may be subject to volatility or estimation uncertainties and are therefore an assumption considered by the Valuer. BCP's Investment properties have been valued by RICS registered Valuers 'Norse Consulting Group Ltd' during the year and the value of properties held in the investment property portfolio as at 31 March 2022 was £92.7 million.	A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement. A reduction in value of investment property of 10% would result in a reduction of £9.27 million.

5. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the S151 Officer on 29 July 2022. There were no significant events at the time of publishing these accounts.

6. Adjustments between Accounting Basis and Funding Basis under Regulation

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2021/22

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments Primarily Involving the Capital Adjustment Account								
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:								
Depreciation and Impairment of Non-Current Assets	(29,422)	6,135	-	-	-	(23,287)	23,287	-
Revaluation Losses on Property, Plant and Equipment	(10,784)	(15,436)	-	-	-	(26,220)	26,220	-
Movement in the Market Value of Investment Property	2,450	-	-	-	-	2,450	(2,450)	-
Amortisation of Intangible Assets	(64)	-	-	-	-	(64)	64	-
Capital Grants and Contributions Applied	33,001	3,886	-	-	-	36,887	(36,887)	-
Revenue Expenditure Funded from Capital under Statute	(12,372)	-	-	-	-	(12,372)	12,372	-
Grant Finance of Revenue Expenditure Funded from Capital	9,126	-	-	-	-	9,126	(9,126)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(6,905)	(3,364)	-	-	-	(10,269)	10,269	-
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	10,511	-	-	-	-	10,510	(10,510)	-
Capital Expenditure charged against General Fund and HRA Balances	904	12,746	-	-	-	13,648	(13,648)	-
Sub Total Carried overleaf	**(3,555)**	**3,966**	**-**	**-**	**-**	**412**	**(412)**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2021/22 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	**(3,555)**	**3,966**	**-**	**-**	**-**	**412**	**(412)**	**-**
<u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	4,140	402	-	-	(4,542)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	3,945	3,945	(3,945)	-
<u>Adjustments Primarily Involving the Capital Receipts Reserve</u>								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	795	5,873	-	(6,668)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	(10)	-	-	-	-	(10)	10	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	4,568	-	4,568	(4,568)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	-	-	-	-	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	(57)	-	57	-	-	-	-
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	-	-	-	-	-	-	-	-
Flexible use of capital receipts funding transformation	(3,879)	-	-	3,879	-	-	-	-
Sub Total Carried overleaf	**(3,423)**	**10,184**	**-**	**2,750**	**(597)**	**8,914**	**(8,914)**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2021/22 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	**(3,423)**	**10,184**	**-**	**2,750**	**(597)**	**8,914**	**(8,914)**	**-**
Adjustments Primarily Involving the Major Repairs Reserve:								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(11,637)	-	-	(11,637)	11,637	-
Use of Major Repairs Reserve to repay debt	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	18,391	-	-	18,391	(18,391)	-
Adjustments Primarily involving the Deferred Capital Receipts Reserve:								
Transfer of Deferred Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(27)	-	-	(34)	-	(61)	61	-
Adjustments Primarily involving the Financial Instruments Adjustment Account:								
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	32	-	-	-	-	32	(32)	-
Adjustments Primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(66,810)	(1,102)	-	-	-	(67,912)	67,912	-
Sub Total Carried overleaf	**(70,228)**	**9,083**	**6,755**	**2,716**	**(597)**	**(52,271)**	**52,271**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2021/22 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	**(70,228)**	**9,083**	**6,755**	**2,716**	**(597)**	**(52,271)**	**52,271**	**-**
Adjustments Primarily involving the Collection Fund Adjustment Account:								
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	33,632	-	-	-	-	33,632	(33,632)	-
Adjustments Primarily Involving the Accumulated Absences Account:								
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	(297)	12	-	-	-	(286)	286	-
Adjustments Primarily Involving the Dedicated School Grants Deficit:								
Amount transferred in year to the Dedicated School Grant Deficit reserve	(12,465)	-	-	-	-	(12,465)	12,465	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	**(49,359)**	**9,094**	**6,755**	**2,716**	**(597)**	**(31,390)**	**31,390**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2020/21

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments Primarily Involving the Capital Adjustment Account								
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:								
Depreciation and Impairment of Non-Current Assets	(28,635)	3,567	-	-	-	(25,069)	25,069	-
Revaluation Losses on Property, Plant and Equipment	(7,423)	(5,658)	-	-	-	(13,081)	13,081	-
Movement in the Market Value of Investment Property	(6,733)	-	-	-	-	(6,733)	6,733	-
Amortisation of Intangible Assets	(5)	-	-	-	-	(5)	5	-
Capital Grants and Contributions Applied	49,248	-	-	-	-	49,248	(49,248)	-
Revenue Expenditure Funded from Capital under Statute	(9,392)	(2)	-	-	-	(9,394)	9,394	-
Grant Finance of Revenue Expenditure Funded from Capital	7,085	-	-	-	-	7,085	(7,085)	-
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	(728)	(3,510)	-	-	-	(4,238)	4,238	-
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	9,431	-	-	-	-	9,430	(9,430)	-
Capital Expenditure charged against General Fund and HRA Balances	2,303	4,592	-	-	-	6,894	(6,894)	-
Sub Total Carried overleaf	**15,149**	**(1,011)**	**-**	**-**	**-**	**14,138**	**(14,138)**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2020/21 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	**15,149**	**(1,011)**	**-**	**-**	**-**	**14,138**	**(14,138)**	**-**
Adjustments Primarily Involving the Capital Grants Unapplied Account								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	(1,042)	-	-	-	1,042	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	3,676	3,676	(3,676)	-
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	3,793	3,148	-	(6,941)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	(13)	-	-	-	-	(13)	13	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	2,279	-	2,279	(2,279)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	5,582	-	5,582	(5,582)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	(154)	-	154	-	-	-	-
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	-	-	-	(500)	-	(500)	500	-
Flexible use of capital receipts funding transformation	(311)	-	-	311	-	-	-	-
Sub Total Carried overleaf	**16,663**	**1,983**	**-**	**1,799**	**4,717**	**25,162**	**(25,162)**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2020/21 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	**16,663**	**1,983**	**-**	**1,799**	**4,717**	**25,162**	**(25,162)**	**-**
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(11,005)	-	-	(11,005)	11,005	-
Use of Major Repairs Reserve to repay debt	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	15,229	-	-	15,229	(15,229)	-
<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	(26)	-	-	(34)	-	(59)	59	-
<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	69	-	-	-	-	69	(69)	-
<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	(34,077)	(583)	-	-	-	(34,660)	34,660	-
Sub Total Carried overleaf	**(17,371)**	**1,400**	**4,225**	**1,766**	**4,717**	**(5,263)**	**5,263**	**-**

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2020/21 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	**(17,371)**	**1,400**	**4,225**	**1,766**	**4,717**	**(5,263)**	**5,263**	**-**
Adjustments Primarily involving the Collection Fund Adjustment Account:								
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	(46,805)	-	-	-	-	(46,805)	46,805	-
Adjustments Primarily Involving the Accumulated Absences Account:								
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	(2,338)	(35)	-	-	-	(2,374)	2,374	-
Adjustments Primarily Involving the Dedicated School Grants Deficit:								
Amount transferred in year to the Dedicated School Grant Deficit reserve	(3,209)	-	-	-	-	(3,209)	3,209	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	**(69,724)**	**1,365**	**4,225**	**1,766**	**4,717**	**(57,651)**	**57,651**	**-**

8. Transfers to/from Earmarked Reserves

	Balance as at 31 March 2020 £'000	Covid Resilience £'000	Transformation £'000	Net Movement £'000	Balance as at 31 March 2021 £'000	Net Movement £'000	Balance as at 31 March 2022 £'000
Financial Resilience Reserves	**(13,318)**	1,688	10,330	(52,002)	**(53,302)**	10,676	**(42,626)**
Transition and Transformation Reserves	**(3,454)**	(6,529)	720	(7,071)	**(16,334)**	2,000	**(14,334)**
Asset Investment Strategy Rent, Renewals and Repairs	**(2,491)**	0	0	276	**(2,215)**	(775)	**(2,990)**
Insurance Reserve	**(3,500)**	0	0	0	**(3,500)**	0	**(3,500)**
Held in Partnership for External Organisations	**(3,071)**	0	0	(614)	**(3,685)**	(782)	**(4,467)**
Required by Statute or Legislation	**(3,013)**	2,591	0	(125)	**(547)**	(205)	**(752)**
Planning Related	**(1,396)**	461	0	(129)	**(1,064)**	316	**(748)**
Government Grants	**(7,088)**	0	0	(1,531)	**(8,619)**	(2,573)	**(11,192)**
Government Grants (Covid)	**(11,102)**	0	0	(7,346)	**(18,448)**	8,869	**(9,579)**
NNDR Covid Grants	**0**	0	0	(40,409)	**(40,409)**	22,408	**(18,001)**
Maintenance	**(1,601)**	224	0	(75)	**(1,452)**	51	**(1,401)**
ICT Development & Improvement	**(1,203)**	380	0	(186)	**(1,009)**	(417)	**(1,426)**
Corporate Priorities & Improvements	**(2,529)**	1,185	0	(564)	**(1,908)**	(401)	**(2,309)**
Covid recovery resources	**0**	0	0	(1,318)	**(1,318)**	313	**(1,005)**
Balances held by schools under a scheme of delegatio	**(2,791)**	0	0	(304)	**(3,095)**	(967)	**(4,062)**
Earmarked for Capital	**(19,583)**	0	0	16,682	**(2,901)**	(109)	**(3,011)**
Earmarked Reserves	**(76,140)**	**0**	**11,050**	**(94,716)**	**(159,806)**	**38,403**	**(121,403)**
Housing Revenue Account							
Housing Revenue Account - Bournemouth	**(14,235)**	0	0	(1,289)	**(15,524)**	12,746	**(2,779)**
Housing Revenue Account Total	**(14,235)**	**0**	**0**	**(1,289)**	**(15,524)**	**12,746**	**(2,779)**
Total General Fund and HRA Reserves	**(90,375)**	**0**	**11,050**	**(96,005)**	**(175,330)**	**51,149**	**(124,181)**

9. Other Operating Expenditure

	2020/21 £'000	2021/22 £'000
Levies & Parish Precept	1,578	1,592
Payments to the government housing capital receipts pool	914	914
Net cost of Disposal	(2,703)	3,602
Total	**(211)**	**6,108**

10. Financing and Investment Income and Expenditure

	2020/21 £'000	2021/22 £'000
Interest payable and similar charges	8,497	9,210
Net Interest on the net defined benefit liabilities	17,599	20,039
Interest receivable and similar income	(1,181)	(1,394)
Income and expenditure in relation to investment properties	(3,963)	(5,675)
Changes in their fair value of investment properties	6,734	(2,450)
Total	**27,686**	**19,730**

11. Taxation and Non-Specific Grant Income

	2020/21 £'000	2021/22 £'000
Income from council tax	(213,042)	(179,960)
Business rates income and expenditure	(6,713)	(73,153)
Non-ring-fenced government grants	(8,978)	(7,965)
NNDR Section 31 Grant	(51,425)	(28,644)
Covid 19 Support Grants	(17,940)	(16,571)
Covid 19 Loss of fees and charges grant	(14,024)	(2,989)
Capital grants and contributions	(48,206)	(41,429)
Total	**(360,328)**	**(350,711)**

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	No depreciation, due to indefinite life
Highways infrastructure	20-50 years
Bridges	125 years
Coast protection infrastructure	25-50 years
Plant and equipment	5-20 years

Vehicles	5-10 years
Intangibles	1-3 years
Council Dwellings	50-99 years

Capital Commitments

At 31st March 2022, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years. The major commitments are as follows:

	2020/21	2021/22
	£'000	£'000
Carter's Quay New Homes Development	-	34,071
Council Housing Improvements	25,825	15,984
Corporate Assets	1,499	-
Schools and Education Projects	5,449	-
Coast Protection	1,213	-
Total Significant Capital Commitments	**33,986**	**50,055**

Revaluations

The authority carries our rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. 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 Norse Consulting Group Ltd and the Valuation Office Agency. The valuations are as at 31 March 2022. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices.

The significant assumptions applied in estimating the current values of property, plant and equipment are outlined in Note 4, and Note 13 for estimating the fair value of Investment and Surplus Assets.

	HRA Assets	Other Land & Buildings (incl PFI)	Vehicles, Plant & Equipment	Infrastructure	Community Asset	Surplus Asset	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic Cost	13,049		32,015	311,079	17,673		3,941	377,757
Valued at current value :								
2021/22	668,537	394,617				11,372	-	1,074,526
2020/21		49,970						49,970
2019/20		160,863						160,863
2018/19		98,605						98,605
2017/18		27,789						27,789
	681,586	731,844	32,015	311,079	17,673	11,372	3,941	1,789,510

All Housing Revenue Account council dwellings are re-valued annually as at the balance sheet date. 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 2021/22	HRA Assets*	Other Land & Buildings **	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment excluding infrastructure	PFI Assets Included in Property, Plant & Equipment
Cost or Valuation								
Brought Forward 1 April 2021	**634,536**	**730,008**	**55,223**	**23,489**	**7,501**	**1,085**	**1,451,842**	**10,500**
Additions	38,508	15,461	8,977	538	-	2,837	66,321	-
Revaluation Increase/(decrease) recognised in Revaluation Reserve	24,871	23,410	-	-	915	-	49,196	(1,580)
Revaluation increase/(decrease) recognised in Surplus/Deficit Provision of Service	(11,995)	(7,739)	-	-	(119)	-	(19,853)	-
Derecognition - disposals	(3,327)	(3,586)	(2,153)	-	(75)	-	(9,141)	-
Derecognition - other	(37)	(2,191)	(2,204)	-	-	-	(4,432)	-
Reclassification – within PPE	-	(3,247)	-	(730)	3,150	19	(808)	-
Reclassification – outside PPE	290	-	(194)	-	-	-	96	-
Balance Carried Forward 31 March 2022	**682,846**	**752,117**	**59,649**	**23,297**	**11,372**	**3,941**	**1,533,221**	**8,920**
Accumulated Depreciation & Impairment								
Brought Forward 1 April 2021	-	**(17,559)**	**(25,943)**	**(5,173)**	-	-	**(48,675)**	**(318)**
Depreciation for year	(11,637)	(17,611)	(5,044)	(451)	-	-	(34,742)	(318)
Depreciation written out to Revaluation Reserve	7,683	12,144	-	-	-	-	19,827	635
Depreciation written to Surplus/ Deficit on Provision of Services	656	977	-	-	23	-	1,655	-
Impairment losses / reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	2,038	1,505	-	-	-	-	3,543	-
Derecognition - disposals	-	48	1,199	-	-	-	1,248	-
Derecognition - other	-	179	2,032	-	-	-	2,211	-
Reclassification - within PPE	-	42	-	-	(23)	-	19	-
Reclassification - outside PPE	-	-	122	-	-	-	122	-
Balance Carried Forward 31 March 2022	**(1,260)**	**(20,274)**	**(27,633)**	**(5,624)**	-	-	**(54,792)**	0
Balance Sheet Amount 1 April 2021	**634,536**	**712,449**	**29,280**	**18,316**	**7,501**	**1,085**	**1,403,167**	**10,182**
Balance Sheet Amount 31 March 2022	**681,586**	**731,843**	**32,015**	**17,673**	**11,372**	**3,941**	**1,478,430**	**8,920**

*** See note 2 in HRA section for a breakdown of assets**

*** See Note 12.1 for Infrastructure Note**

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

Movements in Balances 2020/21	HRA Assets*	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
Cost or Valuation								
Brought Forward 1 April 2020	**594,948**	**692,584**	**52,932**	**21,815**	**6,822**	**7,867**	**1,376,968**	**10,500**
Additions	21,636	23,085	8,246	2,434	-	4,514	59,915	-
Revaluation Increase/(decrease) recognised in Revaluation Reserve	24,782	12,460	-	-	897	-	38,138	-
Revaluation increase/(decrease) recognised in Surplus/Deficit Provision of Service	(5,351)	(7,826)	-	-	5	-	(13,171)	-
Derecognition - disposals	(1,533)	-	(329)	-	-	-	(1,863)	-
Derecognition - other	(2,302)	(2)	(5,625)	-	-	-	(7,929)	-
Reclassification – within PPE	2,500	9,772	-	(761)	(223)	(11,296) -	8	-
Reclassification – outside PPE	(143)	(64)	(2)	-	-	-	(208)	-
Balance Carried Forward 31 March 2021	**634,536**	**730,008**	**55,223**	**23,489**	**7,501**	**1,085**	**1,451,842**	**10,500**
Accumulated Depreciation & Impairment								
Brought Forward 1 April 2020	**(1,381)**	**(15,103)**	**(27,303)**	**(4,857)**	**0**	**0**	**(48,645)**	**0**
Depreciation for year	(11,005)	(16,626)	(3,875)	(327)	-	-	(31,833)	(318)
Depreciation written out to Revaluation Reserve	8,801	11,195	-	-	-	-	19,996	-
Depreciation written to Surplus/ Deficit on Provision of Services	1,191	2,279	-	-	-	-	3,470	-
Impairment losses / reversals recognised in the Revaluation Reserve	-	-	-	-	14	-	14	-
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	2,068	692	-	-	-	-	2,760	-
Derecognition - disposals	0	-	294	-	-	-	294	-
Derecognition - other	326	0	4,941	-	-	-	5,267	-
Reclassification - within PPE	0	4	-	11	(14)	-	2	-
Reclassification - outside PPE	-	-	0	-	-	-	0	-
Balance Carried Forward 31 March 2020	**0**	**(17,559)**	**(25,943)**	**(5,173)**	-	-	**(48,675)**	**(318)**
Balance Sheet Amount 1 April 2020	**593,567**	**677,481**	**25,629**	**16,958**	**6,822**	**7,867**	**1,328,323**	**10,500**
Balance Sheet Amount 31 March 2021	**634,536**	**712,449**	**29,280**	**18,316**	**7,501**	**1,085**	**1,403,167**	**10,182**

*** See note 2 in HRA section for a breakdown of assets**

Note 12.1

Infrastructure Assets - Movements on Balances

In accordance with the temporary relief granted by the Code relating to Infrastructure assets this note does not include disclosure of Gross Book Value and Accumulated Depreciation for Infrastructure Assets because historical data and information deficits held by the Authority means that data would not faithfully represent the asset position of the Financial Statements. The Authority has opted not to disclose such information as the previously reported practices and resultant information deficits implies that Gross Book Value and Accumulated depreciation are not measured accurately and would not enable users of the Financial Statements to make informed decisions relating to Infrastructure Assets.

Infrastructure Assets	2020/21 £'000	2021/22 £'000
Net Book Value (Modified Historic Cost) at 1 April	**266,815**	**293,378**
Additions	36,922	28,644
Reclassifications within PPE	8	808
Depreciation	(10,367)	(11,732)
Depreciation Reclassifications within PPE	-	(18)
Net Book Value at 31 March	**293,378**	**311,080**

Reconciling Note PPE Assets	31 March 2021 £'000	31 March 2022 £'000
Infrastructure Assets	293,378	311,080
Other PPE Assets	1,403,168	1,478,430
Total PPE Assets	**1,696,546**	**1,789,510**

The authority has determined in accordance with the temporary relief and Regulation in conjunction with the Capital Finance and Accounting 2022 amendments to the regulations, that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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.

