

Notice of Audit and Governance Committee



Date: Thursday, 28 November 2024 at 6.00 pm

Venue: Committee Room, First Floor, BCP Civic Centre Annex, St Stephen's Rd, Bournemouth BH2 6LL

Membership:

Chair:

Cllr M Andrews

Vice Chair:

Cllr E Connolly

Cllr S Armstrong
Cllr J Beesley
Cllr M Phipps

Cllr V Slade
Cllr M Tarling
Cllr C Weight

Vacancy

Independent persons:

Lindy Jansen-VanVuuren

Samantha Acton

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?MIId=5976>

If you would like any further information on the items to be considered at the meeting please contact: Jill Holyoake on 01202 127564 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

GRAHAM FARRANT
CHIEF EXECUTIVE

20 November 2024

**DEBATE
NOT HATE**



Available online and
on the Mod.gov app



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



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

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

Bias Test

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

Predetermination Test

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

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

For more information or advice please contact the Monitoring Officer
(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. Declarations of Interests

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

Declarations received will be reported at the meeting.

4. Confirmation of Minutes

To confirm and sign as a correct record the minutes of the meeting held on 17 October 2024.

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5. Public Issues

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

<https://democracy.bcpccouncil.gov.uk/ieListMeetings.aspx?CommitteeID=151&Info=1&bcr=1>

The deadline for the submission of public questions is midday on Friday 22 November [midday 3 clear working days before the meeting].

The deadline for the submission of a statement is midday on Wednesday 27 November [midday the working day before the meeting].

The deadline for the submission of a petition is Thursday 14 November 2024 [10 working days before the meeting].

ITEMS OF BUSINESS

6. Statement of Accounts 2022/23

The draft statement of accounts for 2022/23 was published within the statutory deadline on the 31st May 2023. At that time the audit of the statement was expected to be completed later in 2023. However, due to the complex set of factors contributing to audit delays across the sector, an

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audit of the 2022/23 statements has not been completed, other than work relating to the external auditor's value for money opinion. To address the national backlog of local audits the Government is imposing (subject to secondary legislation) a backstop date of 13 December 2024 for publication of accounts for financial years up to and including 2022/23. The Committee is required to consider and approve the accounts before they are published.

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

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The report summarises the issues considered by the Constitution Review Working Group and sets out a series of recommendations arising from the Working Group for consideration by the Committee relating to the arrangements at Council for a separate budget meeting and the scheme of delegation for the planning committees.

In addition, the report seeks the appointment of an additional member of the committee to serve on the Constitution Review Working Group.

Any recommendations arising from the Committee shall be referred to full Council for adoption.

8. Presentation - Transparency of officer decision making and accountability to Councillors

To receive a presentation on the transparency of officer decision making covering Constitution elements and the accountability to Councillors.

9. Presentation - Governance surrounding the disposal of Council land and property

To receive a presentation to explain the governance in place when the Council seeks to dispose of land and property.

No other items of business can be considered unless the Chair 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 17 October 2024 at 6.00 pm

Present:-

Cllr M Andrews – Chair

Cllr E Connolly – Vice-Chair

Present: Cllr S Armstrong, Cllr J Beesley, Cllr M Phipps, Cllr M Tarling,
Cllr T Trent (In place of Cllr C Weight) and Lindy Jansen-VanVuuren

Present virtually: Samantha Acton

Also in attendance: Cllr M Cox

35. Apologies

Apologies were received from Cllr V Slade and Cllr C Weight.

36. Substitute Members

Notification was received that Cllr T Trent was substituting for Cllr C Weight for this meeting.

37. Declarations of Interests

Cllr M Tarling reported that a close family member was an employee of BCP Council in the event of any committee discussion on payroll.

38. Confirmation of Minutes

The minutes of the meeting held on 5 September 2024 were considered.

The Chair provided the following update in relation to clause 31 of the minutes, which indicated that the answer provided to Mr McKinstry's public question at the meeting on 25 July 2024 was being reconsidered and any clarification would be provided to the Committee at its meeting on 17 October 2024:

"At the 25 July Audit and Governance committee meeting a public question by Mr McKinstry was raised. The second part to the question was as follows:

Can you also confirm the start and end dates for which management accounts were forwarded by FuturePlaces to the Council, including dates of any hiatuses. These accounts were meant to be forwarded monthly under 3.1.1 of the shareholder's agreement, but as the external auditor notes at

page 50 of tonight's reports pack (25th July), the company was acting in breach of that agreement.

The response at the meeting given was as follows: *We were unable to ascertain specifics in regard to the management accounts question as all staff involved in the process have since left the council and company."*

As Chair, I would like to offer an updated response and clarify the details of the previous one. The earlier response was based on the fact that the finance officers responsible for preparing and reviewing the management accounts for Future Places Limited - both from the company and the council - had since left their roles. After a comprehensive review of email records, no evidence was found to confirm that the management accounts were sent monthly to any council employee while Future Places Limited was operational. However, records of the monthly management accounts produced by Future Places Limited during the time of operation are retained."

RESOLVED that the minutes of the meeting held on 5 September 2024 be confirmed as an accurate record to be signed by the Chair.

Voting: For – 5, Against – 0, Abstain – 2

39. Public Issues

There were no public questions or petitions. The following public statement was submitted by Mr Alex McKinstry in relation to Agenda item 8 – Risk Management:

"Leaks of exempt information should be added to the Council's risk register. There are several examples which I won't dilate upon due to purdah, but perhaps the most notorious instance was the leak to the Echo concerning Wessex Fields for an article on 29 April. Not only did this relate to live commercial negotiations; it also threatened reputational damage to the Council through misrepresentation. The Echo stated, entirely wrongly, that Wessex Fields was being sold at a £4,000,000 undervalue, and by the time that allegation had been removed from its online edition, it had been repeated on several websites and would even be repeated in Parliament. The risk is compounded by its intractability. Such leaks breach Part 4.1 of the Councillors' Code of Conduct, yet we know that several councillors are acting in contempt of the Code, and I find this deplorable."

40. Local Audit in England - Backlog Update

The Chief Financial Officer 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 on the action taken to tackle the local audit backlog in England by the Ministry of Housing, Communities & Local Government, as set out in letters dated 30 July and 20 September 2024

(Appendix A and B of the report). As a result of legislation effecting these proposals, the main points to note were the respective backstop date deadlines of 13 December 2024 for local authority audits up to 2022/23 and 28 February 2025 for 2023/24.

Peter Barber for Grant Thornton, the External Auditor, confirmed the proposed approach for applying the backstop to BCP Council's accounts as detailed in his letter of 7 October 2024 (Appendix C). The key outputs in relation to the 2022/23 accounts together with an update on the progress for 2023/24 would be reported to the next meeting on 28 November ahead of the December backstop date. The Committee agreed to move its 16 January 2025 meeting to a later date in the month (provisionally 27 January) to meet the optimum timescale recommended by the External Auditor to fit in with the February 2025 backstop date.

Committee members sought assurance on the potential impact of the backstop arrangements on future audits. Mr Barber explained the main issues involved for the recovery period from 2023/24 onwards, including the impact of issuing a disclaimer. It was noted that work on the audit for 2023/24 was well progressed and that the Committee received regular updates. It was noted that difficulties could arise should any backstop arrangements need to be applied for future years. Members noted that the audit backlog was a national issue with some other councils in a worse position than BCP.

Assurance was also sought that the delay caused by the failure of Deloitte, Dorset Pension Fund's previous auditor, to issue an IAS19 letter of assurance, would not be repeated. The External Auditor reported that he was confident that the letter of assurance pursued would be provided in a timely manner. It was noted that Grant Thornton had now taken on the accounts of Dorset Council and Pension Fund. The Chief Financial Officer confirmed that he had made a formal complaint to Deloitte regarding the impact of the delay and was pursuing a response.

Members were assured that work to provide the information required to meet the backstop deadlines was being met within internal resources.

RESOLVED that the Committee notes the action taken to tackle the local audit backlog in England by the Ministry of Housing, Communities & Local Government as detailed in Appendix A and further updated in Appendix B.

41. Treasury Management Monitoring update for Quarter 2 2024/25

The Assistant Chief Financial Officer (CFO) 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 provided an update on the Quarter Two position for 2024/25 in relation to treasury management activities. It included a summary of the current economic climate, an overview of the estimated performance of the

treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators. The Assistant CFO explained that the forecasted overspend of £2.4m was due to higher temporary borrowing required to manage the Council's overall cash position. He highlighted that a new restructure loan would result in the saving of interest on a cash basis of £19.2 million.

The CFO and Assistant CFO responded to questions about the potential impact of the Chancellor's national budget due on 30 October 2024. It was agreed to include a section on the national budget in the next quarterly report. Members also asked about the impact of the Dedicated Schools Grant (DSG). As reported to Council on 15 October it was noted that expenditure within the high needs budget continued to exceed the government grant made available as part of the DSG, with the total funding forecast now £44.5m more than the grant. This had a significant impact on cashflow forecast. Other considerations were noted, including that interest rates had not reduced at the rate expected.

In response to questions around investment performance and ethical considerations, the Assistant CFO explained the robust approach taken in assessing and managing risk in relation to investments. This was set out in the Investment Strategy which formed part of the Treasury Management Strategy considered by full Council as part of its annual budget setting. He outlined the process which the Council was required to follow when considering investments, including ethical investing. In all cases the Council had to adopt the principles of security, liquidity and yield.

RESOLVED that the Committee notes the reported activity of the Treasury Management function for April to September 2024.

42. Risk Management - Corporate Risk Register Update

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

The report provided an update on the position of the Council's Corporate Risk Register for Quarter 2, 2024/25. Material changes in risk during this period were outlined in paragraphs 10 to 13 of the report, with two main updates provided. One new risk had been added, listed as 'CR26: Risks associated with the availability of Generative Artificial Intelligence (GenAI)'. 'CR08: Risk of failing to run a fair and open election/referendum' had been removed but would continue to be considered at Director level. As requested by the Committee, the report provided further information on measures to mitigate the risk around retention and recruitment within CR15. In addition, the Director of Marketing, Communications and Policy provided further information in relation to CR16 in her role as risk owner.

As a result of questions and comments on the report, the following actions were noted for future response:

- The Risk and Insurance Manager agreed to liaise with the Monitoring Officer to provide a response on how risks associated with the disclosure of confidential/exempt information by councillors should be managed. It was suggested that this could be expanded to include risks associated with staff confidentiality settlement agreements and industrial tribunals.
- CR26 - It was agreed to provide an update in the next report on the progression of the Gen AI Strategy. The Monitoring Officer confirmed that councillors training on Gen AI would be picked up when the Standards Committee reviewed the councillors training programme.
- CR23 – As a reflection of the worsening position of the DSG, more detailed narrative was requested in the next report. In response to questions on how much the Council could control the market, it was agreed that the Risk and Insurance Manager liaise with the Director of Children to ensure the risk reflects what can/cannot be done and whether feasible to include this in any further Government lobbying.
- The Head of Audit and Management Assurance agreed to seek views of the Chair and Vice Chair on whether the current requirement to note the Risk Management Policy on an annual basis should be changed. The Risk and Insurance Manager agreed to confirm the timescales involved for the new policy, framework and strategy.
- CR18 – The Risk and Insurance Manager agreed to feedback to the risk owner the negative experiences in using customer interfaces which councillors and their residents continued to experience, as described by committee members. It was agreed to arrange a meeting between the Director of IT and Programmes and a sample group of councillors so that they could demonstrate the frustrations experienced, particularly in using the Council's website.

In response to a point raised about risks associated with asset sales, it was noted that the forthcoming 'deep dive' presentation to the committee on governance surrounding the disposal of Council land and property would provide an opportunity to consider this further.

RESOLVED that the Committee notes the update provided in the report relating to corporate risks.

43. Health & Safety and Fire Safety annual update

The Health and Safety Manager and Fire Safety Service Manager 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.

Health and safety and fire safety governance arrangements continued to be embedded and were working effectively. The governance framework set out in paragraph 3 of the report included the Health and Safety and Fire Safety Board and other groups which were meeting at the agreed frequency with generally good attendance. The Health and Safety Manager reported that despite resource issues the team was successfully managing

reactive work. Although proactive work was slower, a review of inspection documents had resulted in an increased focus on higher risk. It was noted that the cautionary contact system had now been successfully amalgamated. The Committee was updated on the number and nature of statutory (RIDOR) accident reports for this period compared to previous years.

The Fire Safety Manager reported on service delivery and legislative updates during this period. Key developments included the incorporation of BCP Homes fire safety support functions and the corporate fire safety team under a single management structure with effect from 1 September 2024. The Council was committed to the recommendations in the Grenfell Phase 2 report following its release. The Committee was also advised of ongoing instruction and training and work to review policies and procedures as required.

In response to a question about Martyn's Law, the Committee was advised that the Council had set up a working group, led by Commercial Operations, to review the progress of this legislation and action as required. A Committee member sought assurance that service areas were staffed to the appropriate level and not under financial constraints in view of the budget process. The Head of Audit and Management Assurance confirmed that one FTE health and safety advisor had been deleted as part of 2024/25 budget savings. It was noted that the post had already been vacant for much of 2023/24 and that when the saving was agreed it was in the knowledge that it would result in the team being less proactive and more reactive in its work. The Fire Safety Manager confirmed that he was reviewing any gaps in resources and budget pressures. He would be happy to update the Committee further and respond to any subsequent questions as requested.

RESOLVED that:

- (a) the Committee notes the continued progress in implementing the Health and Safety and Fire Safety governance arrangements and the operational updates;**
- (b) Health & Safety and Fire Safety ongoing governance arrangements updates continue to be reported annually to the Audit and Governance Committee**

44. Emergency Planning & Business Continuity annual update

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

The report provided an update on the statutory emergency planning and business continuity arrangements in place across BCP Council and related activity during the period from November 2023 to October 2024. It was noted that activity had been more reactive than proactive due to two long term vacancies. These posts had recently been filled, enabling work

previously delayed to be progressed. The Emergency Planning and Resilience Manager outlined the key focus of activities since November 2023, including the human aspects area of work, a two day multi agency live exercise based on coastal flooding and building community resilience across the BCP Council area. Nationally there had been considerable scrutiny of emergency planning and response through the publication of two public inquiries reports in relation to the Covid inquiry and Grenfell.

Committee members asked what steps were in place to contact local councillors when incidents occurred. Members were assured that communicating with councillors formed part of the tactical response and that work was ongoing with Democratic Services to ensure there was an updated contact list. Members discussed the role of councillors at all tiers of local government in acting as a conduit of information for their residents and for alerting local social media groups.

Officers responded to questions on a number of issues, including:

- The key partners who formed the membership of the Dorset Local Resilience Forum.
- It was confirmed that there was no local facility to replicate the Government's national emergency text alerts. There were separate legislative requirements for certain facilities, e.g. oil and nuclear
- It was confirmed that the cyber response plan had been tested and was subject to ongoing development. Business continuity impact assessments were reviewed regularly.
- There had been no significant disruptions requiring the involvement of business continuity in a corporate response during this period.

RESOLVED that:

- (a) the Committee notes the emergency planning and business continuity activity that has taken place during the monitoring period;**
- (b) the Committee notes the issues there have been within the Emergency Planning Team and more widely regarding resource and the impact this has had on service delivery and the potential impact for response;**
- (c) the Committee notes the current resilience position locally and nationally and the implications of this with regard to future expectations of local authorities and their level of preparedness.**

45. Internal Audit - 2nd Quarter, 2024/25, Audit Plan Update

The Head of Audit and Management Assurance presented a report setting out the progress made on delivery of the 2024/25 Audit Plan for July to September 2024 inclusive, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'F' to these Minutes in the Minute Book.

The report provided details of the fourteen audit assignments which had been finalised including the key issues involved for the three partial audit assurances. Committee members were advised that in future a copy of these audit reports would be available for them on the date of agenda publication to enable questions on specific details to be raised in advance. The Head of Audit and Management Assurance referred to the total additional council tax yield of £552,847 which had resulted since October 2023 from the Single Person Discount pilot project. He also drew attention to the successful inspection of the Council's compliance with the Regulation of Investigatory Powers Act 2000 (RIPA). There were five 'High' priority audit recommendations which had not been fully implemented by the original target date. While reasons from respective services had been provided and revised target dates agreed, the Committee was able to call any of these in for further explanation.

The Head of Audit and Management Assurance responded to questions on a number of issues, including:

- The emerging risk of budget deficits for the three schools audited in this period. It was confirmed that some maintained school reserves were increasing but not for the three.
- For the Single Person Discount pilot project there was a tendency to be slow to update the Council on a change in circumstances. The Council was able to pick up discrepancies through data matching. Of the yield to date, around £300k was ongoing and £250k backdated.
- The implementation date of March 2025 for the Housing Assets Health & Safety Compliance Follow Up. It was noted that this was a realistic date taking into account the type of work required and that service managers were responsible for ensuring temporary resolutions were satisfactory.

Members discussed whether to call in for further explanation the BCP Homes Governance Review recommendation, the original target date being 1 January 2024. The Head of Audit and Management Assurance reported that he was optimistic that the revised target date of 31 December 2024 would be met but should this not be achieved was not he would recommend in his next report that the Committee call this in along with any other recommendation not meeting its revised target date.

RESOLVED that:

- (a) the Committee notes progress made and issues arising on the delivery of the 2024/25 Internal Audit Plan.**
- (b) The Committee notes the explanations provided in relation to the High Priority Recommendations highlighted in Appendix 2 of the report, having discussed the follow up action should revised target dates not be met.**

46. Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2023/24

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

The report detailed the counter fraud work carried out by Internal Audit during 2023/24 to provide assurance on the Council's response to combating fraud and corruption. Internal Audit had investigated all allegations of suspected fraud or financial irregularity in a proportionate manner. The report also referred to corporate counter fraud work, the annual publication of data in accordance with Local Government Transparency Code and an annual assessment in accordance with Counter Fraud Best Practice.

Four formal whistleblowing referrals were received and investigated during the financial year 2023/24. All cases were resolved in line with the Council's Whistleblowing Policy. A summary of the nature and outcome of each referral was provided in an exempt appendix to the report. The Head of Audit and Management Assurance was asked about public tip offs and explained that there was a fraud reporting mechanism on the Council's website which gave an option to remain anonymous. It was further explained that anonymous tip offs are inherently more difficult to investigate, principally as further explanations or details cannot be sought.

The Chair thanked the Head of Audit and Management Assurance and his team for their work in this area and for providing such a comprehensive report.

RESOLVED that:

- (a) the Committee notes the counter fraud work & investigations carried out by Internal Audit during 2023/24;**
- (b) the Committee notes the whistleblowing referrals received during 2023/24.**

47. Forward Plan - Refresh for the 2024/25 municipal year

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

The report set out at Appendix A the list of reports to be considered by the Audit & Governance Committee at meetings during the 2024/25 municipal year in order to enable it to fulfil its terms of reference. As discussed earlier during the meeting, the non core date on 28 November 2024 would now include a report from the external auditor and the 16 January 2025 meeting would be moved, to a provisional date of 27 January 2025.

RESOLVED that the Committee approves the Forward Plan set out at Appendix A of the report as updated.

The meeting ended at 8.40 pm

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

Report subject	Statement of Accounts 2022/23
Meeting date	28 November 2024
Status	Public Report
Executive summary	<p>The draft statement of accounts for 2022/23 was published within the statutory deadline on the 31st May 2023. At that time the audit of the statement was expected to be completed later in 2023. However, due to the complex set of factors contributing to audit delays across the sector, an audit of the 2022/23 statements has not been completed, other than work relating to the external auditor's value for money opinion. To address the national backlog of local audits the Government is imposing (subject to secondary legislation) a backstop date of 13 December 2024 for publication of accounts for financial years up to and including 2022/23. The Committee is required to consider and approve the accounts before they are published.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <ul style="list-style-type: none"> a) Note the ISA260 Audit Finding report letter sent to the Chair of Audit and governance Committee (appendix 1) b) Note the draft audit report for 2022/23 (appendix 2) which auditors will sign as soon as possible by the deadline of 13 December 2024 c) Note the Value for Money report 2021/22 and 2022/23 previously presented to Audit and Governance on the 7 September (appendix 3) d) 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 (appendix 4) e) Approved the 2022/23 statement of accounts 2022/23 (appendix 5)
Reason for recommendations	<p>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 2022, as set out in the report attached.</p>

Portfolio Holder(s):	Cllr Mike Cox, Deputy Leader of the Council and Cabinet Member for Finance
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Matthew Filmer, Assistant Chief Financial Officer
Wards	Council-wide
Classification	For Recommendation

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. However, due to the complex set of factors contributing to audit delays across the sector, an audit of the 2022/23 statements has not been completed, other than work relating to the external auditor's value for money opinion.
4. To address the national backlog of local audits and put local audit on a sustainable footing the Government is imposing backstop dates for publication of final accounts. The backstop date for financial years up to and including 2022/23 is 13 December 2024. Progressively earlier backstop dates will apply for financial years 2023/24 to 2027/28, with a backstop of 28 February 2025 for 2023/24 accounts and 30 November 2028 for 2027/28 accounts. The changes will require auditors to issue an opinion by the backstop date, which will be a 'disclaimed' opinion if the audit has not been completed.

Value for Money (VFM)

5. Appendix 3 is the same report reported to Audit and Governance committee on the 7 September 2023 with an amended date of November 2024 aligning to the dates of the other appendices.

Letter of Representation

6. As part of its procedures in forming an opinion on the statement of accounts, the external auditors require representations from the council's management on

specific matters. The template letter provided by Grant Thornton for this is attached at Appendix 4.

Statement of Accounts 2022/23

7. The statement of accounts (appendix 5) is a complex document, and the layout and information provided are defined by statutory requirements. There have been several changes since the publishing the draft 2022/23 accounts. All the changes are accounting changes that have no impact on the available resources of the Council.

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

14. 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.
15. Auditors will be expected to give clear reasons for 'disclaimed' opinions to mitigate the possible reputational risk for local authorities and ensure they are not unfairly judged as a result of the backstop dates.

Appendices

Appendix 1 - ISA260 Audit Findings Report for 2022/23 addressed to The Chairman of the Audit & Governance Committee
Appendix 2 - Draft audit report for 2022/23
Appendix 3 - Final Auditors Annual Report (VFM) covering 2021/22 and 2022/23
Appendix 4 - BCP Council - Letter of Representation (LOR) 2022/23
Appendix 5 – Statement of Accounts 2022/23

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12 November 2024

Marcus Andrews
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Dear Marcus

Bournemouth, Christchurch and Poole Council: Conclusion of the audit for 2022/23 – letter to those charged with governance on the application of the local authority backstop

As you will be aware, on 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which is expected to be approved by 14 November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Chief Finance Officer & Director of Finance, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit & Governance Committee.

We are required under Auditing Standards to report certain matters to the Audit & Governance Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

Outcome of our audit for 2022/23 – Disclaimer of the opinion on the financial statements

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have provided the draft wording of our Audit Report alongside this letter for your information.

As previously reported, the 2021/22 opinion audit was not concluded until June 2024. This significant delay was a result of the delay in receiving the IAS19 Pension Fund Liability letter of assurance from the auditors of Dorset Pension Fund. We had agreed with the Council that the audit of the financial statements for the year ended 31 March 2023 would not commence until the previous audit was concluded. This meant there was no realistic prospect of the audit of Council's financial statements for 2022/23 being completed in advance of the December 2024 backstop deadline.

Chartered Accountants

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Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice

We undertook our Value for Money work for the year ended 31 March 2023 and have reported the outcome in an Interim Annual Audit report dated August 2023.

The key findings for the year ended 31 March 2023 noted four significant weaknesses in relation to financial sustainability and arrangement to secure economy, efficiency and effectiveness as follows:

- A significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the Authority's ability to set a credible and balanced Medium-Term Financial Strategy that properly reflect the spending power at its disposal. 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.
- Another significant weakness in respect of the Authority's arrangements for financial sustainability. This was in relation to the Authority's medium-term plans for its General Fund Balances and Earmarked reserves, which continue to fall. We recommend the Authority continue to review the sustainability of Reserves and Balances and ensure the Medium-Term Financial Strategy demonstrates a realistic plan to avoid further use of and ideally replenish reserves and balances.
- A significant weakness in respect of the Authority's governance. This was in relation to consideration by the then Administration of a late, potentially high-risk, amendment to the indicative budget proposals for 2023/24. We recommended that the Authority:
 - 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 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.
- A significant weakness in respect of the Authority's arrangement to secure economy, efficiency and effectiveness. This was in relation to the decision making on specific initiatives including the Authority's transformation programme, BCP FuturePlaces and other projects, particularly pertaining to the process of scrutinising business cases. 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 Cases, 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.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

Independence

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

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.

Management letter of representation

We have asked management to provide a letter of representation in respect of the financial statements covering 2022/23. This will be tabled as a separate agenda item.

Looking ahead

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming year, as we seek to rebuild audit assurance.

Yours sincerely

Peter Barber

For Grant Thornton UK LLP

cc Chief Finance Officer & Director of Finance

Attachments: Draft Disclaimer Opinion 2022/23

Appendix

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 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 both of 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 [and group]'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 [and group] 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 its responsibilities. It is the responsibility of the authority 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 authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

Audit Plan

Due to delays in the completion of prior year audits, we were unable to issue an audit plan in respect of this audit year.

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.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for 2022/23.

Key financial reporting and audit issues identified during the audit

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

Going Concern

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).

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 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 authority'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 a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

Design effectiveness of internal controls

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

Other matters which we are required to report on to those charged with governance

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

Matters in relation to the Group audit

In respect of the group engagement, we are required to report on:

- The scope of work on components
- The involvement of group auditors in significant component audits,
- Any concerns over quality of component auditors' work
- Limitations of scope on the group audit, and
- Fraud or suspected fraud

We have no matters to report in this respect.

Audit fees and non-audit fees

PSAA set a scale fee for this the year ended 31 March 2023. Our planning assumption based on the actual fees for the prior year resulted in an indicative fee of £226,125 which included additional work required since the scale fee had been set. This included additional fees to reflect the increased work required under Value for Money (VFM) as a result of the new NAO code as well as the number of significant issues identified in prior years. No plan was issued for 2022/23.

Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for each audit year. Our current estimate of final fee for the audit is set out below and is based on estimated costs incurred to date. Final fees will be determined by PSAA and we will update the Council in due course once their final determination is made.

Estimated 2022/23 audit fees which included VFM, communication and reporting (including issuing the backstop opinion is £72,360.

We have also undertaken the following non audit work in respect of the year.

Non-Audit Service	Final Fee
Audit of pooling of housing capital receipts year ending 31 March 2023	£10,000
Audit of housing benefits grant return year ending 31 March 2023	£49,000
Audit of Teacher's pension grant return year ending 31 March 2023	£10,000

The fees do not reconcile to the financial statements, so we have provided a reconciliation:

	31 March 2023
Audit fees per financial statements	£330,000
Additional fees for 2021/22 (incorrectly referenced as 2022/23 in draft 2022/23 statements)	<u>(£65,000)</u>
Total for 2023/23	£265,000
Scale fee 2022/23	£145,625
Indicative additional fees 2022/23 at planning	£80,500
Council estimated additional fees at post statement	<u>£38,875</u>
Total for 2023/23	£265,000*

*As set above the final audit fee for 2022/23 will be determined by PSAA in due course and will represent a proportion of the indicative fee given the application of the backstop.

Certification of grants per financial statements	£28,000
Under-accrual based on indicative fees	£41,000
Total	£69,000

The level of these recurring non-audit fees taken on their own is not considered a significant threat to independence in comparison to the total original estimated fee for the audit of £265,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate any perceived self-interest threat to an acceptable level.

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

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Bournemouth, Christchurch and Poole Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, 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 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable 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.

Opinion on other matters required by the Code of Audit Practice

The S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether 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 and the S151 Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 19], 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group 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.

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.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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 2023.

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

- A significant weakness in the Authority’s arrangements for financial sustainability. This was in relation to the Authority’s ability to set a credible and balanced Medium-Term Financial Strategy that properly reflect the spending power at its disposal. 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.
- Another significant weakness in respect of the Authority’s arrangements for financial sustainability. This was in relation to the Authority’s medium-term plans for its General Fund Balances and Earmarked reserves, which continue to fall. We recommend the Authority continue to review the sustainability of Reserves and Balances and ensure the Medium-Term Financial Strategy demonstrates a realistic plan to avoid further use of and ideally replenish reserves and balances.
- A significant weakness in respect of the Authority’s governance. This was in relation to consideration by the then Administration of a late, potentially high-risk, amendment to the indicative budget proposals for 2023/24. We recommended that the Authority:
 - 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 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.
- A significant weakness in respect of the Authority’s arrangement to secure economy, efficiency and effectiveness. This was in relation to the decision making on specific initiatives including the Authority’s transformation programme, BCP FuturePlaces and other projects, particularly pertaining to the process of scrutinising business cases. 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 Cases, 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.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. 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 document 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 consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Bournemouth, Christchurch and Poole Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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. 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:

Peter Barber, Key Audit Partner

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

Bristol

Date:

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Auditor's Annual Report on Bournemouth, Christchurch and Poole Unitary Council

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2021/22 and 2022/23

November 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Unitary Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Unitary Authorities arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations




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 required to report their commentary on the Council's arrangements under specified criteria and 2021/22 and 2022/23 are the second and third year respectively that we have reported our findings in this way. 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.