	2020/21 £'000	2021/22 £'000
Rental income from investment property	(4,932)	(6,091)
Direct operating expenses arising from investment property	970	416
(Increase)/decrease in fair value of investment property	6,733	(2,450)
Net (gain) / loss	**2,771**	**(8,125)**

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

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**96,619**	**90,225**
Additions	276	12
Transfer from/(to) Property, Plant & Equipment	64	-
Asset sold	-	-
Fair Value Adjustments	(6,733)	2,450
Balance at the end of the year	**90,225**	**92,687**

All Investment Properties have been valued as at 31 March 2022.

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

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2022 followed by the comparative data for the period ending 31 March 2021 are as follows:

2021/22 Fair Value Hierachy	Levels (no. of properties)			Fair Value
	1	2	3	£'000
Residential (market rental) properties	-	16	-	2,606
Office units	-	2	-	990
Commercial Units	-	85	-	89,091
	-	103	-	92,687
2020/21 Fair Value Hierachy	Levels (no. of properties)			Fair Value
	1	2	3	£'000
Residential (market rental) properties	-	15	-	2,263
Office units	-	2	-	815
Commercial Units	-	82	4	87,147
	-	99	4	90,225

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Surplus Assets are valued at fair value, see note 12 for the value as at 31 March 2022. The surplus assets have been revalued with level 2 observation.

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

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

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

These inputs are categorised into three levels termed a fair value hierarchy as outlined in accounting policy (j). The fair value hierarchy table above shows that there were four transfers between fair value levels during the year from Level 3 to Level 2. This was due to a change in Valuers between 2020/21 and 2021/22 accounting periods. Different valuers use different assumptions and use their best judgement to demonstrate the highest and best use category.

Valuation techniques used to determine level 2 fair values

One hundred and three sites made up of commercial properties and other properties held for their rental income and/or capital appreciation have been categorised as Level 2 in the fair value hierarchy, with their fair value being measured using a combination of the market approach and the income approach. The market approach uses comparable market evidence in arriving at values, whilst the income approach uses an all-risk yield to capitalise the income, to arrive at the value. This yield is based on comparable market yields. These investment properties are categories as Level 2 in the fair value hierarchy as the measurement technique uses input that are observable for the asset, either directly or indirectly, and there is no reasonably available information that indicates the market participants would use different assumptions. There has been no change in valuation techniques used during the year for Investment Properties.

14. Financial Instruments

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 2021 Surplus or Deficit on the Provision of Services	31st March 2022 Surplus or Deficit on the Provision of Services
	£'000	£'000
Net (gains)/losses on :-		
Financial assets at fair value through profit and loss	**13**	**(16)**
Financial assets at amortised cost	**-**	**-**
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	**13**	**(16)**
Interest revenue		
Financial assets at amortised cost	**(1,181)**	**(1,394)**
Other financial assets at fair value through other comprehensive income	**-**	**-**
Total interest revenue	**(1,181)**	**(1,394)**
Interest expense	**8,497**	**9,210**

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.

The Fair Value of Financial Assets and Liabilities are calculated as follows:

Note 14.1 - Financial Instruments

	Non-current					
	Investments		Debtors		Totals	
Note 14.1 Financial Assets	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Amortised Cost	4	4	6,799	5,616	6,803	5,620
Fair Value through other comprehensive income	-	-	-	-	-	-
Total Financial Assets	**4**	**4**	**6,799**	**5,616**	**6,803**	**5,620**
Assets not defined as Financial Instruments			4,084	14,146	4,084	14,146
Total	**4**	**4**	**10,882**	**19,762**	**10,886**	**19,766**

	Current					
	Investments		Debtors		Totals	
Note 14.1 Financial Assets	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Amortised Cost	56,920	119,975	58,289	52,464	115,209	172,439
Fair Value through other comprehensive income	-	-	-	-	-	-
Total Financial Assets	**56,920**	**119,975**	**58,289**	**52,464**	**115,209**	**172,439**
Assets not defined as Financial Instruments						
TOTAL FINANCIAL ASSETS	**56,920**	**119,975**	**58,289**	**52,464**	**115,209**	**172,439**

Note 14.2 Financial Liabilities			Creditors			
	Non-current		Current		Totals	
	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities						
Amortised Cost	(165,310)	(260,596)	(150,094)	(132,587)	(315,404)	(393,183)
Total Financial Liabilities	**(165,310)**	**(260,596)**	**(150,094)**	**(132,587)**	**(315,404)**	**(393,183)**
Liabilities not defined as Financial Instruments						

Note 14.3 Fair Values of Financial Assets and Liabilities

The fair values of Financial Assets and Liabilities are calculated as follows:

Fair Value disclosures Financial Liabilities	**As at 31 March 2021**		**As at 31 March 2022**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial Liabilities held at amortised cost:				
Short Term Borrowing *	(37,307)	(37,411)	(3,788)	(3,922)
Long Term Borrowing **	(157,491)	(212,541)	(253,331)	(303,608)
Short Term Creditors	(107,924)	-	(115,678)	-
Long Term Creditors	-	-	-	-
Cash & Cash Equivalents-Bank overdraft	(4,239)	-	(12,457)	-
PFI and Finance lease liabilities	(8,443)	-	(7,928)	-
Total Financial Liabilities	**(315,404)**	**(249,952)**	**(393,183)**	**(307,530)**

See below for breakdown of * and **.

Fair Value disclosures Financial Assets	**As at 31 March 2021**		**As at 31 March 2022**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets held at amortised cost:				
Short Term Debtors	58,289	-	52,464	-
Long Term Debtors	6,799	-	5,616	-
Short Term Investments	56,920	-	119,975	-
Long Term investments	4	-	4	-
Cash & Cash Equivalents	1,369	-	34,698	-
Total Financial Assets	**123,381**	-	**212,758**	-

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 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.

A breakdown of long and short term borrowing

	As at 31 March 2021		As at 31 March 2022	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Long Term Borrowing **				
PWLB Loans	(139,938)	(191,610)	(189,521)	(213,297)
Salix Loans	(508)	(508)	(64)	(64)
Commercial Loans	(17,046)	(20,423)	(63,746)	(90,247)
	(157,491)	(212,541)	(253,331)	(303,608)
Short Term Borrowing *				
PWLB Loans	(2,000)	(2,104)	(2,000)	(2,134)
Local Authority loans ***	(35,000)	(35,000)	(307)	(307)
Salix Loans	-	-	(191)	(191)
Commercial Loans	-	-	(1,290)	(1,290)
	(37,000)	(37,104)	(3,788)	(3,922)
Total Borrowing	**(194,491)**	**(249,646)**	**(257,119)**	**(307,530)**

*** Short term borrowing carried on the Balance sheet at £3.788m includes Local Authority Loans which are at lower than market loan rates.

Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. For loans from the Public Works Loan Board (PWLB) and commercial loans, transfer values (new loan rates) from the PWLB have been applied to provide the fair value under PWLB debt redemption procedure.

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.

The fair value is shown as the same as the carrying value, if not materially different. 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. 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 minimis levels in assessing whether there is a need to action the adjustments. Several soft loans have been made and these are disclosed above.

15. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities can be exposed 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.

	Balance as at 31 March 2021 £'000	**Balance as at 31 March 2022 £'000**
Investments:		
Local Government	20,239	10,004
UK Domiciled Banks	-	84,825
Non UK Bank	36,685	25,150
	56,924	**119,979**

		Balance as at 31 March 2021 £'000	**Balance as at 31 March 2022 £'000**
Investment measured at Amortised Costs :			
	AAA	-	-
	AA-	31,505	10,000
	A+	15,180	37,000
	A		47,975
	A-	10,000	25,000
	N/A	239	4
		56,924	**119,979**

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.

	Balance as at 31 March 2021 £'000	Balance as at 31 March 2022 £'000
Long-Term Debtors:		
- with other Public Bodies	382	331
- secured against property	5,475	4,406
- unsecured	5,025	15,025
	10,882	**19,762**

Impairment Losses in accordance with the Expected Credit Loss Model

The following input, assumptions and estimation techniques have been used in calculating impairment loss allowances:

The expected credit loss (ECL) model applies only to contractual financial assets measured at amortised cost in respect of this Council (or Fair value at Other Comprehension Income if applicable). For loans and investments, the loss allowance is equal to 12 months expected credit losses unless credit loss has increased significantly in which case it is equal to lifetime ECL's. There are no significant impairment losses expected within the Council's model for managing impairment, therefore a provision for losses has not been made during the year due to the low materiality. The following table shows that the Council's ECL model has calculated expected credit losses for the year to be £11,520.

Investment	Principal £'000	Historic Risk of Default	Expected Credit Loss £'000
Santander UK	22,825	0.015%	3.42
Landesbank Hessen Thuringen	25,150	0.002%	0.50
Cornwall Council *	10,000	0.002%	-
Close Brothers	15,000	0.007%	1.05
Goldman Sachs International Bank	15,000	0.007%	1.05
Goldman Sachs International Bank	9,000	0.011%	0.99
Goldman Sachs International Bank	13,000	0.017%	2.21
Close Brothers	10,000	0.023%	2.30
Other	4	-	-
	119,979		**11.52**

* Please note the Code does not recognise a loss allowance where the counterparty is central government or a local Authority since relevant statutory provisions prevent default. For these instruments, the expected credit loss will be nil.

For financial assets, the Council recognises an allowance for expected credit losses, as they are subject to non-payment. To calculate the impairment allowances, the Council adopts an approach based on the historic experience of levels of default. Expected credit losses are charged to operating expenditure within the Comprehensive Income & Expenditure Statement and reduces the net carrying value of the financial assets in the Balance Sheet, see Debtor note 16.

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 credit loss. 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 credit loss is calculated as follows:

• Sundry Debtors – calculated as 10% to 90% of debtors outstanding depending upon age based on historic analysis.

	2020/21 %	2021/22 %
Less than one month	52	48
More than one month less than two months	3	4
More than two months less than a year	14	12
More than a year	31	36
	100	100

	2021/22 £'000 Sundry Debtors	2021/22 £'000 Other Receivables	2021/22 £'000 TOTAL
Receivables outstanding	40,806	32,213	73,019
Less impairment	(12,294)	(8,261)	(20,555)
	28,512	23,952	52,464

• *Housing Benefits – calculated as 100% of total inhibited debt outstanding, 50% for accounts in payment*

By including these allowances within the accounts, the credit risk is recognised in the accounts.

Liquidity Risk

The Council has a comprehensive cash flow management system, to ensure that cash is available as needed. If unexpected movement happens, the Council has ready access to borrowings from the Public Works Loans Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments under financial instruments, or to ensure it provides a balanced budget through the Local Government Finance Act 1992, by raising sufficient monies to cover annual expenditure.

It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring loans mature at different times. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. 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 liabilities held is as follows:

	Balance as at 31 March 2021 £'000	Balance as at 31 March 2022 £'000
less than one year	(151,186)	(132,477)
between one and two years	(4,577)	(5,876)
between two and five years	(6,269)	(8,849)
between five and ten years	(44,857)	(18,843)
in ten years or more	(109,607)	(227,138)
Total Financial Liabilities	(316,496)	(393,183)

Market Risk

<u>Interest Rate Changes</u>

The Council is exposed to risk in terms of its exposure to interest rate movement on its borrowings and investment. Movements in interest rates have a complex impact on the authority. A rise in interest rates would have the following impact on the Council's accounts:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.
- 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).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus of deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

The Council has a number of strategies for managing interest rate risk. The Strategy is to have no borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.
The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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

	Balance as at 31 March 2021 £'000	**Balance as at 31 March 2022 £'000**
Increase in interest payable on variable rate borrowing		
Temporary Borrowing	431	36
Short-Term Investments	(1,075)	(1,486)
Long-Term Debtors	-	-
Impact on Surplus or Deficit on the provision of services	(644)	(1,450)
Increase/(Decrease) in fair value of fixed rate long term borrowing	(55,051)	(54,218)
Impact on other comprehensive income and expenditure	69	32
Increase/(Decrease) in fair value of fixed rate borrowing liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure)	(55,626)	(55,636)
The impact of a 1% fall in interest rates would be as above but with the movement being reversed.		

Price Risk

The Council does not invest in equity shares and has no exposure to losses arising from fluctuations in share prices. When looking at the Group Accounts, the Council does have interest in a number of companies and joint ventures, however the Council is not exposed to losses that could arise to movement of shares 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.

16. Debtors

	2020/21 £'000	2021/22 £'000
Trade receivables outstanding	26,216	25,357
Other receivables outstanding	51,754	47,662
Less impairment	(19,642)	(20,555)
Net receivables outstanding **	58,331	52,464
Prepayment	9,992	3,545
Local Taxation receivables outstanding	31,167	35,515
Less impairment	(14,258)	(18,800)
Net Local Taxation receivables outstanding	16,909	16,715
Total	**85,232**	**72,724**

*** these are Financial Assets, as disclosed in note 14*

Net Local Taxation receivable outstanding

2021/22

	Council Tax £'000	NDR £'000	Total £'000
Not later than one year	2,678	140	2,818
Later than one year and not later than five years	7,122	97	7,219
Later than five years	6,573	106	6,679
	16,373	343	16,716

2020/21

	Council Tax £'000	NDR £'000	Total £'000
Not later than one year	7,237	1,337	8,574
Later than one year and not later than five years	6,129	701	6,830
Later than five years	1,482	23	1,505
	14,848	2,061	16,909

Impairment allowance for doubtful debts

	2020/21 £'000	2021/22 £'000
Adult Social Care	(4,540)	(5,010)
Children's Social Care	(129)	(119)
Children, Learning and Commissioning	(43)	(60)
Cleansing and Waste	(286)	(181)
Destination and Culture	(446)	(463)
Environment	(879)	(931)
Housing Benefit	(7,008)	(7,620)
Housing – General Fund	(2,537)	(2,831)
Housing – Housing Revenue Account	(2,061)	(1,737)
Leisure and Tourism	(68)	(77)
Resources	(1,645)	(1,526)
Total	**(19,642)**	**(20,555)**

17. Cash and Cash Equivalents

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

	2020/21 £'000	2021/22 £'000
Cash and bank accounts in hand	1,369	34,698
Overdrawn main bank account	(4,239)	(12,457)
Total Cash and Cash Equivalents	**(2,870)**	**22,241**

Within the table above includes £830,000 on behalf of Trust Funds for which the Council acts as trustee and/or administrator.

18. Creditors

	2020/21 £'000	2021/22 £'000
Trade payables due	(36,529)	(40,832)
Other payables due	(71,395)	(74,846)
Total **	(107,924)	(115,678)
Receipts in Advance	(28,700)	(14,908)
Local Taxation payables due	(604)	(36,457)
	(137,228)	(167,043)

*** these are Financial Liabilities, as disclosed in note 14*

19. Provisions

	Balance 1 April 2020 £000's	Additional provisions made £000's	Amounts used £000's	Unused amounts reversed £000's	Balance 1 April 2021 £000's	Additional provisions made £000's	Amounts used £000's	Unused amounts reversed £000's	Balance 31 March 2022 £000's
Insurance Provisions	**(3,323)**	(546)	-	-	**(3,869)**	(199)	-	-	**(4,068)**
Business Rates	**(12,461)**	(3,813)	1,220	-	**(15,054)**	(521)	1,406	-	**(14,169)**
Property Provisions	**(1,954)**	(925)	-	-	**(2,879)**	(799)	0	-	**(3,678)**
Ordinary Residence	**(546)**	(575)	-	-	**(1,121)**	(95)	156	-	**(1,060)**
Winter Gardens	-	-	-	-	**0**	(5,200)	-	-	**(5,200)**
Other provisions	**(1,286)**	(500)	6	852	**(928)**	(1,087)	168	2	**(1,845)**
Total	**(19,570)**	**(6,359)**	**1,226**	**852**	**(23,851)**	**(7,901)**	**1,730**	**2**	**(30,020)**

Insurance Provisions

The insurance arrangements for the legacy councils were varied including 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.mminsurance.co.uk.

Business Rate Appeals

Provision in relation to backdated appeals on business rate payers' valuations for the 2010 and 2017 rating years. Amounts shown are the Council share of the total appeals provision.

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.

Winter Gardens Provision

The Council is making a £5.2million provision for their 50% shareholding as a result of on-going viability demands relating to the Winter Gardens project and the potential losses attributable to Bournemouth Development Company LLP (BDC), a joint venture company of the Council. MUSE Developments Ltd, a joint venture partner has also recognised their share in their financial statements.

20. Usable Reserves

	2020/21 £'000	2021/22 £'000
General Fund	(15,349)	(15,349)
Housing Revenue Account	(1,746)	(7,972)
Earmarked Reserves	(175,330)	(124,181)
Major Repairs Reserve	(7,516)	(761)
Capital Receipts Reserve	(17,356)	(14,640)
Capital Grants Unapplied Account	(32,810)	(33,407)
Total Usable Reserves	**(250,107)**	**(196,310)**

21. Unusable Reserves

	2020/21 £'000	2021/22 £'000
Revaluation Reserve	(457,691)	(516,224)
Capital Adjustment Account	(885,718)	(911,616)
Deferred Capital Receipts	(1,565)	(1,494)
Financial Instrument Adjustment Account	68	35
Pensions Reserve	1,000,949	808,513
Accumulated Absences Account	4,483	4,769
Collection Fund Adjustment Account	44,751	11,120
Dedicated School Grant Deficit	7,853	20,318
Total Unusable Reserves	**(286,870)**	**(584,579)**

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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**(408,594)**	**(457,691)**
Upward revaluation of assets	(77,011)	(100,753)
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on Provision of Services	19,913	32,003
Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services	**(57,098)**	**(68,750)**
Difference between current value depreciation and historic cost depreciation	7,549	8,810
Accumulated (gains) and losses on assets sold or scrapped	451	1,408
Amount Written off to the Capital Adjustment Account	**8,000**	**10,218**
Balance at 31 March	**(457,691)**	**(516,224)**

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

	2020/21 £’000	2021/22 £’000
Balance at 1 April	**(847,818)**	**(885,718)**
Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account:		
Depreciation of General Fund	25,069	23,287
Impairment on Non-Current Assets	13,081	26,220
Depreciation of HRA	11,005	11,637
Non-Current Assets to Major Repairs Reserve	-	-
Amount set aside to repay debt	(5,582)	(1,084)
Amortisation of Intangible Assets	5	64
Revenue Expenditure Funded from Capital under Statute	9,394	12,372
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	4,238	10,269
	57,210	**82,765**
Adjusting amounts written out of the Revaluation Reserve	(8,000)	(10,218)
Net written out amount of the cost of Non-Current Assets consumed in the year	**49,210**	**72,548**

	2020/21 £'000	2021/22 £'000
Capital Financing applied in the year:		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	(2,279)	(3,484)
Use of the Major Repairs Reserve to finance new Capital Expenditure	(15,230)	(18,392)
Capital Grants and Contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(49,247)	(36,887)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	(7,085)	(9,126)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(3,676)	(3,945)
Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	(9,431)	(10,511)
Capital Expenditure Charged against the General Fund and HRA Balances	(6,895)	(13,649)
	(93,843)	**(95,995)**
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6,733	(2,450)
Balance at 31 March	**(885,718)**	**(911,616)**

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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**(2,138)**	**(1,565)**
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	500	-
Write off Deferred Capital Receipt Reserve to Short Term Debtors	73	71
Balance at 31 March	**(1,565)**	**(1,494)**

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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**137**	**68**
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	(69)	(31)
Balance at 31 March	**68**	**35**

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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**763,341**	**1,000,949**
Remeasurements of the net defined benefit liability	202,949	(260,347)
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	65,105	99,288
Employer's pension contributions and direct payments to pensioners payable in the year	(30,446)	(31,377)
Balance at 31 March	**1,000,949**	**808,513**

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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**2,110**	**4,483**
Settlement of cancellation of accrual made at the end of the preceding year	(2,110)	(4,483)
Amounts accrued at end of current year	4,483	4,769
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	2,373	286
Amounts accrued at end of current year	**4,483**	**4,769**

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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**(2,054)**	**44,751**
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	46,805	(33,631)
Balance at 31 March	**44,751**	**11,120**

A deficit of £13.5m on the NDR collection fund is mainly due to the additional retail, hospitality and leisure grants awarded to businesses as a result of the Covid pandemic. There are fully funded by central government via a (S31) grant which is captured and reported within the Earmarked Reserves note.

Dedicated Schools Grant Adjustment Account

School funding for local authorities in England is provided by a ringfenced grant called the Dedicated Schools Grant (DSG). DSG can only be used to support the Schools Budget. New provisions have been put into regulation 8, paragraphs (7) and (8), and Schedule 2 Part 8 of the School and Early Years Finance (England) Regulations 2020. Local authorities are required to carry forward overspends of DSG to their schools budget either in the following year or the year after.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**4,644**	**7,853**
In year deficit in respect of its school's budget	3,209	12,465
Balance at 31 March	**7,853**	**20,318**

22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2020/21 £'000	2021/22 £'000
Interest Received	1,181	1,394
Interest Paid	(8,497)	(9,210)
Dividends	111	502

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

	2020/21 £'000	2021/22 £'000
Depreciation	42,213	34,924
Impairment and downward valuations	6,941	35,522
Amortisation	5	64
Movements in pension liabilities	34,660	67,913
Increase / (decrease) in creditors	(18,544)	14,727
(Increase) / decrease in debtors	(6,881)	24,591
(Increase) / decrease in inventories	276	(256)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,238	10,269
Movement in Investment Property Values	6,733	(2,450)
Other non-cash items charged to the net surplus or deficit on the provision of services	4,283	18,935
	73,924	**204,239**

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

	2020/21 £'000	Restated 2020/21 £'000	2021/22 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,941)	(6,941)	(6,668)
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	2,313,682	0	0
Any other items for which the cash effects are investing or financing cash flows	(56,333)	(56,333)	(41,429)
	2,250,408	**(63,274)**	**(48,097)**

23. Cash Flow Statement - Investing Activities

	2020/21 £'000	Restated 2020/21 £'000	2021/22 £'000
Purchase of property, plant & equipment, investment property and intangible assets	(87,397)	(87,397)	(105,068)
Purchase of short-term and long-term investments	(2,286,542)	(2,286,542)	(1,034,150)
Other payment for investing activities	(1,891)	(1,891)	(13,766)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,009	9,009	10,269
Proceeds from short-term and long-term investments	0	2,313,682	970,860
Capital Grants Received	62,013	62,013	44,071
Net cash flows from investing activities	**(2,304,808)**	**8,874**	**(127,784)**

24. Cash Flow Statement - Financing Activities

	2020/21 £'000	2021/22 £'000
Cash receipts of short and long-term borrowing	61,000	101,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI	(521)	(624)
Repayments of short and long-term borrowing	(127,663)	(38,679)
Other payments for financing activities	30,325	20,244
Net cash flows from financing activities	**(36,859)**	**81,941**

25. 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.

	2020/21 £'000	2021/22 £'000
Total allowances paid	1,348	1,406

26. 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		Number of employees	
	Non Schools 2020/21	Schools 2020/21	Non Schools 2021/22	Schools 2021/22
50,000 - 54,999	53	16	65	26
55,000 - 59,999	55	18	51	11
60,000 - 64,999	27	10	28	14
65,000 - 69,999	11	4	26	6
70,000 - 74,999	22	6	20	6
75,000 - 79,999	1	4	5	2
80,000 - 84,999	1	-	1	2
85,000 - 89,999	6	-	2	1
90,000 - 94,999	1	1	5	1
95,000 - 99,999	1	1	2	1
100,000 - 104,999	5	-	1	-
105,000 - 109,999	1	-	2	1
110,000 - 114,999	2	-	2	-
115,000 - 119,999	-	1	-	-
120,000 - 124,999	-	1	-	1
125,000 - 129,999	1	-	-	-
135,000 - 139,999	1	-	1	-
140,000 - 144,999	-	-	1	-
190,000 - 194,999	-	-	-	-
	188	**62**	**212**	**72**

These figures do not contain the Council's Senior Officers that have been individually listed on overleaf.

26. Officers' Remuneration – Senior Officers

	Remuneration Salary (including supplements)	Expenses Allowances	Compensation for Loss of Office	Employers Pension Contributions	Total payment including Pension Contributions
	2021/22	2021/22	2021/22	2021/22	2021/22
	£	£	£	£	£
Chief Executive - (Mr G Farrant)	191,479			-	191,479
Corporate Director - Chief Operations Officer (1)	96,048			16,136	112,184
Corporate Director - Chief Operations Officer (2)	41,030			6,893	47,923
Corporate Director - Children's Services (3)	31,510			5,294	36,804
Corporate Director - Adult Social Care (4)	33,363			-	33,363
Corporate Director - Resources	126,338			21,225	147,563
Director of Finance	117,013			19,658	136,671
Director of Law & Governance	117,013	7,358		19,658	144,029
Director - Adult Social Care (4)	113,620			19,088	132,708
Director - Commissioning (4)	113,620			19,088	132,708
Totals	**981,034**	**7,358**	**-**	**127,040**	**1,115,432**

Notes:

1. The previous Chief Operations Officer left the Authority 5 December 2021. Role description changed in 2021/22, previously Corporate Director - Environment & Community.
2. A new Corporate Director - Chief Operations Officer was appointed 15 December 2021.
3. New Corporate Director - Children Services as from 22 January 2022. Previously the role was temporarily filled up to the period ending 27 January 2022 at a cost of £312,856 (includes relevant agency fee and oncosts).
4. Corporate Director - Adult Social Care left the authority on the 30 June 2021, duties were split between Directors of Adult Social Care & Director of Commissioning.

26. Officers' Remuneration – Senior Officers

	Remuneration Salary (including supplements) 2020/21 £	Expenses Allowances 2020/21 £	Compensation for Loss of Office 2020/21 £	Employers Pension Contributions 2020/21 £	Total payment including Pension Contributions 2020/21 £
Chief Executive - (Mr G Farrant)	188,649	-	-	-	188,649
Corporate Director - Children's Services (1)	80,640	-	40,669	11,366	132,675
Corporate Director - Adult Social Care	125,766	-	-	-	125,766
Corporate Director - Regeneration & Economy (2)	120,748		-	19,607	140,355
Corporate Director - Environment & Community	127,530	-	-	20,660	148,190
Corporate Director - Resources	124,165	-	-	20,115	144,280
Director of Finance	112,110	-	-	18,162	130,272
Director of Law & Governance (3)	10,058	-	-	1,629	11,687
Director of Law & Governance (4)	19,656	-	-	3,184	22,840
Director of Law & Governance (5)	55,336	-	-	8,964	64,300
Totals	**964,658**	**-**	**40,669**	**103,687**	**1,109,014**

Notes:

1. Corporate Director - Children's Services left the council on the 1 September 2020. The officer was replaced by a contractor which cost £200,162 (includes any relevant agency fees and oncosts) in 2021/22.
2. Corporate Director - Regeneration & Economy left on the 17 March 2021, their responsibilities have been transferred amongst the corporate management team.
3. Director of Law & Governance was in post from 1 April 2020 – 3 May 2020 and was temporarily replaced by a contractor who was paid £63,600 in 2021/22. They were in post until 31 July 2020.
4. Director of Law & Governance was in post from 1 August 2020 – 7 October 2020 through an internal secondment.
5. Director of Law & Governance was appointed from 8 October 2020.

27. Officers' Remuneration – Exit Package

2021/22	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
£0 - £20,000	20	5	25	169
£20,001 - £40,000	17	-	17	455
£40,001 - £60,000	3	1	4	187
£60,001 - £80,000	3	-	3	209
£80,001 - £100,000	3	-	3	256
£100,001 - £120,000	1	-	1	103
£120,001 - £140,000	1	-	1	124
Totals for 2021/22	**48**	**6**	**54**	**1,503**

2020/21	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
£0 - £20,000	8	6	14	139
£20,001 - £40,000	6	1	7	211
£40,001 - £60,000	1	1	2	91
£60,001 - £80,000	2	2	4	269
£80,001 - £100,000	1	1	2	184
£100,001 - £120,000	-	1	1	115
£160,001 - £180,000	-	1	1	176
Totals for 2020/21	**18**	**13**	**31**	**1,185**

28. 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.

	2020/21 £'000	2021/22 £'000
Audit Fee	201	213
Additional fees paid to external audits with regards to external audit services carried out by the appointed auditor for 2019/20	50	-
Sub Total	**251**	**213**
Fees payable in respect of Grant Claims	31	38

	2020/21 £'000	2021/22 £'000
Additional fees paid to external auditors for the certification of grant claims and returns for 2019/20	8	
Additional fees paid to external auditors for the certification of grant claims and returns for 2020/21		5
Total Fee payable in respect of audit	**290**	**256**
Fee Payable in respect of other services	**10**	**10**
Audit Fees for Charities	**37**	**22**

29. 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 2021/22 before academy and high needs recoupment			**298,695**
Academy and high needs figure recouped for 2021/22			201,994
Total DSG after academy and high needs recoupment for 2021/22			**96,701**
Plus: Brought forward from 2020/21			
Less: Carry-forward to 2022/23 agreed in advance			10,846
Agreed initial budgeted distribution in 2021/22	48,470	59,077	107,547
In year adjustments	-	(106)	(106)
Final budget distribution for 2021/22	48,470	58,971	107,441
Less: Actual central expenditure	50,649	-	50,649
Less: Actual ISB deployed to schools		58,409	58,409
Plus: Local authority contribution for 2021/22	-	-	-
In Year Carry-forward to 2022/23	**(2,179)**	**562**	**(1,617)**
Plus/MInus: Carry-forward to 2022/23 agreed in advance			(10,846)
Carry-forward to 2022/23			-
DSG unusable reserve at the end of 2020/21			(7,853)
Addition to DSG unusable reserve at the end of 2021/22			(12,464)
Total of DSG unusable reserve at the end of 2021/22			(20,317)
Net DSG position at the end of 2021/22			**(20,317)**

30. Grant Income

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

	2020/21 £ 000's	2021/22 £ 000's
Credited to Taxation and Non-Specific Grant Income		
Revenue Grants		
Revenue Support Grant	(3,005)	(3,022)
New Homes Bonus Grant	(2,648)	(2,563)
PFI Support Grant	(1,254)	(1,254)
NNDR Section 31 Grants	(51,425)	(28,644)
Covid 19 Tranches Grants	(17,940)	(16,571)
Fees and Charges Compensation Grant	(14,025)	(2,989)
75% Ctax and NNDR Income Guarantee	(1,089)	(1,096)
Furlough Grant	(984)	(30)
Sub-total	(92,370)	(56,169)
Capital Grants and Contributions		
Miscellaneous Education Grants	(3,153)	(996)
Miscellaneous Transport Grants	(28,170)	(19,882)
Miscellaneous Government Grants	(5,004)	(3,915)
Other Contributions	(11,879)	(16,635)
Sub-total	(48,206)	(41,428)
Total	**(140,576)**	**(97,597)**
Credited to Services		
Dedicated Schools Grant	(92,585)	(97,219)
Pupil Premium Grant	(2,403)	(2,187)
Public Health Grant	(44,624)	(36,250)
Local Council Tax Support Scheme Grant	-	(3,835)
Rent Allowances	(81,937)	(76,659)
Rent Rebates	(23,268)	(22,385)
Grants towards Revenue Expenditure Funded from Capital under Statue	(7,085)	(9,126)
Restriction Support Grant	(11,418)	(3,375)
Miscellaneous	(50,893)	(51,562)
Sub total	**(314,213)**	**(302,598)**

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:

	2020/21 £'000	2021/22 £'000
Capital Grants Receipts in Advance		
Government Grants	(25,270)	(48,095)
Other Contributions	(11,785)	(8,623)
Total	**(37,055)**	**(56,718)**

	2020/21 £'000	2021/22 £'000
Revenue Grants Receipts in Advance		
Government Grants	-	-
Other Contributions	(6,034)	(16,908)
Total	**(6,034)**	**(16,908)**

31. 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 30.

Members

Members of the Council have direct control over the Council's financial and operating policies. Although some of these disclosures are not necessary as per accounting regulations, as a public organisation it was deemed to be a transparent as possible.

The total of Members' Allowances paid is shown in Note 25.

The amounts paid are as follows:

	2020/21 £'000	2021/22 £'000
Dorset Healthcare University NHS Foundation Trust	1,711	1,569
Bournemouth Collegiate Prep School	147	140
Poole Hospital NHS Foundation Trust	71	-
University Hospitals Dorset NHS FT	-	24
Local Government Association	73	75
Police and Crime Commissioner for Dorset	-	3,839
Ambitions Academies Trust T/A St Aldhelms Academy	402	762

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

	2020/21 Owing to £'000	2020/21 Owing from £'000	2021/22 Owing to £'000	2021/22 Owing from £'000
Dorset Healthcare University NHS Foundation Trust	(178)	15	(61)	134
Bournemouth Collegiate Prep School	-	-	-	-
Poole Hospital NHS Foundation Trust	(611)	3	-	-
University Hospitals Dorset NHS FT	-	-	(15)	166
Local Government Association	-	-	-	-
Police and Crime Commissioner for Dorset	-	-	(297)	-
Ambitions Academies Trust T/A St Aldhelms Academy	41	4	(45)	2

Officers

The amounts paid to these related parties are as follows:

	2020/21 £'000	2021/22 £'000
Bournemouth Town Centre BID	-	724

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

	2020/21 Owing to £'000	2020/21 Owing from £'000	2021/22 Owing to £'000	2021/22 Owing from £'000
Bournemouth Town Centre BID	(10)	-	-	2

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.

Entities controlled or significantly influenced by the authority

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. In 2021/22 there was no asset transfer but £683,600 was loaned to the company. We recognise the potential conflict of interest and always advise Members and officers on the board to withdrawal from any negotiations and decisions made by the Council.

The Council acts as trustee for three charities. See the Group Accounts towards the end of the Statement of Accounts for more details. Amounts paid to the charities was:

	2020/21 £'000	2021/22 £'000
Russell-Cotes Art Gallery & Museum Charitable Trust	568	651
Five Parks Charity	350	284
Lower Central Garden Trust	529	398

The Council also has established companies, which the Officers and Members have been undertaking Directors roles on their boards. The companies are as follows:

- Seascape South Ltd
- Bournemouth Building & Maintenance Ltd
- Seascape Group Ltd
- Tricuro Ltd

- Bournemouth Development Company LLP
- Seascape Homes & Property Ltd
- M D Care T/A Fairways
- Poole Housing Partnership Ltd
- BCP FuturePlaces Ltd

The amounts paid to these companies are as follows:

	2020/21 £'000	2021/22 £'000
Seascape South Ltd	350	450
Bournemouth Building & Maintenance Ltd	7,841	10,774
Seascape Group Ltd	-	-
Tricuro Ltd	18,723	19,016
Seascape Homes & Property Ltd	2	-
M D Care T/A Fairways	7	4
Poole Housing Partnership Ltd	9,095	9,492
BCP FuturePlaces Ltd	-	1,370

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

	2020/21 Owing to £'000	2020/21 Owing from £'000	2021/22 Owing to £'000	2021/22 Owing from £'000
Seascape South Ltd	-	119	(132)	56
Bournemouth Building & Maintenance Ltd	(688)	434	(606)	140
Seascape Group Ltd	-	41	-	60
Tricuro Ltd	(954)	1,214	(111)	414
Seascape Homes & Property Ltd	-	177	-	323
M D Care T/A Fairways	-	102	-	-
Poole Housing Partnership Ltd	(180)	21	(60)	137
BCP FuturePlaces Ltd	-	-	(1,417)	1,370

32. 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.

	2020/21 £'000	2021/22 £'000
Opening Capital Financing Requirement of new Council	**448,448**	**456,660**
Capital Investment		
- Property, Plant & Equipment	96,837	94,966
- Investment Property	276	11
- Assets Held for Sale	147	-
- Long term Debtor	683	-

	2020/21 £'000	2021/22 £'000
- Intangible	301	200
- Deferred Debtor	-	9,498
Revenue Expenditure Funded from Capital under Statute	9,394	12,372
Sources of Finance:		
- Capital Receipts	(2,279)	(3,484)
- Government Grants and Contributions	(60,008)	(49,958)
- Revenue Finance	(6,895)	(13,649)
- Major Repairs Reserve	(15,230)	(18,392)
Other Sums set aside		
- Revenue provision for repayment of borrowing	(9,431)	(10,511)
- General Fund receipt set aside to repay borrowing	(892)	-
- HRA Receipt set aside to repay borrowing	(4,690)	(1,084)
Closing Capital Financing Requirement	**456,661**	**476,629**
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)	8,213	19,969
Assets acquired under Finance Leases	-	-
Increase in Capital Financing Requirement	**8,213**	**19,969**

33. Leases

Council as Lessee

Finance leases

The Council has a mercury abatement unit at the Crematorium under finance leases. This asset acquired under this lease is carried as property, plant and equipment in the Balance Sheet at the following net amount.

	2020/21 £'000	2021/22 £'000
Vehicle & plant	125	62
Total	**125**	**62**

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:

	2020/21 £'000	2021/22 £'000
Finance lease liabilities		
Current	118	109
Non-Current	109	-
Finance costs payable in future years	4	-
Minimum Lease Payments	**231**	**109**

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

	2020/21 £'000	2021/22 £'000
Not later than one year	118	109
Later than one year and not later than five years	113	-
Later than five years	-	-
Total	**231**	**109**

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:

	2020/21 £'000	2021/22 £'000
Not later than one year	217	303
Later than one year and not later than five years	669	845
Later than five years	5,987	6,768
Total	**6,873**	**7,916**

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:

	2020/21 £'000	2021/22 £'000
Minimum lease payments	559	795
Contingent rents	16	16
Total	**575**	**811**

Council as Lessor

Finance Leases

The Council has leased 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.

	2020/21 £'000	2021/22 £'000
Not later than one year	90	54
Later than one year and not later than five years	323	230
Later than five years	414	226
Total	**827**	**510**

The Income included in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2020/21 £'000	2021/22 £'000
Minimum lease payments	41	41
Contingent rents	59	61
Total	**100**	**102**

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:-

	2020/21	2021/22
	£'000	£'000
Not later than one year	7,188	8,244
Later than one year and not later than five years	26,949	27,606
Later than five years	166,715	184,799
Total	**200,852**	**220,649**

The income included in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2020/21	2021/22
	£'000	£'000
Minimum lease payments	10,098	10,419
Contingent rents	514	603
Total	**10,613**	**11,022**

34. 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.

	2020/21	2021/22
Amount paid to Teachers' Pensions Scheme	5,006,344.96	7,188,639.57
Percentage of pensionable pay :	23.68%	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 35.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- the Local Government Pension Scheme, administered locally by Dorset 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.
- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan

assets built up to meet these pension liabilities. Teachers' pensions have now been combined with the Local Government Pension Scheme in the actuary information the Council receives.

- In addition, Bournemouth, Christchurch and Poole Council is recharged an estimated £499,000 for the pre-97 organisation LGPS unfunded pension and £916,000 of Teachers' unfunded pensions. Full membership is not available but being considered for the next accounting date.

The Dorset Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Dorset Pension Fund. Policy is determined in accordance with the Pensions Fund Regulations. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute as described in the accounting policies note.