This report reflects our findings and judgements as at August 2023, but remain open to revision whilst our 2021/22 and 2022/23 financial statements audits conclude. Our conclusions are summarised in the table below.

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Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 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.	2 Significant weaknesses in arrangements identified (SW1) and (SW2), 2 key recommendations and 4 improvement recommendations made.	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	No significant weaknesses in arrangements identified, 7 improvement recommendations made	1 Significant weaknesses in arrangements identified (SW3), 1 key recommendation and 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	2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made	2 Significant weaknesses in arrangements identified (SW4) and (SW5), 2 key recommendations and 2 improvement recommendations made

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

Given the number of significant weaknesses reported across both years and the seriousness of the challenges facing the Council, we would expect to see significant improvements in arrangements going forward and do not rule out the need for a statutory recommendation in the future should arrangements not improve.

Executive summary



Financial sustainability

In our 2020/21 VFM report we concluded that the Council's arrangements for ensuring financial sustainability were not good enough. On this basis we concluded that the Council did not have arrangements in place for ensuring financial sustainability into the medium term.

Our 2021/22 and 2022/23 review of the arrangements in place to ensure financial sustainability into the medium term continues to raise serious concerns about the continued financial viability of the Council.

Despite delivering revenue surpluses in both 2021/22 and 2022/23 the Council has continued, in our view, to adopt a high-risk alternative funding strategy to deliver transformational efficiencies, minimise council tax increases and avoid significant cuts to services that is not achieving the desired outcomes. This high-risk approach, reliant on the use of reserves to support the budgets, has resulted in the further depletion of revenue reserves as expected efficiencies from the transformation programme are not realised in accordance with the original timetable and are pushed back into later years.

For both 2021/22 and 2022/23 we have reported 2 significant weaknesses (SW1 and SW2) in the Council's financial sustainability arrangements.

Firstly, in relation to the Council demonstrating a clear understanding and control of its medium-term financial gap. Our concerns centre on the Council's ability to set a credible and balanced Medium Term Financial Strategy that properly reflects the spending power at its disposal (SW1). Concern over the capacity of the Council to deliver services to the current level is driven by its ability to transform its service in the context of reduced reserves and balances, undelivered transformation and operational savings, increasing unit costs and service demand. Although it is difficult to gauge the true extent of transformational savings and efficiencies to date, it is clear that the transformation programme is not progressing at sufficient pace but is increasing rapidly in costs.

Secondly, we have reported a significant weakness (SW2) in respect of the Council's medium-term plans for its General Fund Balances and Earmarked reserves. Despite an increase in General Fund Reserves in 2022/23 the level of earmarked reserves continues to fall. The Council must continue to review the sustainability of Reserves and Balances and ensure the Medium-term Financial Strategy demonstrates a realistic plan to avoid further use of and ideally replenish reserves and balances to a healthier level.

On this basis we have concluded that for both 2021/22 and 2022/23 the Council does not have arrangements in place for ensuring financial sustainability into the medium term. We have also detailed 4 improvement recommendations for both years subject to review.



2021/22

We issued an unqualified opinion on the 2021/22 financial statements on 24 June 2024.

2022/23

We are planning on backstopping the 2022/23 opinion audit in accordance with the national deadline.



Executive summary



Governance

For 2021/22 we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring decision making is based on complete and accurate information and risks are managed appropriately. However, although not explicitly identified from our work for 2021/22, we were aware of concerns regarding the decision making process in place at the Council, specifically overtly administration lead decision making that may not always have had sufficient regard to advice from statutory officers.

These concerns came to our full attention in 2022/23 as part of the 2023/24 revenue budget setting round. Concerns were raised by statutory officers in respect of possible late amendments to the indicative 2023/24 budget culminating in us needing to intervene an issue a formal letter to the Chief Executive and S151 Officer to ensure that decision making by the administration had proper regard to governance best practice.

Although this was not a formal use of our auditor statutory powers, we were sufficiently concerned over the possibility of late amendments without appropriate due diligence to take the unusual step of issuing this formal letter. On this basis we have concluded that there were, for 2022/23, significant weakness in the council's governance arrangements. In addition, we identified 7 improvement recommendations covering both years.



Improving economy, efficiency and effectiveness

As with our findings in 2020/21, we are also reporting a significant weakness in relation to Council's capacity to improve economy, efficiency and effectiveness in respect of children's services. In December 2021, the Inspectorate Local Authorities Services for children (ILACs) inspection concluded BCP Childrens Services were "inadequate". A statutory Direction was issued by the Department of Education (DfE). This inadequate rating remains in place for both years subject to review.

We have also identified a significant weakness in relation to the decision making on specific initiatives including the transformation programme, BCP FuturePlaces and other projects as well as capital projects, particularly pertaining to the process of scrutinising business cases. Further details are provided on pages 38-41.

We also made 2 improvement recommendations in relation to Case management of complaints and the Council Wide People Strategy covering both 2021/22 and 2022/23. Further details are provided on pages 38-41.

Executive summary



Assurance Review (March 2023) & Best Value Notice (August 2023)

Whilst this report raises significant concerns about Value for Money at BCP we recognise that the leadership team are fully sighted on the challenges at hand. The Chief Executive in his 'BCP Council Assurance Review' of March 2023 was very open about the failings around governance, decision making and the financial management. More recently the Council has received a Best Value Notice from DLUHC highlighting many of the issues we report in this and previous VFM reports.

Our ongoing discussions with senior officers and more recently with the new administration indicate a recognition that the Council now must fundamentally revisit its previous decisions and ensure that it changes the way it makes decisions going forward to ensure these concerns are addressed. For the Council to become innovative and forward-looking council, it must demonstrate it can:

- A) transform its services in a sustainable and realistic way,
- B) accommodate the needs of its stakeholders particularly in relation to Childrens Social Care
- C) improve decision making to ensure it appropriately considers the relative risks and rewards having regard to both current service provision but also its ability to provide continued services into the medium and long term.

New administration

We recognise, that since the May 2023 elections and following a change in administration, there have been some early indications of a change in the approach to decision making at the Council with a clear view that the Council can no longer continue on its current path and that a more prudent, cautious approach to governance and decision making is needed.

From a financial management perspective, we take assurances from the recent actions to mitigate some of the immediate financial challenges facing the Council, including confirmation that the Capitalisation Direction is no longer a consideration and provision being made for potential costs associated with the future role of BCP FuturePlaces. Importantly, the July 2023 MTFP update report to Cabinet provided a fundamentally rebased MTFP that now provides a better representation of the scale of the challenges facing the Council into the medium term along with a proposed financial strategy to bring the Council back onto a more sustainable footing. Whilst a good first step, the challenges of actioning the changes required should not be underestimated.

We are also encouraged by the recent decision by the new administration to review the transformation programme and BCP FuturePlaces and what is deliverable at what cost as well as a more detailed review of current service provision to identify further savings aimed at addressing the underlying deficit that has been masked to date through use of reserves and additional funding from Central Government during the Covid-19 pandemic.

Use of auditor's powers*

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not issue	We did not issue
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue	We did not issue
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply	We did not apply
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue	We did not issue
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not issue	We did not issue

* As the opinion audits for both 2021/22 and 2022/23 remain in progress, the table above reflects our positions at August 2023 and is subject to final considerations following completion of the financial statement audits.

Other communications

We bring the following matters to your attention:

	2021/22	2022/23
Letter to Chief Executive and Section 151 Officer [further detail is provided on page 26-27]	n/a	Letter issued
<p>Over the last 12 months we have maintained ongoing dialogue with both Chief Executive and Section 151 Officer, including regular meetings on the Council’s response to our 2020/21 VFM report finalised in September 2022. As part of a meeting in early January 2023 the S151 Officer alerted us to a potential late amendment to the indicative draft 2023/24 budget.</p> <p>Following further discussions with both the Chief Executive and S151 Officer we wrote to the Council on 10 February 2023 to raise concerns about the arrangements in place within the Council to set the 2023/24 budget to be approved at Full Council 21 February 2023. Although this was not a formal use of our auditor statutory powers, we were sufficiently concerned over the possibility of a late amendments to the then 2023/24 indicative revenue budget proposals worked up over the previous 6 months to warrant the issuing of this formal letter.</p> <p>Specifically, when the Council formally published its proposed budget for 2023/24 on 1 February 2023 there was no reference to any alternative proposals. Our subsequent discussions with statutory officers, review of the media coverage and press releases, did however, raised continued concerns over the possibility that even at that late stage in the budget setting process, that an alternative proposal from the Leader might be forthcoming. The press release dated 27 January 2023 included the following quote from the then Leader.</p> <p>“I will therefore be spending the time between now and our Full Cabinet meeting continuing our long standing workstream to find credible ways, which meet all the respective government guidelines, to raise more income, use our assets and work differently to realise our aspiration of keeping council tax in people’s pockets. Being successful in this endeavour would have the added impact of being able to continue to significantly increase our reserves, avoid some of the savings we’ve identified and invest in new priorities.’</p> <p>This raised several significant governance and financial sustainability issues. Firstly, from a governance perspective, any last-minute changes would have provided limited opportunities for officers to fully digest the impact of the changes and advise decision makers as to whether the change is in the best interest of the Council.</p> <p>Secondly, should any amendment have bee of an ‘innovative but higher risk’ proposal along the lines of others that have been attempted previously, then it would have been crucial, not least given the previous experiences, that proper due diligence was given to the risks and rewards and legality of such a decision. We therefore expressed our significant concern that any last-minute amendment would be introduced without appropriate advice and extra checks and balances to ensure it is in the best long-term interest of the Council.</p> <p>Of particular concern, was that despite concerns being expressed to the then administration from both the Chief Executive and S151 Officer this course of action remained on the table until the Full Council meeting in February 2023.</p> <p>Ultimately, no such significant high-risk alternatives were put forward and the 2023/24 budget went through Full Council broadly as proposed. This episode does, however, highlight some of the concerns around decision making and governance highlighted in the governance section of or report.</p>		

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Key recommendations

In relation to significant weakness (SW1) Financial Sustainability



Recommendation 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 of costs
- B) Ensure 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 there are further commitments to the programme are made.

Audit year

2021/22 and 2022/23

Why/impact

A) The cost of the transformation programme has increased from £37.6 in 2021/22m to £57.4m by 2023/24 (53% increase). There has been a lack of transparency as to the factors driving this, and the council has not detailed any mitigations or re-scoping of the programme to address increased costs. Further transformation programme savings for 2023/24 (£9m) and 2024/25 (£15m) have not been itemised and crystallised into delivery plans. It should further be noted that transformation savings are based on the KPMG report 2019. These figures should be revisited and re-appraised given increased inflation, and supply chain pressures.

B) Further the 2024/25 Medium-term Financial Plan (MTFP) relies heavily on the delivering an already ambitious savings plan. If this is not achieved, the council will need to resort to reserves and balances. It is not clear from in-year and outturn financial reporting which savings have been delivered against budget and the impact on service delivery. This makes it difficult for decision makers to fully understand the performance of the Council in generating savings and the impact on service delivery. We recognise that savings plans were overtaken by events in both 2021/22 and into 2022/23 but this area of reporting will become more critical as the transformation programme advances.

C) In the context of the Council's overall financial position and its financial sustainability, it is imperative that the Council can generate sufficient capital receipts to finance the transformation programme over the 3-year period to 31 March 2025. The current MTFP 2023/24 assumes sufficient sale will be delivered in 2022/23 to avoid all but £1.916m of the capitalisation direction from DLUHC. This is the element which relates to improvement expenditure on children's services which would not qualify to be funded by the Flexible Use of Capital Receipts. However, there is still a key risk to the Council in respect of any expenditure which it intends to incur before the actual capital receipts required to fund it are delivered. In 2023/24 the council intends to spend £28.39m of transformation expenditure. The MTFP for 2023/24 indicates that it will be challenging to deliver at least £4.3m of the £7.4m originally assumed 2022/23 asset sales, exposing the Council to the risk that reserves will be required to cover the shortfall.

Management Comments

In response to the recommendations of the independent governance review the Council has already committed to review its Transformation Programme and to agree a realistic and deliverable programme. In support of this the July 2023 Cabinet report removed all assumptions around previous savings, transformation or otherwise, and to agree the principle that only evidenced based savings established based on robust delivery plans are to be included moving forward.

Previous budget reports transparently set out the annual movements in the budget for the transformation programme, and the 2022/23 financial outturn report to July 2023 Cabinet provided a specific separate appendix outlining financial performance against budget.

Key recommendations

In relation to significant weakness (SW2) Financial Sustainability



Recommendation 2

The Council must review the continued sustainability of Reserves and Balances and ensure the Medium- term Financial Plan (MTFP) demonstrates a realistic plan to replenish reserves and balance the budget gap in the medium term

Audit year

2021/22 and 2022/23

Why/impact

The council has an underlying deficit driven by the desire to not cut services and minimise council tax increases combined with a delay in transformation programme savings realisation. Despite delivering revenue surpluses in both 2021/22 and 2022/23 it has used £96m in reserves to support the last three years approved budgets (£30m 2021/22, £36m 2022/23 and £30m in 2023/24). We do not consider this a long-term solution to addressing the Councils medium term financial issues. The Council’s current un-ringfenced general reserves balance as at 31 March 2023 were £17.9m. The Dedicated Schools Grant (DSG) deficit as at March 2023 was £37m which was currently greater than the Council’s un-ringfenced general reserves balance. Further the 2024/25 MTFP relies heavily on the delivering an already ambitious transformation and savings programme. If this is not achieved, the council will need to resort to reserves and balances further depleting them.

Management Comments

The July 2023 MTFP Update report removed all assumptions of previous savings, transformation of otherwise from the MTFP, in addition in each and every year of its existence since 2019 it has thorough its dynamic financial management achieved a positive or better outcome compared to the budget set.

The MTFP assumes that unearmarked reserves will be maintained at the 5% minimum level with an annual contribution of £700k per annum to take account of the increasing cost base.

An accumulating deficit on the DSG is a concern consistently referenced in the budget reports and s25 statements of the s151 Officer. It should therefore be seen as positive that the Council have accepted an invitation to be part of the Department for Education Safety Valve Mechanism.



Key recommendations

In relation to significant weakness (SW3) Governance



Recommendation 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.

Audit year

2022/23

Why/impact

In February 2023 the Council formally published its proposed budget for 2023/24. This budget had been set in line with a more traditional approach to budget setting than previous years (i.e. the beach huts proposal when setting the 22/23 budget). This budget was based on, from our perspective, a more prudent and less risky approach to budget setting and medium-term financial planning, predicated on the use of the maximum increase in Council Tax permitted and a detailed (albeit challenging) savings plan. However, from conversations with the Section 151 Officer and Chief Executive we were made aware that the Administration was considering a late amendment to the indicative budget proposals, and it was a potentially high-risk amendment that would be brought forward. It appeared that this late amendment was being driven forwards by the then-Leader of the Council who made it clear in a press release in late January 2023 that they would be working on ways to increase income and use assets to generate additional income for the Council and reduce the burden on the Council Taxpayer through a reduced uplift in Council Tax for 2023/24.

Management Comments

As referenced this approach was driven by the then Leader who was looking to test the boundaries of Treasury Orthodoxy. The current administration’s approach is a more prudent one based on traditional and conventional approaches to local government finance.

Key recommendations

In relation to significant weakness (SW4) Economy, effectiveness and Efficiency



Recommendation 4 The Council should continue to address the weaknesses identified by Ofsted, and the Department for Education (DfE) to ensure all children have access to quality services which meet their needs in a timely manner.

Audit year 2021/22 and 2022/23

Why/impact

The November 2020 findings of a focussed Ofsted inspection of the Council's children's services identified significant failings. A further inspection in December 2021, identified that although some progress had been made There remained too many areas where progress has been neither sufficiently swift nor decisive. Since then, there have been 3 monitoring visit one in June 2022 , a second between the 4 and 5 October 2022 which concluded too many children in the Council were not being kept safe and a third on 21 and 22 March which reported that quality assurance of social work practice continues to improve, however the direct impact on children's lives was yet to be fully realised.

A new DfE Advisor and Sector Led Improvement partner (SLIP) was appointed by the DfE to create a strong framework and to guide the necessary improvements, whilst supporting the Council and Children's Services. The DfE intervention did not involve a formal commissioner role but did imply that structural governance of the service was an immediate issue. The DfE steer throughout has been if progress is not effective in the short term, structural intervention, such as a Children's Trust could not be ruled out. The DfE Advisor made it clear in his first report, that there were two critical areas following his assessment for improvement, these included: The state of the services themselves and corporate and political context in which the service operates. Although there has been some improvement in the service, there is still evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages risks in relation to its Children Services.

Management Comments

Improving Children's Services continues to be a priority for the Council as evidenced not just by the extra resources allocated in February 2023 but also the improvement and transformation resources that Cabinet in July 2023 agreed to recommend to Council.

These resources have supported the latest feedback which has indicated a positive direction of travel and green shoots of recovery.

Key recommendations

In relation to significant weakness (SW5) Economy, effectiveness and Efficiency



Recommendation 5

The Council must

- A) 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. The council must
- B) 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.
- C) 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.

Audit year

2021/22 and 2022/23

Why/impact

There have been a numerous concerns in relation to the 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.

Although the current level of debt held by the Council is significant below the debt threshold it remains critical that any proposals to take on additional debt are robustly scrutinised to ensure they are affordable, prudent, and sustainable. Debt repayment is the first call on any resources generated by the Council, even before the provision of statutory services. Further debt should only be supported where the project is self-funding and is affordable, prudent, and sustainable or would significantly reduce the annual operating expenditure of the Council or generate significant inward investment via government funding.

Any disposal of assets must have a supporting business case and justification. The concern is that Value for money decisions are unlikely given pressure to fund the transformation programme. Whilst there is an immediate need to sell council assets to fund the transformation programme, the council must ensure Value for Money and sound decision making.

The Council does not have a clear business plan for BCP Future Places Ltd and its expectations of how the company would help deliver the Council's regeneration programme. Further there was evidence of scope creep in current projects, and a lack of Council led commissioning in relation the company.

Management Comments (continued on next page)

In response to the recommendations of the government's independent governance review the Council has committed to agree a business plan for BCP FuturePlaces Ltd setting out a clear portfolio of priority projects with a timescale for delivery.

Key recommendations

In relation to significant weakness (SW5) Economy, effectiveness and Efficiency

Management Comments
continued

- In addition, it should be noted.
- The Chief Executives internal governance review put in place an action to accelerate the governance review of BCP FuturePlaces Ltd and to review the funding model. This recommendation will be further supported by a governance review of all subsidiary companies.
 - Council in September 2023, via a recommendation from a July 2023 Audit & Governance Committee, will be asked to agree an almost 50% reduction in the Council’s debt threshold.
 - All investment decisions are supported by robust business cases. Any asset disposal are first considered by an internal Corporate Property Group which consider the business case and alternatives before then being considered by a cross party asset disposal member working group.

Securing economy, efficiency and effectiveness in the Unitary Authorities use of resources

All Unitary Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Unitary Authorities responsibilities are set out in Appendix A.

Unitary Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Unitary Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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

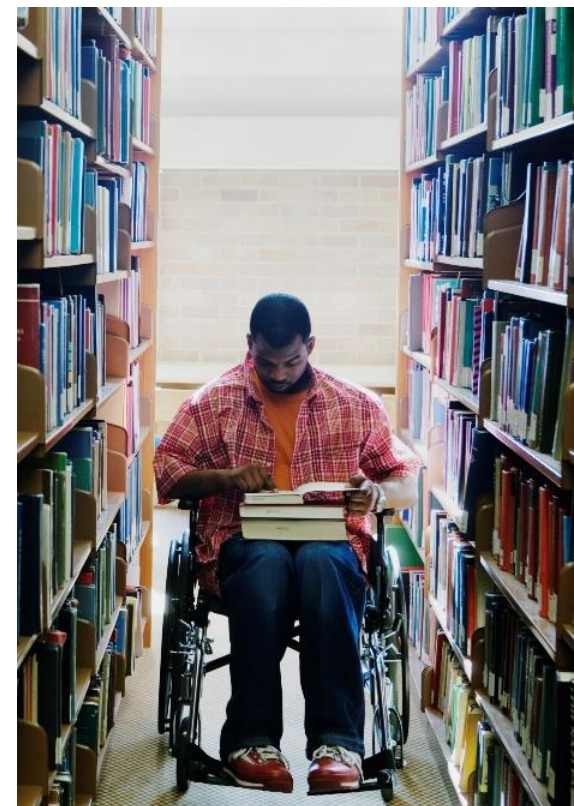


Improving economy, efficiency and effectiveness

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



Our commentary on the Unitary Authorities arrangements in each of these three areas, is set out on pages 16 to 42.



Financial sustainability



We considered how the authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial sustainability

In September 2022 we issued our Auditor's Annual Report for 2020/21 setting out our assessment of the BCP's arrangements to deliver Value for Money (VFM). This report concluded that in our view, 'the Council's current arrangements for ensuring financial sustainability were not good enough'. The report went on to say that as of September 2022 "The Council's current financial plans are predicated on a high-risk alternative funding strategy to deliver transformational efficiencies and avoid significant cuts to services. There is currently an absence of alternative strategies to balance the books into the medium term should this high-risk strategy not be deliverable." On this basis we concluded that the Council did not have adequate arrangements in place for ensuring financial sustainability into the medium term.

This VFM report is for combined years and covers the period 2021/22 and 2022/23. Our 2021/22 and 2022/23 review of the Council's arrangements to ensure financial sustainability into the medium term continue to raise serious concerns about the continued financial viability of the Council.

Despite delivering revenue surpluses in both 2021/22 and 2022/23 the Council has continued, in our view, to adopt a high-risk alternative funding strategy to deliver transformational efficiencies, minimise council tax increases and avoid significant cuts to services that is not achieving the desired outcomes. This high-risk approach, reliant on the use of reserves to support the budgets, has resulted in the further depletion of revenue reserves as expected efficiencies from the transformation programme are not realised in accordance with the original timetable and are pushed back into later years.

We recognise, that since the May 2023 elections and following a change in administration, there have been some early indications of a change in the approach to financial management. We now encourage the new administration to fundamentally review the Council's approach to financial sustainability to include

a stock take of the transformation programme and what is deliverable at what cost as well as a more detailed review of current service provision to identify further savings aimed at addressing the underlying deficit that has been masked to date through additional funding from Central Government during the Covid-19 pandemic.

For both 2021/22 and 2022/23 we have reported 2 significant weaknesses (SW1 and SW2) in the Council's financial sustainability arrangements.

Firstly, in relation to the Council demonstrating a clear understanding and control of its medium-term financial gap. Our concerns centre on the Council's ability to set a credible and balanced Medium Term Financial Strategy that properly reflects the spending power at its disposal (SW1). Concern over the capacity of the Council to deliver services to the current level is driven by its ability to transform its service in the context of reduced reserves and balances, undelivered transformation and operational savings, increasing unit costs and service demand. Although it is difficult to gauge the true extent of transformational savings and efficiencies to date, it is clear that the transformation programme is not progressing at sufficient pace but is increasing rapidly in costs (mainly driven by staff and redundancy costs).

Secondly, we have reported a significant weakness (SW2) in respect of the Council's medium-term plans for its General Fund Balances and Earmarked reserves. Despite an increase in General Fund Reserves in 2022/23 the level of earmarked reserves continues to fall. The Council must continue to review the sustainability of Reserves and Balances and ensure the Medium-term Financial Strategy demonstrates a realistic plan to avoid further use of and ideally replenish reserves and balances to a healthier level.

On this basis we have concluded that for both 2021/22 and 2022/23 the Council does not have arrangements in place for ensuring financial sustainability into the medium term. We have also detailed 4 improvement recommendations for both years subject to review.

Financial sustainability

Financial Performance 2021/22

The 2021/22 budget and MTFP was approved by Council in February 2021 following extensive internal and external consultation. It included several potential risks.

One related to the harmonisation of Council Tax on 1st April 2022, 2 years after the creation of BCP. A Council Tax increase of 1.55% was applied, compared to the 4.99% maximum permitted. The allowable 3% social precept increase was deferred until 2022/23.

The MTFP noted increasing pressures in relation to Adult Social Care due to rapid hospital discharges, the several challenges in relation to delivering children services (discussed further in this report). The budget included £7.5m un-itemised transformation savings and the need for £13.8m capital receipts to fund the transformation programme during 2021/22. In relation to reserves (both un-earmarked and earmarked) were anticipated to reduce by £40m during in 2021/22 primarily to balance the in-year budget position.

The final outturn position for 2021/22 was an underspend of £6.8m, of which £3.3m was carried forward to support the 2022/23 budget and the remainder (£3.5m) transferred to the Financial Resilience Reserve to mitigate the emerging in-year cost of living inflationary pressures. The outturn reflected some significant over and underspends within individual directorates with underspends most notable in the areas of Place, Operations, Adult Services and Childrens Services. Further it should be noted that the Council used £30m of reserves to support the in-year budget position.

In order to balance the budget position for 2021/22 budget the council was required to deliver £20.6m of savings consisting of £13.2m operational savings (including Childrens and Adults), and £7.5m transformation savings. Final outturn detailed that £5.4m (72%) of transformation savings was delivered with a shortfall of £2.1m. However, it was unclear from our review whether the operational savings of £13.2m had been delivered. The inability of the Council to demonstrate whether savings have been delivered and assess the impact of savings on services is regarded as significant weakness in arrangements

Financial Performance 2022/23

As with the 2021/22 budget the assumptions detailed in the 2022/23 budget and Medium-term Financial Plan (MTFP) again contained several inherent risks. The Council agreed to a Council Tax freeze however the Social Care precept of 4% was implemented. The costs of not applying the 1.99% increase on core council tax levels was approximately £4.5m per year reduction in resources available to the Council from April 22. The MTFP also assumed additional income receipts would be generated through a commercial venture [The Beach Huts] to avoid further service cuts. This is discussed in detailed further in this report.

The 2022/23 MTFP set-out that £42m of reserves would be used to support delivery of a 2022/23 balance budget position. It should be noted the council had a stated objective to increase unearmarked reserves from current levels from 5.4% of the Councils Net Expenditure to 6.1% over the next five years. Further the Council's objective was to deliver a surplus during 2022/23 which would then be used to create an earmarked reserve to support of the 2023/24 budget.

The MTFP detailed £13.3m of total savings were required, consisting of £7.9m of transformation savings and £5.4m of service-based savings. At the time, the MTFP being published detailed £4m of the transformation savings were un-itemised and unidentified.

During 2022/23 in-year expenditure controls were implemented with the objective of delivering in year underspends and support the 2023/24 MTFP position. In the draft unaudited 2022/23 outturn report, the Council reported a £10.6m underspend against its 2022/23 budget. This outturn was attributable to some significant over and underspends within individual directorates. Underspends were reported in Place, Operations and Adult Services whilst there was an overspend in Childrens Services. The latter being attributable to service pressures in relation to Looked after Children and £1.5m of unbudgeted expenditure incurred to improve the service without expectations of delivering future budget savings.

This has enabled the Council to avoid the need to evoke the initial government capitalisation direction.

Of the transformation savings £4.7m (60%) was achieved, a shortfall of £3.2m against the original estimate £7.9m. The original £68m transformation investment programme approved as part of the 2022/23 original budget included the intention to charge £6.7m per annum of internal base revenue budget staff costs to the programme which would then be financed through the flexible use of capital receipts. This was reduced by £3.5m to £3.2m in each of the three years 2022/23 to 2024/25 as there was insufficient evidence to justify the recharge staff costs to the programme. We consider this an indicative of the significant weaknesses in managing and deliver the council's transformation and savings programme.

Financial sustainability

As planned, reserves fell by £36m during 2022/23 which were used to support the 2022/23 budget outturn position and detailed in the 2022/23 MTFP. The Council's unearmarked reserves increased marginally as at 31 March 2023 to £17.9m.

The Council's 2023/24 budget, Medium Term Financial Risk and Issues

As detailed on page 8 of this report and later within the governance section, given the concerns raised in prior years the Council adopted a more traditional approach to the 2023/24 budget setting process including the proposed maximum uplift to council tax. However, shortly ahead of full council, the then leader introduced the possibility of some late amendments to the proposed budget which raised Financial Sustainability and Governance concerns. Given the risks of any late amendments without proper consideration we wrote formally to the Council on 10th February 2023 detailing our concerns. Ultimately, no such alternatives were put forward and the 2023/24 budget went through Full Council broadly as proposed.

Whilst we are reassured that the Council's final 2023/24 revenue budget reflects a more traditional and prudent approach to local government budget setting and revenue raising proposals, there are several significant inherent risks to the Council's ongoing financial sustainability. These were also captured in the S151 Officers section 25 report that accompanied the budget. These included:

Savings: The Council needs to deliver £34.6m savings during 2023/24. This figure is almost equivalent to the entire level of assumed savings over the entire last 3 years. These savings proposals include assumptions of significant income generation and a reduction in service-based expenditure. Table 1 details the level of efficiencies and savings the Council is required to make between 2023/24- 2026/27 in order to balance budgets. Further transformation savings were not identified or itemised highlighting the scale of challenge the Council is facing.