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.

	2020/21 £'000	**2021/22 £'000**
Comprehensive Income and Expenditure Statement Cost of Services:		
- Current Service Cost	45,052	77,228
- Past Service Cost	1,732	1,078
- Administration Expenses	722	944
	47,506	79,250
Financing and Investment Income and Expenditure		
- Net Interest Expenses	17,599	20,039
Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services	**65,105**	**99,289**
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)	216,061	88,079
- Actuarial Gains and Losses arising on changes in Demographic Assumptions	18,674	50,329
- Actuarial Gains and Losses arising on changes in Financial Assumptions	(460,280)	98,929
- Other	22,596	23,011
	(202,949)	**260,348**
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(137,844)**	**359,637**
Movement in Reserves Statement		

	2020/21 £'000	2021/22 £'000
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(65,106)	(99,288)
- Employers' Contributions payable to the Scheme	30,446	31,376
Actual amount charged against the General Fund Balance for Pensions in the year	(34,660)	(67,912)

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:

	2020/21 £'000	2021/22 £'000
Present Value of the Defined Benefit Obligation	(2,184,017)	(2,072,496)
Fair Value of Plan Assets	1,183,068	1,263,984
Net Liability arising from defined Benefit Obligation	**(1,000,949)**	**(808,512)**

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

	2020/21 £'000	2021/22 £'000
Opening Fair Value of Scheme Assets at 1 April	**955,398**	**1,183,067**
Interest Income	22,335	20,547
Remeasurement Gain / (Loss)		
- Return on Plan Assets (excluding the amount included in the net interest expense)	216,061	88,079
- Other	-	(16,190)
Administration Expenses	(722)	(944)
Contributions from Employer	30,446	31,376
Contributions from Employees into the Scheme	9,733	9,692
Benefits Paid (net of transfers in)	(50,183)	(51,610)
Settlement prices received/(paid)	-	(33)
Closing Fair Value of Scheme Assets at 31 March	**1,183,068**	**1,263,984**

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

	2020/21 £'000	2021/22 £'000
Balance at 1 April	**(1,718,738)**	**(2,184,014)**
Current Service Cost	(45,052)	(77,228)
Interest Cost	(39,934)	(40,586)
Contributions from Scheme Participants	(9,733)	(9,692)
Experience Gains/(Loss on defined benefit obligation	22,596	39,201
Remeasurement Gains/(Losses)		
- Actuarial Gains/(Losses) arising on changes in Demographic Assumptions	18,674	50,329
- Actuarial Gains/(Losses) arising on changes in Financial Assumptions	(460,280)	98,930
- Other	-	-
Past Service Cost, including Curtailments	(1,733)	(1,099)
Benefits Paid (Net of transfers in)	47,661	49,163

Liabilities assumed/(extinguished) on settlements		54
Unfunded Pension Payments	2,522	2,446
Closing Balance at 31 March	**(2,184,017)**	**(2,072,496)**

Local Government Pension Scheme Assets Comprised:

	2020/21 £'000	2021/22 £'000
Cash and Cash Equivalents	34,888	28,402
Equity Instruments	642,743	670,563
Bonds & Gilts	67,697	63,798
Property	240,984	261,839
Other Investment Funds	196,756	239,382
	1,183,068	**1,263,984**

The percentages of the total Fund held in each asset class:

		31st March 2021		31st March 2022	
		% Quoted	% Unquoted	% Quoted	% Unquoted
Corporate Bonds	UK	5.7%	-	5.0%	-
	Overseas	-	-	-	-
Equities	UK	10.3%	-	10.0%	-
	Overseas	40.5%	-	39.0%	-
Property	All	-	7.7%	-	7.0%
Others	Private Equity	-	3.6%	-	4.0%
	Infrastructure	-	6.0%	-	7.0%
	Derivatives	-	-	-	0.0%
	Diversified Growth Fund	-	4.9%	-	7.0%
	Liability Driven Investment	-	11.3%	-	12.0%
	Multi Asset Credit	-	5.1%	-	5.0%
	Property Pooled Funds	-	1.6%	-	2.0%
	Secured Income Funds	-	0.4%	-	0.0%
	Debtors	0.5%	-		
	Creditors	(0.2%)	-		
	Cash/Temporary Investments	-	2.6%	-	2.0%
Total		**56.8%**	**43.2%**	**54.0%**	**46.0%**

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 Council fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2022.

There have been some significant movements (updated as part of the triannual review) in regards 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	**2020/21 %**	**2021/22 %**
Expected rate of return on assets in the scheme:	23.81	34.06

	2020/21 Years	2021/22 Years
Mortality assumptions		
Longevity at 65 for current pensioners		
- Men	23.1	22.1
- Women	24.6	24.2
Longevity at 65 for future pensioners		
- Men	24.4	23.4
- Women	26.0	25.6

	2020/21 %	2021/22 %
Rate of inflation (CPI)	2.40	3.20
Rate of increase in Salaries	3.80	4.20
Rate of increase in Pensions	2.80	3.20
Rate for Discounting Scheme Liabilities	2.00	2.60

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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)	59,173	(54,568)
Rate of increase in salaries (increase or decrease by 0.1%)	56,861	(56,799)
Rate of increase in Pensions (increase or decrease by 0.1%)	58,848	(54,887)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	54,872	(58,865)

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 2023.

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. Full valuation/triennial review of the Pension Fund was 31 March 2022. The next triennial valuation is due to be completed on 31 March 2025.

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 £28.086 million in contributions to the scheme in 2022/23.

36. 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.

37. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which states 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 2021/22 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. Recognition 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:

- Revenue from contracts with service recipients, 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. 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. the current and future years impacted 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.

A change in Accounting Policy has been required to provide more reliable information about the way Infrastructure assets are being accounted for and this revised policy is contained within Policy 'n' Property, Plant and Equipment below *.

e. 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 Service 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 service in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement;
   - 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 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.

f. 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.

g. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument.

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 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

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. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

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).

The balance sheet figures for 2021/22 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.

Financial assets measured at amortised cost

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.

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.

Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

h. 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.

Community Infrastructure Levy - The authority has elected to charge a community infrastructure levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the comprehensive income and expenditure statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

Acting as a principal or agent

Grants are only recognised as income in the CIES, where the Council is acting as a principal. If the Council is acting as an intermediary, then the net balance of monies to either be repaid or due to the council, will be shown on the balance sheet.

It is deemed the Council is acting as a principal if they have control of a grant i.e. the ability to direct the use of and obtain substantially all of the remaining benefits from the grant.

i. 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.

j. 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.

k. 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.

l. 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 - Lessee

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 - Lessee

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

The Council as Lessor

Finance Leases - Lessor

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 – Lessor

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.

m. 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.

n. 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:

- community assets and assets under construction – depreciated historic cost;
- Infrastructure Assets – modified historic cost (see below for separate policy)
- 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.

The de minimis for capitalisation is £10,000.

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 5 - 124 years. (* see below)
- it is charged in the following year of expenditure being incurred

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.

* Infrastructure Assets

The Authority holds highways infrastructure assets which includes carriageways, footways and cycle tracks, structures e.g. bridges, street lighting, street furniture, traffic management systems and land which together form a single integrated network. The Authority also holds other Infrastructure assets which include Coastal protection and sea defences.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis in accordance with our de minimis levels of componentisation of £2m or as outlined in our depreciation policy above. This is provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Assets transferred as part of a Local Government Reorganisation

Where assets were transferred as part of a reorganisation to form BCP Council 1 April 2019, the transfer of Infrastructure assets involved a process of disaggregation of the former Dorset County Council's (DCC) Balance Sheet as at 31 March 2019 to form the opening Balance Sheet of the new BCP Council. A percentage of 5.6% for the disaggregation of DCC road network was applied along with 14.7% for the street lighting.

Depreciation

Depreciation is provided on the parts of infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Infrastructure Assets	Estimated useful asset life
Carriageways	20-25 years
Footways	20-25 years
Cycle Routes	20-25 years
Bridges	125 years
Street Lighting	25 years
Traffic Signals	20-25 years
Intelligent Transportation systems (ITS)	25 years
Drainage	25 years
Rights of Way	25 years
Vehicle Restraint Systems	25 years
Road Markings and Studs	25 years
Traffic signs, bollards and other street furniture	25 years
Coastal defences and water systems	25-50 years
Groynes	6-25 years

Disposals and derecognition

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

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

o. Schools

The Code confirms that the balance of control for local authority-maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

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.

p. 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.

q. 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.

r. 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.

s. 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.

t. 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.

u. Collection Fund – Council tax and National Non-domestic rates (NNDR)

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.

The balance sheet includes the authority's share of the end of year balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

v. Fair Value Movement of non-financial assets

The Council measures some of its assets at fair value at the end of the reporting period, mainly; Surplus Assets and Investment Properties. Fair value is the price that would be received to sell an asset. The fair value measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset, or

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

The Council's Estates Services valuers and External Valuers provide valuations of its assets in line with the highest and best use definition within the accounting standard. The highest and best use of the asset 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 are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets 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, either directly or indirectly.
Level 3 – unobservable inputs for the asset.

w. Capital Commitment Disclosures

For disclosure purposes the Council contracted capital commitments will only be disclosed when in excess of £1 million or more.

x. Acquisitions and Discontinued Operations

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

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

y. Charges to revenue for non-current assets

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

• depreciation attributable to the assets used by the relevant service

• revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off Statements

• amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

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

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), there is a requirement for the Council to disclose a change in Accounting Policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code specifies that the Council should disclose information resulting from those changes to new standards issued but not yet adopted.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Deferral of IFRS 16 (Leases) to 2022/23 – amendment *
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards: • IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

IFRS 16 Leases *

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of the IFRS 16 'Leases' for a further 2 years to the 2024/25 Code and will apply from 1 April 2024. As appendix to the 2021/22 Code set out the changes agreed by CIPFA/LASAAC in relation to the adoption of IFRS 16. The contents of this appendix do not have the authority of the Code and early adoption of IFRS 16 is not permitted by the code 2021/22 until 2022/23 when there is scope for early adoption.

This change in accounting policy for leases will bring fundamental changes for the way the Council accounts for leases where is acts as lessee. Change include:

- All leases will be included on the Balance Sheet – except for:
    - Leases of 12 months or less (short term leases)
    - Leases of low value assets
- The Lessee will recognise a right-of-use asset and a lease liability on the Balance sheet, and depreciation of leases assets and interest on lease liabilities through the I&E (essentially current 'finance lease' accounting).
- The lease definition will be expanded to include nil consideration arrangements.
- Lessor accounting remain relatively unchanged.

The impact of implementation of IFRS16 on the Council's financial statements is not currently known and is not reasonably estimable.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account statement.

	2020/21 £'000	2021/22 £'000
EXPENDITURE		
Repairs and Maintenance	10,074	10,682
Supervision and Management	12,823	12,615
Rents, rates, taxes and other charges	419	358
Charge for bad & doubtful debts	116	108
Depreciation and Impairment of Non-current Assets	13,096	20,938
Revenue Expenditure funded by capital under statute	2	-
Debt Management Expense	180	182
Total Expenditure	**36,710**	**44,883**
INCOME		
Dwelling rents (gross)	(42,659)	(43,323)
Non-dwelling rents (gross)	(161)	(177)
Charges for services and facilities	(2,275)	(3,347)
Contributions towards expenditure	(498)	(160)
Total Income	**(45,593)**	**(47,008)**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	**(8,883)**	**(2,125)**
HRA share of Non-Distributed Costs	(282)	(319)
Net Cost of HRA Services	**(9,166)**	**(2,444)**
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	362	(2,509)
Interest payable and similar charges	5,424	5,285
Investment Income	(48)	(39)
Pensions Interest Cost	865	1,420
Capital Grants and Contributions	-	(4,288)
(Surplus) / Deficit for the year on HRA Services	**(2,563)**	**(2,575)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2020/21 £'000	2021/22 £'000
Balance at Start of the Year	**(1,837)**	**(1,746)**
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(2,563)	(2,575)
Adjustments between Accounting Basis and Funding Basis under Statute:	1,365	9,094
Net (Increase)/Decrease before transfers to/from Earmarked Reserves	(1,198)	6,519
Transfers to/(from) Earmarked Reserves	1,289	(12,745)
(Increase)/Decrease in Year on the HRA	**91**	**(6,226)**
Balance at End of Year	**(1,746)**	**(7,972)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council was responsible for managing the following housing stock, including shared ownership :

	Bedrooms No.	2020/21 No.	2021/22 No.
Houses	1	2	2
	2	1,162	1,163
	3	2,206	2,192
	4	261	261
	5+	12	12
Flats	0	386	379
	1	3,193	3,197
	2	1,525	1,523
	3	129	130
Bungalows	0	8	8
	1	484	484
	2	160	162
	3	31	31
	4	3	3
	5	1	1
Shared Ownership		33	33
		9,596	**9,581**

2. Balance Sheet Value of HRA Assets

Property, Plant & Equipment	**Council Dwellings £'000**	**Other Land & Bldgs £'000**	**Assets Under Construct. £'000**	**Surplus Asset £'000**	**Plant & Equip.t £'000**	**Total £'000**
Cost or Valuation						
Balance at 1 April 2021	616,947	6,378	7,304	2,163	1,744	634,537
Additions	32,997	24	5,351	-	135	38,508
Revaluation increase / decrease recognised in Revaluation Reserve	24,232	(65)	-	79	626	24,872
Revaluation increase / decrease recognised in Surplus/ Deficit in Provision of Services	(12,092)	(11)	-	109	-	(11,994)
Derecognition - Disposals	(3,127)	(37)	-	(200)	-	(3,364)
Reclassifications within PPE	1,671	-	(1,451)	(220)	-	-
Reclassifications outside PPE	290	-	-	-	-	290
Balance at 31 March 2022	660,918	6,289	11,205	1,931	2,505	682,847
Cumulative Depreciation and Impairments						
Balance at 1 April 2021	-	-	-	-	-	-
Depreciation for year	(11,191)	(109)	-	-	(337)	(11,637)
Depreciation written out to Revaluation Reserve	8,502	104	-	-	(923)	7,683
Depreciation written out to Surplus / Deficit on Provision of Services	654	1	-	-	-	655
Impairment losses recognised in Surplus/Deficit on Provision of Services	2,035	4	-	-	-	2,039
Derecognition - Disposals	-	-	-	-	-	-
Reclassifications within PPE	-	-	-	-	-	-
Reclassifications outside PPE	-	-	-	-	-	-
Balance at 31 March	-	-	-	-	(1,260)	(1,260)

Property, Plant & Equipment	Council Dwellings £'000	Other Land & Bldgs £'000	Assets Under Construct. £'000	Surplus Asset £'000	Plant & Equip.t £'000	Total £'000
Balance Sheet Amount 1 April 2021	**616,947**	**6,378**	**7,304**	**2,163**	**1,744**	**634,537**
Balance Sheet Amount 31 March 2022	**660,918**	**6,289**	**11,205**	**1,931**	**1,245**	**681,587**

The valuation of the housing stock based on vacant possession at 31 March 2022 was £1,892 million (31 March 2021 £1,766 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.

	2020/21 £'000	2021/22 £'000
Balance at 1 April	(11,741)	(7,516)
HRA Depreciation from Capital Adjustment Account	(11,005)	(11,637)
Excess Depreciation to HRA	-	-
Financing of HRA debt	-	-
Financing of HRA Capital Expenditure - Council Housing	15,230	18,392
Balance at 31 March	**(7,516)**	**(761)**

4. Summary of Capital Expenditure and Sources of Finance

	2020/21 £'000	2021/22 £'000
Opening Capital Financing Requirement	140,344	137,208
Appropriation of property from the HRA	2,500	-
Capital Investment:		
Property, plant and equipment	21,636	38,508
Asset Held for Sale - current	147	-
Revenue Expenditure Funded from Capital under Statute	2	-
Sources of Finance:		
Capital Receipts	(1,334)	(3,484)
Government Grants and Contributions	(628)	(3,886)
Revenue Finance	(4,592)	(12,746)
Major Repairs Reserve	(15,230)	(18,392)
Revenue Contribution to the Repayment of Borrowing	(4,690)	(1,084)
Switch between HRA and General fund – capital receipts	(947)	(2,894)
Closing Capital Financing Requirement	**137,208**	**133,230**

Explanation of movements in year:		
Decrease in underlying need to borrow (supported by Government financial assistance)	-	-
Increase in underlying need to borrow (unsupported		

	2020/21 £'000	2021/22 £'000
by Government financial assistance)	(3,137)	(3,977)
Appropriation of property to the HRA		
Increase / (decrease) in Capital Financing Requirement	**(3,137)**	**(3,977)**

5. Capital Receipts

	2020/21 £'000	2021/22 £'000
Capital Receipts at 1 April	**(17,021)**	**(12,130)**
Capital receipts in year:		
- Sale of Council Houses	(3,148)	(5,873)
- Housing Advances Repaid	-	-
Pooled Capital Receipts	914	914
Admin Costs for RTB	154	57
Repayment of borrowing from General Fund	4,690	1,083
Transfer from HRA to GF	686	2,894
Applied to finance Capital Expenditure:		
- Housing (HRA)	1,334	3,484
- Housing (General Fund)	261	-
Balance at 31 March	**(12,130)**	**(9,571)**

6. Depreciation and Impairment of Non-Current Assets

	2020/21 £'000	2021/22 £'000
Depreciation is charged based on the useful life of assets as follows:		
- Council Dwellings	10,586	11,191
- Other Land and Buildings	122	109
- Plant & Equipment	297	337
	11,005	**11,637**
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	3,180	9,403
- Other Land and Buildings	102	(102)
	3,282	9,301
Total charge to income and expenditure account	**14,287**	**20,938**

7. Rent Arrears

	2020/21 £'000	2021/22 £'000
Cumulative Gross Arrears	1,826	1,716
Dwellings rents written off during year	64	247
Provision for bad debt as at 31 March	1,646	1,405

Current Tenant rent arrears expressed as a % of gross rent income was 3.96%.

THE COLLECTION FUND STATEMENT

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

		2020/21			2021/22		
Collection fund Statement	**Notes**	**Business Rates £'000**	**Council Tax £'000**	**TOTALS £'000**	**Business Rates £'000**	**Council Tax £'000**	**TOTALS £'000**
Income							
Council Tax receivable			(263,819)	(263,819)		(271,564)	(271,564)
Business Rates receivable		(64,498)		(64,498)	(106,334)		(106,334)
Total Income		**(64,498)**	**(263,819)**	**(328,317)**	**(106,334)**	**(271,564)**	**(377,898)**
Charges to the Collection Fund:							
Less write offs of uncollectable amounts				-			-
Less (inc)/decrease in provision for bad debts		3643	6473	10,116	33	3855	3,888
Less (inc)/decrease in provision for appeals		7782		7,782	(1,807)		(1,807)
Less disregard amounts		270		270	310		310
Contribution towards the Collection fund surplus			1666	1,666	-	(2,448)	(2,448)
Total charges to the Collection Fund		**11,695**	**8,139**	**19,834**	**(1,464)**	**1,407**	**(57)**
Net Collectable		**(52,803)**	**(255,680)**	**(308,483)**	**(107,798)**	**(270,157)**	**(377,955)**
Less other charges:							
Transitional Protection sums due from/to Authority		973		973	1214	0	1214
Cost of Collection Allowance		596		596	595	0	595
Non-domestic rating (NNDR) income for 2021/22		**(51,234)**	**(255,680)**	**(306,914)**	**(105,989)**	**(270,157)**	**(376,146)**
Demands, Precepts and Proportionate Shares:							
Central Government/DLUHC		66,814	-	66,814	66,805	-	66,805
BCP Council		65,477	218,044	283,521	65,469	215,527	280,996
Dorset Police and Crime Commissioner		-	34,402	34,402	-	35,569	35,569
Dorset & Wiltshire Fire and Rescue		1,336	10,919	12,255	1,336	10,838	12,174
Council Tax and NNDR income as at 31 March 2022		**133,627**	**263,365**	**396,992**	**133,610**	**261,934**	**395,544**
Council tax & NNDR 1 & NNDR 3 reconciliation amounts		**(82,393)**	**(7,686)**	**(90,079)**	**(27,621)**	**8,223**	**(19,398)**
surplus (+)/deficit (-) b/f 1 April		87	2,443	**2,530**	(82,307)	(5,243)	**(87,550)**
surplus (+)/deficit (-) arising during year				-			-
Estimated surplus (+)/deficit (-)payable in year		-		-	82,290	-	82,290
surplus (+)/deficit (-) arising during year including paid in yr per Council tax & NNDR3		**(82,306)**	**(5,243)**	**(87,549)**	**(27,638)**	**2,980**	**(24,658)**
Collection Fund Surplus/(Deficit) c/f 31 March:					**Business Rates £'000**	**Council Tax £'000**	**TOTALS £'000**
Central Government/DLUHC		(41,153)	-	(41,153)	(13,819)	-	(13,819)
BCP Council		(40,330)	(4,359)	(44,689)	(13,543)	2,423	(11,120)
Dorset Police and Crime Commissioner		-	(666)	(666)	-	438	438
Dorset & Wiltshire Fire and Rescue		(823)	(218)	(1,041)	(276)	119	(157)
Surplus/deficit (-) c/f 31 March		**(82,306)**	**(5,243)**	**(87,549)**	**(27,638)**	**2,980**	**(24,658)**

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 2021/22 on which the tax was set was:

Valuation Band	No. Of Properties	No. Of Band D Equivalent Properties	Proportion to Band D Properties		Tax Base 2021/22
A* - disabled relief for Band A property	0	5.2	5/9		
A	26,614.00	9,740.30	6/9		
B	33,693.00	18,476.10	7/9		
C	53,743.00	37,937.00	8/9		
D	35,583.00	29,889.20	9/9		
E	21,525.00	23,662.50	11/9		
F	9,217.00	12,211.40	13/9		
G	5,639.00	8,811.90	15/9		
H	1,232.00	2,247.00	18/9		
MOD Properties					153.2
Total	**187,246.00**	**142,980.60**			**143,133.80**
				Expected Collection Rate	**97.23%**
					139,170.50

2. Income from Business Rate Payers

	2020/21 £	2021/22 £
Total Rateable Value at 31 March (£)	374,927,510	371,112,738
The Multiplier (rate in the £) as set by Government (Pence)	51.2	51.2

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:

	2020/21 Restated £'000	2021/22 £'000
Council Tax:		
Bournemouth, Christchurch and Poole	(1,381)	(2,027)
Dorset Police and Crime Commissioner	(215)	(320)
Dorset & Wiltshire Fire and Rescue	(70)	(102)
Business Rates:		
Bournemouth, Christchurch and Poole	-	40,322
Central Government	-	41,145
Dorset & Wiltshire Fire and Rescue	-	823
Total	(1,666)	79,841

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure 2020/21 £'000	Gross Income 2020/21 £'000	Net Expenditure 2020/21 £'000		Gross Expenditure 2021/22 £'000	Gross Income 2021/22 £'000	Net Expenditure 2021/22 £'000
			Service:			
229,527	(129,395)	100,132	Adult Services	233,112	(115,076)	118,036
201,800	(121,224)	80,576	Childrens Services	220,462	(123,057)	97,405
191,322	(100,886)	90,436	Operations *	226,004	(135,126)	90,878
156,852	(132,507)	24,345	Resources	162,284	(122,519)	39,765
36,709	(45,875)	(9,166)	Housing Revenue Account	44,564	(47,008)	(2,444)
2,702	-	2,702	Transformation	8,500	-	8,500
28,443	-	28,443	Corporate Items	58,702	-	58,702
847,355	**(529,887)**	**317,468**	**COST OF SERVICES**	**953,628**	**(542,786)**	**410,842**
2,492	(2,199)	293	Other Operating Expenditure	6,108	(10,432)	(4,324)
56,091	(28,405)	27,686	Financing and Investment Income and Expenditure	50,165	(30,435)	19,730
4	(360,332)	(360,328)	Taxation and Non-Specific Grant Income	-	(350,711)	(350,711)
905,942	**(920,823)**	**(14,881)**	**(Surplus) / Deficit on Provision of Services**	**1,009,901**	**(934,364)**	**75,537**
		(57,098)	(Surplus) / Deficit on Revaluation of Non-current Assets			(68,750)
		202,949	Re-measurement of Net Defined Benefit Liability			(260,348)
		145,851	**Other Comprehensive Income and Expenditure**			**(329,098)**
		130,970	**Total Comprehensive Income and Expenditure**			**(253,561)**

* Please note that the previous directorates of ‘Regeneration & Economy’ and ‘Environment & Community’ have been merged into ‘Operations’ directorate’ for the year ending 31/3/2022 and restated in the merged directorate for 2020/21.

GROUP MOVEMENT IN RESERVES STATEMENT 2021/22

	General Fund Unearmarked	GF Earmarked Reserves	Total General Fund	Housing Revenue Account Unearmarked	HRA Earmarked Reserves	Total Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of the reserves of subsidiaries	Total Reserves
	£'000	£'000		£'000			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	(15,349)	(159,806)	**(175,155)**	(1,745)	(15,524)	**(17,270)**	(7,516)	(17,356)	(32,810)	**(250,108)**	(286,871)	**(536,979)**	**(95,710)**	**(632,689)**
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	86,611	-	**86,611**	(2,574)	-	**(2,574)**	-	-	-	**84,037**	-	**84,037**	**(8,501)**	**75,536**
Other Comprehensive Income and Expenditure - CIES	-	-	**-**	-	-	**-**	-	-	-	**-**	(329,098)	**(329,098)**	**-**	**(329,098)**
Total Comprehensive Income and Expenditure	86,611	-	**86,611**	(2,574)	-	**(2,574)**	**-**	**-**	**-**	**84,037**	**(329,098)**	**(245,061)**	**(8,501)**	**(253,562)**
Adjustments Between Group Accounts and Authority Accounts	1,151	-	**1,151**	-	-	**-**	-	-	-	**1,151**	-	**1,151**	**(1,151)**	**-**
Adjustments Between Accounting Basis and Funding Basis under Regulations	(49,359)	-	**(49,359)**	9,094	-	**9,094**	6,755	2,716	(597)	**(31,390)**	31,390	**(0)**	**-**	**(0)**
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	**38,403**	**-**	**38,403**	**6,520**	**-**	**6,520**	**6,755**	**2,716**	**(597)**	**53,798**	**(297,708)**	**(243,910)**	**(9,652)**	**(253,562)**
Transfers (to) / from Earmarked Reserves	(38,403)	38,403	**(0)**	(12,746)	12,746	**-**	-	-	-	**(0)**	-	**-**	**-**	**(0)**
(Increase) / Decrease in Year	(0)	38,403	**38,403**	(6,226)	12,746	**6,520**	**6,755**	**2,716**	**(597)**	**53,797**	**(297,708)**	**(243,910)**	**(9,652)**	**(253,562)**
Balance at 31 March 2022	(15,350)	(121,403)	**(136,752)**	(7,971)	(2,778)	**(10,749)**	**(761)**	**(14,640)**	**(33,407)**	**(196,310)**	**(584,579)**	**(780,889)**	**(105,362)**	**(886,251)**

GROUP MOVEMENT IN RESERVES STATEMENT 2020/21

	General Fund Unearmarked	GF Earmarked Reserves	Total General Fund	Housing Revenue Account Unearmarked	HRA Earmarked Reserves	Total Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of the reserves of subsidiaries	Total Reserves
	£'000	£'000		£'000			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	(10,705)	(76,141)	**(86,846)**	(1,837)	(14,235)	**(16,072)**	**(11,741)**	**(19,122)**	**(37,527)**	**(171,308)**	**(495,017)**	**(666,325)**	**(97,333)**	**(763,658)**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(4,644)	-	**(4,644)**	-	-	**-**	**-**	**-**	**-**	**(4,644)**	**4,644**	**-**	**-**	**-**
Restated balance as at 1 April 2020	(15,349)	(76,141)	(91,490)	(1,837)	(14,235)	(16,072)	(11,741)	(19,122)	(37,527)	(175,952)	(490,373)	(666,325)	(97,333)	(763,658)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	(15,092)	-	**(15,092)**	(2,562)	-	**(2,562)**	-	-	-	**(17,654)**	-	**(17,654)**	**2,774**	**(14,880)**
Other Comprehensive Income and Expenditure - CIES	-	-	**-**	-	-	**-**	-	-	-	**-**	145,850	**145,850**	**-**	**145,850**
Total Comprehensive Income and Expenditure	(15,092)	-	**(15,092)**	(2,562)	-	**(2,562)**	**-**	**-**	**-**	**(17,654)**	**145,850**	**128,196**	**2,774**	**130,970**
Adjustments Between Group Accounts and Authority Accounts	1,151	-	**1,151**	-	-	**-**	-	-	-	**1,151**	-	**1,151**	**(1,151)**	**-**
Adjustments Between Accounting Basis and Funding Basis under Regulations	(69,724)	-	**(69,724)**	1,365	-	**1,365**	4,225	1,766	4,717	**(57,651)**	57,651	**-**	**-**	**-**
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	**(83,665)**	**-**	**(83,665)**	**(1,197)**	**-**	**(1,197)**	**4,225**	**1,766**	**4,717**	**(74,154)**	**203,501**	**129,347**	**1,623**	**130,970**
Transfers (to) / from Earmarked Reserves	83,665	(83,665)	**-**	1,289	(1,289)	**-**	-	-	-	**-**	-	**-**	**-**	**-**
(Increase) / Decrease in Year	-	(83,665)	**(83,665)**	92	(1,289)	**(1,197)**	**4,225**	**1,766**	**4,717**	**(74,154)**	**203,501**	**129,347**	**1,623**	**130,970**
Balance at 31 March 2021	(15,349)	(159,806)	**(175,155)**	(1,745)	(15,524)	**(17,269)**	**(7,516)**	**(17,356)**	**(32,810)**	**(250,106)**	**(286,872)**	**(536,978)**	**(95,710)**	**(632,688)**

GROUP BALANCE SHEET

	Note	2020/21	2021/22
		£'000	£'000
Property, Plant and Equipment	4	1,725,507	1,826,181
Heritage Assets	5	67,348	69,286
Investment Property		90,225	92,687
Intangible Assets		330	528
Long-Term Investments		4	4
Long Term Debtors		10,882	19,762
Total Long-Term Assets		**1,894,297**	**2,008,448**
Short-Term Investments		56,929	119,975
Assets Held for Sale		6,300	5,582
Inventories		1,174	1,436
Short-Term Debtors		85,256	72,763
Cash and Cash Equivalents		1,417	34,808
Total Current Assets		**151,074**	**234,564**
Public Finance Initiative Current Obligation		(515)	(554)
Finance Lease Current Obligation		(109)	-
Short-Term Borrowing		(37,307)	(3,788)
Short-Term Creditors		(137,316)	(167,206)
Bank Overdraft		(4,239)	(12,457)
Grants Receipts in Advance - Revenue		(6,034)	(16,908)
Grants Receipts in Advance - Capital		(37,054)	(56,718)
Total Current Liabilities		**(222,574)**	**(257,631)**
Provisions		(23,851)	(30,020)
Long-Term Borrowing		(157,491)	(253,331)
Public Finance Initiative Capital Obligation		(7,819)	(7,265)
Pensions Liability		(1,000,949)	(808,513)
Total Long-Term Liabilities		**(1,190,110)**	**(1,099,129)**
Net Assets		**632,688**	**886,252**
Usable Reserves		(250,183)	(196,418)
Unusable Reserves	6	(382,505)	(689,834)
Total Reserves		**(632,688)**	**(886,252)**

Group Cash Flow Statement – Prior Period Adjustment

It was identified that the Council has misstated the net cashflows from investing activities in the prior period of 2020/21 financial year ending on the 31 March 2021. In accordance with 3.3.2.5 of the CIPFA code of practice the Council has re-stated the Group Cash Flow Statement in the prior period. There is no impact to the opening or closing Balance Sheet and the net impact is nil to both the Group Cash Flow Statement and Group Balance Sheet.

In order for the Council to present more reliable information on its investing activities, it has been essential to restate the Group Cashflow Statement as follows.

	2020/21 £'000	Restated 2020/21 £'000	2021/22 £'000
Net (Deficit)/Surplus on the provision of services	14,880	14,880	(75,537)
Adjust net Deficit on the Provision of Services for Non Cash Movements	75,529	75,529	194,650
Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	2,250,408	(63,274)	(48,097)
Net Cash Flows from Operating Activities	2,340,817	27,135	71,016
Investing Activities	(2,304,808)	8,874	(127,784)
Financing Activities	(36,859)	(36,859)	81,941
Net Increase in Cash and Cash Equivalents	(850)	(850)	25,173
Cash and Cash Equivalents at Beginning of the Reporting Period	(1,972)	(1,972)	(2,822)
Cash and Cash Equivalents at End of the Reporting Period	(2,822)	(2,822)	22,351

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 polices 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
Seascape Group Limited	Subsidiary	Unconsolidated
Seascape South Limited	Subsidiary	Unconsolidated
Seascape Homes and Property Limited	Subsidiary	Unconsolidated
Fairways (T/A M D Care Ltd)	Subsidiary	Unconsolidated
Poole Housing Partnership Ltd	Subsidiary	Unconsolidated
BCP FuturePlaces 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 2021/22 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 2022 as they were material due to their asset base. These three Charities comply with the Charities Statement of Recommended Practice (SORP). Audited 2021/22 accounts have been.

Subsidiaries

<u>Charities</u>
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%. Any deficits which the charities creates are subsidised fully by the Council.

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.

Recreation Ground
Charity looking after a specific area within the Mudeford Recreation ground.

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 it proportionate share) should they cease operations.

Bournemouth Building & Maintenance Limited
A wholly owned subsidiary company to deliver building works for the Council for HRA and General Fund purposes.

Seascape Group Ltd
Seascape Group Limited provides 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:

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

Seascape Homes and Property Limited
Seascape 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)
A care home purchased by BCP Council and leased to Tricuro to operate September 2019. The gross assets are immaterial and will be returned to the shareholder (BCP Council). The company ceased trading when Tricuro took over and work is in place to finalise its 2021/22 accounts and to formally close the company down.

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. From 1st July 2022 this company will be dissolved and services will be managed by BCP Council.

BCP FuturePlaces Ltd
A company wholly owned by BCP Council which has been setup to provide development management advice to the Council, accelerating and enhancing the regeneration of Bournemouth, Christchurch and Poole.

3. Joint 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 it 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 70%, and Bournemouth Christchurch and Poole Council 30%) instead of three. Existing contracts and agreements in place with the legacy councils 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 2021/22 was £44.3m (the year to 31 March 2021 saw the group turnover £46.4m). 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 £1,043k or £1.04m for the period to 31 March 2022. Bournemouth, Christchurch and Poole Council also provides certain support services to the company. The cost of this was £293k for the period to 31 March 2022.

Tricuro has the following main areas of service delivery. All shareholders treat Tricuro as a joint venture in their respective financial statements in 2020/21.

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. Depreciation and asset lives are consistent with those of the single entity. Charitable Assets are material for the group accounts as a whole and are therefore revalued at the 31 March by the external company Norse Consulting Group Ltd who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification.

	HRA Assets	Other Land & Buildings (incl PFI)	Vehicles, Plant & Equipment	Infrastructure	Community Asset	Surplus Asset	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic Cost	13,049		32,040	311,080	17,673		3,941	377,783
Valued at current value :								
2021/22	668,537	431,262				11,372		1,111,171
2020/21		49,970						49,970
2019/20		160,863						160,863
2018/19		98,605						98,605
2017/18		27,789						27,789
Total	681,586	768,489	32,040	311,080	17,673	11,372	3,941	1,826,181

4. Property, Plant and Equipment – Movements on Balances 2021/22

	HRA Assets £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant & Equipment excluding infrastructure £'000	PFI Assets Included in Property, Plant & Equipment £'000
Cost or Valuation								
Balance at 1 April 2021	**634,536**	**758,970**	**55,233**	**23,490**	**7,501**	**1,084**	**1,480,814**	**10,500**
Additions	38,508	15,880	8,992	538	-	2,837	66,754	-
Revaluation Increase/(Decrease) recognised in Revaluation Reserve	24,871	30,676	-	-	915	-	56,461	(1,580)
Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services	(11,995)	(7,739)	-	-	(119)	-	(19,853)	-
Derecognition - Disposals	(3,327)	(3,586)	(2,153)	-	(75)	-	(9,141)	-
Derecognition - Other	(37)	(2,191)	(2,204)	-	-	-	(4,432)	-
Reclassification - within PPE	-	(3,247)	-	(730)	3,150	19	(808)	-
Reclassification - outside PPE	290	-	(194)	-	-	-	96	-
Balance at 31 March 2022	**682,846**	**788,764**	**59,674**	**23,298**	**11,372**	**3,940**	**1,569,891**	**8,920**
Depreciation								
Balance at 1 April 2021	**-**	**(17,559)**	**(25,943)**	**(5,173)**	**-**	**-**	**(48,676)**	**(318)**
Depreciation for year	(11,637)	(18,270)	(5,046)	(451)	-	-	(35,404)	(318)
Depreciation Written out to Revaluation Reserve	7,683	12,803	2	-	-	-	20,488	636
Depreciation Written out to Surplus / Deficit on Provision of Services	656	977	-	-	23	-	1,655	-
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	2,038	1,505	-	-	-	-	3,543	-
Derecognition - Disposals	-	48	1,199	-	-	-	1,248	-
Derecognition - Other	-	179	2,032	-	-	-	2,211	-
Reclassification - within PPE	-	43	-	0	(23)	-	21	-
Reclassification - outside PPE	-	-	122	-	-	-	122	-
Balance at 31 March 2022	**(1,260)**	**(20,274)**	**(27,633)**	**(5,624)**	**-**	**-**	**(54,790)**	**0**
Balance at 1 April 2021	**634,536**	**741,411**	**29,290**	**18,317**	**7,501**	**1,084**	**1,432,138**	**10,182**
Balance at 31 March 2022	**681,586**	**768,490**	**32,041**	**17,674**	**11,372**	**3,940**	**1,515,101**	**8,920**

4. Property, Plant and Equipment – Movements on Balances 2020/21

Property, Plant and Equipment	HRA Assets * £ 000's	Other Land and Buildings £ 000's	Vehicles, Plant and Equipment £ 000's	Community Assets £ 000's	Surplus Assets £ 000's	Assets under Construction £ 000's	Total Plant, Property and Equipment excluding Infrastructure Assets * £ 000's	PFI Assets included in Property, Plant & Equipment excluding Infrastructure Assets * £ 000's
Cost or Valuation								
Balance at 1 April 2020	**594,948**	**723,287**	**52,932**	**21,816**	**6,822**	**7,866**	**1,407,672**	10,500
Additions	21,636	23,085	8,246	2,434	-	4,514	59,915	0
Revaluation Increase/(Decrease) recognised in Revaluation Reserve	24,782	10,719	-	-	897	-	36,397	0
Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services	(5,351)	(7,826)	-	-	5	-	(13,171)	0
Derecognition - Disposals	(1,533)	-	(329)	-	-	-	(1,863)	0
Derecognition - Other	(2,302)	(2)	(5,625)	-	-	-	(7,929)	0
Reclassification - within PPE	2,500	9,773	-	(761)	(223)	(11,296)	(7)	0
Reclassification - outside PPE	(143)	(64)	(2)	-	-	-	(209)	0
Balance at 31 March 2021	**634,536**	**758,972**	**55,223**	**23,490**	**7,501**	**1,084**	**1,480,806**	10,500
Depreciation								
Balance at 1 April 2020	**(1,381)**	**(15,103)**	**(27,303)**	**(4,857)**	**-**	**-**	**(48,645)**	-
Depreciation for year	(11,005)	(17,319)	(3,875)	(327)	-	-	(32,526)	(318)
Depreciation Written out to Revaluation Reserve	8,801	11,836	-	-	-	-	20,637	-
Depreciation Written out to Surplus / Deficit on Provision of Services	1,191	2,196	-	-	-	-	3,388	-
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	-	-	-	14	-	14	-
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	2,068	826	-	-	-	-	2,893	-
Derecognition - Disposals	0	-	294	-	-	-	294	-
Derecognition - Other	326	0	4,941	-	-	-	5,267	-
Reclassification - within PPE	-	4	-	11	(14)	-	2	-
Reclassification - outside PPE	-	-	0	-	-	-	0	-
Balance at 31 March 2021	**0**	**(17,560)**	**(25,943)**	**(5,173)**	**-**	**-**	**(48,677)**	(318)
Balance at 1 April 2020	**593,567**	**708,183**	**25,629**	**16,959**	**6,822**	**7,866**	**1,359,026**	10,500
Balance at 31 March 2021	**634,536**	**741,411**	**29,279**	**18,317**	**7,501**	**1,084**	**1,432,129**	10,182

Group Note 4.1

Infrastructure Assets - Movements on Balances

In accordance with the temporary relief granted by the Code relating to Infrastructure assets this note does not include disclosure of Gross Book Value and Accumulated Depreciation for Highways Infrastructure Assets because historical data and information deficits held by the Authority means that data would not faithfully represent the asset position of the Financial Statements. The Authority has opted not to disclose such information as the previously reported practices and resultant information deficits implies that Gross Book Value and Accumulated depreciation are not measured accurately and would not enable users of the Financial Statements to make informed decisions relating to Highways Infrastructure Assets.