Table 1 Medium Term Savings and Efficiencies

MTFP Savings Assumptions	2023/24	2024/25	2025/26	2026/27	TOTAL
Un-itemised Transformation Saving	9.0m	15.9m			24.9m
Scheduled Service based savings (Including Adults and	25.6m	7.5m	2.6m	2.6m	38.3m
Unidentified Adult Social Care savings		1.5m	3.1m	3.5m	8.0m
Unidentified Childrens Savings		4.5m	6.5m	7.0m	18.0m
Total assumed Savings and Efficacies	34.6m	29.3m	12.3m	13.0m	89.2m

Reserves and Balances: The council's reserves and balances could be negative by 2027. Table 2 details the forecast depletion of General Fund Balances due to the risk of non-delivery of savings, and as-yet unmet budget gaps for 2024/25 and 2025/26. The Council is in a precarious situation and could incur negative reserves and a potential Section 114 notice. We have raised this as a significant weakness.

Dedicated Schools Grant (DSG): The current DSG deficit is £37m as at 2022/23. Based on current forecasts, by the end 2023/24, the deficit on the DSG is predicted to be £63.7m. This deficit predominately relates to the expenditure on the High Needs block being greater than the funding available since the introduction of Education, Health, and Care Plans (EHCPs) under the Children's and Families Act 2014.

Table 2 Movement in General fund Balances

Potential General Fund Balances	(£'m)
Balance Forecast as at 31 March 2024	62.6
Un-itemised transformation savings 23/24	(9.0)
Scheduled Service Based Savings 23/24	(25.5)
Revised Balance Forecast 31 March 2024	28.1
Predicted Budget Gap 24/26	(14.6)
Predicted Budget Gap 25/26	(11.9)
Predicted Budget Gap 26/27	(12.0)
Potential General Fund Balances at 31 March 2027	(10.4)

To mitigate against this DSG position, which to varying degrees exists at most other upper tier authorities, the government issued a DSG statutory override by way of a Statutory Instrument (SI) which became law at the end of November 2020. This SI meant the council cannot contribute to the deficit, cannot hold a reserve to act as a counterweight and has been required to move the deficit to an unusable reserve where it will sit as though it did not exist.

Although this currently mitigates the position, and there could be further extensions to this exemption, there is a clear risk to the financial sustainability of the Council when the SI expires in 2026/27, not least given the Council projects an accumulated deficit of up to £160m at this point. Whilst DSG deficit positions can be carried forward against the grant for future years, the Council is required to have a multi-year deficit recovery plan, including benchmarking against peers to understand the underlying causes.

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The Council has proactively attempted to manage this financial pressure and has a High Needs Block recovery plan and included within the 2021/22 budget £10m of capital expenditure to support the provision of schools' places in this area to reduce the reliance on more expensive private provision. The Council's management information in respect of DSG is good, and there is targeted monitoring and oversight of this area. However, the current trajectory of the deficit is upwards and continued efforts are necessary to seek to manage this financial pressure given the wider financial challenges facing the Council. Whilst the deficit is currently ring fenced, the statutory override is temporary and there is uncertainty as to whether this will be extended beyond the end of the current period. Given the issues detailed above, the Council needs to review the delivery of the 2023/24 budget and ensure it has a robust MTFP process for 2024/25. To enable this the council should commission support from external bodies such as the LGA and/or CIPFA to advise and challenge the Council on its Financial Resilience and sustainability going forward. We understand that CIPFA have now been engaged to undertake a financial resilience review in September 2023.

We recommend the Council continue to engage with the Government nationally, through the Department for Education (DFE) Safety Value Programme, which it is now a member of, to eliminate the deficit through a medium-term transformation plans, short-term funding to support preventative measures.

The Transformation Programme

The transformation programme is the Council's main tool for driving improvement, creating capacity, identifying savings, and streamlining service delivery.

It is an ambitious programme with current implementation costs of £57.4m (detailed in the 2023/24 MTFP) which is a 53% increase from 2021/22 estimated costs of £37.6m.

The programme was initially approved by the first unity Alliance Cabinet and has rapidly increased in scope and ambition since then. The council engaged KPMG to advise on the planning and delivery of the transformation programme 2019. Interviews with Officers' detailed that KPMG's original transformation assumptions in relation to costs and savings were not submitted to committee when the transformation programme was approved in 2019,

In the budget report for 2022/23 the Cabinet, at its meeting on 9 February 2022, agreed that investment in the programme be extended to £67.9m to cover the costs of employees working on the programme who are therefore not available to support day to day or statutory improvement duties, along with investment in data and insight capability and an increase in the programme contingency.

In the 2023/24 budget report in February 2023, the Council reduced the transformation investment programme to £57.4m to reflect a reduction on the annual recharge of internal base revenue costs to £3.2m for three years in line with the evidence base.

Transformation programmes typically set out a range of potential financial benefits and usually councils would use a mid-point to provide a target for savings. The indication for potential savings for BCP has been in the range of £26.7m to £43.8m. The Council was clear in the budget report to Cabinet on 8 February 2023 that due to the increased level of investment in the programme the Council would continue to use the highest end of the range as the basis for financial planning (as it has since 2019).

However, we found the Council had historically struggled to deliver on its transformation saving targets and given the pressures on Childrens and Adults services it is unlikely service-based elements of savings will be achieved without a detrimental impact to the services. We see this as a significant weakness and the Council should review the programme to ensure that cost and savings are realistic, and an achievable programme is developed.

The financing of the programme is detailed further in this report under the sections Capital Flexibilities and Capitalisation Directive.

Capital Flexibilities

As previously noted, the transformation programme is central to the Council's plans to deliver financial sustainability through efficiencies and the avoidance of significant cuts to its services. The bringing together of three legacy authorities has resulted in multiple complex systems and perceived duplications within the inherited practices which the Council sought to address through this programme.

A core element of the financing of this transformation programme was the ability to use capital receipts to meet the revenue costs of transformation (Capital Flexibilities Initiative). This Capital Flexibilities Initiative is permitted by a statutory direction published by Department for levelling up Housing and Communities [DLUHC] and allows the Council to use capital receipts to fund the revenue costs of transformation schemes which expect to reduce future demand and to generate revenue savings in the longer term.

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Working with KPMG the Council explored the option of generating a capital receipts through the sale of the Council-owned beach huts to a Special Purpose Vehicle ('SPV'), wholly owned by the Council. The intention of this proposal was to generate a significant capital receipt (estimated to be in the region of £56m in a report produced by KPMG in December 2021). This capital receipt could then be used under the Flexible Use of Capital Receipts guidance to fund the revenue costs of the Council's transformation programme.

Due to the innovative complex nature of this proposal the Council consulted widely to ensure that the proposed arrangements were allowable under the Flexible Use of Capital Receipts (FUCR) guidance. The proposal was based on a detailed report produced by KPMG setting out the considerations for the Council when taking this course of action. The Council's Section 151 Officer also consulted CIPFA for advice on the proposals. The advice from CIPFA shared with the Council in December 2021 set out that it "would appear to meet the criteria set out in the guidance and direction to be regarded as transformation work which could be funded by FUCR".

As external auditors to the Council we were approached to comment on both the extent to which different costs could be capitalised under the Capital Flexibilities Initiative as well as to comment on the proposal to sell the beach huts to a Council-owned SPV and the use of the capital receipt under FUCR guidance. We held a series of meetings with the S151 Officer to discuss both these areas and challenged as to whether several areas of proposed spend met the definition of transformation.

The S151 Officer reflected on this in the later versions of the transformation programme. We also commented that, based on a high-level review, that the beach huts proposal did appear to be in line with FUCR initiative but that this would be subject to further work on our part once implemented.

Once the Council's proposals around the sale of the beach huts became public DLUHC contacted the Council to discuss the proposal further. We were also contacted by DLUHC to discuss the nature of the Council's proposals. On 16 June 2022 the Minister for Equalities, Local Government, Faith and Communities wrote to the Leader of the Council detailing concerns around the Council's proposals. In this letter DLUHC confirmed that they had concerns around the flexibility not being used appropriately and, although not explicitly disallowed by the direction, the proposals were not in accordance with the spirit and intent of the flexibilities provided. The ambiguity around what constitutes a qualifying asset disposal generating a capital receipt had allowed the Council to treat the beach hut proposal as an asset disposal whilst still retaining some indirect control of the asset. DLUHC indicated in their letter that they were reviewing the guidance and considering whether amendments were necessary specifically exclude this type of proposal.

The potential risks associated with this were recognised and highlighted by the Section 151 officer in discussions with Cabinet in June 2022 and updated in July and September 2022, with commentary including his view that this strategy represents a risk to the financial sustainability of the Council.

On the 1 August 2022 the Secretary of State for the Department for Levelling Up, Housing and Communities (DHLUC) wrote to all Council leaders informing them of the revision to the Direction to establish that capital receipts used in accordance with the Direction must only be from disposals where the authority does not retain some direct or indirect control of the assets. On this basis the Council could no longer pursue the sale of the beach huts to a SPV and use the capital receipt to fund the transformation programme. This presented the Council with a significant gap in the funding of the transformation programme and put increasing pressure of the financial sustainability of the Council.

This outcome led to the Council exploring alternative mechanisms to fund the transformation programme and a request to DLUHC for exceptional financial support in the form of a Capitalisation Directive.

Capitalisation Direction

On 15 July 2022 the Council applied for a Capitalisation Direction totalling £75m over the next three years. This would allow the Council to borrow money to finance the revenue costs of its transformation programme including an additional £24m to meet the unbudgeted costs of transformation of Adult and Childrens Services.

Such directions are generally considered to be contrary to prudent financial management and simply postpones to need to deal with the underlying issues. Capitalisation directions are normally subject to conditions, common ones being a high level of intervention and the requirement to deliver additional capital receipts. Further these conditions

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have weighed heavily on other authorities in a similar position. The Council can only make an application for a Capitalisation Direction to DLUHC if it considers itself to be facing exceptional financial difficulties, so is generally granted to Councils in extremis.

On the 2 September 2022 DLUHC wrote to the Council offering 'in-principle' support of up to £20m for 2022/23. This offer was subject to conditions including a full plan addressing the budget gap for 2023/24 and beyond and the requirement for the Council to undergo an external assurance review of its finances and governance arrangements. At this point no decision had been made on further funding beyond 2022/23. The Council has no guarantees that the full capitalisation request will be successful or that an early decision would be made by the Department and that the timeframe permitted would align with the timeframe of the transformation agenda. It's approval may, as often is the case, be predicated on significant asset disposals resulting in the Council needing to accelerate its disposals programme and this may not result in the best value for money outcome.

In his June 2022 report to Cabinet, the Section 151 Officer recommended that the Council take immediate action to support rebasing the 2022/23 budget and to set a balanced budget for 2023/24 including a halt to any new contractual commitments and bringing forward new savings proposals. At the time of drafting this report detail proposals supported by business cases have not yet been formed and finalised. There was, however, evidence that the Council has engaged widely, taken expert advice and kept members informed of its plans.

Not presenting a full plan to balance the 2023/24 budget to

DLUHC would have jeopardised the Councils ability to achieve the £20m capitalisation direction in 2022/23. This would have meant either additional in-year capital receipts needing to be generated (which the Council are continuing to test the feasibility of achieving) or utilising the resources currently supporting the balancing of the 2023/24 budget. The second of these would impede the ability to set a legal, balanced budget for 2023/24. Associated with this would have been at least the possibility of direct government intervention in the council. The "minded to" £20m capitalisation direction for 2022/23 was subject to an external finance and governance review.

DHLUC issued their report in August 2023, and it concluded that the Council's Medium Term Financial Plan (MTFP) and budget, as currently agreed is unrealistic. It is predicated on the delivery of an overly ambitious transformation programme both in terms of levels of savings and timescales for delivery. As detailed in this report we concur with the findings in the report.

The Council during the 2023/24 budget setting process agreed not to utilise the £20m Capitalisation Directive, but instead use Capital receipts to fund the Transformation programme. This is detailed further below. Avoiding the need for this capitalisation direction is seen as an early sign of a more sensible and appropriate approach to financial management at the Council.

Capital Receipts

In the context of the Council's overall financial position and financial sustainability, it is imperative that the Council generate sufficient capital receipts to finance the transformation programme over the 3-year period to 31 March 2025.

There is still a key risk to the Council in respect of any expenditure which it intends to incur before the actual capital receipts required to fund it are delivered. In 2023/24 the council intends to spend £28.4m of transformation expenditure which it plans to finance from capital receipts.

Current monitoring (as at August 2023) indicate that it will be challenging to deliver at least £4.3m of the £7.4m originally assumed 2023/24 asset sales, exposing the Council to the risk that reserves will be required to cover the shortfall.

The Council's Debt Position

The Council and its legacy authorities had maintained a lower-than-average level of debt which was mainly towards the lower end of the third quartile when compared to other upper tier authorities. As part of the 2021/22 budget, the Council revisited its financial strategy and planned to increase its level of debt in order to refinance capital schemes and release resources to support the General Fund revenue budget. The approach being to borrow in order to finance schemes over the life of the asset, examples being the ICT investment plan, the capital element of the transformation programme, and the Poole Bay beach master plan.

Full Council in November 2022 agreed to increase the Council's debt threshold from £855m to £1.334bn. On a Net Revenue Expenditure basis this moved the council's threshold from the mid-point range compared to upper tier authorities to the top 3rd quartile. There two main drivers for extending the councils debt threshold were:

Financial sustainability

To enable service-based capital expenditure to be financed from debt with the cost spread over the time-period that will benefit from the expenditure.

To support the big plan objective including the delivery of regeneration and housing business cases which will provide an ongoing resource base for the Council, as a minimum, once the borrowing is repaid

Several sizeable schemes were removed from the Councils original 2022/23 Capital strategy particularly those associated with Bournemouth Development Company proposals.

The currently revised forecast detailed in the 2023/24 MTFP including commitments made up to the end of December 2022, detail peak debt of £704m during 2026/27

The Council has agreed not to support any further increase in debt that would impact the General Fund budget through the increased costs of debt. However, this criterion was breached when council took on the debt to fund Royal Arcade development as part of the Town's Fund. The justification, was the investment attracting a sizeable level of inward funding from the Heritage Lottery Fund and Government.

If BCP council had debts of £1.334bn at 31 March 2023 it would have been the fifth most indebted unitary council in England. It should be noted that two of the four local authorities with borrowing in excess of the Council's debt threshold, have now issued Section 114 notices. These councils are now trying to find solutions to their debt levels that they can no longer afford to service, with in one case 25% of current revenue spend being used to service the debt.

Although the current level of debt held by the Council is significant below the debt threshold it remains critical that any proposals to take on additional debt are robustly scrutinised to ensure they are affordable, prudent, and sustainable.

Debt repayment is the first call on any resources generated by the Council, even before the provision of statutory services. Further debt should only be supported where the project is self-funding and is affordable, prudent, and sustainable or would significantly reduce the annual operating expenditure of the Council or generate significant inward investment via government funding.

BCP FuturePlaces

The Council formed BCP FuturePlaces in May 2021 as a wholly owned Urban Regeneration Company operating under the Teckal exemption. The company was established in order to drive regeneration and property market transformation at pace across Council owned sites.

In July 2022 a revised business plan was approved the restructuring of the funding and repayment arrangements between the Council and BCP FuturePlaces. The Council provided BCP FuturePlaces with an £8m working capital loan to cashflow feasibility activity, staffing costs and overheads prior to presenting business cases to the Council for approval. At the point of approval, BCP FuturePlaces would be paid by the Council for the work to date on each scheme. This payment would enable BCP FuturePlaces to repay their debt to the Council, and the Council would be able to capitalise the cost of the professional services related to specific schemes rather than incurring the feasibility costs in the Council's revenue budget.

We have concerns about the new arrangements in that a disproportionate level of risks sits with the Council on two fronts. Firstly, any amounts drawn down from the loan which ultimately proves to be unrecoverable (currently standing just over £2m) will be crystallised into an in-year debt and impact the revenue budget.

Secondly any payments to BCP FuturePlaces for Outline Business Cases that the council does not proceed with will be written off to the revenue. Both instances present significant financial risk for the Council.

Although the Council, as part of its outturn report for 2022/23, has provided for the full amount of working capital loan drawn down to date a fuller assessment is now required. The Council should re-evaluate the role BCP FuturePlaces plays in delivering against the Council's Corporate objectives. As part of this, The Council should ensure there is an equal distribution of risk and reward between itself and BCP Futures, and that the work commissioned by the Council is clearly defined and there is no changes in scope and objectives unless agreed and fully supported by the Council with a clear supporting Business Case. Note we have further commentary on BCP FuturePlaces in the Governance and Improving economy, efficiency and effectiveness section of this report

Statutory Officers

Concerns raised in this report in respect of the appropriateness of financial decision making given the financial challenges facing the Council have arisen despite concerns being expressed by statutory officers to decision makers.

Our review suggests that advice from statutory officers during 2021/22 and 2022/23 was heeded when it aligned with the administration's preferences. However, when such advice raised concerns or risks about a proposed decision it was often overlooked with attempts made to circumvent it.

This has inevitably led to, as set out in the recent Best Value Notice, strained and challenging relationships between senior officers and the previous administration and between different political groups.

Financial sustainability

Support and Advice

The Council has a good track record of obtaining external advice and peer support, where appropriate. The Council engaged a peer review by the Local Government Association (LGA) in December 2022. The review covered the 2 years since inception of the new authority. The review noted that the council still had a significant task to consolidate policies, practice and procedures particularly in relation to harmonisation of pay scales and terms and conditions. Further the review noted that the council need to balance leadership ambitions with a credible MTFP. The issues raised in the Peer Review align with the concerns we have identified in the Council's arrangements in relation to Value for Money.

However, given the issues we have detailed previously, the Council would benefit from commissioning an external review of its financial resilience. This would provide support and challenge to the MTFP and budget process going forward. Both CIPFA and the Local Government Association provide services to Local Authorities around testing financial resilience and Peer to Peer review current arrangements. Of particular focus should be the transformation programme, the management of savings, prioritising and delivering of corporate priorities and providing assurance and confidence in the Council's ability to manage its Financial sustainability





Improvement recommendation



Financial Sustainability

Recommendation 6

The Council should commission an external review of its financial resilience particularly in relation to the MTFP, the transformation programme and savings necessary to balance the budget, whilst ensuring Reserves and Balances are at sustainable levels.

Why/impact

The Council faces many the challenges. Key to this is delivering a realistic MTF. To enable this the Council will need external support and challenge to the MTFP and budget setting process going forward. Of particular focus should be the transformation programme, the management of savings, delivery of corporate priorities and providing assurance and confidence in the Council's ability to manage it Financial sustainability.

Management comment

The Council has engaged CIPFA to undertake a financial resilience review in September 2023.

Recommendation 7

The Council should re- evaluate the role BCPF plays in delivering against the Council's Corporate objectives. As part of this,. The Council should ensure there is an equal distribution of risk and reward between itself and BCP Furtures, and that the work commissioned by the Council is clearly defined and there is no changes in scope and objectives unless agreed full by the Council and support with a clear Business Case

Why/impact

The current model has a disproportionate level of risk sitting with the council, and reward with BCP Futures. Given the challenging financial situation the council is in the current model needs to be reviewed to reflect the

Management comment

In response to the recommendations of the government's independent governance review the Council has committed to agree a business plan for BCP FuturePlaces Ltd setting out a clear portfolio of priority projects with a timescale for delivery. In addition, as part of the Chief Executives internal governance review the Council has committed to a governance review of BCP FuturePlaces Ltd and its funding.



Improvement recommendation



Financial Sustainability

Recommendation 8

The Council should robustly scrutinise any proposals to take on additional debt and ensure it is affordable, prudent, and sustainable. Debt repayment is the first call on any resources generated by the council, even before the provision of statutory services.

Why/impact

Our review noted that the Councils debt threshold had increased to £1.3b. There are several risk associated with this including the increased cost of borrowing to the council, and ensuring sufficient resources are set aside to cover MRP. Any increased borrowing will have an ongoing Revenue implication which will reduce the resources available to delivering statutory services. There needs to be a sound business case for any increase in borrowing and the council needs to ensure VFM and a rate of return on investments. Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans).

Management comment

Further to the July 2023 MTFP Update report to Cabinet and the recommendations of the July Audit & Governance Committee, Council in September 2023 will be asked to reduce the councils debt threshold by approximately 50%. This should add a layer of robust scrutiny and challenge to any further significant debt based business cases as they will now also need to be presented to the Audit & Governance Committee to agree Council being asked to in the threshold and take on the associated borrowing.

Recommendation 9

The Council should consider being a part of the Central Government Safety Value initiative in relation to High Needs Placements to help mitigating the Dedicated schools grant deficit.

Why/impact

The Council needs to consider the future risks and current costs associated with continued growth of the DSG deficit. Our review noted that the whilst the Council's management information in respect of DSG was good, and there was targeted monitoring and oversight of this area. However, the current trajectory of the deficit is upwards and continued efforts are required to seek to manage this financial pressure given the wider financial challenges facing the Council. . Due to the accumulating deficit on our Dedicated Schools Grant, BCP Council is projected to have negative reserves by the 31 March 2024. This means that all things being equal the s151 Officer would be required to issue a s114 report for the 2023/24 financial year.

Management comment

On behalf of the Council the Chief Executive, in September 2023, agreed an invitation to be part of the government's safety valve mechanism.

Governance



We considered how the Unitary Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Background and Context

Prior to the local government elections in May 2023, BCP had a Conservative led administration but without overall control (35/76). The other political groups were Liberal Democrats (13), Christchurch Independents (7) Poole Engage (5) Poole Independents (5), Bournemouth Independent and Green (4), Labour (3), unaligned (4).

At its inception in 2019 the Council was led by the Unity Alliance, and following two votes of no confidence in 2020 the Conservatives took over as a minority administration. In October 2021 the Conservatives moved to a majority administration. Then in June 2022, following four Councillors leaving the Conservative group the Council once again became governed by a minority Conservative administration. During this four-year period the Council had three different leaders.

Following the local government elections in May 2023 no party has overall control. The Liberal Democrats are the largest party (28/76). The other groups are Conservatives (12), Labour (10), Christchurch Independents (8), Poole People (5), Green Party (5), Independents (3), Poole Engage (2) unaligned (2) and there is one vacancy.

The Liberal Democrat leader has worked with other parties and has formed the Three Towns Alliance which consists of the Liberal Democrats, the Christchurch Independents, Poole People Party and the Bournemouth Independent Group. This is now the new administration and Councillor Slade was elected Leader of the Council at the Council meeting on 23 May 2023.

Leadership and Governance

We noted in our review that the Council continued to struggle to establish effective governance arrangements. This was apparent with member-to-member and sometimes member to officer relationships which were adversarial.

During our interviews with Officers, there were descriptions of relationship with members as “toxic” and “unpleasant”. Members were unwilling to listen to advice from officers, and becoming very involved in the operational management of the Council.

A contributing factor was Council’s Members having diverging views and opinions, and reaching consensus on the practical implementation of good governance was very difficult.

There were several complaints about the way that Councillors have used social media and a high number of complaints made to the Standards Committee. The Standards Committee met 15 times since mid-2019 to hear complaints against Councillors.

On occasions Member complaints have had to be reported to meetings of the full Council as Councillors have failed to abide by the sanctions agreed by the Standards Committee. Many more complaints have been dealt with under the informal process permitted under the Constitution and determined by the Chair in consultation or resolved informally by the Monitoring Officer under her delegated powers.

As the appointed auditors we have received a large number of communications from the public over decision making at the Council.

Governance

Some of these communications have touched on several of the concerns raised in this report.

Council meetings have often been contentious and there have been some very acrimonious meetings and debates that have taken place. We recommend a programme of mentoring, training and development for members on The Council Constitution, and Code of Conduct, and expected member behaviour particularly to enable cross-party working.

We reviewed Overview and Scrutiny (O&S) Committee and noted increased political contention particularly around the structure and frequency of meetings. The two new O&S Committees for Place and Corporate & Community were contentious with focus on carrying out pre-Cabinet scrutiny rather than developing policy and scrutiny of services. We noted that most of the decisions during the two new O&S Committees were taken on party lines however the Health and Adult Social Care, and Children's Services O&S Committees were supported well and across political parties.

Overall, the Standards Committee works well but there have been isolated cases of Members refusing to abide by their findings, resulting in reports to the Council or apologies being requested. Councillor complaints about other Councillors have historically been high in number. This does not indicate strong governance and leadership arrangements are in place and the council must make concerted efforts to mitigate this going forward.

We noted in our review that the Council needs to consider how recommendations go to Full Council for decision and how they are managed and debated.

The level of delegation should be reviewed and the procedure for proposing and seconding recommendations from the Cabinet and other Committees should be simplified.

We recommend the council develop a mechanisms for challenging and reviewing Cabinet and portfolio holder decisions. whilst encouraging opposition and backbench councillors to participate in governance.

Senior Management Team

There has been significant turnover within the senior management team since the Council was established in 2019. A new structure has been adapted to respond to developing circumstances and pressures. The senior team is now made up entirely of permanent appointments who have been in place since 2022/23. Whilst the Chief Executive and Section 151 Officers are capable of supporting the Council through these challenging times, the expertise within the wider leadership team is untested with a number of newer appointments with less experience of working in such a complex and political environment. A strong development training programme, including coaching and mentoring for all Directors would be appropriate to ensure they have experience as a team to deal with the challenges ahead.

The Budget Setting Process

As detailed in the Financial Sustainability section of this report, when setting the 2022/23 budget the Council, via its strategic advisors, devised a mechanism to generate a capital receipt from the sale of beach huts to a wholly owned company and use the proceeds to fund revenue costs of transformation under the Flexible Use of Capital Receipts direction.

At the time of this Council sought advice from both their advisors and from us as external auditors on the appropriateness of this. It was deemed that the proposal was within the technicalities of the guidance.

However, there was an intervention from DLUHC around concerns that the flexibility was not being used appropriately. This led to DLUHC reviewing the guidance and the Council having to adjust budget proposals for the 22/23 budget.

Although this was a high-risk proposal and ultimately required DLUHC to intervene the Council did consult appropriately on the matter and adhered to the altered guidance set out by DLUHC.

However, the initial proposals were predominantly driven by the then-Leader of the Council with the aim of increasing income to maintain service provision whilst minimising any need for council tax increases. This may well have benefit service recipients in the short term but the disposal of such an asset would have implications for future revenue streams and the ability of the council to balance the books into the long term. We are concerned that such decisions may not always have full regard to the risk of future council taxpayers and may be based on short term benefits at the expense of long-term sustainability.

This event was a pre-cursor to a more significant situation in 2022/23 that ultimately led to the resignation of the then-Leader.

On 1 February 2023 the Council formally published its proposed budget for 2023/24. This budget had been set in line with a more traditional approach to budget setting than previously (i.e. the beach huts proposal when setting the 22/23 budget). This budget was based on, from our perspective, a more prudent and less risky approach to budget setting and medium-term financial planning, predicated on the use of the maximum increase in Council Tax permitted and a detailed (albeit challenging) savings plan.

Governance

However, through conversations with the Section 151 Officer and Chief Executive we were made aware that the administration was considering a late amendment to the indicative budget proposals, which was potentially a high-risk amendment that proposed to be submitted. It appeared that this late amendment was being driven by the then-Leader of the Council who made it clear in a press release in late January 2023 that the administration would be working on ways to increase income and use of assets to generate additional income for the Council and reduce the burden on the Council Taxpayer through a reduced uplift in Council Tax for 2023/24.

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At this point we identified several concerns with this approach being taken by the Council and the then-Leader. From a governance perspective. We formally wrote to the Council on two major concerns;

1. Given the last-minute nature of the proposed amendments to the budget, officers had limited opportunities to fully digest the impact of the changes and advise decision makers on whether the change was in the best interest of the Council. At the same time, senior Council officers had communicated concerns to us over the nature of the late change being proposed.

2. The proposed amendment was identified as being 'innovative and high risk' with it involving a proposed income strip of a Council-owned asset to generate a capital receipt and ongoing revenue stream for the Council. Given the Council's previous attempts around innovative mechanisms to generate income and support the financial position (most notably the beach huts propose from 2021.22 – see above) appropriate due diligence of the proposal was crucial. From our perspective there was no clear evidence that the due diligence had been undertaken and the decision had been subject to appropriate scrutiny.

Overall, our perspective was that any proposed amendment to the 2023/24 budget that was considered 'innovative but higher risk' was unlikely to be subject to appropriate diligence and review, with Members required to consider the proposal at short notice and with limited risk assessment. We identified this as a risk to the future financial sustainability of the Council due to the risk of entering this projects without the proper and full consideration that good governance require.

As a result of these concerns, we wrote a letter dated 10 February 2023 to the Chief Executive and Section 151 detailing our concerns and our consideration of the applicability of our additional powers and duties as external auditors of the Council. We asked that this letter was taken to the Audit & Governance Committee on 16 February 2023 to discussed the issues raised. We received a response from the Chief Executive and Section 151 Officer of the Council dated 6 March 2023 detailing the considerations the Council had given over the matter raised in our letter. The letter detailed that our concerns had been discussed at the February 2023 Audit & Governance Committee meeting and that the formal approval of the budget made by the Council on 21 February 2023 did not include the high-risk alternative funding strategy identified by the (now previous) Leader of the Council. The 2023/24 budget, whilst remaining challenging, was based on traditional and conventional approaches to local authority budgeting.

Between our letter being issued to the Council and the 2023/24 budget being approved by Council the Leader of the Council resigned from post. In his resignation statement he referenced the intervention by us in relation to the 2023/24 budget proposals.

Despite the outcome that was reached and the 2023/24 budget not including the proposed alternative income generating approach we consider there to be a significant weakness in the Council's governance arrangements during budget setting.

Without our intervention and the intervention of the Chief Executive and the Section 151 Officer there was the real risk that the then-Leader would have forced through this high-risk proposal into the 2023/24 budget. This could have exposed the Council to significant financial risk.

It should be noted that the S151 and the CE worked hard to provide balanced and sensible advice to the then administration. The Section 25 report from the S151 Officer setting out his assessment of the robustness of the annual budget and the adequacy of reserves supporting the budget for both 2022/23 and 2023/24 were very explicit about the risks facing the council.

The specific risk associated with the then-Leader of the Council has been mitigated through the change in Council leadership, and subsequent change in overall control, but we still consider this weakness in arrangements to be reflective of a wider undermining of statutory officer advice if it was not viewed as consistent with the preferences of the then administration. On this basis, we consider there to be significant deficiencies in the governance in operation at the Council during 2022/23.

Further through our interviews with the monitoring Officer, the Council does not have a Budget Policy Framework linking the budgets to the Council's priorities as detailed in the Corporate plan and Big Plan. We are recommending that this is developed and agreed as part of the Councils' constitution.

Governance

This will be of particular importance during 2023/24, and the council should implement this so as the 2024/25 budget can be developed in the right context and on a sound basis.

Monitoring and assessing risk

As set out in the Council's Financial regulations, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. The Council adopted, as an interim measure the legacy Bournemouth Council Risk Management Framework, with the scoring matrix adjusted to reflect the increased remit of the new authority. A new risk management framework for the Council is currently being finalised.

The Corporate Risk Register is updated quarterly. It is informative, and includes details of each of the 14 risks included at 31 March 2022, together with mitigations and further actions. The number of risks at 31 March 2023 had increased to 22. This corporate register is informed by service level risk registers. Risks identified at the service level are also being reviewed by the Corporate Management Board. The Council has a risk management team which reviews and reports on corporate risks as well as engaging with services to develop the current risk management arrangements at the service level.

The Cabinet consider risks as part of their decision-making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Audit and Governance Committee also reviews these corporate risks through quarterly monitoring reports

We reviewed the risk register as at March 2023 particularly item Risk CR9 – Failure to maintain a safe and balanced budget for the delivery of services and noted it detailed the risk associated with the MTFP position going forward, however the mitigations appeared limited in scope and urgency.

We also noted that the register included CR13 a 'failure to deliver the transformation programme' and reported that Good progress has been made with all key workstreams moving into their "Construct" phase, several key deliverables have been signed off for the base builds of the Customer Digital "Front Door" and the Master Data

Management software forming part of the Data & Insights technology. In relation to mitigation, that the programme is "to be developed during mobilisation of the full programme following appointment of the Strategic Implementation Partner (SIP)" that the programme itself is in a very formative stage. Again, we are concerned that this does not reflect the true position of the transformation programme given the un-itemised savings and the rapid increase in transformation costs.

Internal Audit Function

There is a good audit and investigations function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. It has demonstrated itself to be a dynamic service capable of reacting and responding to changing circumstances. During 21.22 All Service directorates had some form of audit coverage during 2021.22 and a high percentage (86% - 68 out of 79 audits) of the original audit plan was completed. This was slightly under the 90% target.

During 2022/23 67 Audits were carried out. In summary, 1 'Substantial', 49 'Reasonable' and 7 'Partial' assurance level opinions were given during the year. Additionally 8 consultancy and 2 follow up reviews were also carried out during 2022/23. There were no Minimal assurance opinions given for any of the audits. Whilst the 'Partial' opinion audits are reported during the quarterly reporting to Audit & Governance.

The Chief Internal Auditor annual audit report detailed that during 2021/22 and 2022/23 arrangements were in place to ensure an adequate and effective framework of governance, risk management and control (internal control environment) and that where weaknesses were identified there was an appropriate action plan in place to address them

Corporate Strategy and the Big Plan

The Council has two separate strategic plans, "The Big Plan" and a Corporate Strategy. "The Big Plan" sets out five big projects that the Council states will 'deliver big changes across the whole area and support the creation of 13,000 jobs'. The Big Plan is primarily focused on regeneration and place. The Council also has a corporate strategy which sets out the Council's vision, mission, ambitions, priorities and values.

From our review we could not see a cohesive link between these plans. Officers detailed how this led to confusion particularly in relation to prioritising and delivering services. Further the Big Plan had not been formally approved by Council. We recommend both plans are summarised into a single cohesive document which will set out one coherent vision for the organisation and the key objectives it will deliver.

Governance

This will simplify the strategic framework of the Council and will help to guide the key priorities for services and financial planning.

The Transformation Programme

The Transformation Programme sets out the ambitious plans for creating a new, single operating model which will help the Council achieve its strategic vision. The Programme was initiated by the Unity Alliance and has been continued by the Conservative Administration. We noted in our review the lack of strategic engagement and communication with members. This is critical given the size, nature, risk and issues associated with the programme and how critical it is to the Council's Financial stability.

BCP Future Places

One area of concern related to BCP Futures places. In May 2021, following an external review of the regeneration opportunities and the Council's capacity, the council approved the formation of BCP FuturePlaces Ltd, ("FuturePlaces") a wholly owned Urban Regeneration Company (URC), operating under the Teckal exemption. BCP FuturePlaces was created to drive "Place Making", regeneration and property market transformation at pace across key sites owned by the Council and the wider area to support the aspirations set out in the Council's Big Plan.

The governance of the BCP Futures has been a matter of significant concern. The Leader and Deputy Leader were both appointed to the Board. We consider to be poor practice for the Chair and Vice Chair of a council company to be the Vice Chair and Chair respectively of the Cabinet to whom the company is accountable. Further Members need to have visibility and clarity of the work commissioned by the Council in relation to BCP Futureplaces.

Note we have made further comments on BCP Futures in Financial sustainability and improving Efficiency effectiveness and Economy sections of this reports

Budgetary control

There are systems in place for oversight of the budget. The Finance Department engages regularly with budget holders. Budget monitoring is reported quarterly to Cabinet. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are set out.

The Council published an online budget books to allow transparency and scrutiny of spending at a service line level. The budget papers issued by the Council reflected both the national and local position and outlook and reflecting on the uncertainty inherent within the process, along with details on the assumptions that underpinned the budget.

Also included was detail on the Council's capital strategy and its funding mechanisms, along with separate budgets for the Housing Revenue Account. Capital budget monitoring is also reported quarterly.

Financial monitoring reports presented to Cabinet demonstrate that in year forecast variances are being picked up promptly and budget holders are held to account for delivering their budget or developing mitigating action. The Section 25 reports from the S151 Officer for both financial years was clear in relation to the risk and issues facing the council.

Further Councillors and officers continue to maintain a robust financial management culture and continue to implement constant, vigilant, and strong financial management to ensure any variations from budget are actively managed.

However, in our review we noticed the lack of transparency in relation to operational savings and evidence they were delivered, in both 2021/22 and 2022/23. Further there was a lack of operational plans and oversight on transformation cost and savings This is a significant weakness and has been detailed in the Financial sustainability part of this this report.

Supporting statutory financial reporting requirements

The statutory financial reporting team is smaller than we would typically see in a unitary authority of the size of BCP. The production of the financial statements is further complicated by the bringing together the differing financial systems and policies of the legacy councils. Given these ongoing challenges, there is an over reliance on a small number of individuals particularly where matters are technically complex and conflicting demands on those individuals causes delays to the timely completion of the audit process.

The financial statements submitted to audit since inception contained a number of material errors particularly in the areas of property valuations, where a lack of review and challenge of external experts engaged was evident, requiring significant additional work for both auditors and finance staff including further valuations being required.

Governance

Monitoring and ensuring appropriate standards

The Council has the expected policies and procedures in place to comply with all relevant codes and legislative frameworks. Central to this is the Council's constitution which has been refined and is subject to appropriate scrutiny as the new Council has embedded. As discussed earlier in this report. The Council needs to consider how recommendations are submitted to Full Council for decision and how they are managed and debated. The level of delegation should also be reviewed and the procedure for proposing and seconding recommendations from the Cabinet and other Committees should be simplified.

Audit & Governance Committee

The Council's Audit and Governance Committee consisted of 11 members in 2021/22 and 9 members in 2022/23. There is no statutory requirement to determine the numbers, CIPFAs guidance Audit Committee Practical Guide for Local Authorities and Police recommends that authorities should strive to have not more than eight. The council is generally slightly over with 9 members.

However, the council does not have any independent members of the Committee. This will help mitigate the historic political instability with the Council and also ensure continuity between changes in administration. Further CIPFA endorses this approach of including lay or independent members and we have raised this as an improvement recommendation.





Improvement recommendation



Governance

Recommendation 10

The Council should

A) ensure that the transformation programme is clearly visible to Cabinet, Scrutiny and members, and progress on delivery of the programme, its associated costs, and savings delivered are reported to members on a quarterly basis

B) Establish a separate portfolio for Transformation (including Council wide savings programme). Members need to have clear visibility on the programme and how it is progressing and tangible evidence that savings are being delivered, milestones are being achieved and a return on investment is being made.

C) Ensure greater visibility and transparency in relation to delivery of savings particularly in the quarterly finance and performance reports to Cabinet and the annual MTFP report and budget setting process

Why/impact

Our review identified weaknesses in reporting and management of the transformation programme and reporting progress on delivery of the programme itself and the savings to be delivered. The Transformation Programme is critical to the ongoing Financial Sustainability of the Council as well as being a substantial investment. It should be clearly visible throughout the Council

Both Officers and Members need to be fully aware of the progress on delivering savings within the Council and the impact savings have on service delivery and outcomes. We found a lack of transparency in relation to savings programme and the progress made on delivering savings and impact on services. This could be facilitated by using dashboards with rag ratings, risk and issues logs and clearly mapped to Corporate Priorities.

Given the scale and ambitions of the programme it requires keen member oversight to ensure strategic priorities are delivered, and ensure council is making a return on its investment. There has been a lack of member oversight and visibility on the transformation programme particularly in relation to increasing costs and the timely delivery savings.

Management comment

Post May 2023 a cross party member working group has now been established to provide oversight of the transformation programme. In addition, the Leader of the Administration has appointed a separate Portfolio Holder for Transformation.

Quarterly budget monitoring reports from 2023/24 onwards include, in the body of the report, a summary of savings achieved against the original budget supported by a more detailed and transparent appendix which shows progress against each and every one of the assumed savings.



Improvement recommendation



Governance

Recommendation 11

The Council needs to ensure all Cabinet members, have a rolling programme of induction and training. Further members should have contact with formal coaches or mentors, who should be experienced local government leaders.

Why/impact

Leadership and tone from the top has been lacking with particularly contentious committee meetings and poor member behaviour. There are very few mentoring arrangements in place for members and this needs to be reestablished after the local elections in May, working with the LGA, CIPFA etc

Management comment

A comprehensive member induction programme was put in place in May 2023. All members of Cabinet have been enrolled on relevant Leadership Essentials courses with the LGA and have been offered a mentor via the Group Offices. Chairs of other committees have also been offered professional courses from the LGA and other relevant organisations. The majority of courses are due to take place in Q3 of 2023/24 due to LGA capacity issues and mentoring will continue through 2023/24.

Recommendation 12

The Council should ensure “The Big Plan” and the Corporate Strategy are aligned and there is one single vision statement of the key priorities for the BCP area and how the Council will work to deliver to those priorities.

Why/impact

Our review noted that that there was no direct correlation between the Big Plan and the Corporate Strategy. The Council needs a combined Corporate Strategy and vision for the place and for the Council. That will clarify the key priorities for the Council and will guide the preparation of future budgets. There has been confusion as to the stated ambitions of the administration and financial envelope to deliver these

Management comment

Since May 2023 the new administration and CMB have been working together to develop a new corporate vision for the place and for the Council that will clarify the key priorities for the Council and will guide the preparation of future budgets. A public consultation to support this process has now commenced.



Improvement recommendation



Governance

Recommendation 13

The Council should consider appointing one, ideally two co-opted appropriately qualified independent members to the audit and governance committee.

Why/impact

Our review found there were currently no independent members on the Audit and Governance Committee. Inclusion will provide the council with continuity outside of the political cycle and bring a non-political view and approach to committee decisions making.

Management comment

Audit & Governance Committee in July 2023 agreed to engage two independent members and the Council has commenced the appointment process.

Recommendation 14

The Council should undertake a Governance review of BCP FuturePlaces. This should include a re-evaluation of the role BCP FuturePlaces plays in delivering against the Council's Corporate objectives and how going forward it ensures equal distribution of risk and reward between itself and BCP Futures. Consideration should also be given to removing officer or councillor representation to leave one or the other, not both, on the same board. The Leader and Deputy Leader should resign from the Board of BCP Future places and be replaced by a suitable independent Chair and Deputy Chair.

Why/impact

We have concerns about the arrangements in place between the Council and BCP FuturePlaces, specifically the disproportionate level of risks sits with the Council. We noted that the leader and deputy leader were on the Board of BCP FuturePlaces. This could be deemed a conflict of interest given the council is the companies only customer in effect.

Management comment

In response to the recommendations of the government's independent governance review the Council has committed to agree a business plan for BCP FuturePlaces Ltd setting out a clear portfolio of priority projects with a timescale for delivery. In addition as part of the Chief Executives internal governance review the Council has committed to a governance review of BCP FuturePlaces Ltd and its funding.



Improvement recommendation



Governance

Recommendation 15

The Council should ensure:

A) Overview and scrutiny committees should be encouraged to take evidence and contributions from officers as well as portfolio holders, to ensure a more informed approach to O&S recommendations.

B) The Overview and Scrutiny it should focus on policy development and engagement rather than functioning as a pre cabinet scrutiny.

C) Overview and scrutiny (O&S) committees should continue to increase their focus on policy development and engagement rather than pre-Cabinet scrutiny.

D) Council needs to consider the mechanism by which recommendations go to Full Council for decision and how they are managed and debated. The level of delegation should be reviewed and the procedure for proposing and seconding recommendations from the Cabinet and other Committees should be simplified.

Why/impact

A) We found from our discussion with officers there was still a marked reluctance amongst the broader overview and scrutiny committees to ask questions directly of officers and there are regular comments that leading councillors do not give clear answers to questions, but other councillors do not seek that clarity from officers, which they could. The contribution and evidence from officers will lead to improved and more informed decision making at O&S committee.

B) Our findings detailed that there has been little movement in the focus of the two new overview and scrutiny committees (Place and Corporate & Community) that have replaced the Corporate O&S Board, with an ongoing focus on pre-Cabinet scrutiny. This had led to inadequate scrutiny and poor policy development and council wide performance

C) Our review found there was an opportunity to strengthen the focus of O&S on performance management, through the overview and scrutiny committees. O&S Committees for Place and Corporate & Community are contentious and focus on pre-cabinet scrutiny rather than policy development, and performance reporting

Management comment (continued on next page)

Since May 2023 all O&S Committees have appointed a Chair, and in most cases, a Vice-Chair, from outside of the Administration.

Since June there has been a noticeable shift in emphasis within the Council, with officers being invited to contribute on specific issues in Cabinet and this need needs to be extended to O&S committees.



Improvement recommendation



Governance

Management Response (continued)

A full Member induction programme was developed for the post-election period from May 2023 which included a session on Overview & Scrutiny as part of the essential training. The session covered a number of things including the purpose of scrutiny, the role of councillors and how to be a critical friend.

The range of inquiry from councillors and the presentation of information by officers in Overview & Scrutiny Committee is much improved and could benefit from additional encouragement and awareness by councillors in asking questions and examining issues

Since the elections in May, the administration has sought to restructure Overview and Scrutiny, which will establish a closer link to the Cabinet cycle for one O&S Committee but keeps the other 3 committees removed from the Cabinet cycle. This is due to come before Council in September 2023.

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Recommendation 16

The Council should ensure that the risk register reflects the realistic position on the transformation programme and the Councils Financial sustainability

Why/impact

Our review found a disconnect between the risk registers progress report on the transformation programme and Financial monitoring report for both 2021/22 and 2022/23. The delivery of the Transformation programme is essential to the Councils ongoing financial stability in the medium term

Management comment

The Council considers that the risk register does robustly reflect the position in respect of transformation and financial sustainability but will consider if the links can be further strengthened.

Improving economy, efficiency and effectiveness



We considered how the Unitary Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Assurance Review (March 2023) & Best Value Notice (August 2023)

As detailed in the Financial Sustainability portion of this report, during September 2022 the Minister of State wrote to the Council Leader stating that the government continued to have significant concerns about the strategic financial direction of the Council. He required the Council to produce a full plan for addressing its budget gap in 2023/24 and beyond by the end of September 2022. Secondly, he stated that the Council would need to agree to an external assurance review of its finances and governance arrangements. The Council, via a letter from the Chief Executive, accepted the conditions placed on the availability of a capitalisation direction and indicated the Council would engage positively and proactively with the governance review.

Prior to the completion of the external review the Chief Executive undertook an internal Assurance Review (published in March 2023) which detailed several issues within the Council ranging from Political and Financial Governance, Culture and Leadership, Performance, and Capacity and Capability. The report concluded with 33 recommendations and a RAG rating on progression.

In August 2023, the DHLUC issued its Best Value notice, which detailed 8 key recommendations and 11 step roadmap for improvement with target dates for the Council. In relation to both reports our review concurred with the many of findings which are detailed in this VFM report and summarised in our improvement recommendations which this report.

Performance management and areas for improvement

Performance measures, comparing outcomes and outputs with targets, goals and objectives are used across the Council to understand and manage service delivery and identify emerging business risks. The Corporate Strategy which underpins the Council's Big Plan, represents the strategic objectives that the Council has set out to achieve and is a vital framework for the Council's performance management. We noted in Governance there was a lack of alignment between the Big Plan and the Corporate Strategy and detailed an improvement recommendation in relation to this.

Based on the key performance report we viewed between 2021/22 and 2022/23, generally BCPs services appear to perform reasonably well, except for Children's Services which is covered further in this report. However, Officers raised concerns have there had been too much focus on regeneration and particularly the "beech huts proposal at the expense of ensuring the key services improved performance.

The performance of the planning team has been under scrutiny and a Planning Improvement Board has been established chaired by the Chief Executive to drive performance improvements. The 2021/22 annual report of the Local Government Ombudsman shows that the number of complaints dealt with are comparable to those of other similar Councils. Although the Council is performing below the average for providing satisfactory remedies to complaints before they reach the Ombudsman.

Improving economy, efficiency and effectiveness

The Council does not have a centralised case management system for complaints which makes it difficult to get an accurate picture of complaints received or a corporate review of how well complaints are dealt with.

Performance in relation to Children's Services

Since the full inspection by OFSTED in December 2021, the inspectorate reported in February 2022 that

"There has been progress since then despite the challenges of the COVID-19 pandemic and the complexities of local government reorganisation. The creation of new specialist services and strengthened infrastructure are starting to make a positive difference, but it is too early to see an impact for many children and their families.

There remain too many areas where progress has been neither sufficiently swift nor decisive. The application of quality assurance processes does not give senior leaders a reliable or accurate picture of the quality of social work practice. The quality of this practice is too variable, with much being poor. Thresholds for intervention are not applied consistently, and the oversight of managers is too variable in quality.

Multiple changes of social workers and managers in some teams also contribute greatly to the lack of focus and urgency for many children. There are still serious and widespread weaknesses in the quality of children's services that leave vulnerable children at risk of harm. Specialist services aside, the core business of reducing the risks to children in need of help and protection is yet to have a consistent and effective impact."

In July 2021 another inspection was undertaken. This inspection was a joint Ofsted and Care Quality Commission

inspection and assessed the Council's effectiveness in implementing the new special educational needs and/or disabilities (SEND) reforms achieved.

This inspection identified a significant number of areas of weakness and required that the Council along with the clinical commissioning group (CCG) submit a Written Statement of Action to Ofsted by 7 December 2021.

Prior to this inspection the Council were aware that improvements were required and in December 2020 had identified several recommendations to try and prevent a Written Statement of Action being issued should an inspection take place. However, this objective was not

This inspection identified a significant number of areas of weakness and required that the Council along with the clinical commissioning group (CCG) submit a written Statement of Action to Ofsted by 7 December 2021.

A further monitoring visit in June 2022 which focussed on the 'front door' service highlighted continuing concerns. Progress included the appointment of a permanent Corporate Director of Children's Services, but the Council recognised that time was necessary for these changes to fully impact on service.

A second monitoring visit on 4 and 5 October 2022 concluded, at the time of the last inspection, too many children in Bournemouth, Christchurch and Poole were not being kept safe. It was of particular concern that very young children were left in unsafe situations where the risks to their welfare was not assessed or met. The local authority, was supported by an improvement partners to deliver sustainable improvement plan aimed at providing a better-quality service for children.

There was the third monitoring visit on 21 and 22 March 2023 since the local authority was judged inadequate in December 2021. The inspectorate reported that quality assurance of social work practice continues to improve. Practice learning reviews (PLRs) were having an increasingly positive impact on practice. Compared to the last monitoring visit, PLRs continue to identify most gaps in practice, and this was increasingly translated into actions for social workers and their supervisors, and completed within set timescales, however the direct impact on children's lives are yet to be fully realised.

A new Department of Education (DfE) Advisor and Sector Led Improvement partner (SLIP) was appointed by the DfE to create a strong framework and to guide the necessary improvements, whilst supporting the Council and Children's Services. The DfE intervention did not involve a formal commissioner role but did imply that structural governance of the service was an immediate issue.

The DfE steer throughout has been clear that if progress is not effective in the short term, structural intervention, such as a Children's Trust could not be ruled out. The DfE Advisor made it clear in his first report, that there were two critical areas following his assessment for improvement, these included: The state of the services themselves and corporate and political context in which the service operates.

Although there has been some improvement in the service, the Council's Children's services remain inadequate, leading us to conclude that there is still significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages risks in relation to its Children Services

Improving economy, efficiency and effectiveness

Adults Social Care

In common with many other unitary authorities there are challenges at the interface of health and social care, particularly in terms of hospital discharge and social care. There are challenges with the increased acuity of people being discharged from hospital and the hospital itself is concerned about the numbers of patients well enough to be discharged who remain in hospital

The Council has witnessed unprecedented challenges and pressures in relation to health and social care services, particularly in relation to National Hospital Bed targets of 95% and target discharge of hospital patients. Further consideration needs to be made to strength partnerships working with the health sector and identify efficiencies and cost reductions. The council should strengthen preventative services to prevent increase demand and pressures on high costing residential services

BCP Council has volunteered for a bespoke Safeguarding Practice Review in preparation for the CQC Assurance Framework. This review will look at the delivery of Adult Social Care (ASC) Safeguarding services within the Council. This is critical for ASC and the outcomes will be shared with CQC as part of their assurance visit, as well as with the LGA who have allocated consultancy funding to the Council to support this.

Learning from others

The Council has consistently reached out to the LGA and taken advantage of the support networks available at a corporate or service level. However, the Council needs to improve the speed of follow-up for the action planning to

have maximum effect. The Corporate Peer Challenge (CPC) was a good example where the concept was embraced and adopted but the return visit was delayed, reducing the impact of the outcomes. There has been good levels of acceptance for the recommendations coming out of the CPC and other reviews, both internal and external. The Council has volunteered for a bespoke Safeguarding Practice Review in preparation for the CQC Assurance Framework. This review will look at the delivery of Adult Social Care (ASC) Safeguarding services within the Council. This is critical for ASC and the outcomes will be shared with CQC as part of their assurance visit, as well as with the LGA who have allocated consultancy funding to the Council.

Data Quality

We considered how the Council gained assurance over the accuracy of the information reported to elected members and identified that the Council does not have an agreed and consistent approach to ensuring the reliability and consistency of data quality.

The Council does not have a data quality policy, although the Council has raised the importance of data quality within its performance management framework. The performance management framework identifies the importance that all information is 'founded on high quality, reliable and timely data'.

We consider a data quality policy would be beneficial for the Council. It would set out an agreed approach to ensuring the reliability and consistency of data quality across the Council. It could also set out who is responsible for ensuring the quality and accuracy of data used throughout the Council. We have made an improvement recommendation on this.

Annual Governance Statement 2021/22

The AGS concludes that BCP Council "has effective and fit-for purpose governance arrangements in place in accordance with the governance framework". After considering all the sources of assurance (for governance arrangements), BCP Corporate Management Board identified that the following significant governance issues existed:

A) Governance of Children's Social Services: 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.

B) Governance Arrangements with External Bodies During 2021/22, significant work has been undertaken to improve the governance in these areas., however we have reported on the issues in relation to BCP Futureplace in both financial sustainability and Governance section of this report.

C) Delay in the completion of the 2020/21 External Audit. The delay is caused by 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.

Procurement and contract management

During 2021/22 and 2022/23 the Council did not have an agreed procurement strategy, although it does have procurement and contract processes within the financial regulations and agreed guidance in order to guide

Improving economy, efficiency and effectiveness

procurement activity. On this basis the Council is not currently compliant with its financial regulations which state that the Chief Finance Officer is responsible for ensuring an effective overarching procurement strategy is in place.

The Council is aware of this and is looking to improve its commissioning and procurement function as part of its transformation agenda. The Council is in the process of establishing a centre of excellence and introduced a centralised approach to procurement. From our review we are not aware of any evidence that the Council has failed to operate a fair procurement process in 2021/22 and 2022/23 for any of its significant contracts.

The table from the Annual Breaches & approved Waivers of Financial Regulations Report 2021/22 details contract waivers:

Table 3 Annual Waiver and Breaches report 2021/22

	2021/22		2020/21		2019/20	
	Breaches	Waivers	Breaches	Waivers	Breaches	Waivers
Total (count)	4	77	5	116	8	66
Total (£ value)	£1,347,429	£6.3M	£870,561	£12.6M	£171,625	£13.8M

The lower number (77) of approved waivers in 2021/22 showed a reassuring drop from the exceptional Covid-19 impacted 2020/21 year (116). The comparison by £ value provided further reassurance that significantly less Council expenditure was subject to an approved waiver. This meant that a greater proportion of the Council’s total expenditure was subject to the full procurement requirements set out in the Council’s Financial Regulations

BCP FuturePlaces Ltd

BCP FuturePlaces Ltd was established in 2021 and is the Council’s wholly owned Urban Regeneration Company. It was set up to ensure that that BCP has the capacity, expertise and resources to drive investment in regenerations and unlock value from major council owned sites.

We found in our review, several areas of concern. This included the governance arrangement and the relationship with the Council discussed in the previous section. Further we had concerns about how the Council commissions work from BCP FuturePlaces. The Council did not have a clear business plan for BCP Future Places Ltd and its expectations of how the company would help deliver the Council’s regeneration programme. Further there was evidence of scope creep and an unclear commissioning of services by the Council from the company.

The Bayside Restaurant

The Council opened Bayside Restaurant between Bournemouth and Boscombe piers in August 2022. The eatery was funded by the council and was open for just one month in a barn-style wooden framed marquee. Ahead of its opening, BCP Council said the restaurant was part of its plan to assess the “viability” of allowing more hospitality activities on the beach, to create ‘more local jobs and encourage tourism’. However the scheme lost more than £175K in 4 weeks. An internal audit investigation found there were no formal business plans or project plans in place for individual pop-ups and lessons were not learned from a failed similar ‘upmarket’ undertaking at West Cliff earlier in 2022. Further the decision-making arrangements were difficult to determine with no clearly documented formal decision record beyond the limited detail contained within Procurement Waivers.

The decision to proceed with Bayside appears to have been made by the Director of Destination & Culture in June 2022. Officers and third-party contractors felt that, even when they raised concerns, these were dismissed on the basis that Bayside was a trial and it was what councillors and/or the Council wanted. The internal audit investigation detailed 18 recommendations.

However as detailed in Governance section it is imperative that members set the correct “tone” from the top and that the council has a framework to robustly scrutinise investment and commercial opportunities and ensure sound decisions are made which consider risk and reward and a return on investment. This once again, highlights the importance of decision making based on complete and accurate information that fully reflects the risks as well as the rewards.

Concerns over the basis of such decision making on specific initiatives including the transformation programme, BCP FuturePlaces and other service delivery models as well capital projects and small investments such as the Bayside Restaurant initiative are indicative of a significant weakness in arrangements for ensuring economy, efficiency and effectiveness in the use of resources.

Transformation

We have detailed in this report the change in funding arrangements around the programme. A critical issue for the council is generating enough capital receipts to finance its transformation programme over the 3-year period to 31 March 2025. The Council on 10 January 2023 agreed to establish a cross-party working group to review the capital disposal strategy for 2023/24 with an intention that this group makes recommendations to assets that should be sold. It is imperative that the Council can ensure value for money in relation these sales given the challenging timetable.