Infrastructure Assets	**2020/21 £'000**	**2021/22 £'000**
Net Book Value (Modified Historic Cost) at 1 April	**266,815**	**293,378**
Additions	36,922	28,644
Reclassifications within PPE	8	789
Depreciation	(10,367)	(11,731)
Net Book Value at 31 March	**293,378**	**311,080**

Reconciling Note PPE Assets	**31 March 2021 £'000**	**31 March 2022 £'000**
Infrastructure Assets	293,378	311,080
Other PPE Assets	1,432,129	1,515,101
Total PPE Assets	**1,725,507**	**1,826,181**

The authority has determined in accordance with the temporary relief and Regulation in conjunction with the Capital Finance and Accounting 2022 amendments to the regulations, that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

5. Heritage Assets

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

	Civic Regalia £'000	**Sculptures £'000**	**Museum Collection £'000**	**Museum Building £'000**	**Total Assets £'000**
Cost or Valuation					
Balance at 1 April 2021	-	623	43,615	23,110	67,348
Depreciation	-	(15)	-	(462)	(477)
Additions	-	-	-	67	67
Revaluation	-	-	(20)	2,368	2,348
Balance at 31 March 2022	-	**608**	**43,595**	**25,083**	**69,286**

The valuation is based on insurance values. The assets were last valued during 2021/22.

The Russell Cotes building have been revalued at £25.083m based on an annual insurance valuation due to its listed status.

There are a number of valuers for Russell Cotes Museum's artwork, including the curator, Sotheby's (a world-renowned auction house), and a number of experts in oriental art and ceramics. 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 Trumphans' 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. This is taken with sufficient regularity to provide a reasonable estimate of value.

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 2021 £'000	31 March 2022 £'000
Revaluation Reserve	(538,478)	(602,956)
Capital Adjustment Account	(885,718)	(911,616)
Permanent Endowment Fund	(14,848)	(18,523)
Deferred Capital Receipts Reserve	(1,565)	(1,494)
Financial Instrument Adjustment Account	68	35
Pensions Reserve	1,000,949	808,513
Accumulated Absences Account	4,483	4,769
Collection Fund Adjustment Account	44,751	11,120
Dedicated School Grant Deficit	7,853	20,318
Total Unusable Reserves	**(382,505)**	**(689,834)**

7. Intra Group Loans

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

	FuturePlaces £'000	BDC £'000	Total £'000
Loan (Winter Garden/Durley Road)	-	4,643	4,643
Working Capital loan	5	-	5

Winter Gardens Loan – The Council had initially lent Bournemouth Development Company LLP loans to purchase land at the Winter Gardens site in Bournemouth and the Durley Road development. Morgan Sindall the other partner in the partnership has matched the Council's funding.

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

FuturePlaces Ltd - £400,000

8. Group Accounting Policies

All other accounting policies set out for the Council are applicable to the group accounts presented other than the specific items below.

Heritage Assets
The group's heritage assets consist of the museum building - East Cliff Hall, the land and the paintings, furniture and other objects that form the collection of the Russell-Cotes museum. They are held to provide benefit and enjoyment to the inhabitants of and visitors to Bournemouth.

Heritage assets are initially recognised at cost and are revalued periodically. Any revaluation gains or losses are held in the Endowment fund. Whilst being carried at other than a notional value, East Cliff Hall is depreciated on a straight-line basis over it estimated useful life, other assets are not depreciated.

Heritage - Freehold buildings	50 years
Heritage - Land	Not depreciated

The carrying values of heritage assets are reviewed where there is evidence of physical deterioration or breakage. Any impairment is recognised and measured in accordance with the general policies on impairment. Depreciation is only chargeable on heritage assets if they meet the general policies for depreciation. The collection is not depreciated but revalued on a periodic basis by appropriate experts including the museum curator. A record of the art collection is held by the Russel Cotes Museum updated on a day to day basis.

Capitalisation follows the policy of a threshold of £10,000.

9. 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 Groups Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are centred around the valuation of land and building assets which are set out in further detail in note 4 of the single entity accounts.

Annual Governance Statement (AGS)

For the Year Ended 31 March 2022

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 To this end, 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 is available on the Council's website.

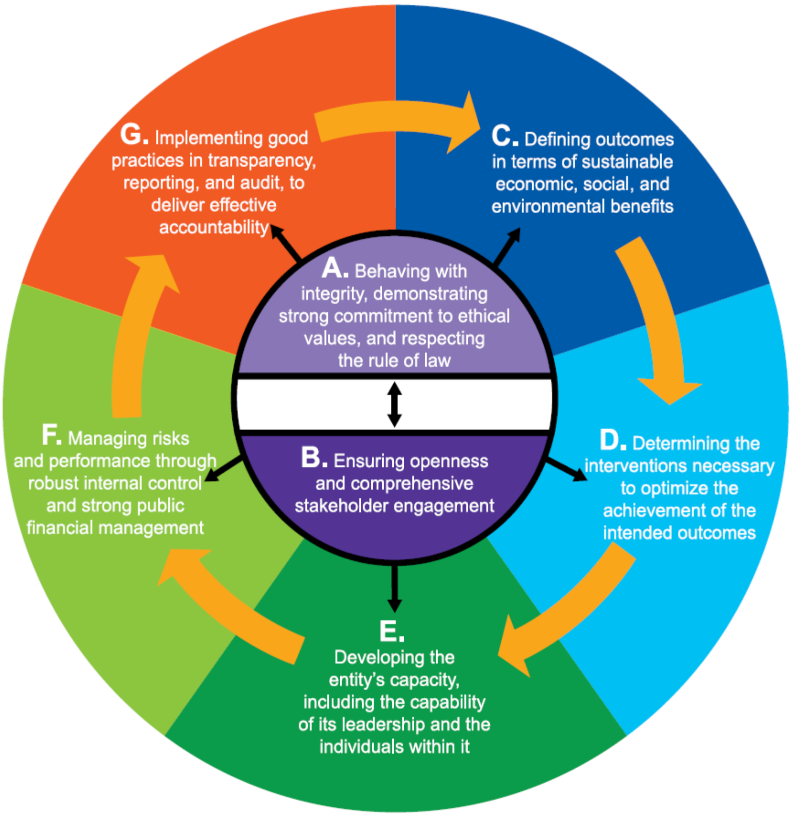
4 The Annual Governance Statement (AGS) explains how BCP Council complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 (and as amended by the Accounts and Audit (Amendment) Regulations 2021) in relation to its preparation, approval and publication.

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 does 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 The key elements of the Council's governance framework are identified in the Local Code of Governance which is consistent with the seven best practice principles of the *International Framework: Good Governance in the Public Sector* (CIPFA/SOLACE Framework *Delivering Good Governance in Local Government)* as shown in the diagram below.



8 BCP Council's governance framework was in place for the year ended 31st March 2022 and up to the date of the approval of the Statement of Accounts.

Review of Effectiveness of the Governance Framework

9 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including how it meets the principles above and the effectiveness of the system of internal control. This includes how its vision, priorities and objectives, as articulated in the corporate Strategy and Big Plan, are delivered, effectiveness of decision making, and governance of partnerships and group entities.

10 The AGS is the method by which we record the outcome of this review. The AGS also includes the Council's group entities as identified in its Statement of Accounts.

11 As part of the review, the Council considers both in-year, continuous elements and year-end review processes.

12 Many of the elements identified in the Local Code of Governance provided on-going review of the effectiveness of the governance framework during the 2021/22 financial year including:

- Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, which operated in line with the Council's Constitution
- The Audit and Governance Committee which provided 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

- Statutory Officers Group, comprising of the Chief Executive, Monitoring Officer and Chief Financial Officer, which met regularly throughout the year. The Head of Audit & Management Assurance also attended these meetings.
- 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 conformed to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2016). The Director 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 Director of Law & Governance has been designated as the Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose
- Review of and changes to the Constitution following the work of the Constitution Review Working Group and Monitoring Officer
- 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 has put in place effective arrangements across many aspects of the counter-fraud code and undertook positive action to manage its risks
- Internal Audit, who provided an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems
- External Audit, to whom the Council provides support, information and responses as required, and ensures findings and recommendations are appropriately considered
- External reviews and inspections, the results of which are reported and acted upon as appropriate. These included, for example:
  - The Corporate Peer Challenge (November 2021)
  - External assessment of Internal Audit (June 2021)
  - Ofsted/Care Quality Commission Joint Local Area SEND Inspection (July 2021)
  - Ofsted Inspection of BCP local authority Children's Services (December 2021)
- Regular scrutiny of financial monitoring reports by Councillors and Officers

13 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 and for group entities
- Completion of Directors Assurance Statements by Corporate Directors
- Internal Audit documentation and reports
- Chief Internal Auditor's Annual Report
- Findings from internal and external reports
- Follow up of the 2020/21 AGS action plan

Covid-19 – Impact of Pandemic on the Governance Framework

14 During 2021/22, the Covid-19 pandemic continued to present significant and wide-ranging challenges for public services nationally and for BCP Council to support its community, economy and maintain essential services. Covid-19 initiatives from 2020/21 continued, including:

- the #TogetherWeCan initiative provided a helpline, volunteers, food parcels and support to the vulnerable in our communities
- delivery of PPE to health and social care services
- support to NHS colleagues with setting up Covid-19 testing centres and a major vaccination centre, and
- the processing of extensive business grants and financial support for local companies.

15 During the year, as a result of the changing nature of challenges presented by the pandemic, BCP Council introduced additional responses, such as:

- delivery of the local outbreak management plan via the COVID-19 Health Protection Board – from July 2020 until regulations were lifted in February 2022
- Oversight and deployment of the Test and Trace Support Grant, and Contain Outbreak Management Funds in 2020-2022
- Delivery of the local health protection response via the public health team's day response and out of hours service – support to managing infections in high risk settings like care homes, schools, healthcare premises, and
- Preparations for surge testing, if required, as part of Operation Eagle.

16 Frontline teams, such as social care, refuse and street cleansing, parks and seafront, environmental health and enforcement, actively supported measures to keep individuals and the community safe. Council services continued to use adapted ways of working to ensure continued safe delivery of services, including online library services and online exercise classes offered through our leisure centres. In addition, over 5,000 staff worked from home or from active front-line services.

17 Whilst the ongoing changes required to respond to the pandemic impacted on business as usual, with performance adversely affected in a range of areas, particularly those dependant on public access, such as libraries and museums, the Council continued to deliver its services and meet its statutory requirements to a significant degree. Pressure were particularly felt in the customer contact centre and in responsive services, including Planning.

18 Staff redirection in the immediate response phase to the pandemic resulted in some capacity issues, which delayed planned improvements in some areas and impacted some business as usual activity such as timely processing of complaints and undertaking mandatory training.

19 The Council worked in line with government guidance when facilitating a return to work, moving from remote working, through amended face to face arrangements as the pandemic developed.

20 During the year, the financial position of the Council was significantly impacted, both through the immediate impact of lost income in customer facing charged-for services such as car-parking and by significant additional costs incurred in responding to the pandemic. However, governance was in place to manage the budget position, through close monitoring and scrutiny, and communication and updates to Senior Management, Councillors and Committees. Government support is reflected in the year end budget position.

21 In response to the financial constraints caused largely by the pandemic, the Council's Transformation Programme has been rescheduled to deliver the large-scale savings required. Other significant projects, such as the Transforming Cities Fund, have continued to be delivered during the pandemic, but subsequent rising costs and supply-chain pressures have impacted on delivery timescales and had some impact on deliverables.

22 Throughout the pandemic, the Council has ensured fit for purpose governance arrangements have been in place to respond efficiently and effectively to the risks presented by Covid. During the initial response phase, a 'Corporate Incident Management Team' comprising of the Council's most senior officers and attended by the Leader (or representative) which, meeting as frequently as required, co-ordinated the Council-wise response and took key decisions supported by decision records. This was able to be stood down in April 2021 and Covid-19 decision making reverted to match normal service decision-making governance.

23 The Council's internal governance arrangements, such as Corporate Management Board (CMB) and Transformation Programme Board were able to operate during the year.

24 From May 2021 decision-making councillor meetings had to revert to meeting physically and that required significant adjustments to meeting arrangements including face-to-face Council meetings involving all 76 councillors in external venues. This was a significant pressure on the decision-making processes of the Council, which were maintained in compliance with the legislative requirements.

25 No immediate significant governance issues which were caused directly by the pandemic have been identified, the Council is now entering a period of reflection and learning in relation to its response, led by CMB. Lessons learnt will be built into the future planning cycles and governance arrangements as appropriate.

26 BCP Council's Head of Internal Audit, in line with the Public Sector Internal Audit Standards, is content that the internal audit team have undertaken sufficient internal audit work during 2021/22 to issue a positive annual audit opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control. The delivery of the audit plan itself was not adversely impacted by the pandemic; no limitation of scope statement was required. In addition, no significant governance concerns resulting directly from the pandemic were identified by IA during the year.

Financial Management Code

27 The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively.

28 As required by best practice, senior officers at BCP Council have undertaken self-assessments against the FM Code. Following the initial self-assessment in 2020/21, an action plan was produced and monitored with a mid-year update going to Audit & Governance Committee.

29 An updated self-assessment for 2021/22 concluded that BCP Council was compliant with the FM Code. Progress against all the actions has been made, with a number of opportunities for further improvement remaining. An update against last year's action plan is shown below:

	Issue	Recommendation	Update at June 2022
1	The children's services capital strategy is under-developed with no new projects included in the 2021/22 programme and a residual programme of less than £1milllion in future years.	A children's services capital strategy and detailed plan to be prepared - aiming for Cabinet in July 2021 and going forward to be refreshed annually as part of the February budget report.	**Implemented** – The February budget report for 2022/23 included the Chidren's services Capital Programme with other projects coming forward subsequently. The High Needs Block Deficit Recovery Board considers new projects as they are developed before going to Cabinet and Council if required.
2	An analysis of the overall capital requirements of the council's estate is not yet in place to inform a capital strategy or estate management arrangements. This is in progress supported by consultants.	The physical estate needed to support future service delivery and corporate objectives should be established alongside future estate management arrangements to determine an appropriate corporate landlord model for the council. Capital strategy to be informed by the review.	**In progress -** Report taken to Corporate Management Board from consultants Avison Young on 7 December 2021. A review of the corporate estate is underway to establish if activity can be further consolidated to release buildings for other purposes. Greater use of libraries for other services is being implemented. The council has commenced work on creating a specific Asset Management Strategy for BCP Council, and on creating a Corporate

			Landlord Model (next meeting Monday 20 June 2022).
3	The council involves a range of stakeholders in setting the annual budget, this includes specific consultation on service-based savings plans but not general consultation with residents.	Consideration of whether the budget process would be enhanced by any additional consultation processes.	**In progress** - Budget simulator exercise is being considered to support the 2023/24 budget. Ongoing consideration is given to additional consultation events. Discussion with the Leader & Deputy Leader included a potential budget simulator process however other priorities such as the new ERP and staff turnover means it is unlikely during 2022.
4	The Council undertakes regular reporting of key elements of the balance sheet such as projected reserves and transformation costs in quarterly Cabinet reports. Collection fund, bad debt provision and collection rates are reviewed periodically.	Determine if further balance sheet and other items (e.g. procurements undertaken) should be monitored by CMB.	**In progress -** Transformation across the council should improve data management and reporting and self-service capability as well as providing new systems with the aim of releasing resources for more analytical activities from 2023/24.
5	The detail of fixed assets for accounting purposes is maintained on spreadsheets with the inherent risk of data corruption or loss going undetected with little system reliance. There is no link with the subsidiary systems that provide other asset management information.	The main accounting systems, including for fixed asset recording, is an early work package for the strategic investement partner and will take time to implement.	**In progress -** The Finance transformation programme, including the use of a fixed asset module, has progressed through the planning stages with the system design signed off in June 2022. Implementation of the new system is expected to start from 1 April 2023 and will deliver savings and efficiencies. In the meantime, the current spreadsheet system is considered adequate supported by controls such as a reconciliation between the spreadsheet and the Technology Forge systems.

Evaluation, Conclusion and Significant Governance Issues

30 Following review and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31st March 2022 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**.

31 The Council's Corporate Management Board (CMB) considered the effectiveness of the governance arrangements, including potential significant governance issues arising from the review, using the following criteria as a guide:

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.

32 As a result, one new significant governance issues was identified for the 2021/22 AGS: the Delay in the Completion of the 2020/21 External Audit. Please refer to Table 1 below for more details.

33 The Council is committed to the continual improvement of its governance arrangements, established management processes, such as financial and performance monitoring, risk management and internal audit, have identified a number of governance issues for improvement during the year. These included, for example:

- Asset Management;
- Children's Capital Programme;
- Planning Service;
- Transformation;
- Budget Management; and
- Complaints.

CMB considered that these were either risks, rather than governance concerns and/or they did not meet the level of significance required for inclusion on the AGS. They are satisfied that the necessary actions being taken to address them.

34 The 2020/21 AGS identified two significant governance issues as outlined below, for which an action plan was produced and monitored. A detailed follow up report was presented to the Audit and Governance Committee in January 2022.