Improving economy, efficiency and effectiveness

As part of the Council's Transformation Programme, the Council has invested in a new comprehensive Microsoft based Enterprise Resource Planning (ERP) system. It is a comprehensive and intuitive system which brings together finance and HR and allows a greater degree of self-service by budget holders.

However, a further risk we noted during our review was Officers stating there were problems reporting from the new systems. Particularly mapping FTE information to budget and costs. We note that this could be a considerable issue to enabling the Council to control and manage its finances during a very critical time.

Debt Management

Although the current level of debt held by the Council is significant below its debt threshold, it remains critical that any proposals to take on additional debt are robustly scrutinised to ensure they are affordable, prudent, and sustainable. Debt repayment is the first call on any resources generated by the Council, even before the provision of statutory services. Further debt should only be supported where the project is self-funding and is affordable, prudent, and sustainable or would significantly reduce the annual operating expenditure of the Council or generate significant inward investment via government funding.

Capacity

There has been significant turnover of the senior leadership team since the Council established itself in 2019. A new structure has been adapted to respond to developing circumstances and pressures. The senior team is now made

up entirely of permanent appointments who have been in place since 2022/23. Further the Chief Executive. The Chief Executive has put in place a senior officer reorganisation which will result in him having fewer direct reports and will provide greater strategic support. Two of the new posts were vacant at the time of the review and it will be important that these posts are filled with permanent appointments as a matter of urgency.

During our review many of the Senior Management Team (SMT) stated they had pressures around recruitment and retention, with high levels of vacancies, and extensive use of temporary and agency staff. It must be made clear that this is not unique to the authority and is a nation-wide issue in the local Government. The council has a People Strategy which issued in 2019 and covers the period to 2023. We recommend that it is refreshed and ties into the Council's corporate strategy, and links to the ambitions of the transformation agenda and savings programme.





Improvement recommendation



Improving economy, efficiency and effectiveness

Recommendation 17

The Council should develop a Council Wide case management system for complaints

Why/impact

The Council does not have a centralised case management system for complaints which makes it difficult to get an accurate picture of complaints received or a corporate review of how well complaints are dealt with.

Management comment

Proposals are current being drafted for consideration by the Corporate Management Board during the next quarter.

Recommendation 18

The Council should refresh its People strategy considering its transformation programme and savings programme

Why/impact

The council has a People Strategy which issued in 2019 and covers the period to 2023. We recommend that it is refreshed and ties into the Council's corporate strategy, and links to the ambitions of the transformation agenda and savings programme.

Management comment

Following a period of extensive consultation, the new People strategy will be launched in September 2023. The strategy will cover the period to 2027 and has been aligned to both the new Corporate Strategy and the transformation programme.

Follow-up of previous recommendations

75

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The council should urgently identify options to balance the books into the medium term should the current Capital Direction proposal not be realised in part or full. Specifically scenario planning assessing what changes to service provision (both savings and income growth) would be necessary to enable the council to balance the budget	Key	September 2022	The approved 2023/24 budget was one based on traditional and conventional approaches to the formation of a local authority budget and was in line with the spirit and intent of all local government finance legislation. This included a 4.99% council tax increase, an additional investment of £1.9m into unearmarked reserves and £34.3m of savings and efficiencies. The 2022/23 Financial Outturn report to July 2023 Cabinet confirms the council avoided the use of the Capitalisation Direction in 2022/23 principally through asset sales to funded its transformation programme (via the Flexible Use of Capital Receipts) and through on-going expenditure controls.	No	Yes
2	The Council should also consider what additional assets could be disposed to fund transformation. Even if the current proposal on a Capitalisation Direction come to fruition, capital receipts will invariably form part of the strict conditions. If this direction is not awarded in full then even more capital receipts to fund transformation will be required	Key	September 2022	A review of potential assets available for sale is underway to fund future year transformation costs should no further Capital Directions be forthcoming from government. This was reinforced in the recommendation of the Finance Update report to the 7 September 2022 Cabinet which reads as follows "Agrees to bring forward a capital receipts schedule for additional, non-strategic, asset sales that could be used as an alternative method of financing the Council's Transformation Investment Programme via the Flexible Use of Capital Receipts (FUCR)".	Yes	Yes

Follow-up of previous recommendations

76

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	The Council should provide more information on the increasing costs of the transformation programme alongside the associated savings, the proposed timelines for implementation and ongoing reporting of delivery against these milestones to ensure further slippage is minimised and savings and the associated improvements in the service provision are realised. The Council should also ensure that is periodical clear reporting is provided on the benefits realisation of the transformation programme against original expectations	Key	September 2022	The 2023/24 Budget report to full council and the 2022/23 financial outturn report to July 2023 Cabinet contain an enhanced level of reporting and transparency around the transformation investment programme be that its costs (one-off or ongoing) and the associated savings.	Yes	Yes
4	The Council should continue to address the weaknesses identified by Ofsted to ensure all children have access to quality services and meet their needs on a timely basis.	Key	September 2022	The 2023/24 Budget approved a further £14.6m investment into Children's Services excluding pay based costs. Since then a further £189k one-off investment into Children's commissioning has been agreed, funded via Earmarked Reserves, by the Corporate Director for Wellbeing and a £784k one-off investment into the Special Educational Needs and Disability service funded by a redirection of Earmarked no longer needed for their original purpose. In addition July Cabinet will be asked to make a £4.462m one-off investment into the Children's Services Improvement and Transformation journey funded by a combination of unearmarked reserves (improvement expenditure) and the flexible use of capital receipts (transformation).	No	Yes

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The Council should ensure that both in year and outturn reports are clearer on delivery of savings against original budget. This becomes more critical given the greater reliance on delivery of savings via the transformation programme going forward	Improvement	September 2022	As stated in the response to question 3 the outturn report includes an enhanced level of reporting in regards to transformation savings. Moving forward the intention is that the Quarter One report for 2023/24 includes an enhanced level of monitoring in regards to the wider budgeted savings.	No	Yes
77 6	The Council should ensure that its risk management arrangement are capable of identifying capturing and monitoring innovation but often 'high risk' schemes such as the 'beach hut' proposals thus ensuring members are fully sighted on the underlying assumptions risk and rewards to allow course correction if such schemes are not delivering the intended benefits at planned time.	Improvement	September 2022	The 2022/23 budget report clearly set out the risk associated with the securitisation of the beach hut income stream and the fact that the budget would need to be redrawn if the model was not implemented. As this risk materialised the council took proactive steps to manage the 2022/23 in-year position which resulted in an underspend as part of the process for managing the 2022/23 and 2023/24 budgets.	Yes	No
7	The Council should consider aligning the risk reported in the risk register to the Council's Corporate Objectives	Improvement	September 2022	<p>The Corporate risks are now aligned to the Council's Corporate Objectives and reports on Corporate Risks include this information.</p> <p>A new Corporate Strategy Framework is under development and as this moves forward the corporate risks will be reviewed in the context of this framework and the corporate objectives.</p>	Yes	No

Follow-up of previous recommendations

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	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8	The Council should consider the capacity of the finance team and its over reliance on a limited number of individuals. The Council should also implement a more thorough process of review of the financial statements to prevent material errors from arising including where an external expert such as a property valuer was engaged.	Improvement	September 2022	The future Target Operating Model for the whole council includes a new specific element relating to the design and operation of the finance functions. This will be implemented as the evolution to the new model takes places. In addition, an internal team within financial services has been created as a Quality Assurance process in support of the statement of accounts.	No	Yes
9	The Council should consider separating the category 1 members interests between those where member or officers controls the entity rather than where a standard employment relationship exists	Improvement	September 2022	Officers have considered this proposal and raised it through the Constitution Review Working Group. It is felt that the proposal may not align with the LGA Model Code of Conduct and Guidance but it will be kept under review.	No	No
10	The Council should provide more timely corporate reports for Cabinet	Improvement	September 2022	The end of year 2022/23 performance report is on the Cabinet agenda for July 2023. In line with our agreed protocols the council will continue to report both the mid-year and year end position with quarterly report to the Leadership in the intervening periods. An automated reporting process will be built based around the new corporate strategy.	No	Yes

Follow-up of previous recommendations

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	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
	11	The Council should agree a data quality policy	Improvement	September 2022		
	12	The Council should strengthen its partnership arrangements. This should include: Defining partnerships Determining the importance including those which directly contribute to corporate objectives of the partnership Agree the monitoring and assessment arrangements including the role of members for each partnership agree a consistent template for the partnership register and consider expanding the content with information detailed above	Improvement	September 2022	The Annual Governance Statement supporting the 2022/23 Accounts states that the Council now believe that its partnership arrangements have been sufficiently enhanced for the item to be removed from the statement. Partnerships – draft documentation, including definitions, guidance, templates and registers have all been produced, with agreement, adoption and roll out by the action plan agreed 31/3/2023.	Yes No
	13	The Council should develop and adopt a procurement strategy	Improvement	September 2022	Previously the councils procurements arrangements were set out in detail as part of its financial regulations. The Council is in the process of lifting them out of this document and updating them for recent government guidance and good practice and elements like social value to create a overarching procurement and contract management strategy for the authority. The current intention is that the new procurement and contract management strategy is presented to Cabinet in September/October 2023.	No Yes
	14	The Head of Internal Audit should not be part of the authorisation process for contract waivers	Improvement	September 2022	Actioned	Yes Yes

Opinion on the financial statements



Audit opinion on the financial statements

2021/22

We issued an unqualified opinion on the 2021/22 financial statements on 24 June 2024.

2022/23

We are planning on backstopping the 2022/23 opinion audit in accordance with the national deadline.



Appendices

Appendix A – Responsibilities of the Unitary Authority

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Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Unitary Authorities ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Unitary Authority will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the authority. We have defined these recommendations as ‘key recommendations’.	Yes	9-13
Improvement	These recommendations, if implemented should improve the arrangements in place at the authority, but are not a result of identifying significant weaknesses in the authority’s arrangements.	Yes	24-25,32-36,42

Appendix C – Sources of evidence



Staff involved

- Adam Richens, Director of Finance
- Nigel Stannard, Head of Audit Services
- Betty Butlin, Director of Adult Social Care
- Cathi Hadley, Director of Children's Services
- Phil Hornsby, Service Director Procurement and Commissioning
- Graham Farrant, Chief Executive
- Isla Reynolds, Service Director Marketing, Comms and Policy
- Bridget Webber, Head of Policy and Research
- Katie Lacey, Head of Transformation
- Susan Zeiss, Monitoring Officer
- Jess Gibbons, Chief Operating Officer



Documents Reviewed

- Corporate Quarterly Performance Reports 2021/22 and 2022/23
- Council Plan 2022-25
- Cabinet Reports 2021/22 and 2022/23
- Audit Committee Papers 2021/22 and 2022/23
- Letter of Joint Area SEND revisit in BCP
- Annual Governance Statement 20-21
- Directorate Plans 2021/22 and 2022/23
- Capital Programme Monitoring
- Statement of Accounts 2021/22
- Procurement Strategy 2022
- Procurement Improvement Plan 2022
- Corporate Risk Reports
- Members Code of Conduct
- Employee Code of Conduct
- Audit Services Annual Performance Report 2021/22
- Anti-Fraud and Corruption Strategy
- Audit & Standards Annual Report 21/22
- Corporate Procurement Audit Report
- Waiver Record
- BCP Governance Review 2023
- Treasury Management Strategy 21/22, 22/23
- Revenue Outturn 21/22, 22/23
- Workforce Strategy
- Budget Reports 21/22, 23/24
- Cash Flow Forecast
- Medium Term Financial Strategy
- Department for Education, Guidance on our intervention work with local authorities October
- Annual Report of the Committee on Standards in Public Life
- Risk Management Report
- Code of Corporate Governance 2022
- Whistleblowing Policy
- BCP Unitary Constitution
- Internal Audit Plan Report 22-23
- Internal Audit Plan 21- 22, 23-24
- Annual Overview and Scrutiny Report 2021-22
- Appointments Committee Reports Pack April 2023
- Senior Leadership Team Structure
- Exemptions from the requirement for a competitive procurement process
- Children and Young People 's Plan Update Report

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

NAO – National Audit Office

AGS – Annual governance statement

The Code - Code of Audit Practice

CIPFA – Chartered Institute of Public Finance and Accountancy

VfM – Value for Money

SLT – Senior Leadership Team

BCP – Bournemouth, Christchurch and Poole Unitary Authority

DSG – Dedicated Schools Grant

DfE – Department for Education

MTFP – medium term financial plan

PSIAS – Public Sector Internal Audit Standards

S151 – Section 151

VFM – Value for Money

IMO – independent monitoring officer

FAFE – Forging a Future Executive

KPI – key performance indicator

HR – human resources

SLA – Service Level Agreement

PMO – Project Management Office

SEND – special educational needs and disabilities

NPLSG - National Procurement Strategy for Local Government

DHLUC - Department for Levelling Up, Housing and Communities

SPV – Special Purpose Vehicle

FUCR – Flexible Use of Capital receipts

EHCPs - Education, Health, and Care Plans





BCP Council – Finance Services - Accountancy

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Dear Grant Thornton UK LLP

Bournemouth, Christchurch and Poole Council Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Bournemouth, Christchurch and Poole Council and its subsidiary undertakings, Five Parks Charity, Lower Garden Gardens Trust and Russell-Cotes Art Gallery & Museum Charitable Trust for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include property plant and equipment, investment properties and the Council's pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting

estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xviii. On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which was approved on 9 September 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2023 by the statutory backstop date. This includes the following:
 - a. providing you with:
 - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - ii. additional information that you have requested from us for the purpose of your audit; and
 - iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
 - b. communicating to you all deficiencies in internal control of which management is aware.
 - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - i. management;
 - ii. employees who have significant roles in internal control; or
 - iii. others where the fraud could have a material effect on the financial statements.
 - e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xx. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 28 November 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL

STATEMENT OF ACCOUNTS 2022/23

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NARRATIVE REPORT

Introduction

The accounts summarise the council's transactions and financial position for the year ended 31 March 2023. 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 2022/23.

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
- Corporate Director - Wellbeing
- Corporate Director - Resources
- Corporate Director – Children's Services
- 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 Cost of Living Crisis

A material risk to the council's budget is the rapidly increasing inflation driven by the post pandemic economic environment, the war in Ukraine, and government fiscal policies. Cost of living inflationary pressures (with the consumer price index currently at 10.1%), have previously been estimated to be around £25m in 22/23 and £30m for 2023/24. Inflation has been increasing at its fast rate for 40 years. These pressures are similar to those consistently being reported by other local authorities nationally and they are creating high levels of financial planning uncertainty due constant changes and variations to the costs of goods, materials and services required to deliver council operations.

The latest indications are that inflation in 2022 will be 10.1% Consumer Price Index (CPI) and 13% as measured by the Retail Price Index (RPI). This compares to the 3.7% CPI forecast for 2022 assumed in the government's 2021 Autumn Budget. It should be borne in mind that a number of the council's contracts have annual price adjustments linked to either CPI or RPI and the rate of inflation is normally a significant factor in discussions around any annual pay awards. Besides these the other area the council is particularly exposed to is in respect of rising energy costs, especially electricity (street lighting / leisure centres / owned building) and gas. To emphasise the volatility, the price of electricity and gas increased by 80% within a single 24-hour period during the period after February 2022. Clearly the resultant financial challenge is being felt by both our community, be those residents or businesses, and directly by the council with costs significantly above those assumed in the 2022/23 budget.

Recognising the severity of the impact of the cost-of-living crisis early action was taken to manage its impact. This included a series of Budget Challenge meetings in April and May 2022 between the councillors who form the Cabinet and senior officers. These were established based on the expectation that Portfolio Holders and Service Managers would take all reasonable steps to manage within their delegated budgets with an overall expectation of collective responsibility across the council.

Borrowing, servicing of debt and liquidity

The Council's overall borrowing (long & short term) stood at £273.2m at the end of the year, a net increase of approximately £16.1m during the year.

Just over £21.9m 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 £3m reflecting higher interest rates that can now be earned on investments.

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 £273.2m, 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.

National Context: 2023/24 provisional local government finance settlement

On 19 December 2022, the Secretary of State for the DLUHC, Rt. Hon. Michael Gove MP, announced the 2023/24 provisional local government finance settlement. This was preceded on the 12 December 2022 by a local government finance policy statement which set out some detailed assumptions in advance of the settlement. For BCP this policy statement included notification that government will be extending for another 3- years to 31 March 2026 the statutory override which allows the council to ignore, for the purposes of determining its solvency, the accumulating deficit of the dedicated school's grant. This policy statement also confirmed that the review of relative needs and resources ('Fair Funding Review') and a reset of business rates growth will not be implemented in the next two years.

It regards to the provisional settlement, it confirmed that the next two years will essentially be two rollover settlements based on the overall funding envelope set out in the Autumn Statement. It provided provisional figures for 2023/24 and principles for 2024/25. Key elements of the settlement not previously included in either the Autumn Statement or policy statement include:

- A new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of at least 3%. This guarantee will be funded from the removal of the previous Lower Tier Services Grant (LTSG) and the reduced cost of the New Homes Bonus.
- Three grants have been rolled into the Revenue Support Grant (RSG) calculation namely the Local Council Tax Support Administration grant (£469k), the Family Annex Council Tax Discount Grant (£43k), and the Food Safety Enforcement grant. As such this will mean these grants are not protected in the way they were as specific grants.
- A further grant, the Independent Living Fund (£937k) has been rolled into the Social Care Grant.
- Confirmation that it was the fifth consecutive one-year financial settlement.

Figure 2 below sets out the impact of the provisional 2023/24 local government finance settlement as it pertains to BCP Council.

Figure 2: Provisional LG 2023/24 Finance Settlement - Unringfenced grants

	2022/23 £m	2023/24 £m	Change £m
Business Rates	56.8	58.9	+2.1
Unringfenced Grants			
Revenue Support Grant	3.1	3.9	+0.8
LSCT Administration Grant	0.5	0.0	-0.5
Service Grant	3.8	2.1	-1.7
Lower Tier Services Grant	0.5	0.0	-0.5
New Homes Bonus	1.0	0.3	-0.7
Specific Grants			
Social Care Grant	15.3	25.5	+10.2
Independent Living Fund	0.9	0.0	-0.9
Improved Better Care Fund	13.4	13.4	0.0
	95.3	104.1	+8.8

It should be highlight in addition to the above un-ringfenced grants the council will also receive.

- £4.1m Market Sustainability and Improvement Fund
- £1.9m Adult Social Care Discharge Fund

The expectation is that each of these will be matched by equivalent expenditure, with the ASC Discharge Fund expected to form part of the Better Care Fund plans with the NHS.

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 gross DSG of £334m provides funding for mainstream schools for pre 16 pupils, private, voluntary, and independent nursery providers, a small range of central school services (for example, school admissions) and specialist provision for children and young people with high needs. High needs budgets include funding for mainstream schools and specialist providers to support pupils with education, health, and care plans (EHCPs) aged 0-25, and those educated out of school, for example due to permanent exclusion or medical needs. Academies are funded from the gross DSG allocation but with amounts subsequently recouped by the DfE to enable the budget share for pre 16 pupils to be paid directly by the Education & Skills Funding Agency (ESFA).

The DSG is allocated to the council through four funding blocks, each with its own national formula methodology: early years, mainstream schools, high needs, and central school services. Distribution to councils linked to historic allocations has now largely ended, with some funding protection mechanisms in place to reflect that expenditure patterns once well-established cannot be changed quickly.

The council brought forward a DSG accumulated deficit of £20.3m in April 2022 due to the now recognised national underfunding of the high needs budget. The deficit was budgeted to grow by £16.7m during the current 2022/23 financial year. The deficit arises from the restrictions in how funding can be moved between blocks with it not possible to reduce expenditure to balance the account as well as meet the statutory education entitlements of pupils identified with high needs. In the December report a £1m improvement in the budget gap was projected. Latest estimates reduce this to £0.4m as new placements have been made at higher costs than expected. The projected 31 March 2023 position is as follows.

Figure 3: Summary position for Dedicated School's Grant 2022/23

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2022	20.3
Budgeted high needs shortfall 2022/23	16.7
Projected in-year saving	(0.4)
Projected accumulated deficit 31 March 2023	36.6

The accumulated deficit on the DSG is currently forecast to grow as follows.

Figure 4: Accumulating deficit on the Dedicated Schools Grant

	Balance Actual 31/3/22 £m	Balance Estimate 31/3/23 £m	Balance Estimate 31/3/24 £m	Balance Estimate 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m
Dedicated Schools Grant (1)	(20.3)	(36.6)	(63.7)	(106.6)	(159.8)	(224.0)
Dedicated Schools Grant (2)	(20.3)	(36.6)	(63.7)	(105.9)	(157.8)	(218.7)

Line (1) represents how the DSG deficit would grow based on the current pattern of provision and growth, with no new actions beyond those already planned.

Line (2) assumes savings can be delivered with a high confidence level from the activities identified through the DBV programme (see section below). The timescale to deliver most savings is beyond the MTFP period. By March 2028 (a year beyond the above plan) cumulative savings over the 5 years with the assumptions in the above table are projected at £14.5m. The best-case scenario identified (not assumed for line 2) are cumulative savings over 5 years of £32 million. Savings are from reducing EHCP growth, greater proportion of placements in mainstream schools, new places being created in special schools and with better utilisation to reduce use of higher cost independent schools.

Detailed internal work has taken place to project the March 2023 deficit and growth up to March 2024 with funding known for this period. The figures beyond March 2024 are based on the work of the DBV consultants.

The Council's Transformation Programme

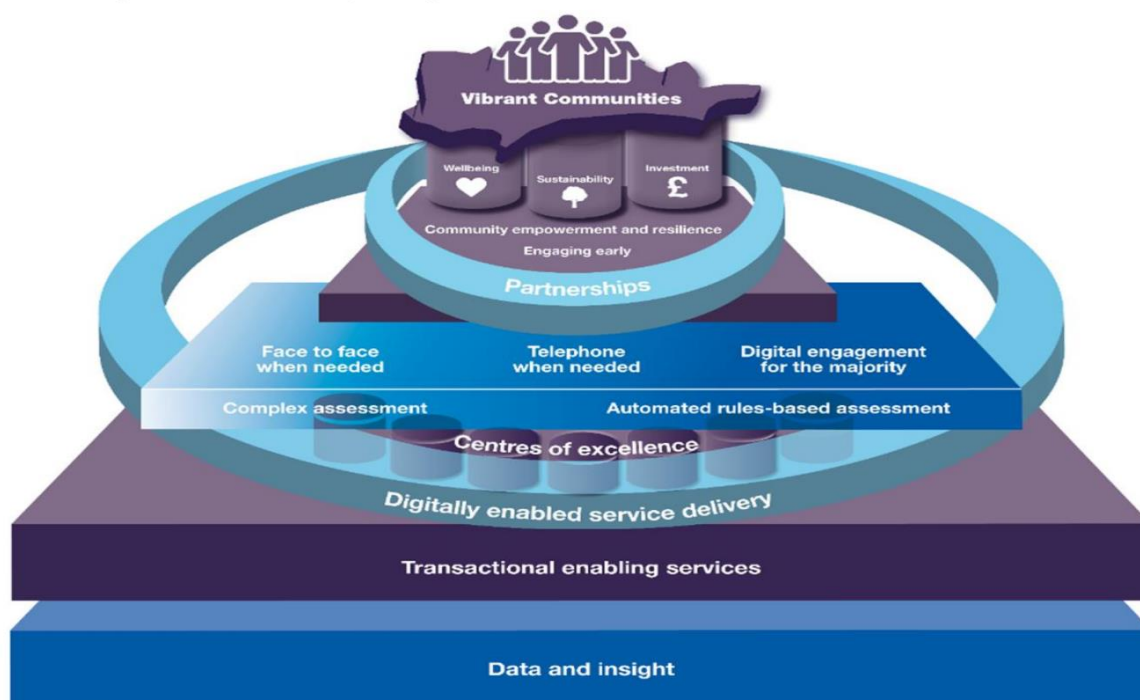
As might be expected the council has inherited a range of legacy staffing arrangements, processes and systems and therefore has an opportunity to remove duplication, remove inefficiencies, and to leverage economies of scale whilst improving governance. Much of this formed the foundation of the argument for establishing the new council alongside the opportunity to fundamentally transform public services.

Achievement of these benefits will be delivered by the adoption of a radically different operational model and specifically via;

- Investment in technology
- Investment in data and insight
- Investment in new ways of working
- Engaging and empowering our communities
- Leveraging our partnerships
- Creating equity in pay & conditions
- Investing and rationalising the civic estate

Investment in three core technologies, along with the rationalisation and effective integration of our core service technologies, will enable the council to become the leading digital and insight driven local authority in the UK. Specifically, these are the investment in the Customer Relationship Management (CRM) system, investment in the Enterprise Resource Planning (ERP) systems (Finance and Human Resources), alongside establishing an appropriate data platform.

Figure 5: New Operating Model



A high-level business case was presented to Cabinet in November 2019 which set out the original scope of the council's organisation design project, which was facilitated by KPMG, and identified that it could potentially deliver up to £43.9m of gross annual savings by year 4 based on an investment of £29.5m. The profile of these savings was assumed to accumulate as £7.8m in year 1 growing to £16.5m in year 2, £36.9m in year 3 and £43.9m in year 4. It should be highlighted that these savings will impact on the whole council including both General Fund and Housing Revenue Account (HRA) services.

Council on 7 July 2020 agreed to the extension of the project to a £38m programme referencing the accelerated leap forward in different ways of working because of the Covid-19 public health emergency and the need to accelerate the pace at which we generate savings and efficiencies. This report also approved the procurement of a strategic partner, approved oversight of the programme by a Cabinet Working Group as part of the governance arrangements and set out that the £43.9m must now be adopted as our minimum expectation of savings and efficiencies. Key milestones in the development of the Transformation Investment programme can therefore be set out as follows.

- a) November 2019. First presented to Cabinet based on a report, costing £314,650, commission from KPMG.
- b) June 2020 Cabinet (July Council). Establishment of a £37.62m budget for the implementation of the programme.
- c) February 2021 (part of the 2021/22 budget report). Increase in the budget to £44.52m to allow an additional £6.9m for redundancy costs.
- d) February 2022 (part of the 2022/23 budget report). Further increase in the budget to £67.86m to reflect the following additional elements.

- £20.09m Inclusion of internal base revenue budget staff costs, £6.7m for 3 years, where staff are not available to support day to day or statutory improvement duties, and will be apportioned and charged against the transformation investment programme.
- £1.75m Investment in the data and insight capability
- £1.5m Extra contingency e) February 2023 (as part of this 2023/24 budget report). Reduce the transformation investment programme to £57.36m to reflect.
- (£10.5m) Reduction in the annual recharge of internal base revenue costs to £3.2m for 3 years in line with the evidence base.

The current consolidated position in respect of the transformation programme is set out in figure below.

Figure 6: Consolidated Transformation Programme Table

Transformation Investment Programme One-off / time-limited budget provision for the delivery of the programme		2020/21 Actual £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Budget £m	2024/25 Provisional £m	£m
Capital Spend	Expenditure						
	Capital expenditure	1.19	0.05	0.82	1.34	0.84	4.24
		1.19	0.05	0.82	1.34	0.84	4.24
	Funding						
	Prudential Borrowing (funded from General Fund MRP)	0.00	0.00	(0.62)	(1.34)	(0.84)	(2.80)
Revenue Spend	Prudential Borrowing (funded from HRA land tfr)	(1.19)	(0.05)	(0.20)	0.00	0.00	(1.44)
		(1.19)	(0.05)	(0.82)	(1.34)	(0.84)	(4.24)
	Expenditure						
	One-off costs - including data and insight and capability	0.31	5.32	13.95	7.31	2.67	29.56
	Redundancy costs	0.00	0.56	2.57	9.03	0.74	12.90
Total	Contingency	0.00	0.00	0.18	0.21	0.68	1.07
	Staff costs apportioned to Transformation	0.00	0.00	3.20	3.20	3.19	9.59
		0.310	5.880	19.90	19.75	7.28	53.12
	Funding						
	Assumed fundable by Capital Receipts/Capital Direction	(0.31)	(3.88)	(19.90)	(19.75)	(7.28)	(51.12)
Revenue Budget	Contributions from outside of the General Fund	0.00	(2.00)	0.00	0.00	0.00	(2.00)
		(0.31)	(5.88)	(19.90)	(19.75)	(7.28)	(53.12)
	Total expenditure	1.50	5.93	20.72	21.09	8.12	57.36
	Total funding	(1.50)	(5.93)	(20.72)	(21.09)	(8.12)	(57.36)
Transformation Investment Programme Ongoing base revenue budget of the council		2020/21 Actual £m	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Budget £m	2024/25 Provisional £m	£m
Revenue Budget	Expenditure						
	Licenses and other revenue costs of the programme	0.00	2.08	2.40	4.50	4.50	13.48
		0.00	2.08	2.40	4.50	4.50	13.48
	Savings and efficiencies						
	Transformation Programme Savings	0.00	(3.95)				(3.95)
Revenue Budget	Programmed 2022/23 savings = £8.7m (extra £1.2m)						
	2022/23 In year - Savings delivered			(7.10)	(7.10)	(7.10)	(21.30)
	2022/23 In year - Savings identified and deferred				(0.81)	(0.81)	(1.62)
	2022/23 In year - Savings deferred and unidentified				(0.79)	(0.79)	(1.58)
	Originally programmed 2023/24 savings = £18.7m (extra £10m)						
Revenue Budget	3rd Party savings - Remaining to be identified				(5.70)	(5.70)	(11.40)
	3rd Party savings - Itemised				(3.34)	(3.34)	(6.68)
	3rd Party savings - within services savings proposals				(0.96)	(0.96)	(1.91)
	Originally programmed 2024/25 savings = £43.9m (extra £25.2m)						
	Staff savings - Remaining to be itemised					(15.86)	(15.86)
Revenue Budget	Staff savings - within services savings proposals				(9.34)	(9.34)	(18.68)
		0.00	(3.95)	(7.10)	(28.04)	(43.90)	(82.98)
	Funding Implications on the revenue budget						
Revenue Budget	One-off Capital Investment						
	Minimum Revenue Provision and interest implications	0.00	0.28	0.28	0.48	0.82	1.86
		0.00	0.28	0.28	0.48	0.82	1.86
	One-off Revenue Investment						
	Revenue foregone on asset disposed off	0.00	0.00	0.00	0.91	0.91	1.82
Revenue Budget		0.00	0.00	0.00	0.91	0.91	1.82

Flexible Use of Capital Receipts (FUCR)

As part of 2015 Spending Review (SR15), the government announced that to support local authorities to deliver more efficient and sustainable services it would allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of service reform and transformation. Guidance on the use of this flexibility stipulated that it applied to the three financial years to end March 2019. However, this was extended for a further three years to 31 March 2022 as part of the 2018/19 local government finance settlement and for a further three years to 31 March 2025 in April 2022.