35 Progress against the two governance issues as at June 2022 is summarised below:

2020/21 Significant Governance Issue	Progress as at June 2022
Governance of Children's Social Services	**Remain on AGS 2021/22** - Significant improvements have been made over the year, including the embedding of robust governance and oversight for the delivery of the action plan. However, some concerns still remain – see Table 1 below.
Governance Arrangements with External Bodies	**Remain on AGS 2021/22** - Significant process has been made in improving parks governance. However, some governance issues remain and is shown in Table 1 below.

36 Whilst significant progress has been made to address the governance issues from 2020/21, some governance concerns remain. Therefore, these have been updated to reflect the changes during the year and are shown in Table 1 below, along with an updated action plan to address remaining issues.

Table 1 - 'Significant Governance Issues' and Action Plan

<table>
<tr><td rowspan="3">1</td><td colspan="3">Governance of Children's Social Services
A new, detailed 57-point Children's Services Improvement Plan, is ambitious yet deliverable and there is a commitment both within the local authority and amongst key partners to rapidly improve the services provided to children and young people in BCP. The new leadership of Children's Services brings a greater degree of transparency and accountability in the improvement agenda. The senior leadership will play a significantly more active role in the Improvement Board and delivery of the plan, and all staff will begin to see how they and their roles make a tangible difference to the quality of service. The arrival of a permanent Director of Children's Services has been crucial in offering stability alongside a clear direction of travel for the improvement journey.

Through partnerships, key values that will underpin all future SEND work have been established. These are trust, honesty, transparency, empathy, communication, belonging and respect. There is a strong commitment to creating and embedding a culture that embodies these values, and the SEND system will be held to account on this in the future. Changes set out in the Written Statement of Action will be made as quickly as possible.

To date, some progress and improvements across a number of areas have been made, however it is too early to evidence how well changes are embedded and the impact on the lives of children. In the June 2022 Monitoring visit ,Ofsted particularly noted that a well-considered and focussed quality assurance framework and governance framework is now in place

The most significant challenge for children's social care is the ability to recruit and retain a highly skilled workforce. High agency usage continues to mean tackling practice inconsistencies is difficult, hence recruitment and retention being a key priority moving forward.

Children must be at the heart of the improvement journey, and their voices will run through every priority of the improvement plan. This plan will improve outcomes and experiences for children and young people; their voices, views and influence are integral to success.

The 3 main pillars of Children's Services – social care, SEND and inclusion practice in schools – all need further sustained improvement, and work is ongoing to integrate our improvements to become more efficient and effective in how we approach improvement programmes. There is also a need to become more consistent as well as working through the improvements at pace. The quality of practice needs to continually improve to impact on the lived experience of our children, young people and families.

There is a highly committed and motivated workforce who are determined not just to withstand increased pressure, but to go on making the necessary improvements. It is recognised that further improvements at pace are still required, including changes to the operating culture in BCP.</td></tr>
<tr><td>Action Points</td><td>Responsible Officer</td><td>Target Date</td></tr>
<tr><td>Delivery of the Action Plan (as detailed above)</td><td>Corporate Director – Children's Services</td><td>As per Action Plan</td></tr>
</table>

2 **Governance Arrangements with External Bodies**

In previous years' AGS, the Council recognised that it needed to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose. Last year, the areas of Parks Charities and Trusts, and Partnerships were specifically identified for improvement.

During 2021/22, significant work has been undertaken to improve the governance in these areas. For Parks, this has included presentations to Audit & Governance Committee, implementation of many of the Internal Audit recommendations, and re-instigation of Board meetings for the Lower Gardens Trust (although these were not in place throughout 2021/22). However, several elements are still outstanding, notably completion of the legal review into Parks Trusts arrangements to achieve consistency and sound governance.

As part of the Council's Transformation programme, the Communities and Partnerships workstream is progressing work to strengthen partnership governance. Good progress has been made on all the action points on last year's AGS, a corporate partnership register, corporate oversight and guidance, however, this has yet to be completed and implemented.

Action Points	Responsible Officer	Target Date
1. Parks, charities and trusts Completion of review of Parks Trust arrangements to ensure sound governance and achieve consistency	Chief Operations Officer & Monitoring Officer	31/12/22
2. Partnerships BCP Council Partnership governance will be strengthened through the development of the following: a) Agreement of a partnership definition b) Production and maintenance of a Corporate Partnership Register c) Establishment of corporate oversight of partnerships d) Production of corporate partnership guidance to supplement Financial Regulations, which can also be used for compliance purposes This will initially be lead through the Communities and Partnership Transformation workstream but, if necessary, a new corporate lead will be identified and appointed to take these forward.	Chief Executive Head of Community Engagement	31/3/23

3	**Delay in the completion of the 2020/21 external audit** The Council considers that the delay to the completion of the external audit of the 2020/21 statement of accounts to be a governance weakness as this is a key source of assurance. **This is caused by delays in receiving required confirmations from the auditor of Dorset Pensions Fund** and national issues regarding the accounting treatment and auditing of infrastructure assets which is affecting approximately 50% of local authorities, and therefore, out of the Council's direct control to take actions to remedy the situation. However, the Council continues to work with the external auditor to provide necessary data and support and to respond to matters raised. In addition, the Council's own mechanisms, such as internal accounting processes and controls, reporting to officers and Members, publication of accounts and internal audit continue to provide assurance over financial management. Given that the matter is a national one outside of the direct influence of the Council, no internal action plan is appropriate.

This statement explains how BCP Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and also meets the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework 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**

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 Expenditure funded as Capital under Statute (REFCUS)

Capital expenditure for assets not owned by the Council and therefore not held on the Council's Balance Sheet.

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.

Agenda Item 9

AUDIT AND GOVERNANCE COMMITTEE

Report subject	**External Auditor – Audit Plan 2023/24**
Meeting date	30 May 2024
Status	Public Report
Executive summary	The attached report at Appendix A sets out the work that the Council's External Auditor, Grant Thornton, plans to undertake for the audit of the Council's Statement of Accounts in respect of 2023/24. The External Auditor plans to give an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Recommendations	**It is RECOMMENDED that Audit & Governance Committee notes the Grant Thornton External Audit Plan 2023/2024 for the Council.**
Reason for recommendations	To advise the Audit & Governance Committee of the External Audit annual plan for the Council for the audit of the 2023/24 Statement of Accounts.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 128784 nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

Background

1. During 2017, Public Sector Audit Appointments (PSAA) awarded contracts for audit appointments for a five-year period beginning on 1 April 2018. Grant Thornton are the appointed External Auditor for Bournemouth, Christchurch and Poole Council.

2. The External Auditor performs the audit of the financial statements in line with the Code of Practice issued by the National Audit Office (NAO) and International Standards on Auditing (UK).

3. The External Auditor gives an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

External Auditor – Audit Plan 2023/24

4. The attached report at Appendix A (BCP Council Audit Plan) sets out the planned scope and timing of the statutory audit of the Council's Statement of Accounts, in respect of 2023/24, for those charged with governance.

5. The audit of the financial statements does not relieve management or the Audit & Governance Committee of their responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for.

6. The contents of the report include:
   - Key matters
   - Introduction & headlines
   - Significant risks identified
   - Group audit scope and risk assessment
   - Other matters
   - Our approach to materiality
   - IT Audit Strategy
   - Value for Money arrangements
   - Risks of significant VFM weaknesses
   - Audit logistics and team
   - Audit Fees and updated auditing standards
   - IFRS 16 'Leases' and related disclosures
   - Independence and non-audit fees
   - Communication of audit matters with those charged with governance
   - Escalation Policy
   - Addressing the audit backlog

Options Appraisal

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

Summary of financial implications

8. The fee for the External Audit programme of work is set out in Appendix A. The scale fee set out in the Public Sector Audit Appointments contract for the 2023/24 BCP Council audit is £433,289. Additional audit fees known to date total £18,550 resulting in total known audit fees to date of £451,839.

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

14. There are no direct risk implications from this report.

Background papers

None

Appendices

Appendix A - Grant Thornton – BCP Council Audit Plan Year Ending 31 March 2024

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Bournemouth, Christchurch and Poole Council Audit Plan

Year ending 31 March 2024

21 May 2024

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

Within our combined 2021/22 & 2022/23 Auditors Annual Report issued in August 2023 we raised concerns about your financial sustainability, specifically the Councils Medium Term Financial Plans and associated transformation programme and delivery of savings. We also reported significant weaknesses in Governance in relation to leadership, partnerships and the Transformation programme. From an economy, efficiency and effectiveness perspective weaknesses were reported due to the continued inadequate rating issued by Ofsted in respect of childrens services. We will have regard to these issues when undertaking our 2023/24 VFM audit and continue to engage with management to understand your responses to these and other challenges.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report About time? in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

We have, subject to final guidance, agreed with the Council to backstop the 2022/23 opinion audit. This should enable a prompt start on the 2023/24 post-statements audit. The Council has committed to producing draft 2023/24 financial statements by the end of May 2024 deadline.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit & Governance Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. Should the NAO revise the VFM code during 2023/24, these areas of focus may change and this line may need amending for different emphases
- We will continue to provide you and your Audit & Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit & Governance Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued

Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 8.
- We identified a significant risk relating to the data migration to the new ledger - refer to page 14. Our IT auditors will review whether the Council's process for ensuring the data migration was complete and accurate.

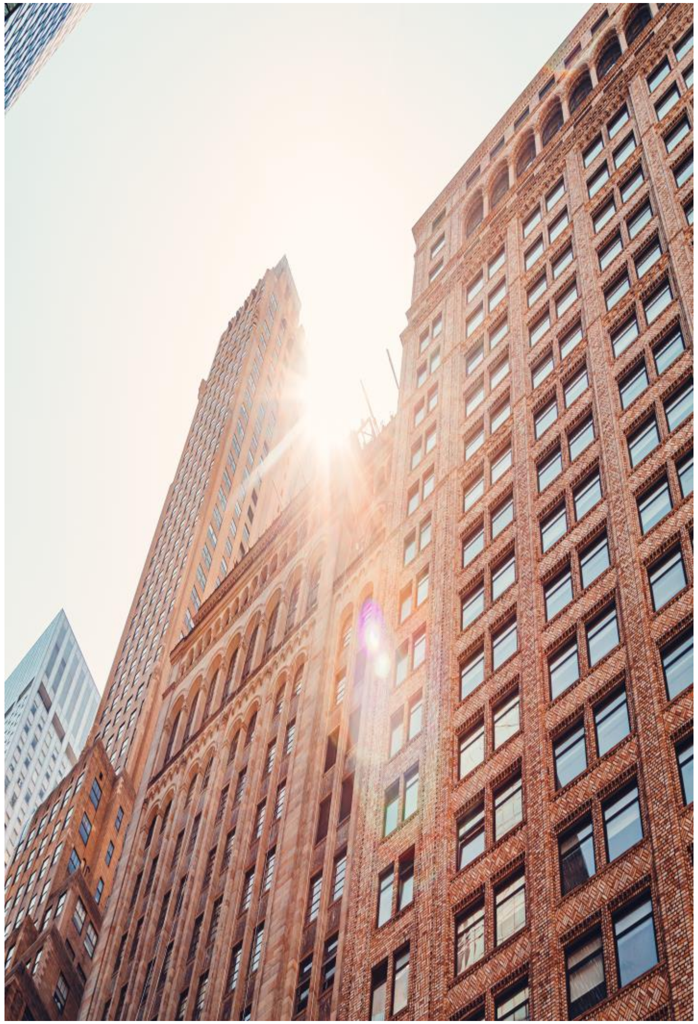
Prior year disclaimer

A consultation is currently under way with the Financial Reporting Council (FRC) and Department for Levelling Up, Housing and Communities (DLUCH) in respect of applying a backstop to prior year opinion audits not likely to be concluded by 30 September 2024. The consultation closed on 7 March 2024, with the outcomes due shortly. We have requested further guidance from the FRC and National Audit Office (NAO) regarding some of the technical aspects of the consultation, notably potential modified opinions and work around opening balances. We will provide an update the Audit and Governance Committee when we understand what additional work will be required.

2023/24 opinion audit

As set out on page 3, we have, subject to final guidance, agreed with the Council to backstop the 2022/23 opinion audit. This should enable a prompt start on the 2023/24 post-statements audit. The Council has committed to producing draft 2023/24 financial statements by the end of May 2024 deadline.

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Bournemouth, Christchurch and Poole Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Bournemouth, Christchurch and Poole Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Governance Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land, buildings , council dwellings and investment properties
- Valuation of pension fund liability.
- Data migration to the new finance system at 1 April 2023.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Russell-Cotes Art Gallery and Museum Charitable Trust, The Five Parks Charity and the Lower Central Gardens Trust.

Materiality

We have determined planning materiality to be £13.3m (PY £13.5m) for the group and £13.2m (PY £13.3m) for the Council, which equates to 1.4% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of the implementation of the new finance system as well as the history of errors identified and have reduced performance materiality from 65% to 60%.

Clearly trivial has been set at £660k (PY £700k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability - focusing on the use of reserves and achievement of savings programmes, the DSG deficit and the transformation programme
- Governance - ensuring decision making has regards to governance best practice
- Economy, efficiency and effectiveness – to include progress against the Ofsted inadequate children in care services rating.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning work commenced in February 2024 and our final visit will take place in July though to October 2024. These timings are subject the proposed backstop of the 2022/23 opinion audit being implemented.

Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed indicative fee for the audit will be £451,839 for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (ISA240) (rebutted)	Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. mean that all forms of fraud are seen as unacceptable.	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered that risk factors set out in IAS240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: - 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. No specific work is planned as this presumed risk has been rebutted.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions (rebutted)	Council	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.	We have determined that the risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council. At the planning stage we do not consider this to be a significant risk for Bournemouth, Christchurch and Poole Council. We will continue to consider this risk as we progress through the audit.

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Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride 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. We therefore identified management override of control, in particular journals, management estimates transactions outside of the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design and effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting the high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider the reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings including council dwellings	Council and Group	The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of land and buildings as a significant risk..	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the Council's valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluate 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; and • engage an auditor's expert to support our response to the valuation of land and buildings.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of investment properties	Council and Group	The Authority is required to revalue its investment properties at fair value on an annual basis at 31 March. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • discuss with the valuer the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • engage an auditors' expert to support our response to the valuation of investment properties.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Pension Fund Liability	Council	The Council's pension fund net liability, as reflected in its 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 and the sensitivity if the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk..	We will: • Update 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 evaluate the design of the associated controls. • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test 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 • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of the Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension funds financial statements.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Data migration with new system implementation	Group and Council	Risk factors • The Council implemented a new finance system from the 1 April 2024	We will: • Evaluate the need of the project, project plan (which includes initiation, development, testing & implementation) and authorised sign offs from management. • Evaluate whether appropriate testing of new system has been performed before go-live and all the critical issues were addressed. • Validate the data migration from old system to new system was successful & checks were performed to reconcile the data. • Verify the completeness & accuracy of data transferred. • Trail balances & other financial transactions are transferred completely & accurately. • COA mapping was done correctly & it was approved by authorized finance personnel. • Verify that authorized & appropriate sign offs were obtained to conclude UAT and prior to go-live. • Adequate support was provided post go-live to monitor & resolve any issues.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
BCP Council	Yes		• See pages 8 - 11	Full scope audit performed by Grant Thornton UK LLP
The Russell Cotes Art Gallery and Museum Charitable Trust	No		• None	Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.
Five Parks Charity	No		• None	Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.
The Lower Central Gardens Trust	No		• None	Specified procedures on one more classes of transactions, account balances or disclosures in the group financial statements.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £13.3m for the group and £13.2m for the Council which equates to 1.4% of your draft gross expenditure for the period.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £17,000 per officer.

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.

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit & Governance Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £660k (PY £700k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Governance Committee to assist it in fulfilling its governance responsibilities.

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.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13,300,000	13,200,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.4% was an appropriate rate to apply to the expenditure benchmark for both the Council and Group.
Materiality for specific transactions, balances or disclosures (senior officer remuneration)	17,000	17,000	A lower level of materiality was determined for the Senior Officer Remuneration disclosures in the single entity accounts due to the sensitivity and potential public interest in these disclosures.

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Microsoft Dynamics 360	Financial reporting	• Detailed ITGC assessment (design)
Civica Open Revenues	Revenue and Benefits	• Detailed ITGC assessment (design) – Follow up of 2022/23
Capita Academy	Revenues and Benefits	• Detailed ITGC assessment (design) – Follow up of 2022/23

IT audit strategy

In addition, due to the significant changes during the period, specifically the new system implementation additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Microsoft Dynamics 360	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	• Obtain an understanding of the process used for new system implementation • Verify project planning, testing strategy and cutover (go-no go) guidelines etc. • Obtain the evidence & verify that sufficient testing was performed prior to go-live • Verifying chart of accounts mapping • Audit of data migration activity and results • Verify the completeness & accuracy of data migrated (Transactional & non-transactional data) • Verify the appropriate & authorised sign offs / approvals from management • Obtaining evidence to verify the different phases of the project

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the following 2 pages along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant VFM weaknesses

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The Audit Code sets out that the auditor's work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this 2023/24 Audit Plan. A key part of this is the consideration of previous significant weaknesses and known areas of risk identified by our previous VFM work which is a key part of the risk assessment for 2023/24. We set out our reported assessment against the final 2021/22 & 2022/23 VFM report along with our planned 2023/24 response below:

Criteria	2021/22 & 2022/23 Auditor judgement on arrangements informing our initial risk assessment		Additional risk-based procedures planned for 2023/24
Financial sustainability	Red	Significant Weakness 1 : The Council must: a) Undertake an urgent review of the transformation programme. Our review found inherent weaknesses in the control and management of the programme, as well as the delivery of savings and management costs. b) Ensure that there is a robust methodology for monitoring and tracking operational and transformation savings and that reporting on actual performance against plan is more transparent. c) Ensure that the transformation programme is fully financed before any further commitments to the programme are made. Significant Weakness 2: The Council must review the continued sustainability of reserves and balances to ensure the MTFP demonstrates a realistic plan to replenish reserves.	We will continue to monitor and review the financial sustainability of the Council, paying specific notice around the use of reserves and achievement of savings programmes to ensure the MTFP is balanced. Further work will be conducted around the significant DSG deficit. There will also be a review of the transformation programme, specifically around the progress against control management of the programme and the delivery of savings.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Risks of significant VFM weaknesses – continued

Criteria	2021/22 & 2022/23 Auditor judgement on arrangements informing our initial risk assessment		Additional risk-based procedures planned for 2023/24
Governance	Red	Significant Weakness 3: The Council must not enter into high-risk, ambitious and challenging projects without the proper and full consideration of governance arrangements and ensure they are adhered to. Members must consider all advice from statutory officers and ensure they have the best technical, professional and legal support before considering any high-risk and challenging projects.	We will continue to monitor the current governance arrangements across the Council, ensuring that high-risk projects that have been undertaken by the Council have had full consideration and governance arrangements adhered to. We will also seek to ensure that Members are challenging, and consider all advice before taking decisions.
Improving economy, efficiency and effectiveness	Red	Significant Weakness 4: the Council should continue to address the weaknesses identified by Ofsted, and the DfE to ensure that all children have access to quality services which meet their needs in a timely manner. Significant Weakness 5: The Council must: a) Ensure it has a robust decision-making processes in place for specific initiatives including the transformation programme, BCP future places and other service delivery models as well as capital projects and small investments. b) Ensure there is robust scrutiny and a sound business case for selling Council assets to the fund transformation programme. This should include a fit for purpose mechanism for developing business cases, financial appraisals, and sufficient management support to ensure programme objectives are identified, project plans are developed, objectives are delivered and risk/reward and issues are identified and mitigated/enhanced. c) Establish a regular cycle of reviewing business plans in relation to all its high value and high-risk investments including its subsidiary BCP Future Places.	We will continue to monitor the progress against weaknesses identified by Ofsted and DfE in respect of children in care. There will also be additional work around the transformation programme and BCP Future Places. Future Places is currently being brought back in-house. There will also be further review around the sale of assets to fund the transformation programme, ensuring that there is suitable consideration of the three E's.