The current guidance makes it clear that local authorities cannot borrow to finance the revenue costs of service reforms or improvements. In addition, local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years the flexibility is offered. Local authorities may not use any existing stock of capital receipts to finance the revenue costs of reforming their services. Set up and implementation costs of any new processes or arrangements that will generate future ongoing savings and/or transform service delivery to reduce or improve the quality-of-service delivery in future years can be classified as qualifying expenditure. Costs associated with business-as-usual activity and the council's statutory duty to improve cannot be classified as qualifying expenditure. The ongoing revenue costs of any new processes or arrangements can also not be classified as qualifying expenditure. In addition, the guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specifies that.

The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

In using the flexibility, the council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice

Council has previously engaged with both CIPFA Consultancy and the External Auditor to provide assurance that any such costs which it wishes to fund from the FUCR accords with the statutory guidance.

Cabinet have previously made it clear that their preference is to assume that the costs of the transformation programme will be funded via the FUCR by current or additional asset sales. That said, Cabinet have also been clear that the council will continue the work necessary to agree the capitalisation direction with government which would allow up to £20m of revenue costs to be funded by borrowing. Such a position would allow the council the ultimate flexibility although in practice the council will endeavour to avoid drawing down the capitalisation direction, either in full or part, by delivering additional asset sales.

Based primarily on the reduction in the overall size of the transformation programme the latest profile of expenditure the council will need either capitalisation directions or additional capital receipts to fund is set out as follows.

Figure 7: Latest Capitalisation Direction – Flexible Use of Capital Receipts

	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	Total £m
Transformation Investment Programme	19.90	20.29	6.74	46.93
Children's Services Transformation Programme	1.92	5.00	3.00	9.92
Adult Services - Care Technology October	0.00	0.35	0.15	0.50
Adult Services Transformation Programme	0.00	2.75	2.75	5.50
Capital Receipts - already delivered in previous years	(1.90)			(1.90)
Capital Receipts - previously scheduled and assumed deliverable	(7.40)	(3.70)	(1.10)	(12.20)
Capitalisation Direction	12.52	24.69	11.54	48.75

Over and above the investment in the core transformation programme, Figure 7 includes £9.92m investment in a Children's Services service specific transformation programme and a £6m investment in a similar programme for Adult Social Care. These continue to be linked to the delivery of £26.1m in assumed and currently unidentified savings in these services areas across the financial years 2024/25 to 2026/27. Savings of this nature were first included in the 2022/23 budget by applying a 2.99% future year's spending restriction to the 2021/22 budget and from 2024/25 converting that into an absolute value. The assumption is this will be the target savings that the service specific transformation investment will deliver. Any drawdown on these funds will be subject to the successful delivery of a business case to Cabinet/Council as necessary which demonstrates the expenditure accords with the

statutory definition of transformation as per the regulations and identifies a clear link to the savings that will be delivered.

In respect of the additional asset sales for 2022/23, Council at its meeting on the 10 January 2023 agreed to dispose of the following:

- Wessex Trade Industrial Centre
- Airfield Industrial Estate Christchurch
- 35 Willis Way Fleet Industrial Estate, Poole
- Land at Crescent Road

Ideally in a completely robust budget position, via the recommendations of this report, approval would be sought for the asset disposals now required to deliver the additional capital receipts in 2023/24. However, Council on 10 January 2023 agreed to establish a cross-party working group to review the capital disposal strategy for 2023/24 with an intention that this group makes recommendations to Council as to the assets that should be sold. It is therefore suggested that this group makes its proposals by the end of June 2023. An associated issue is that the precise value of any additional sales required in 2023/24 will depend on matters such as the extent to which a capitalisation is drawdown in 2022/23 and the extent to which the previously assumed and recently agreed additional asset sales in 2022/23 are delivered. Current monitoring indicates that it will be challenging to deliver at least £4.3m of the £7.4m originally assumed 2022/23 asset sales. Council can though be assured it has significantly more assets that could be sold to generate such values, but it will be important that the process of disposal is started early in the new financial year to guarantee receipts are delivered by 31 March 2024.

The current FUCR guidance requires the efficiency statement to be approved by Council and that the Department of Levelling Up, Housing, and Communities are duly notified so they can keep track of the planned use of this flexibility for national purposes.

Medium Term Financial Plan (MTFP)

The Council set the 2022/23 budget and approved an updated MTFP in February 2023. The budget for 2023/24 and the MTFP should be seen in the context of a rolling, evolving process structured to enable the ongoing proactive management and prioritisation of the council's resources and as such the Leader of the Council has been clear that work will remain ongoing in relation to efforts to materially improve this budget position for the remainder of this financial year.

As a relatively new council, setting the budgets in the first four years has been a challenge due to the lack of complete historic data and trend information for the council as a single entity. There will also be ongoing uncertainty around any information that is available due to the impact and long-term consequences of Covid-19 alongside that caused by the cost-of-living crisis.

Figure 8 below sets out the budget for 2023/24 and Medium-Term Financial Plan (MTFP) to 2027. As a reminder to councillors, the following table sets out changes in the revenue budgets, on an annual basis, either positive numbers which represent additional costs to be met, or negative numbers which represent forecast cost reductions or additional income. The variances are shown in the year in which they are expected to be first seen and are then assumed to recur on an ongoing basis in each of the following years. One-off changes will be seen as an entry in one year and will then being reversed out in a following year. For example, it is currently assumed to use £10.1m from the forecast outturn for 2022/23 in support of the 2023/24 budget.

Key features of the 2023/24 budget as presented include.

- £25.5m investment in adult social care services (excluding pay, pensions, and national insurance uplifts).
- £14.6m investment in children's services (excluding pay, pensions, and national insurance uplifts).
- 4.25% assumed pay award for 2023/24 based on a survey undertaken by the Chief Financial Officer with other upper tier treasurers.
- £32.9m of list one savings with an implementation date 1 April 2023 and £2.592m of list two savings which will be implemented on the 1 July 2023.
- 4.99% increase in council tax for 2023/24 made up off 2.99% for the basic amount and 2% for the social care precept. The financial planning assumption for future years will be 4.99% in 2024/25 and 2.99% annually thereafter. Increases in the council's council tax base.

- Provision for the social care grants announced by government as part of the November 2022 Autumn Statement and as set out in detail as part of the provisional local government finance settlement for 2023/24.
- Utilising the £10.1m forecast financial outturn for the current 2022/23 financial year which will be carried forward via an earmarked reserve.
- Utilising £5.3m in reprovisioned earmarked reserves to support the 2023/24 budget.
- Utilising the £14.2m cost of living mitigation resources set aside based on the 2021/22 financial outturn to support the 2023/24 budget. These will be carried forward via an earmarked reserve.
- Investment of an addition £1.234m on a one-off bases into unearmarked reserves to move the councils unearmarked reserves to the 5% of net revenue expenditure threshold often used as a barometer of good practice.

Figure 8: 4-year Medium Term Financial Plan 2023 to 2027

Adjustments to the cost of services	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Adult social care and public health	25.4	15.0	8.1	8.7	57.2
Adult social care reforms	0.0	0.0	5.8	10.2	16.0
Children's services	14.6	8.4	9.0	9.6	41.6
Operations	8.2	3.4	1.8	1.1	14.4
Reversal of securitisation of income stream proposal	(3.7)	0.0	0.0	0.0	(3.7)
Resource services	1.6	1.4	0.5	0.5	4.0
Staff costs being charged to transformation prior 25/26	3.5	0.0	3.2	0.0	6.7
Capitalisation direction 22/23 cost of capital & interest repayments	0.2	0.0	0.0	0.0	0.2
Transformation base revenue budget costs	1.1	0.0	0.0	0.0	1.1
Transformation redundancy costs that cannot be charged against FUCR	2.1	(1.9)	(0.1)	0.0	0.1
Corporate priorities one-offs for 2022/23	(9.7)	0.0	0.0	0.0	(9.7)
Pay related costs	10.6	7.8	3.7	3.6	25.7
Pay and grading project	1.0	1.1	(1.0)	1.9	3.0
Debt and capital adjustments	0.2	0.4	(0.3)	(0.1)	0.2
Treasury Management & Investment income adjusted disposals	(1.5)	1.3	(0.1)	0.0	(0.3)
Total adjustments in respect of cost of services	53.6	36.9	30.6	35.5	156.5
Adjustments in respect of resource levels					
Council tax – revenue - 5% 23/24 & 24/25, 2.99% per annum thereafter	(11.3)	(12.0)	(7.7)	(8.0)	(39.0)
Council tax - taxbase	(3.4)	(1.4)	(1.2)	(1.3)	(7.3)
Council tax - single person discount	(0.2)	0.0	0.0	0.0	(0.2)
Council tax - second homes 100% premium	0.0	0.0	(5.3)	0.0	(5.3)
Council tax - empty homes premium after 1st rather than 2nd year	0.0	0.0	(0.9)	0.0	(0.9)
Business Rates	(2.3)	0.0	0.0	0.0	(2.3)
Collection fund – (surplus) / deficit distribution net of S31 grant	1.9	0.0	0.0	0.0	1.9
Government core grant funding changes	2.0	0.0	2.5	0.0	4.5
Assumed social care reforms funding	0.0	0.0	(5.8)	(10.2)	(16.0)
Assumed additional social care grant funding	(14.5)	(8.0)	(2.7)	(2.7)	(27.9)
Reserve Funding - One-off funding supporting 2022/23 budget	36.1	0.0	0.0	0.0	36.1
Reserve Funding - Removal of COMF contribution 2022/23 priorities	1.0	0.0	0.0	0.0	1.0
Reserve Funding - Improved outturn 2021/22 to support 23/24 budget	(14.2)	14.2	0.0	0.0	0.0
Reserve Funding - Redirect earmarked reserve to support 23/24 budget	(5.3)	5.3	0.0	0.0	0.0
Reserve Funding - Assumed surplus 2022/23 to support 23/24 budget	(10.1)	10.1	0.0	0.0	0.0
Reserve Funding - Contribution to unearmarked reserves	1.2	(1.2)	0.0	0.0	0.0
Total previously assumed adjustments in resource levels	(19.1)	7.0	(21.1)	(22.2)	(55.4)
Assumed additional savings, and efficiencies					
Unitemised Transformation savings	(9.0)	(15.9)	0.0	0.0	(24.9)
Scheduled service based savings (include. Adults, Children's, Transformation)	(25.5)	(7.5)	(2.6)	(2.6)	(38.1)
Roundings	(0.1)	0.1	(0.1)	0.0	(0.1)
Unidentified Adult Social Care savings (2.99% growth restriction)	0.0	(1.5)	(3.1)	(3.5)	(8.1)
Unidentified Children's savings (2.99% growth restriction)	0.0	(4.5)	(6.5)	(7.0)	(18.0)
Total assumed annual extra savings and efficiencies	(34.6)	(29.3)	(12.3)	(13.0)	(89.2)
Annual – Net Funding Gap	(0.0)	14.7	(2.8)	0.2	12.0
Cumulative MTFP – Net Funding Gap	(0.0)	14.6	11.9	12.0	

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.

Twelve 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 2023/24, but the financial effects of inflationary pressures are starting to bite.

The 2023/24 budget includes a £2.2 million base budget revenue contingency which remains the same level as 2022/23.

The council's transformation programme is critical in helping balance the budget over the period of the MTFP. The 2023/24 budget further updates the delivery profile associated with these savings. The revised cumulative profile is as follows 2022/23 £7.1m in annual savings (82% against a £8.7m target for the year), 2023/24 £28.0m and 2024/25 £43.9m. Included within this breakdown are core increases of £10m in 2023/24 for third party spend savings and £25.2m in 2024/25 for employee costs savings.

Based on the assumptions within the MTFP, the Council will need to identify a further £14.9m of ongoing revenue savings to balance the 2024/25 budget. This is in addition to delivering:

- £23.1m of additional annual savings including £15.9m currently un-itemised but committed to as part of the corporate transformation investment programme
- £4.5m of currently unidentified savings in Children's services which it is assumed will flow from their service specific transformation programme
- £1.5m of currently unidentified savings in Adult Social Care which it is assumed will flow from their service specific transformation programme

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:

Five Parks Charity

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

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

Lower Central Gardens Trust

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

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

Russell Cotes Art Gallery and Museum Charitable Trust

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

The original Indentures were varied by s.57 Bournemouth Borough Council Act 1985. This requires that the council manage, regulate, control and deal with the Trust, premises and property by means of a management committee appointed by them in accordance with the Local Government Act 1972. This power transferred to BCP Council upon local government reorganisation.

Asset Valuations

Property, plant and equipment (PPE) assets, for the group saw a year-on-year movement of £113.9 million, with a total value of £1,940 million as at 31 March 2023.

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.

Investment properties were revalued downwards by £15 million, with a total value of £77.6 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 2023. 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 2023.

Adam Richens
S151 Officer

Date: 31st May 2023

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22				2022/23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
233,112	(115,076)	118,036	Adult Services	232,374	(112,170)	120,205
220,462	(123,057)	97,405	Children's Services	298,187	(200,438)	97,749
222,875	(132,777)	90,097	Operations	240,489	(148,500)	91,989
162,284	(122,519)	39,765	Resources	154,239	(113,533)	40,706
8,500	-	8,500	Transformation	22,586	(21)	22,565
44,564	(47,008)	(2,444)	Housing Revenue Account	29,157	(49,138)	(19,981)
58,702	-	58,702	Corporate Items	27,545	(869)	26,676
950,498	(540,437)	410,061	Cost of Services	1,004,578	(624,670)	379,908
6,108	-	6,108	Other Operating Expenditure (see Note 9)	15,969	-	15,969
50,165	(30,435)	19,730	Financing and Investment Income and Expenditure (see Note 10)	64,320	(50,526)	13,794
-	(350,711)	(350,711)	Taxation and Non-Specific Grant Income (see Note 11)	-	(358,601)	(358,601)
1,006,770	(921,583)	85,187	(Surplus) or Deficit on Provision of Services	1,084,867	(1,033,797)	51,070
		(68,750)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(86,531)
		(260,348)	Re-measurement of the Net Defined Benefit Liability			(587,480)
		(329,098)	Other Comprehensive Income and Expenditure			(674,011)
		(243,910)	Total Comprehensive Income and Expenditure			(622,941)

MOVEMENT IN RESERVES STATEMENT 2022/23

	General Fund Unearmarked	GF Earmarked Reserves	Total General Fund	Housing Revenue Account Unearmarked	HRA Earmarked Reserves	Total Housing Revenue Account	Major Repair Reserve	Capital receipts reserve	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 2022	(15,350)	(121,403)	(136,752)	(7,972)	(2,778)	(10,750)	(761)	(14,640)	(33,407)	(196,310)	(584,579)	(780,889)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	68,340	-	68,340	(17,269)	-	(17,269)	-	-	-	51,070	-	51,070
Other Comprehensive Income and Expenditure - CIES	-	-	-	-	-	-	-	-	-	-	(674,011)	(674,011)
Total Comprehensive Income and Expenditure	68,340	-	68,340	(17,269)	-	(17,269)	-	-	-	51,070	(674,011)	(622,940)
Adjustments Between Accounting Basis and Funding Basis under Regulations (See Note 7)	(25,468)	-	(25,468)	23,498	-	23,498	761	(1,848)	(7,255)	(10,311)	10,311	-
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	42,871	-	42,871	6,229	-	6,229	761	(1,848)	(7,255)	40,759	(663,700)	(622,940)
Transfers (to) / from Earmarked Reserves (See Note 8)	(45,425)	45,425	-	(2,778)	2,778	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(2,554)	45,425	42,871	3,451	2,778	6,229	761	(1,848)	(7,255)	40,759	(663,700)	(622,940)
Balance at 31 March 2023	(17,903)	(75,978)	(93,881)	(4,521)	-	(4,521)	0	(16,488)	(40,661)	(155,550)	(1,248,279)	(1,403,829)

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	Capital receipts reserve	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)

BALANCE SHEET

	<u>Note</u>	31/03/22 £'000	31/03/23 £'000
Property, Plant and Equipment	12	1,789,510	1,902,543
Heritage Assets		608	593
Investment Property	13	92,687	77,589
Intangible Assets		528	544
Long-Term Investments		4	4
Long-Term Debtors	14	19,762	28,979
Long-Term Assets		1,903,099	2,010,252
Short-Term Investments	14	119,975	26,000
Assets Held for Sale		5,582	5,478
Inventories		1,408	1,317
Short-Term Debtors	16	72,724	135,462
Cash and Cash Equivalents	17	34,698	14,366
Current Assets		234,387	182,623
Bank Overdraft	17	(12,457)	(24,190)
PFI Current Obligation		(554)	(596)
Finance Lease Current Obligation		-	-
Short-Term Borrowing	14	(3,788)	(21,902)
Short-Term Creditors	18	(167,043)	(123,518)
Grants Receipts in Advance - Revenue	30	(16,908)	(13,994)
Grants Receipts in Advance - Capital	30	(56,718)	(64,869)
Current Liabilities		(257,468)	(249,069)
Provisions	19	(30,020)	(27,274)
Long-Term Borrowing	14	(253,331)	(251,319)
PFI Capital Obligation		(7,265)	(6,669)
Pensions Liability	35	(808,513)	(254,716)
Long-Term Liabilities		(1,099,129)	(539,978)
Net Assets		780,889	1,403,828
Usable Reserves	20		
General Fund		(15,349)	(17,903)
Housing Revenue Account		(7,972)	(4,521)
Earmarked Reserves		(124,181)	(75,977)
Major Repairs Reserve		(761)	-
Capital Receipts Reserve		(14,640)	(16,488)
Capital Grants Unapplied Account		(33,407)	(40,661)
		(196,310)	(155,550)
Unusable Reserves	21		
Revaluation Reserve		(516,224)	(586,662)
Capital Adjustment Account		(911,616)	(930,704)
Deferred Capital Receipts Reserve		(1,494)	(1,433)
Financial Instrument Adjustment Account		35	4
Pensions Reserve		808,513	254,716
Accumulated Absences Account		4,769	4,451
Collection Fund Adjustment Account		11,120	(24,495)
Dedicated School Grant Adjustment Account		20,318	35,845
		(584,579)	(1,248,278)
Reserves		(780,889)	(1,403,828)

The unaudited accounts were issued on the 31st May 2023 by the S151 Officer. The accounts are now subject to external audit.

CASH FLOW STATEMENT 2022/23

	<u>Note</u>	<u>2021/22 £'000</u>	<u>2022/23 £'000</u>
Net surplus or (deficit) on the provision of services		(85,188)	(51,070)
Adjustment to surplus or deficit on the provision of services for noncash movements	22	204,239	11,834
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(48,097)	(63,454)
Net Cash flows from operating activities		<u>70,954</u>	<u>(102,690)</u>
Net Cash flows from Investing Activities	23	(127,784)	49,363
Net Cash flows from Financing Activities	24	81,941	21,262
Net increase or (decrease) in cash and cash equivalents		<u>25,111</u>	<u>(32,065)</u>
Cash and cash equivalents at the beginning of the reporting period		(2,870)	22,241
Cash and cash equivalents at the end of the reporting period		22,241	(9,824)

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 2022/23 (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.

2021/22						2022/23					
Net Expenditure Chargeable to the General Fund and HRA Balances	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	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	£'000	£'000	£'000	£'000
116,890	-	-	-	1,146	118,036 Adult Services	118,522	-	-	-	1,683	120,205
93,406	-	-	-	3,999	97,405 Children's Services	96,142	-	-	-	1,607	97,749
61,196	-	-	-	28,901	90,097 Operations	59,371	-	-	-	32,618	91,989
40,478	-	-	-	(713)	39,765 Resources	40,032	-	-	-	675	40,706
8,500	-	-	-	-	8,500 Transformation	22,565	-	-	-	-	22,565
-	(11,415)	-	-	8,971	(2,444) Housing Revenue Account	-	(9,673)	-	-	(10,308)	(19,981)
-	-	-	-	58,702	58,702 Corporate Items	550	-	-	-	26,126	26,676
320,470	(11,415)	-	-	101,006	410,061 Net Cost of Services	337,182	(9,673)	-	-	52,400	379,908
1,592	-	-	-	4,516	6,108 Other Operating Expenditure	1,625	-	-	-	14,345	15,969
(3,056)	5,247	-	-	17,540	19,730 Financing and Investment Income and Expenditure	(3,471)	4,805	-	-	12,461	13,794
(275,650)	-	-	-	(75,061)	(350,711) Taxation and Non-Specific Grant Income	(273,934)	-	-	-	(84,668)	(358,601)
(277,113)	5,247	-	-	(53,006)	(324,873) Other Income and Expenditure	(275,779)	4,805	-	-	(57,862)	(328,838)
10,511	-	-	-	(10,511)	- Statutory provision for the financing of capital investment	11,830	-	-	-	(11,830)	-
904	12,746	-	-	(13,649)	- Capital expenditure charged to balances	932	11,160	-	-	(12,092)	-
-	-	-	-	-	- Renewable Energy Projects	-	-	-	-	-	-
(27)	-	-	-	27	- Transfer of Deferred Capital Receipts	(20)	-	-	-	20	-
-	(57)	-	-	57	- Disposal Costs Chargeable to Capital Receipts	(156)	(61)	-	-	217	-
(3,879)	-	-	-	3,879	- Flexible use of capital receipts	(15,590)	-	-	-	15,590	-
(12,465)	-	-	-	12,465	- Dedicated Schools Grants Deficit	(15,527)	-	-	-	15,527	-
(38,403)	(12,746)	38,403	12,746	-	- Movements to/from reserves	(45,425)	(2,778)	45,425	2,778	-	-
-	(6,225)	38,403	12,746	40,265	85,188 (Surplus) or Deficit	(2,554)	3,452	45,425	2,778	1,970	51,070
(15,349)	(1,746)	(159,806)	(15,524)	-	- Opening General Fund & HRA Balance	(15,349)	(7,972)	(121,402)	(2,778)	-	-
-	(6,225)	38,403	12,746	-	- Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(2,554)	3,452	45,425	2,778	-	-
(15,349)	(7,972)	(121,402)	(2,778)	-	- Closing General Fund & HRA Balance at 31 March	(17,903)	(4,520)	(75,977)	-	-	-

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.

2022/23

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	2,748	(925)	(141)	1,683
Childrens Services	3,397	(1,847)	57	1,607
Operations	35,500	(2,674)	(209)	32,618
Resources	2,201	(1,531)	5	675
Housing Revenue Account	(10,102)	(175)	(31)	(10,308)
Corporate Items	(747)	26,865	7	26,126
Net Cost of Services	32,998	19,713	(311)	52,400
Other Income and Expenditure from the Funding Analysis	(36,185)	13,970	(35,647)	(57,863)
Statutory provision for the financing of capital investment	(11,830)	-	-	(11,830)
Capital expenditure charged to balances	(12,092)	-	-	(12,092)
Renewable Energy Projects	-	-	-	-
Transfer of Deferred Capital Receipts	20	-	-	20
Disposal Costs Chargeable to Capital Receipts	217	-	-	217
Flexible use of capital receipts	15,590	-	-	15,590
Dedicated Schools Grants Deficit	15,527	-	-	15,527
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	4,245	33,683	(35,959)	1,970

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

(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

	2021/22 £'000	2022/23 £'000
Expenditure		
Employee benefits expenses	325,691	350,458
Other services expenses	584,990	647,928
Capital Charges*	61,629	44,255
Interest payments	9,210	9,203
Precepts and levies	1,592	1,625
Payments to Housing Capital Receipts Pool	914	-
Loss on the disposal of assets	3,602	14,345
REFCUS	12,372	9,986
Pension Backfunding	6,089	6,324
Apprentice Levy	682	744
Total expenditure	1,006,771	1,084,867
Income		
Fees, charges and other service income	(166,006)	(186,147)
Corporate Income	(6,063)	(2,973)
Movement on Investment Properties	(2,450)	(1,478)
Interest and investment income	(27,421)	(48,106)
Income from council tax, non-domestic rates	(253,113)	(276,797)
Government grants and contributions	(466,531)	(518,297)
Total income	(921,583)	(1,033,797)
Surplus or Deficit on the Provision of Services	85,188	51,070

*Capital charges include depreciation and amortisation of intangible assets.

2. Included within the Council's Income from fees and charges of £186.1 million (2021/22 - £166.1m) are the following amounts derived from contracts with service recipients as:

	2021/22	2022/23
	£'000	£'000
HRA Housing Rents	(43,406)	(45,779)
Car Parks	(21,487)	(23,224)
Housing Services	(3,467)	(24,963)
Other	(6,555)	(20,232)
Waste & Environmental Services	(8,530)	(8,064)
Beaches	(6,694)	(8,787)
Beach Huts	(7,205)	(7,250)
Bereavement and Crematorium	(3,911)	(4,863)
Adult Social Care	(198)	(4,235)
Growth & Infrastructure	(667)	(12,962)
Parks & Buildings	(2,870)	(5,243)
Leisure and Recreational	(2,446)	(4,211)
Children Social Care	(9)	(4,995)
Hire of premises	(402)	(2,287)
Total Income from Contracts with Service Recipients	(107,847)	(177,096)

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. Any further subsidiary acquisitions during the year will be assessed for materiality and demonstrated that by their exclusion it would not materially impact on the Council's group accounts.

The Council has assessed its group boundary for 2022/23. 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	<p>The carrying value of Land and building Assets and its remaining useful lives (RUL) are assessed by the Council's Valuers.</p> <p>Valuations contain estimates and assumptions made by qualified and experienced valuers including nationally derived building cost indices and income and yield estimates.</p> <p>Council dwellings are subject to less uncertainty as an active market exists for housing providing reliable price movement data.</p> <p>The value of Other Land and Buildings as at 31 March 2023 was £750.9 million net book value (NBV)</p>	<p>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 £75.0 million movement on Property, Plant and Equipment in the statement of accounts.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in</p>	<p>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 £25.47 million.</p> <p>The Sensitivity Analysis is provided in Note 35 in a table outlining the impact on the Defined Benefit Obligation in the Scheme.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
	the pension liability. The pension liability amount on the 31 March 2023 was £254.7 million.	
Investment Properties	<p>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.</p> <p>BCP's Investment properties have been valued by RICS registered Valuers 'Wilks Head & Eve LLP' during the year and the value of properties held in the investment property portfolio as at 31 March 2023 was £77.6 million.</p>	<p>A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement.</p> <p>A reduction in value of investment property of 10% would result in a reduction of £7.75 million.</p>

5. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the S151 Officer on 31 May 2023. 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 Account

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 2022/23

	General Fund	Housing Revenue Account	Major Repair Reserve	Capital receipts reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(35,172)	13,112	-	-	-	(22,060)	22,060	-
Revaluation Losses on Property, Plant and Equipment	(6,656)	(3,010)	-	-	-	(9,666)	9,666	-
Movement in the Market Value of Investment Property	1,478	-	-	-	-	1,478	(1,478)	-
Amortisation of Intangible Assets	(134)	-	-	-	-	(134)	134	-
Capital Grants and Contributions Applied	37,777	722	-	-	-	38,499	(38,499)	-
Revenue Expenditure Funded from Capital under Statute	(9,986)	-	-	-	-	(9,986)	9,986	-
Grant Finance of Revenue Expenditure Funded from Capital	8,538	-	-	-	311	8,849	(8,849)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(35,960)	(3,164)	-	-	-	(39,123)	39,123	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	11,830	-	-	-	-	11,829	(11,829)	-
Capital Expenditure charged against General Fund and HRA Balances	932	11,160	-	-	-	12,091	(12,091)	-
Sub Total Carried overleaf	(27,354)	18,820	-	-	311	(8,223)	8,223	-

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2022/23 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Capital receipts reserve	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	(27,354)	18,820	-	-	311	(8,223)	8,223	-
<u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	10,865	-	-	-	(10,865)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	3,300	3,300	(3,300)	-
<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	19,528	5,251	-	(24,779)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	(7)	-	-	-	-	(7)	7	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	7,158	-	7,158	(7,158)	-
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	(156)	(61)	-	373	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(0)	-	-	0	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-
Flexible use of capital receipts funding transformation	(15,590)	-	-	15,590	-	-	-	-
Sub Total Carried overleaf	(12,714)	24,010	-	(1,658)	(7,255)	2,228	(2,228)	-

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2022/23 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Capital receipts reserve	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	(12,714)	24,010	-	(1,658)	(7,255)	2,228	(2,228)	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(12,395)	-	-	(12,395)	12,395	-
Use of Major Repairs Reserve to repay debt	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	13,155	-	-	13,155	(13,155)	-
<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	(20)	-	-	(34)	-	(54)	54	-
<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	31	-	-	-	-	31	(31)	-
<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	(33,280)	(543)	-	-	-	(33,823)	33,823	-
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	140	-	-	-	-	140	(140)	-
Sub Total Carried overleaf	(45,843)	23,468	761	(1,692)	(7,255)	(30,717)	30,717	-

7. Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2022/23 – (Cont'd.)

	General Fund	Housing Revenue Account	Major Repair Reserve	Capital receipts reserve	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	(45,843)	23,468	761	(1,692)	(7,255)	(30,717)	30,717	-
<u>Adjustments Primarily involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with statutory requirements	35,615	-	-	-	-	35,615	(35,615)	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	288	31	-	-	-	318	(318)	-
<u>Adjustments Primarily Involving the Dedicated School Grants Deficit:</u>								
Amount transferred in year to the Dedicated School Grant Deficit reserve	(15,527)	-	-	-	-	(15,527)	15,527	-
Total of Adjustments Between Accounting Basis and Funding Basis under Regulations	(25,468)	23,498	761	(1,692)	(7,255)	(10,311)	10,311	-

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
<u>Adjustments Primarily Involving the Capital Adjustment Account</u>								
<u>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Depreciation and Impairment of Non-Current Assets	(29,422)	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	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Amounts of Deferred Capital Receipts written off in year	-	-	-	-	-	-	-	-
Statutory Provision for the Financing of Capital Investment	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)	-
<u>Adjustments Primarily Involving the Major Repairs Reserve:</u>								
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)	-
<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	(27)	-	-	(34)	-	(61)	61	-
<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	32	-	-	-	-	32	(32)	-
<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	(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	-
<u>Adjustments Primarily Involving the Collection Fund</u>								
<u>Adjustment Account:</u>								
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with statutory requirements	33,632	-	-	-	-	33,632	(33,632)	-
<u>Adjustments Primarily Involving the Accumulated Absences Account:</u>								
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with statutory requirements	(297)	12	-	-	-	(286)	286	-
<u>Adjustments Primarily Involving the Dedicated School Grants Deficit:</u>								
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	-

8. Transfers to/from Earmarked Reserves

	Balance as at 31 March 2021 £'000	Net Movement £'000	Balance as at 31 March 2022 £'000	Net Movement £'000	Balance as at 31 March 2023 £'000
Financial Resilience Reserves	(53,302)	10,676	(42,626)	10,723	(31,903)
Transition and Transformation Reserves	(16,334)	2,000	(14,334)	14,149	(185)
Asset Investment Strategy Rent, Renewals and Repairs	(2,215)	(775)	(2,990)	2,990	-
Insurance Reserve	(3,500)	-	(3,500)	(1,500)	(5,000)
Held in Partnership for External Organisations	(3,685)	(782)	(4,467)	1,334	(3,133)
Required by Statute or Legislation	(547)	(205)	(752)	(131)	(883)
Planning Related	(1,064)	316	(748)	238	(510)
Government Grants	(8,619)	(2,573)	(11,192)	(6,071)	(17,263)
Government Grants (Covid)	(18,448)	8,869	(9,579)	7,549	(2,030)
NNDR Covid Grants	(40,409)	22,408	(18,001)	19,097	1,096
Maintenance	(1,452)	51	(1,401)	(99)	(1,500)
ICT Development & Improvement	(1,009)	(417)	(1,426)	(144)	(1,570)
Corporate Priorities & Improvements	(1,908)	(401)	(2,309)	(1,590)	(3,899)
Covid recovery resources	(1,318)	313	(1,005)	(710)	(1,715)
Balances held by schools under a scheme of delegation	(3,095)	(967)	(4,062)	(679)	(4,741)
Earmarked for Capital	(2,901)	(109)	(3,010)	269	(2,741)
Earmarked Reserves	(159,806)	38,403	(121,402)	45,425	(75,977)
<u>Housing Revenue Account</u>					
Housing Revenue Account - Bournemouth	(15,524)	12,746	(2,779)	2,779	0
Housing Revenue Account Total	(15,524)	12,746	(2,779)	2,779	0
Total General Fund and HRA Reserves	(175,330)	51,149	(124,181)	48,203	(75,977)

9. Other Operating Expenditure

	2021/22	2022/23
	£'000	£'000
Levies & Parish Precept	1,592	1,625
Payments to the government housing capital receipts pool	914	-
Net cost of Disposal	3,602	14,345
Total	6,108	15,969

10. Financing and Investment Income and Expenditure

	2021/22	2022/23
	£'000	£'000
Interest payable and similar charges	9,210	9,203
Net interest on the net defined benefit liability	20,039	13,970
Interest receivable and similar income	(1,394)	(3,060)
Income and expenditure in relation to investment properties	(5,675)	(4,841)
Changes in their fair value of investment properties	(2,450)	(1,478)
Total	19,730	13,794

11. Taxation and Non-Specific Grant Income

	2021/22	2022/23
	£'000	£'000
Income from council tax	(179,960)	(209,677)
Business rates income and expenditure	(73,153)	(67,120)
Non-ring-fenced government grants	(7,965)	(9,678)
NNDR S31 Grant	(28,644)	(23,073)
Covid 19 Support Grants	(16,571)	-
Covid 19 Loss of fees and charges grant	(2,989)	-
Capital grants and contributions	(41,429)	(49,053)
Total	(350,711)	(358,601)

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 2023, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years. The major commitments are as follows:

	2021/22	2022/23
	£'000	£'000
Carter's Quay New Homes Development	34,071	28,448
Council Housing Improvements	15,984	5,875
Fleet Replacement Programme	-	1,278
Total Significant Capital Commitments	50,055	35,601

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 and the external company Wilks Head & Eve LLP. The valuations are as at 31 March 2023. 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 historic 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	18,879		32,176	322,991	17,373		6,540	397,959
Valued at current value :								
2022/23	743,108	364,703				10,608	8,624	1,127,043
2021/22		97,060						97,060
2020/21		41,996						41,996
2019/20		143,482						143,482
2018/19		95,003						95,003
	761,987	742,244	32,176	322,991	17,373	10,608	15,164	1,902,543

All Housing Revenue Account council dwellings are re-valued annually as at the balance sheet date. The Valuer for the two neighbourhoods is Wilks Head & Eve LLP. Vehicles, Plant and Equipment, Infrastructure, Community Assets and Assets Under Construction are all valued at Historic Cost within the above table.

Property, Plant and Equipment

	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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
Brought at 1 April 2022	682,846	752,117	59,649	23,297	11,372	3,941	1,533,221	8,920
Additions	32,475	23,389	8,461	160	24	2,599	67,108	-
Revaluation Increase/(decrease) recognised in Revaluation Reserve	43,568	20,645	-	-	862	-	65,075	(296)
Revaluation increase/(decrease) recognised in Surplus/Deficit Provision of Service	7,505	(3,914)	-	-	(4)	-	3,587	-
Derecognition - disposals	(3,143)	(450)	(3,924)	-	(1,646)	-	(9,163)	-
Derecognition - other	(54)	(233)	(1,514)	-	-	-	(1,801)	-
Reclassification – within PPE	450	(450)	-	-	-	-	-	-
Reclassification – outside PPE	-	-	-	-	-	-	-	-
Balance at 31 March 2023	763,648	791,104	62,671	23,456	10,608	6,540	1,658,028	8,624
Accumulated Depreciation & Impairment								
Brought at 1 April 2022	(1,260)	(20,274)	(27,633)	(5,624)	-	-	(54,791)	-
Depreciation for year	(12,395)	(19,403)	(6,001)	(459)	-	-	(38,259)	(312)
Depreciation written out to Revaluation Reserve	9,364	11,953	-	-	-	-	21,317	312
Depreciation written to Surplus/ Deficit on Provision of Services	340	736	-	-	-	-	1,076	-
Impairment losses / reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	2,256	1,056	-	-	-	-	3,312	-
Derecognition - disposals	-	30	1,976	-	-	-	2,006	-
Derecognition - other	33	22	1,163	-	-	-	1,218	-
Reclassification - within PPE	-	-	-	-	-	-	-	-
Reclassification - outside PPE	-	-	-	-	-	-	-	-
Balance at 31 March 2023	(1,662)	(25,881)	(30,496)	(6,083)	-	-	(64,122)	-
Brought at 1 April 2022	681,586	731,843	32,016	17,673	11,372	3,941	1,478,431	8,920
Balance at 31 March 2023	761,987	765,223	32,176	17,373	10,608	6,540	1,593,907	8,624

* 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 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

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	2021/22 £'000	2022/23 £'000
Net Book Value (Modified Historic Cost) At 1 April	293,379	311,079
Additions	28,644	25,923
Derecognition - other	-	(188)
Reclassifications within PPE	790	1
Depreciation	(11,732)	(13,824)
Net Book Value at 31 March	311,080	322,991

Reconciling Note PPE Assets	31 March 2022 £'000	31 March 2023 £'000
Infrastructure Assets	311,080	322,991
Other PPE Assets	1,478,430	1,579,552
Total PPE Assets	1,789,510	1,902,543

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.

	2021/22 £'000	2022/23 £'000
Rental Income from investment property	(6,091)	(5,858)
Direct operating expenses arising from investment property	416	1,017
(Increase)/reduction in fair value of investment property	(2,450)	(1,478)
Net (gain) / loss	(8,125)	(6,319)

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

	2021/22 £'000	2022/23 £'000
Balance at the start of the year	90,225	92,687
Additions	12	21
Transfers from/(to) property, plant & equipment	-	-
Assets sold	-	(16,597)
Fair Value Adjustment	2,450	1,478
Balance at the end of the year	92,687	77,589

All Investment Properties have been valued as at 31 March 2023.

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. In 2022/23 a number of investment properties were sold, namely a number of sites are the Airfield and also Wessex Trade.

VALUATION INFORMATION INVESTMENT PROPERTY

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 followed by the comparative data for the period ending 31 March 2022 are as follows:

2022/23 Fair Value Hierarchy	Levels (no. of properties)			Fair Value
	1	2	3	£'000
Residential (market rental) properties	-	16	-	2,693
Office units	-	3	-	1,688
Commercial Units	-	70	-	73,208
	-	89	-	77,589

2021/22 Fair Value Hierarchy	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

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

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 no transfers between fair value levels during the year from Level 3 to Level 2.

Valuation techniques used to determine level 2 fair values

Eighty four 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 2022 Surplus or Deficit on the Provision of Services	31st March 2023 Surplus or Deficit on the Provision of Services
	£'000	£'000
Net (gains)/losses on :-		
Financial assets at fair value through profit and loss	(16)	(1)
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	-	(1)
Total net (gains)/losses	-	(1)
Interest revenue		
Financial assets at amortised cost	(1,394)	(3,061)
Other financial assets at fair value through other comprehensive income	-	-
Total interest revenue	(1,394)	(3,061)
Interest expense	9,210	9,203

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 Assets	Non-current				Totals	
	Investments		Debtors			
	As at 31	As at 31	As at 31	As at 31	As at 31	As at 31
	March 2022	March 2023	March 2022	March 2023	March 2022	March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Amortised Cost	4	4	5,616	6,543	5,620	6,547
Fair Value through other comprehensive income	-	-	-	-	-	-
Total Financial Assets	4	4	5,616	6,543	5,620	6,547
Assets not defined as Financial Instruments	-	-	14,146	22,436	14,146	22,436
Total	4	4	19,762	28,979	19,766	28,983

Note 14.1 Financial Assets	Current				Totals	
	Investments		Debtors			
	As at 31	As at 31	As at 31	As at 31	As at 31	As at 31
	March 2022	March 2023	March 2022	March 2023	March 2022	March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Amortised Cost	119,975	26,000	52,464	104,709	172,439	130,709
Fair Value through other comprehensive income	-	-	-	-	-	-
Total Financial Assets	119,975	26,000	52,464	104,709	172,439	130,709
Assets not defined as Financial Instruments						
Total Financial Assets	119,975	26,000	52,464	104,709	172,439	130,709

Note 14.2 Financial Liabilities	Creditors				Totals	
	Non-current		Current			
	As at 31	As at 31	As at 31	As at 31	As at 31	As at 31
	March 2022	March 2023	March 2022	March 2023	March 2022	March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities						
Amortised Cost	(260,596)	(257,988)	(132,587)	(105,525)	(393,183)	(363,513)
Total Financial Liabilities	(260,596)	(257,988)	(132,587)	(105,525)	(393,183)	(363,513)
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:

	As at 31 March 2022		As at 31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost:				
Short Term Borrowing *	(3,788)	(3,922)	(21,902)	(21,902)
Long Term Borrowing **	(253,331)	(303,608)	(251,319)	(198,195)
Short Term Creditors	(115,678)	-	(58,837)	-
Long Term Creditors	-	-	-	-
Cash & Cash Equivalents-Bank overdraft	(12,457)	-	(24,190)	-
PFI and Finance lease liabilities	(7,928)	-	(7,265)	-
Total Financial Liabilities	(393,183)	(307,530)	(363,513)	(220,097)

See below for breakdown of * and **.

Fair Value disclosures Financial Assets	As at 31 March 2022		As at 31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets held at amortised cost:				
Short Term Debtors	52,464	-	104,709	-
Long Term Debtors	5,616	-	6,543	-
Short Term Investments	119,975	-	26,000	-
Long Term investments	4	-	4	-
Cash & Cash Equivalents	34,698	-	14,366	-
Total Financial Assets	212,757	-	151,622	-

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

Note 14.3.1 Analysis of Borrowing				
	As at 31 March 2022		As at 31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Long Term Borrowing **				
PWLB Loans	(189,521)	(213,297)	(188,896)	(144,817)
Salix Loans	(64)	(64)	-	-
Commercial Loans	(63,746)	(90,247)	(62,423)	(53,378)
	<u>(253,331)</u>	<u>(303,608)</u>	<u>(251,319)</u>	<u>(198,195)</u>
Short Term Borrowing *				
PWLB Loans	(2,000)	(2,134)	(208)	(208)
Local Authority loans ***	(307)	(307)	(20,307)	(20,307)
Salix Loans	(191)	(191)	(64)	(64)
Commercial Loans	(1,290)	(1,290)	(1,323)	(1,323)
	<u>(3,788)</u>	<u>(3,922)</u>	<u>(21,902)</u>	<u>(21,902)</u>
Total Borrowing	(257,119)	(307,530)	(273,221)	(220,097)

*** Short term borrowing carried on the Balance sheet at £21.902m 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.

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 2022 £'000	Balance as at 31 March 2023 £'000
Investments:		
Local Government	10,004	26,004
UK Domiciled Banks	84,825	-
Non UK Bank	25,150	-
	<u>119,979</u>	<u>26,004</u>

	Balance as at 31 March 2022 £'000	Balance as at 31 March 2023 £'000
Investment measured at Amortised Costs		
AAA	-	-
AA-	10,000	26,000
A+	37,000	-
A	47,975	-
A-	25,000	-
N/A	<u>4</u>	<u>4</u>
	<u>119,979</u>	<u>26,004</u>

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 2022 £'000	Balance as at 31 March 2023 £'000
Long-Term Debtors:		
- with other Public Bodies	331	281
- secured against property	4,406	5,383
- unsecured	15,025	23,314
	19,762	28,978

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 Comprehensive 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 £0.

Investment	Principal £'000	Historic Risk of Default	Expected Credit Loss £'000
Bury Metropolitan Borough Council	6,000	0.001%	-
Wokingham Borough Council	10,000	0.001%	-
Telford & Wrekin Council	10,000	0.010%	-
Other	4	-	-
	26,004		-

* 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.

	2021/22	2022/23	
	%	%	
Less than one month	48	56	
More than one month less than two months	4	4	
More than two month less than a year	12	11	
More than a year	36	29	
	100	100	

	2022/23	2022/23	2022/23
	£'000	£'000	£'000
	Sundry Debtors	Other Receivables	Total
Receivables outstanding	55,573	70,990	126,563
Less impairment	(11,770)	(7,446)	(19,216)
	43,803	63,544	107,347

• *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 2022 £'000	Balance as at 31 March 2023 £'000
less than one year	(132,477)	(108,577)
between one and two years	(5,876)	(5,624)
between two and five years	(8,849)	(8,182)
between five and ten years	(18,843)	(29,112)
in ten years or more	(227,138)	(215,071)
Total Financial Liabilities	(393,183)	(366,565)

Market Risk

Interest Rate Changes

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 or 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:

Comprehensive Income and Expenditure statement :		
	Balance as at 31 March 2022 £'000	Balance as at 31 March 2023 £'000
Increase in interest payable on variable rate borrowing		
Temporary Borrowing	36	30
Short-Term Investments	(1,486)	(1,125)
Long-Term Debtors	-	-
Impact on Surplus or Deficit on the provision of services	(1,450)	(1,095)
Increase/(Decrease) in fair value of fixed rate long term borrowing	(54,218)	(26,181)
Impact on other comprehensive income and expenditure	32	31
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)	(55,636)	(27,245)
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.

15. Debtors

	2021/22	2022/23
	£'000	£'000
Trade receivables outstanding	25,357	30,152
Other receivables amounts outstanding	47,662	93,773
less impairment	(20,555)	(19,216)
Net receivables outstanding	52,464	104,709
Prepayment	3,545	17,683
Local Taxation receivables outstanding	35,515	31,658
Less impairment	(18,800)	(18,588)
Net Local Taxation receivables outstanding	16,715	13,070
Total	72,724	135,462

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

Net Local Taxation receivable outstanding

2022/23			
	Council Tax £'000	NDR £'000	Total £'000
Not later than one year	3,688	1,246	4,934
Later than one year and not later than five years	2,750	1,146	3,896
Later than five years	3,391	849	4,240
	9,829	3,241	13,070

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

Impairment allowance for doubtful debts

	2021/22 £'000	2022/23 £'000
Adult Social Care	(5,010)	(5,590)
Children Social Care	(119)	(119)
Children, Learning and Commissioning	(60)	(321)
Cleansing and Waste	(181)	(94)
Destination & Culture	(463)	(231)
Environment	(931)	(1,332)
Housing Benefits	(7,620)	(6,790)
Housing GF	(2,831)	(2,387)
Housing Revenue Account (HRA)	(1,737)	(2,054)
Leisure and Tourism	(77)	(51)
Resources	(1,526)	(247)
	(20,555)	(19,216)

16. Cash and Cash Equivalents

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

	2021/22 £'000	2022/23 £'000
Cash and bank account	34,698	14,366
Council's main bank account	(12,457)	(24,190)
	22,241	(9,824)

Within the table above includes £215,000 on behalf of Trust Funds for which the Council acts as trustee and/or administrator.

17. Creditors

	2021/22	2022/23
	£'000	£'000
Trade payables due	(40,832)	(34,846)
Other payables due	(74,846)	(23,991)
Total **	(115,678)	(58,837)
Receipts in Advance	(14,908)	(20,658)
Local Taxation payables due	(36,457)	(44,023)
	(167,043)	(123,518)

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

18. Provisions

	Balance 1 April 2021	Additional provisions made	Amounts used	Unused amounts reversed	Balance 1 April 2022	Additional provisions made	Amounts used	Unused amounts reversed	Balance 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Provisions	(3,869)	(199)	-	-	(4,068)	-	-	-	(4,068)
Business Rates	(15,054)	(521)	1,406	-	(14,169)	(2,194)	1,644	7,350	(7,369)
Property Provisions	(2,879)	(799)	-	-	(3,678)	(953)	167	360	(4,104)
Ordinary Residence	(1,121)	(95)	156	-	(1,060)	(94)	247	79	(828)
Winter Gardens	-	(5,200)	-	-	(5,200)	-	-	1,000	(4,200)
Future Places	-	-	-	-	-	(4,000)	-	-	(4,000)
Other provisions	(928)	(1,087)	168	2	(1,845)	(860)	-	-	(2,705)
Total	(23,851)	(7,901)	1,730	2	(30,020)	(8,101)	2,058	8,789	(27,274)

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.mminsurace.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 has reduced its provision by £1m to a £4.2million 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.

19. Usable Reserves

	2021/22	2022/23
	£'000	£'000
General Fund	(15,349)	(17,903)
Housing Revenue Account	(7,972)	(4,521)
Earmarked Reserves	(124,181)	(75,977)
Major Repairs Reserve	(761)	-
Usable Capital Receipts	(14,640)	(16,488)
Capital Grants Unapplied Account	(33,407)	(40,661)
Total Usable Reserves	(196,310)	(155,550)

21. Unusable Reserves

	2021/22	2022/23
	£'000	£'000
Revaluation Reserve	(516,224)	(586,662)
Capital Adjustment Account	(911,616)	(930,704)
Deferred Capital Receipts	(1,494)	(1,433)
Financial Instrument Adjustment Account	35	4
Pensions Reserve	808,513	254,716
Accumulated Absences Account	4,769	4,451
Collection Fund Adjustment Account	11,120	(24,495)
Dedicated School Grant Deficit	20,318	35,845
Total Unusable Reserves	(584,579)	(1,248,278)

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(457,691)	(516,224)
Upward revaluation of assets	(100,753)	(119,811)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	32,003	33,280
Surplus or Deficit on Reval of Non-current assets not posted to the Surplus or deficit on the provision of Services	(68,750)	(86,531)
Difference between fair value depreciation and historic cost depreciation	8,810	10,582
Accumulated (gains) and losses on assets sold or scrapped	1,408	5,511
Amount Written off to the Capital Adjustment Account	10,218	16,093
Balance at 31 March	(516,224)	(586,662)

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(885,718)	(911,616)
Reversal of items relating to Capital expenditure debited or credited to the CI&E :		
Depreciation of General Fund	23,287	39,702
Impairment on Non-Current Assets	26,220	(7,976)
Depreciation of Housing Revenue Account	11,637	12,395
Amount set aside to repay debt	(1,084)	(1,532)
Use of Flexible receipts	-	-
Amortisation of Intangible Assets	64	134
Revenue Expenditure Funded from Capital under Statute	12,372	9,986
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	10,269	39,124
	82,765	91,833
Adjusting amounts written out of the Revaluation Reserve	(10,218)	(16,092)
Net written out amount of the cost of Non-Current Assets consumed in the year	72,548	75,741
Capital Financing applied in year :		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,484)	(6,180)
Use of the Major Repairs Reserve to finance new capital expenditure	(18,392)	(13,156)
	(36,887)	(38,499)
Capital grant and contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		
Capital grant and contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	(9,126)	(8,849)
Application of Grants to capital financing from the Capital Grant Unapplied Account	(3,945)	(3,300)
Statutory Provision for the financing of Capital Investment charged against the General Fund and HRA Balances	(10,511)	(11,276)
Capital Expenditure charged against the General Fund and HRA balances	(13,649)	(12,091)
	(95,995)	(93,351)
Movements in the market value of Investment Properties debited or credited to Comprehensive Income and Expenditure Statement	(2,450)	(1,478)
Balance at 31 March	(911,616)	(930,704)

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(1,565)	(1,494)
Tfr of deferred sale proceeds credited as part of gain/loss on disposal to CI&E	-	-
Tfr to capital receipt reserve upon receipt of cash	-	-
W/off deferred capital receipt reserve to short term debtors	71	61
Balance at 31 March	(1,494)	(1,433)

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	68	35
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	-	-
Comprehensive Income and Expenditure Statement are different from the amounts shown in accordance with statutory requirements	(32)	(31)
Balance at 31 March	35	4

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	1,000,948	808,513
Remeasurements of the Net Defined Benefit Liability	(260,347)	(587,480)
Reversal of items relating to Retirement Benefits debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	99,288	65,903
Employer's Pension Contributions and Direct Payments to Pensioners payable in the year	(31,376)	(32,220)
Balance at 31 March	808,513	254,716

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	4,483	4,769
Settlement of cancellation of accrual made at the end of the preceding year	(4,483)	(4,769)
Amounts accrued at end of current year	4,769	4,451
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	286	(318)
Amounts accrued at end of current year	4,769	4,451

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.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	44,751	11,120
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	(33,631)	(35,615)
Balance at 31 March	11,120	(24,495)

During the year, the Collection Fund Adjustment Account resulted in a surplus of £17.1m resulting from a recovery from the covid pandemic. This has resulted in a partial transfer to earmarked reserves to fund future deficits and to ensure equalisation of the Business Rate reserve account.

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.

	2021/22	2022/23
	£'000	£'000
Balance at 1 April	7,853	20,318
In year deficit in respect of its school's budget	12,465	15,527
Balance at 31 March	20,318	35,845

22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22	2022/23
	£'000	£'000
Interest Received	1,394	3,063
Interest Paid	(9,210)	(9,203)
Dividends	502	311

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

	2021/22	2022/23
	£'000	£'000
Depreciation	34,924	34,471
Impairment and downward valuations	35,522	9,650
Amortisation	64	134
Movements in pension liabilities	67,913	33,683
Increase / (decrease) in creditors	14,727	(56,145)
(Increase) / decrease in debtors	24,591	(60,705)
(Increase) / decrease in inventories	(256)	91
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,269	39,123
Movement in Investment Property Values	(2,450)	(1,478)
Other non-cash items charged to the net surplus or deficit on the provision of services	18,935	13,010
	204,239	11,834

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

	2021/22	2022/23
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,668)	(24,779)
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0

Any other items for which the cash effects are investing or financing cash flows

(41,429)	(38,675)
(48,097)	(63,454)

23. Cash Flow Statement - Investing Activities

	2021/22	2022/23
	£'000	£'000
Purchase of property, plant & equipment, investment property and intangible assets	(105,068)	(107,310)
Purchase of short-term and long-term investments	(1,034,150)	(756,375)
Other payment for investing activities	(13,766)	(23,025)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,269	25,225
Proceeds from short-term and long-term investments	970,860	850,350
Capital Grants Received	44,071	60,498
Net cash flows from investing activities	(127,784)	49,363

24. Cash Flow Statement - Financing Activities

	2021/22	2022/23
	£'000	£'000
Cash receipts of short and long-term borrowing	101,000	30,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI	(624)	(554)
Repayments of short and long-term borrowing	(38,679)	(13,898)
Other payments for financing activities	20,244	5,714
Net cash flows from financing activities	81,941	21,262

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.

	2021/22	2022/23
	£'000	£'000
Total allowances paid	1,406	1,447

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	Schools	Non Schools	Schools
	2021/22	2021/22	2022/23	2022/23
50,000 - 54,999	65	26	98	26
55,000 - 59,999	51	11	55	13
60,000 - 64,999	28	14	36	15
65,000 - 69,999	26	6	27	11
70,000 - 74,999	20	6	17	1
75,000 - 79,999	5	2	14	5
80,000 - 84,999	1	2	6	1
85,000 - 89,999	2	1	3	1
90,000 - 94,999	5	1	4	-
95,000 - 99,999	2	1	1	-
100,000 - 104,999	1	-	3	1
105,000 - 109,999	2	1	4	1
110,000 - 114,999	2	-	1	-
115,000 - 119,999	-	-	1	1
120,000 - 124,999	-	1	-	1
135,000 - 139,999	1	-	1	-
140,000 - 144,999	1	-	-	-
	212	72	271	77

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
	2022/23 £	2022/23 £	2022/23 £	2022/23 £	2022/23 £
Chief Executive - (Mr G Farrant)	193,404			-	193,404
Corporate Director - Chief Operations Officer	144,375			25,121	169,496
Corporate Director - Children's Services	164,725			28,662	193,387
Corporate Director - Adult Social Care (1)	109,027		44,502	18,971	172,500
Corporate Director - Resources (2)	73,358			12,764	86,122
Director of Finance	118,938			20,695	139,633
Director of Law & Governance	118,938	2,126		20,695	141,759
Director of Commissioning	118,938			20,695	139,633
Totals	1,041,703	2,126	44,502	147,603	1,235,934

Notes:

1. Adult Social Care Director left the authority on the 28/02/23
2. Resources Director left the authority on the 30/10/22

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 2022/23, 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.

27. Officers' Remuneration – Exit Package

2022/23	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	9	10	19	164
£60,001 - £80,000	-	1	1	80
£380,000 - £400,000	1	-	1	386
Totals for 2022/23	10	11	21	630

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

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.