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Audit logistics and team

Audit & Governance committee
May 2024

Year end audit
July – October 2024

Audit & Governance committee
October 2024

Audit & Governance committee
October 2024

Planning and risk assessment

Audit Plan

Audit Findings Report/Draft Auditor's Annual Report

Audit opinion and Auditor's Annual report

Adams Azbilla
Audit Incharge
Key audit contact responsible for the day to day management and delivery of the audit work

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Katie Whybray
Audit Manager
Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Peter Barber,
Key Audit Partner
Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slides 3 to 5)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2019, PSAA awarded a contract of audit for BCP Council to begin with effect from 2019/20. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £433,289.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/'

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

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Audit fees

	Proposed fee 2023/24
Bournemouth, Christchurch and Poole Council Audit Scale Fee	£433,289
ISA 315*	£12,550
Use of auditor's external expert*	£6,000
IFRS 16**	TBC
Potential impact of a disclaimer 2022/23 audit opinion as a result of the proposed backstop on opening balance testing for 2023/24	TBC
Total known audit fees to date (excluding VAT)	£451,839

* Estimated

**IFRS 16 adoption - IFRS 16 will need to be implemented by local authorities from 1 April 2024. The impact of this change will require disclosure in the 2023/24 statements and may necessitate further audit procedures. The impact on our fee of any additional audit work undertaken will be considered at the conclusion of the audit.

Previous years fees

Our 2021/22 scale fee set by PSAA was £120,000. The work is now almost complete and the estimated fee as at 8 May for the audit is £252,000.

Our 2022/23 fee will be informed by the outcome of the backstop consultation and will reflect the work undertaken to discharge our role.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

> "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

IFRS 16 Application Guidance December 2020.docx (publishing.service.gov.uk)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

In this context, we disclose that:

Dan Povey, a former deputy section 151 officer of Council, has taken up employment with Grant Thornton. In respect of Dan we have considered the ethical implications of this change of employment, and we have ensured that appropriate safeguards have been in place since his commencement of employment with us.

These safeguards include the following:

• Dan not having any involvement (covered person) in the BCP Council audit or its affiliates - this will be for a minimum of 2 years

• Dan will not be a people manager in his new role, he will therefore not people manage any of the BCP team and is therefore not able to exert influence over anyone who works on the audit

• Restricting Dan's access to any files or documents relating to BCP or its affiliates, and ensuring he is not present in any meetings where audit issues are discussed.

• Confirming that Dan has resigned from the role as Director of Finance for Seascape Group Ltd, a company wholly owned by the council and companies house is aware of this.

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

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors.. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	£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 estimated fee for the audit 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.
		Management	A management threat could be perceived as providing information to DLUHC is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by DLUHC and on its completion issue a report of factual findings.

Independence and non-audit services

Other services continued

Service	Fees £	Threats	Safeguards
Teacher's pension certification	£12,500	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 £12,500 in comparison to the total fee for the audit 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.
		Management	A management threat could be perceived as providing information to the Teacher's pension is the responsibility of management. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the engagement in line with the Reporting Accountant Guidance issued by the Teacher's Pension.
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 estimated fee for the audit 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	The audit will consider the accounting treatment of the payments made and this is not part of CFOi service. The work will be undertaken by a team independent of the audit team
		Management	We are not taking any managerial responsibilities at the client. The scope of work does not include making decisions on behalf of management.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit & Governance Committee (at next available Audit & Governance Committee meeting or in writing to Audit & Governance Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Audit & Governance Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:
Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - Consultations on measures to address local audit delays (frc.org.uk)
- DLUHC landing page - Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- NAO landing page - Code of Audit Practice Consultation - National Audit Office (NAO)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

Preparing for the backstop

As set out in previous communications we anticipate concluding the 2021/22 audit ahead of the proposed backstop.

For 2022/23 we have agreed with the Council that this will be subject to the backstop. For backstopped audits councils should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – 'true and fair') – BCP has drafted its 2022/23 financial statements and made them available on the website.
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work – The outcome of our 2022/23 VFM work was reported to Audit & Governance Committee in September 2023.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor – BCP have committed to the 31 May 2024
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit & Governance Committee is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government's response to the consultation. We will discuss next steps including any implications for your audit once we have further information.

Grant Thornton

grantthornton.co.uk

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AUDIT AND GOVERNANCE COMMITTEE

Report subject	**Commercial Operations - Planning permissions approach**
Meeting date	30 May 2024
Status	Public Report
Executive summary	This report details how we have dealt with the legacy approaches in relation to planning requirements for temporary facilities, such as pop-up catering offers, events and sports facilities across the seafront and provides detail of progress made to improve staff awareness and understanding of the requirements to ensure that we confirm with all statutory and local requirements across the Commercial Operations service.
Recommendations	**It is RECOMMENDED that the committee:** **a) Note the previous position and new practices in relation to planning and licensing permissions on the seafront and the progress made across the seafront and wider Commercial Operations service area.**
Reason for recommendations	To communicate progress and provide reassurance in relation to planning related activity across the BCP seafront area and other service areas within Commercial Operations.
Portfolio Holder(s):	Cllr Mike Cox, Finance Cllr Millie Earl, Connected Communities
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Amanda Barrie Director of Commercial Operations Wendy Lane Director of Planning and Transport
Wards	All wards
Classification	For Information

1. **Background**

1.1 This report is being presented to the Audit and Governance Committee following a request for an overview of the previous approaches, and an update on the actions and changes that have been implemented. It is hoped that this report will provide reassurance that previous practices have been modified and that the appropriate requirements are being followed.

1.2 A significant amount of planning applications related to the Commercial Operations service area are connected to activity across the seafront area and this is where the majority of this report will focus, section 2 of this report provides an overview of the Commercial Operations directorate.

1.3 In 2020/21, the Council considered options to activate and enhance key tourism driven sections of the seafront (esp. between Bournemouth West Cliff and Boscombe Pier) with vibrant seasonal hospitality, leisure and events-based offers, encouraging entrepreneurship and inspiring healthier and sustainable living, adding capacity, increasing revenues, creating jobs and offering wider tourism benefits.

1.4 During 2021 and 2022, the Council trialled temporary offers in several sites across the seafront, the learnings from which has helped inform the Seafront Strategy review being presented to Cabinet in June.

1.5 In 2021, the Council implemented its Covid -19 bounce back plan, Festival Coast Live, to animate the seafront during the summer months. This included provision of large-scale seasonal food & beverage (F&B) outlets. Following a procurement exercise, East Cliff was awarded to El Murrino, and East Beach to Aruba. West Beach restaurant expanded onto the sand and a new beach gym opened as a trial at Canford Cliffs.

1.6 In 2022, the Council sought to expand the number of sites and a wide range of factors were considered when selecting locations and types of offer. These included: access and footfall; commercial viability and performance; proximity to other outlets and infrastructure and advice from BCP Council Planning and Procurement Services.

1.7 Following procurement exercises three seasonal sites were awarded: El Murrino and Aruba were again successful, and Clarke's Events were awarded a site at West Cliff. The Council operated 'Prom Diner' expanded operations onto the sand at Boscombe. A sauna operation was also trialled at Sandbanks and the beach gym moved to East Cliff. Most sites proved successful in 2022 however, lessons were learnt and these helped shape the approach for the future.

1.8 Operations were granted permission to operate in 2022 following engagement with the planning department, whose Head of Planning issued advice, outlining that for that year, although not to be taken as permission, the Local Planning Authority was aware of the proposed temporary activity to be situated on the seafront and agreed in principle, with the expectation that formal planning applications would be forthcoming. Should any planning issues have arisen for a site that did not have its full planning permission in place, the planning enforcement team were then prepared to investigate the matter further and take action as appropriate.

1.9 The lessons learnt in 2022 were used to shape delivery in 2023, when a similar range of outlets were delivered. The Head of Planning at the time advised that provided planning applications had been formally submitted and registered, operations could take place for summer 2023 whilst the applications were determined.

1.10 The above approaches were applied to operations delivered both by external operators and in house, BCP Council operated facilities.

1.11 Following the submission of required planning applications, there have been some which were not approved, an example would be the planning application submitted in relation to The Beach Shack which was a Council operated temporary offer of an extended seating area:

1.11.1 As part of the continued investment into the Seafront and its in-house catering service, in 22/23 the Council worked with specialist industry advisors to enhance the offer at Westcliff. In 2023, planning permission was submitted and approved for enhancements to the kiosk, the exterior was modernised, the site rebranded, and the menu improved.

1.11.2 In line with the advice from Planners a planning application was also submitted for a temporary seating area, prior to its construction. The application was however subsequently not approved by the planning committee in Sept 2023. The committee considered that the proposed decking and structures would: result in the loss of usable open space; be visually intrusive; and have an adverse impact on the openness of the beach area, and the temporary seating area was immediately removed.

1.12 Officers from the seafront service were in regular contact with Planning Officers to seek input and advice on approaches to be taken and at no time allowed operations to be delivered without agreement.

1.13 Arrangements for events taking place on outdoor Council land have been in place, where events which exceeded 28 days duration required planning approval unless they met the criteria within the General Permitted Development Order (GPDO).

2. Commercial Operations overview

2.1 Commercial Operations includes the service areas of Seafront, Leisure and Events, FCERM and Car Parking Operations and Enforcement.

2.2 Across these service areas, outside of the seafront service which has been covered in section 1, there are various examples of activity where planning applications are required and include applications from external operators and from teams within BCP Council, with a significant number of these within the Leisure and Events service area.

2.3 For planning applications connected to operations delivered by external organisations, agreements such as leases, licences or contracts would also be in place and refer to planning permissions required. Examples of some of the planning related activity within the Leisure and Events service include:

2.3.1 Volunteer facility and welcome centre buildings at Upton Country Park.

2.3.2 Roundabout sponsorship signage on a variety of roundabouts across the BCP area.

2.3.3 3G football pitch at Rossmore Lesure Centre.

2.3.4 Floodlighting provision at the Poole Park tennis courts.

2.3.5 Ice rink in Lower gardens.

2.4 Through the work the Commercial Operations teams have been undertaking to review previous approaches to planning requirements, and make improvements where required, a change of approach within the events area has been implemented, this includes:

2.4.1 Using the Seafront Strategy character area zones of the BCP seafront to identify events zones, where a maximum of 28 days in one year can be used for activity which falls into the criteria where planning permission would be required.

2.4.2 Planning applications to be submitted for the lighting elements of Christmas Tree Wonderland and Poole Christmas Maritime Light Trail.

2.4.3 Temporary markets, provided they meet the criteria of the permitted development rights, no longer require planning permission. This is due to measures brought in during the pandemic by the Department for Levelling Up, Housing and Communities being made permanent in December 2021.

2.5 Further work has been undertaken across Commercial Operations in relation to this topic and ongoing work is underway, this is outlined in more detail in sections 4 and 5 of this report.

3. Planning considerations

3.1 Planning permission is only needed if the work being carried out meets the statutory definition of ‘development’ which is set out in section 55 of the Town and Country Planning Act 1990. ‘Development’ includes:

3.1.1 building operations (eg structural alterations, construction, rebuilding, most demolition);

3.1.2 material changes of use of land and buildings;

3.1.3 engineering operations (eg groundworks);

3.2 The categories of work that do not amount to ‘development’ are set out in section 55(2) of the Town and Country Planning Act 1990. These include, but are not limited to the following:

3.2.1 interior alterations (except mezzanine floors which increase the floorspace of retail premises by more than 200 square metres)

3.2.2 building operations which do not materially affect the external appearance of a building.

3.2.3 a change in the primary use of land or buildings, where the before and after use falls within the same use class.

3.3 Section 57 of the Town and Country Planning Act 1990 directs that all operations or work falling within the statutory definition of ‘development’ require planning permission. However, development does not in all instances require a planning application to be made as there are different types of planning permission. There are national grants of permission by the GPDO which allows certain building works and changes of use by the Use Classes Order, which has had significant changes recently, to be carried out without having to make a planning application. These are known as permitted development rights and all the rights are not available in all areas as there are a range of exclusions which apply to certain permitted development rights.

3.4 There can be local grants of planning permission through Local or Neighbourhood Development Orders or Community Right to Build Orders, and in addition, in certain circumstances, development can be carried out by a local authority, national park authority or statutory undertaker when it has been authorised by a relevant government department. If not covered by the above, it will be necessary to make a planning application to a local planning authority. It is worth noting that even if a planning application is not needed, other consents may be required under other regimes such as building regulations.

3.5 The GPDO was first introduced in 1948 and there have been many updates since then. There are four schedules, 20 parts and 205 sections so it is a complex document which is under frequent review. There are a number of rights afforded by the GPDO that BCP Council regularly uses including part 4 "Temporary buildings and uses" with Class B relating to temporary use of land (28 day rule) which is important for events, and part 12 "Development by local authorities". Class A of part 12 gives the right for the erection or construction and the maintenance, improvement or other alteration by a local authority of:

3.5.1 any small ancillary building, works or equipment on land belonging to or maintained by them required for the purposes of any function exercised by them on that land otherwise than as statutory undertakers;

3.5.2 lamp standards, information kiosks, passenger shelters, public shelters and seats, telephone boxes, fire alarms, public drinking fountains, horse troughs, refuse bins or baskets, barriers for the control of people waiting to enter public service vehicles, electric vehicle charging points and any associated infrastructure, and similar structures or works required in connection with the operation of any public service administered by them.

3.6 These rights have criteria. For example, Class A in part 12 is a reference to any ancillary building, works or equipment not exceeding 4 metres in height or 200 cubic metres in capacity. In respect to the 28-day limit in Class B in Part 4, this applies to the planning unit so it can't be used for one area of land, then in another adjacent field or area of land in the same ownership for a further 28 days. Also it is the land rather than the uses so it can't be used for a set of different uses, each running up to 28 days in any one year and it does not relate to permanent works to facilitate a temporary use(s).

3.7 In summary, the planning system is complex and it can be challenging for non-planners to understand when planning permission needs to be sought. This is partly the reason that the planning system, as set nationally, allows the submission of retrospective planning applications.

3.8 Government guidance is clear that it does not condone a wilful breach of planning law, however it is clear that enforcement action should be proportionate to the breach of planning control to which it relates and taken when it is expedient to do so, and it recognises that the balance of public interest will vary from case to case. In deciding, in each case, what is the most appropriate way forward, local planning authorities are advised that they should usually avoid taking formal enforcement action where:

3.8.1 there is a trivial or technical breach of control which causes no material harm or adverse impact on the amenity of the site or the surrounding area;

3.8.2 development is acceptable on its planning merits and formal enforcement action would solely be to regularise the development;

3.8.3 in their assessment, the local planning authority consider that an application is the appropriate way forward to regularise the situation, for example, where planning conditions may need to be imposed.

3.9 As highlighted earlier, when making decisions, the determination is to be made in accordance with the development plan unless material considerations indicate otherwise. The scope of what can constitute a material consideration is wide, however, in general they have taken the view that planning is concerned with land use in the public interest, so that the protection of purely private interests such as the impact of a development on the value of a neighbouring property or loss of private rights to light could not be material considerations. In a similar way, who the applicant is and their personal circumstances, are not normally material planning considerations. This is because planning permission runs with the land and anyone can make a planning application, regardless of who owns the land or buildings concerned, but there is a legal requirement that the owner or owners of the land are notified of that application.

3.10 BCP Council is often an applicant or is notified because they own or have an interest in the land but as the owner is not a material consideration, this should have no impact on the determination process. Equally, in respect to planning enforcement, BCP Council would not be required to seek assurances that development is lawful and immune from planning enforcement, more than any other landowner. For example, the Planning Service were contacted recently about the RNLI lifeguard towers and whether Lawful Development Certificates or planning applications were required. In response, the advice that was provided was that this has been taking place at the same locations for over 10 years, it was considered immune from enforcement action, and so it could be considered lawful. Therefore, it was up to the Council if an LDC was sought but there was no requirement to do so.

3.11 Planning decisions are based on balancing competing interests and making an informed judgement against a local and national policy framework in the wider public interest. Therefore, because planning decisions can be controversial, it is particularly important that the process is open and transparent. In January 2024, the Council's Corporate Strategy was agreed with the commitment that "We are an open, transparent and accountable Council, putting our people at the heart of our services". To reflect this the new administration have requested that Planning Committee consider all applications where the council is an applicant or the landowner. It is possible that there would be exemptions related to this, the detail of which is still to be worked through by the constitution working group but an indicative list of what may be considered as exempt could include, prior approvals, certificates of lawfulness, advert consents, tree applications and non-material amendments.

4. Progress to date

4.1 A significant amount of time from officers has been put into understanding previous arrangements and gaining an improved understanding of what needs to be in place where it has not been previously.

4.2 In recent months, the support and advice received from the Planning department has helped officers gain a better understanding of the requirements to be able to implement approaches going forward which ensure we are conforming to regulations and not putting the Council at reputational risk.

4.3 An overview of action taken to date across Commercial Operations includes:

4.3.1 Requirement for all operations to have planning approval, where required before operations commence communicated to Commercial Operations staff. This applies to internally delivered operations as well as any operation where we are issuing licences or contracts to external operators. This has been reinforced through email, management team meetings and all staff briefing sessions.

4.3.2 Staff advised that for activity where contracts have ended and are due to be retendered or where we, as a service are directly delivering operations, discussions with the planning team must take place as part of the initial scoping process and/or at the time we have details on the likely content of any operation, so we are clear on the requirement for each element.

4.3.3 Staff reminded that planning permission being granted is not the end of the process, many approvals come with planning conditions and all staff must be ensuring these conditions are met, these are often related to conditions to deliver before the operation can commence or annual conditions that require engagement with the planning team. It is essential staff involved in operations are clear on these and as with submitting planning applications, that suitable time is allocated to ensure conditions are met.

4.3.4 To ensure as a service we have oversight of all planning permissions in place and to assist with identifying expiry dates to aid early discussions and subsequent submission of planning applications, service areas have been requested to create and maintain a service area list of planning permissions applied for and/or in place.

4.3.5 Briefing session for staff involved in activity where planning applications are required for operations, delivered by the Director for Planning and Transport.

5. Future actions

5.1 Looking ahead in terms of ongoing actions and next steps across Commercial Operations:

5.1.1 Staff to have regular reminders on the planning requirements and expectations.

5.1.2 Induction process, for relevant roles, to include an overview on the planning related requirements.

5.1.3 Schedule refresher session for staff to be delivered by the Planning team.

5.1.4 Review planning lists to ensure they are suitable and adapt content requirements where necessary.

5.1.5 Seafront Strategy review going to Cabinet in June, if approved, consider any implications for future planning application demand.

5.1.6 Consider options for future approach for events across the seafront where planning permission is required.

5.2 A notable culture change is visible across Commercial Operations in relation to planning requirements and although there is still work to do and ongoing monitoring is required, the improvements are significant and positive.

6. Options Appraisal

6.1 An options appraisal is not applicable for this report.

7. Summary of financial implications

7.1 There are no direct financial implications for this report.

8. Summary of legal implications

8.1 There are no direct legal implications for this report.

9. Summary of human resources implications

9.1 There are no direct human resources implications for this report.

10. Summary of sustainability impact

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

11. Summary of public health implications

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

12. Summary of equality implications

12.1 There are no direct equality implications from this report.

13. Summary of risk assessment

13.1 No risk assessment has been completed for this report.

Background papers

None

Appendices

None