	2021/22	2022/23
	£'000	£'000
Audit Fee	213	265
Additional fee paid to External Audit with regards to external audit services carried out by the appointed auditor for 2022/23	-	65
Sub total	213	330
Fee payable in respect of Grant Claims	38	28
Additional fees paid to external auditors for the certification of grant claims and returns for 2020/21	5	-
Additional fees paid to external auditors for the certification of grant claims and returns for 2022/23	-	-
Total Fee payable in respect of other services	256	358
Fee Payable in respect of other services	10	-
Audit Fees for Charities	22	12

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 recoupment			314,859
Academy and high needs figure recouped for 2022/23			212,182
Total DSG after academy and high needs recoupment for 2022/23			102,677
Plus :Balance brought forward			-
less: Carry forward to 2022/23 agreed in advance			16,711
Agreed initial budgeted distribution in 2022/23	60,478	58,910	119,388
In year adjustments	-	(708)	(708)
Final budgeted distribution for 2022/23	60,478	58,202	118,680
Less : Actual Central Expenditure	59,399		59,399
Less : Actual ISB deployed to Schools		58,097	58,097
Plus : Local Authority contribution for 2022/23	-	-	-
In Year Carry-forward to 2023/24	1,079	105	1,184
Plus: Carry-forward to 2023 to 2024 agreed in advance			(16,711)
Carry-forward to 2023/24			-
DSG unusable reserve at the end of 2021/22			(20,317)
Addition to DSG unusable reserve at the end of 2022/23			(15,527)
Total of DSG unusable reserve at the end of 2022/23			(35,844)
Net DSG position at the end of 2022/23			(35,844)

30. Grant Income

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

	2021/22 £'000	2022/23 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Grants:		
Revenue Support Grant	(3,022)	(3,122)
New Homes Bonus Grant	(2,563)	(1,038)
PFI Support Grant	(1,254)	(1,254)
NNDR Section 31 Grants	(28,644)	(14,945)
Covid 19 Tranches Grants	(16,571)	-
Local Government Services Grant	-	(4,264)
Fees and Charges Compensation Grant	(2,989)	-
75% Ctax and NNDR Income Guarantee	(1,096)	-
Furlough Grant	(30)	-
Sub-total	(56,169)	(24,623)
Capital Grants and Contributions:		
Miscellaneous Education Grants	(996)	(2,406)
Miscellaneous Transport Grants	(19,882)	(14,583)
Miscellaneous Government Grants	(3,915)	(2,786)
Other Contributions	(16,635)	(29,279)
Sub-total	(41,428)	(49,054)
Total	(97,597)	(73,677)

	2021/22 £'000	2022/23 £'000
Credited to Services		
Dedicated Schools Grant	(97,219)	(139,533)
Pupil Premium Grant	(2,187)	(4,279)
Public Health Grant	(36,250)	(21,226)
Rent Allowances	(76,659)	(72,147)
Rent Rebates	(22,385)	(22,504)
Local Council tax Support Scheme	(3,835)	-
Grants towards Revenue Expenditure Funded from Capital under Statute	(9,126)	(59)
Restriction Support Grant	(3,375)	-
Miscellaneous	(51,562)	(51,242)
Total	(302,598)	(310,990)

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:

	2021/22 £'000	2022/23 £'000
Capital Grants Receipts in Advance		
Government Grants	(48,095)	(25,025)
Other Contributions	(8,623)	(39,843)
	(56,718)	(64,868)

	2021/22 £'000	2022/23 £'000
Revenue Grants Receipts in Advance		
Government Grants	-	-
Other Contributions	(16,908)	(13,994)
	(16,908)	(13,994)

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 as transparent as possible.

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

The amounts paid are as follows:

	2021/22 £'000	2022/23 £'000
Dorset Healthcare University NHS Foundation Trust	1,569	1,917
Bournemouth Collegiate Prep School	140	162
University Hospitals Dorset NHS Foundation Trust	24	26
Local Government Association	75	94
Police and Crime Commissioner for Dorset	3,839	5,348
Ambitions Academies Trust T/A St Aldhelms Academy	762	935
Dorset & Wiltshire Fire and Rescue Service	-	12,094
Castleman Academy Trust	-	565

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

	2021/22 Owing to £'000	2021/22 Owing from £'000	2022/23 Owing to £'000	2022/23 Owing from £'000
Dorset Healthcare University NHS Foundation Trust	(61)	134	(725)	43
Bournemouth Collegiate Prep School	-	-	-	-
University Hospitals Dorset NHS Foundation Trust	(15)	166	-	20
Local Government Association	-	-	-	-
Police and Crime Commissioner for Dorset	(297)	-	(47)	-
Ambitions Academies Trust T/A St Aldhelms Academy	(45)	2	-	-
Dorset & Wiltshire Fire and Rescue Service	-	-	-	-
Castleman Academy Trust	-	-	-	-

Officers

The amounts paid to these related parties are as follows:

	2021/22 £'000	2022/23 £'000
Bournemouth Town Centre BID	724	882

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

	2021/22 Owing to £'000	2021/22 Owing from £'000	2022/23 Owing to £'000	2022/23 Owing from £'000
Bournemouth Town Centre BID	-	2	(14)	-

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 2022/23 there was no asset transfer or no new loans made 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.

In 2022/23 the Council gave a working loans to FuturePlaces Ltd of the value of £3.5 million.

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:

	2021/22 £'000	2022/23 £'000
Russell-Cotes Art Gallery & Museum Charitable Trust	651	516
Five Parks Charity	284	454
Lower Central Garden Trust	398	479

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

- Seascope South Ltd
- Bournemouth Building & Maintenance Ltd
- Seascope Group Ltd
- Tricuro Ltd
- Bournemouth Development Company LLP
- Seascope 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:

	2021/22	2022/23
	£'000	£'000
Seascope South Ltd	450	638
Bournemouth Building & Maintenance Ltd	10,774	12,680
Seascope Group Ltd	-	-
Tricuro Ltd	19,016	18,792
Seascope Homes & Property Ltd	-	-
M D Care T/A Fairways	4	-
Poole Housing Partnership Ltd	9,492	2,932
BCP FuturePlaces Ltd	1,370	1,735

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

	2021/22	2021/22	2022/23	2022/23
	Owing to	Owing from	Owing to	Owing from
	£'000	£'000	£'000	£'000
Seascope South Ltd	(132)	56	(43)	-
Bournemouth Building & Maintenance Ltd	(606)	140	(731)	-
Seascope Group Ltd	-	60	-	68
Tricuro Ltd	(111)	414	-	484
Seascope Homes & Property Ltd	-	323	-	276
M D Care T/A Fairways	-	-	-	-
Poole Housing Partnership Ltd	(60)	137	(64)	77
BCP FuturePlaces Ltd	(1,417)	1,370	(698)	1,735

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.

	2021/22 £'000	2022/23 £'000
Opening Capital Financing Requirement	456,660	476,629
Capital investment:		
- Property, Plant & Equipment	94,966	93,031
- Investment Property	11	22
- Assets Held for Sale	-	-
- Long term debtor	-	-
- Inventory	-	-
- Intangible Assets	200	151
- Deferred Debtors	9,498	5,697
Revenue Expenditure Funded from Capital under Statute	12,372	9,986
Source of Funding:		
- Capital receipt	(3,484)	(6,180)
- Government Grant & Contributions	(49,958)	(50,647)
- Revenue Finance	(13,649)	(12,092)
- Major Repairs Reserve	(18,392)	(13,156)
Other Sums set aside		
- Revenue Provision for Repayment of Borrowing	(10,511)	(11,830)
- General Fund receipt set aside to repay borrowing	-	-
- HRA receipt set aside to repay borrowing	(1,084)	(978)
Closing Capital Financing Requirement	476,629	490,633
Explanation of movement in year:		
Decrease in underlying need to borrow (supported by Government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	19,969	14,004
Assets acquired under Finance Leases	-	-
Increase in Capital Financing Requirement	19,969	14,004

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.

	31/03/2022 £'000	31/03/2023 £'000
Vehicles, plant, furniture and equipment	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:

	31/03/2022	31/03/2023
	£'000	£'000
Finance leases liabilities		
Current	109	-
Non-current	-	-
Finance costs payable in future years	-	-
Minimum lease payments	109	-

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

	31/03/2022	31/03/2023
	£'000	£'000
Not later than one year	109	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	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:

	31/03/2022	31/03/2023
	£'000	£'000
Not later than one year	303	458
Later than one year and not later than five years	845	908
Later than five years	6,768	4,602
	7,916	5,968

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:

	31/03/2022	31/03/2023
	£'000	£'000
Minimum lease payments	795	863
Contingent Rents	16	19
	811	882

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.

	31/03/2022	31/03/2023
	£'000	£'000
Not later than one year	54	56
Later than one year and not later than five years	230	227
Later than five years	226	174
	510	457

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

	31/03/2022	31/03/2023
	£'000	£'000
Minimum lease payments	41	54
Contingent Rents	61	51
	102	105

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:-

	31/03/2022	31/03/2023
	£'000	£'000
Not later than one year	8,244	7,850
Later than one year and not later than five years	27,606	22,478
Later than five years	184,799	170,679
	220,649	201,007

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

	31/03/2022	31/03/2023
	£'000	£'000
Minimum lease payments	10,419	11,213
Contingent Rents	603	713
	11,022	11,926

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.

	2021/22	2022/23
Amount paid to Teachers' Pensions Scheme	7,188,639.57	7,199,567.18
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.

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.

	2021/22 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services :-		
- Service Cost	77,228	47,817
- Current	1,078	3,197
- Past	944	919
- Administration expenses	79,250	51,933
Financing and Investment Income and Expenditure :-		
- Interest cost	20,039	-
Total Post Employment Benefits charged to the Surplus or Deficit on the provision of Services	99,289	51,933
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)	88,079	(98,333)
- Actuarial Gains and Losses arising on changes in Demographic Assumptions	50,329	141
- Actuarial Gains and Losses arising on changes in Financial Assumptions	98,929	857,189
- Other	23,011	(171,517)
	260,348	587,480
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	359,637	639,413
Movement In Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(99,288)	(65,903)
- Employers' Contributions payable to the Scheme	31,376	32,220
Actual amount charged against the General Fund Balance for Pensions in the year	(67,912)	(33,683)

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:

	2021/22 £'000	2022/23 £'000
Present Value of the Defined Benefit Obligation	(2,072,496)	(1,467,211)
Fair Value of Plan Assets	1,263,984	1,212,496
Net Liability arising from Defined Benefit Obligation	(808,512)	(254,715)

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

	2021/22 £'000	2022/23 £'000
Opening Fair Value of Scheme Assets at 1 April	1,183,067	1,263,984
Interest Income	20,547	40,199
Remeasurement Gain/(Loss)		
Return on Plan Assets (excluding the amount included in the net interest expense)	88,079	(98,333)
	(16,190)	(68)
Administration Expenses	(944)	(919)
Contributions from Employer	31,376	32,220
Contributions from Employees into the Scheme	9,692	10,259
Benefits Paid (Net of transfers in)	(51,610)	(54,650)
Settlement prices received/(paid)	(33)	19,804
Closing Fair Value of Scheme Assets at 31 March	1,263,984	1,212,496

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

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(2,184,014)	(2,072,496)
Current Service Cost	(77,228)	(47,817)
Interest Cost	(40,586)	(54,169)
Contributions from Scheme Participants	(9,692)	(10,259)
Experience loss/ (gain) on defined benefit obligation	39,201	(171,449)
Remeasurement Gain/(Loss)		
Actuarial Gains/(Losses) arising on changes in Demographic Assumptions	50,329	141
Actuarial Gains/(Losses) arising on changes in Financial Assumptions	98,930	857,189
	-	-
Past Service Cost, including Curtailments	(1,099)	(136)
Benefits Paid (Net of transfers in)	49,163	52,505
Liabilities assumed/(extinguished) on settlements	54	(22,865)
Unfunded Pension Payments	2,446	2,145
Closing Balance at 31 March	(2,072,496)	(1,467,211)

Local Government Pension Scheme Assets Comprised:

	2021/22	2022/23
	£'000	£'000
Cash & Cash Equivalents	28,402	20,271
Equity Instruments	670,563	755,638
Bonds & Gilts	63,798	78,985
Property	261,839	269,557
Other Investment Funds	239,382	88,045
	1,263,984	1,212,496

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

		31st March 2022		31st March 2023	
		% Quoted	% Unquoted	% Quoted	% Unquoted
Corporate Bonds	UK	5.0%	-	7.0%	-
	Overseas	-	-	-	-
Equities	UK	10.0%	-	9.0%	-
	Overseas	39.0%	-	48.0%	-
Property	All	-	7.0%	-	8.0%
Others	Private Equity	-	4.0%	-	3.0%
	Infrastructure	-	7.0%	-	8.0%
	Derivatives	-	0.0%	-	0.0%
	Diversified Growth Fund	-	7.0%	-	7.0%
	Liability Driven Investment	-	12.0%	-	1.0%
	Multi Asset Credit	-	5.0%	-	7.0%
	Property Pooled Funds	-	2.0%	-	0.0%
	Secured Income Funds	-	0.0%	-	0.0%
	Cash/Temporary Investments	-	2.0%	-	2.0%
Net Current Assets	Debtors	-	-	-	-
	Creditors	-	-	-	-
Total		54.0%	46.0%	64.0%	36.0%

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 2023.

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:

	2021/22	2022/23
	%	%
Expected rate of return on assets in the scheme	34.06	34.40
	2021/22	2022/23
	Years	Years
Mortality assumptions:		
Longevity at 65 for current pensioners :-		
- Men	22.1	22.2
- Women	24.2	24.2
Longevity at 65 for future pensioners :-		
- Men	23.4	23.5
- Women	25.6	25.6
	2021/22	2022/23
	%	%
Rate of Inflation (CPI)	3.20	2.90
Rate of Increase in Salaries	4.20	3.90
Rate of Increase in Pensions	3.20	2.90
Rate for Discounting Scheme Liabilities	2.60	4.80

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	Decrease in Assumption
	£ 000's	£ 000's
Longevity (increase or decrease in 1 year)	56,601	(53,824)
Rate of increase in salaries (increase or decrease by 0.1%)	1,892	(1,431)
Rate of increase in Pensions (increase or decrease by 0.1%)	22,340	(21,341)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(22,559)	23,595

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 2025.

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 £27.966 million in contributions to the scheme in 2023/24.

36. Contingent Liabilities

The Council wishes to disclose a contingent liability as at 31 March 2023 for possible damages and legal costs associated with a potential legal claim. The Council does not believe a reliable estimate of any possible liabilities, if any, can be made. Any potential outflow would likely not occur until at least 2024/25.

37. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 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 4.8% 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 2022/23 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	25 years
Footways	25 years
Cycle Routes	25 years
Highway Structures	120 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	15-25 years
Groynes	6-22 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 2022/23 and 2023/24.

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

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

Paragraph 3.3.4.3 and Appendix C of the Code adapts 'IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors' on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2023/24 Code). This means that only the standards listed below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted.

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

- IFRS 16 Leases * (this is only for Authorities who have decided to voluntarily implement IFRS 16 in 2023/24) the formal date of adoption for implementation is 1 April 2024.
- Where an Authority implemented IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 Statement of accounts. This is not applicable to this BCP Council.
- Definition of accounting estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice statement 2 'Making Materiality Judgements' issued in February 2021)
- Deferred Taxation related to assets and liabilities arising from a single transaction (amendments to IFRS 12 'Disclosure of interests in other Entities') issued in May 2021.
- Updating a reference to the conceptual framework (Amendments to IFRS 3 'Business Combinations') issued May 2020.

IFRS 16 Leases *

This change in accounting policy for leases will bring fundamental changes for the way the Council accounts for leases where it 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.

	2021/22 £'000	2022/23 £'000
EXPENDITURE		
Repairs and Maintenance	10,682	12,772
Supervision and Management	12,615	13,112
Rents, rates, taxes and other charges	358	629
Charge for bad & doubtful debts	108	334
Depreciation and Impairment of Non-current Assets	20,938	2,293
REFCUS	-	-
Debt Management Expense	182	192
Total Expenditure	44,883	29,332
INCOME		
Dwelling rents (gross)	(43,323)	(45,572)
Non-dwelling rents (gross)	(177)	(309)
Charges for services and facilities	(3,347)	(2,721)
Contributions towards expenditure	(160)	(536)
Total Income	(47,007)	(49,138)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account	(2,125)	(19,806)
HRA share of Non-Distributed Costs	(319)	(175)
Net Cost of HRA Services	(2,444)	(19,981)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(Gain) or loss on disposal of HRA Non-current assets	(2,509)	(2,087)
Interest payable and similar charges	5,285	5,255
Investment Income	(39)	(452)
Pensions Interest Cost and Expected Return on Pension Assets	1,420	718
Capital Grants and Contributions	(4,288)	(722)
(Surplus) / Deficit for the year on HRA Services	(2,575)	(17,269)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2021/22 £'000	2022/23 £'000
Balance at Beginning of Year	(1,746)	(7,972)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(2,575)	(17,269)
Adjustments between Accounting Basis and Funding Basis under Statute	9,094	23,498
Net (Increase)/Decrease before transfers to or from Earmarked Reserves	6,519	6,229
Transfers to/(from) Earmarked Reserves	(12,745)	(2,778)
(Increase)/Decrease in Year on the HRA	(6,226)	3,451
Balance at End of Year	(7,972)	(4,521)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

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

	Bedroom No.	2021/22 No.	2022/23 No.
Flats	0	379	377
	1	3,197	3,220
	2	1,523	1,549
	3	130	144
Houses	1	2	2
	2	1,163	1,159
	3	2,192	2,168
	4	261	271
	5+	12	12
Bungalows	0	8	8
	1	484	460
	2	162	134
	3	31	30
	4	3	3
	5	1	1
Shared Ownership		33	33
		9,581	9,571

2. Balance Sheet Value of HRA Assets

Property, Plant & Equipment	HRA Assets	Other Land & Buildings	Asset under construction	Development Land	Plant & Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
Brought Forward 1 April 2022	660,917	6,289	11,206	1,930	2,505	682,847
Additions	22,684	43	9,407	-	341	32,475
Revaluation Increase/(decrease) recognised in Revaluation Reserve	44,433	(693)	-	(171)	-	43,569
Revaluation increase/(decrease) recognised in Surplus/Deficit Provision of Service	7,551	(45)	-	-	-	7,506
Derecognition - disposals	(3,143)	-	-	-	-	(3,143)
Derecognition - other	-	(18)	(2)	-	(33)	(53)
Reclassification – within PPE	4,423	(350)	(3,383)	(240)	-	450
Reclassification – outside PPE	-	-	-	-	-	-
Balance Carried Forward 31 March 2023	736,865	5,226	17,228	1,519	2,813	763,651
Accumulated Depreciation & Impairment						
Brought Forward 1 April 2022	-	-	-	-	(1,260)	(1,260)
Depreciation for year	(11,850)	(110)	-	-	(435)	(12,395)
Depreciation written out to Revaluation Reserve	9,262	101	-	-	-	9,363
Depreciation written to Surplus/ Deficit on Provision of Services	332	8	-	-	-	340
Impairment losses / reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses / reversals recognised in Surplus / Deficit on Provision of Services	2,256	-	-	-	-	2,256
Derecognition - disposals	-	-	-	-	-	-
Derecognition - other	-	-	-	-	32	32
Reclassification - within PPE	-	-	-	-	-	-
Reclassification - outside PPE	-	-	-	-	-	-
Balance Carried Forward 31 March 2023	-	(1)	-	-	(1,663)	(1,664)
Balance Sheet Amount 1 April 2022	660,917	6,289	11,206	1,930	1,245	681,587
Balance Sheet Amount 31 March 2023	736,865	5,225	17,228	1,519	1,150	761,987

The valuation of the housing stock based on vacant possession at 31 March 2023 was £2,110 million (31 March 2022 £1,892 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.

	2021/22	2022/23
	£'000	£'000
Balance at 1 April	(7,516)	(761)
HRA Depreciation from CAA	(11,637)	(12,395)
Repayment of HRA debt	-	-
Financing of HRA capital expenditure - Council Housing	18,392	13,156
Balance at 31 March	(761)	-

4. Summary of Capital Expenditure and Sources of Finance

	2021/22 £'000	2022/23 £'000
Opening Capital Financing Requirement	137,208	133,231
Appropriation of Property from the HRA	-	450
Capital investment:		
- Property, Plant & Equipment	38,508	32,475
Source of Funding:		
- Capital receipt	(3,484)	(6,180)
- Government Grant & Contributions	(3,886)	(1,979)
- Revenue Finance	(12,746)	(11,160)
- Major Repairs Reserve	(18,392)	(13,156)
Switch between HRA and General fund	(2,894)	-
Revenue contribution to the Repayment of Borrowing	(1,084)	(978)
Closing Capital Financing Requirement	133,230	132,703
Explanation of movement in year:		
Decrease in underlying need to borrow (supported by Government financial assistance)	(3,977)	(978)
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
	-	450
Appropriation of property to the HRA		
Increase in Capital Financing Requirement	(3,977)	(528)

5. Capital Receipts

	2021/22 £'000	2022/23 £'000
Balance at 1 April	(12,130)	(9,571)
Capital receipts in year		
- sale of Council houses	(5,831)	(5,193)
- Other receipts	(42)	(58)
Pooled capital receipts	914	0
Admin costs for RTB	57	61
Repayment of borrowing from GF	1,084	978
Applied to finance capital expenditure		
- Housing (HRA)	3,484	6,180
- Housing (GF)	-	-
Transfer from HRA to GF	2,894	-
Balance at 31 March	(9,571)	(7,603)

6. Depreciation and Impairment of Non-Current Assets

	2021/22	2022/23
	£'000	£'000
Depreciation is charged based on the useful life of assets as follows:		
- Council dwellings	11,191	11,850
- Other land & bldgs	109	110
- Plant & equipment	337	435
	11,637	12,395
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	9,403	(10,139)
- Other	(102)	37
	9,301	(10,102)
Total charge to Income and Expenditure account	20,938	2,293

7. Rent Arrears

	Balance	Balance
	31/03/2022	31/03/2023
	£'000	£'000
Cumulative Gross Arrears	1,716	2,095
Dwellings rents written off during the year	247	119
Provision for bad debt as at 31 March	1,405	1,726
Current Tenant rent arrears expressed as a % of gross rent income	3.96%	4.60%

THE COLLECTION FUND STATEMENT 2022/23

This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing Authority in relation to National Non-Domestic Rates (NNDR) and Council Tax. It illustrates the way in which these have been distributed to precepting authorities and the Council's own General Fund. The introduction to Business Rate Retention requires local Authorities to maintain a separate Collection Fund Account for Business Rates and Council tax as follows:

Collection fund Statement	Notes	2021/22			2022/23		
		Business Rates £'000	Council Tax £'000	TOTALS £'000	Business Rates £'000	Council Tax £'000	TOTALS £'000
Income							
Council Tax receivable			(271,564)	(271,564)		(283,794)	(283,794)
Business Rates receivable		(106,334)		(106,334)	(119,773)		(119,773)
Total Income		(106,334)	(271,564)	(377,898)	(119,773)	(283,794)	(403,567)
Charges to the Collection Fund:							
Less (inc)/decrease in provision for bad debts		33	3854	3,887	(1,492)	1777	285
Less (inc)/decrease in provision for appeals		(1,807)		(1,807)	(13,876)		(13,876)
Less disregard amounts		310		310	315		315
Contribution towards the Collection fund surplus		-	(2,448)	(2,448)	-	357	357
Total charges to the Collection Fund		(1,464)	1,406	(58)	(15,053)	2,134	(12,919)
Net Collectable		(107,798)	(270,158)	(377,956)	(134,826)	(281,660)	(416,486)
Less other charges:							
Transitional Protection sums due from/to Authority		1214	0	1,214	1241	0	1241
Cost of Collection Allowance		595	0	595	600	0	600
Non-domestic rating (NNDR) income for 2022/23		(105,989)	(270,158)	(376,147)	(132,985)	(281,660)	(414,645)
Demands, Precepts and Proportionate Shares:							
Central Government/DLUHC		66,805	-	66,805	55,082	-	55,082
BCP Council		65,469	215,527	280,996	53,980	229,963	283,943
Dorset Police and Crime Commissioner		-	35,569	35,569	-	38,007	38,007
Dorset & Wiltshire Fire and Rescue		1,336	10,838	12,174	1,102	11,362	12,464
Council Tax and NNDR income as at 31 March 2023		133,610	261,934	395,544	110,164	279,332	389,496
Council tax & NNDR 1 & NNDR 3 reconciliation amounts		(27,621)	8,223	(19,398)	22,821	2,328	25,149
surplus (+)/deficit (-) b/f 1 April		(82,307)	(5,243)	(87,550)	(27,638)	2,980	(24,658)
surplus (+)/deficit (-) arising during year				-			-
Estimated surplus (+)/deficit (-) payable in year		82,290	-	82,290	45,995		45,995
surplus (+)/deficit (-) arising during year including paid in yr per Council tax & NNDR3		(27,638)	2,980	(24,658)	41,178	5,307	46,486
Collection Fund Surplus/(Deficit) c/f 31 March:		Business Rates £'000	Council Tax £'000	TOTALS £'000	Business Rates £'000	Council Tax £'000	TOTALS £'000
Central Government/DLUHC		(13,819)	-	(13,819)	20,586	-	20,586
BCP Council		(13,543)	2,423	(11,120)	20,180	4,315	24,495
Dorset Police and Crime Commissioner		-	438	438	-	778	778
Dorset & Wiltshire Fire and Rescue		(276)	119	(157)	412	214	626
Surplus/deficit (-) c/f 31 March		(27,638)	2,980	(24,658)	41,178	5,307	46,485

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 2022/23 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 2022/23
A* - disabled relief for Band A property	0	4.9	5/9	
A	26,721.0	10,166.2	6/9	
B	33,947.0	19,210.9	7/9	
C	53,931.0	38,837.5	8/9	
D	35,648.0	30,362.3	9/9	
E	21,642.0	24,004.7	11/9	
F	9,267.0	12,332.4	13/9	
G	5,669.0	8,976.5	15/9	
H	1,253.0	2,275.0	18/9	
MOD Properties				155.4
Total	188,078.0	146,170.4		146,325.8
Expected Collection Rate				97.60%
				142,814.0

2. Income from Business Rate Payers

	2021/22 £	2022/23 £
Total Rateable Value at 31 March (£)	371,112,738	367,680,403
The Standard Multiplier (rate in the £) as set by Government (Pence)	51.20	51.20

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:

Estimated (Surplus)/Deficit on the Collection Fund distribution

	2021/22	2022/23
	£'000	£'000
Council Tax:		
Bournemouth, Christchurch and Poole	(2,027)	(357)
Dorset Police and Crime Commissioner	(320)	(78)
Dorset & Wiltshire Fire and Rescue	(102)	(19)
Business Rates:		
Bournemouth, Christchurch and Poole	40,322	22,535
Central Government	41,145	22,994
Dorset & Wiltshire Fire and Rescue	823	460
Total	79,841	45,535

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure 2021/22 £'000	Gross Income 2021/22 £'000	Net Expenditure 2021/22 £'000		Gross Expenditure 2022/23 £'000	Gross Income 2022/23 £'000	Net Expenditure 2022/23 £'000
			Service:			
233,112	(115,076)	118,036	Adult Services	232,374	(112,170)	120,204
220,462	(123,057)	97,405	Childrens Services	298,187	(200,438)	97,749
226,004	(135,126)	90,878	Operations	243,322	(150,553)	92,769
162,284	(122,519)	39,765	Resources	154,239	(113,533)	40,706
44,564	(47,008)	(2,444)	Housing Revenue Account	29,157	(49,138)	(19,981)
8,500	-	8,500	Transformation	22,586	(21)	22,565
58,702	-	58,702	Corporate Items	27,545	(869)	26,676
953,628	(542,786)	410,842	COST OF SERVICES	1,007,410	(626,722)	380,688
6,108	(10,432)	(4,324)	Other Operating Expenditure	15,969	(9,299)	6,670
50,165	(30,435)	19,730	Financing and Investment Income and Expenditure	64,320	(50,526)	13,794
-	(350,711)	(350,711)	Taxation and Non-Specific Grant Income	-	(358,601)	(358,601)
1,009,901	(934,364)	75,537	(Surplus) / Deficit on Provision of Services	1,087,699	(1,045,148)	42,551
		(68,750)	(Surplus) / Deficit on Revaluation of Non-current Assets			(86,531)
		(260,348)	Re-measurement of Net Defined Benefit Liability			(587,480)
		(329,098)	Other Comprehensive Income and Expenditure			(674,011)
		(253,561)	Total Comprehensive Income and Expenditure			(631,460)

GROUP MOVEMENT IN RESERVES STATEMENT 2022/23

	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	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	£'000	£'000	£'000
Balance at 1 April 2022	(15,350)	(121,403)	(136,752)	(7,972)	(2,778)	(10,750)	(761)	(14,640)	(33,407)	(196,310)	(584,579)	(780,889)	(105,362)	(886,250)
(Surplus) or Deficit on Provision of Services (accounting basis) - CIES	53,985	-	53,985	(17,269)	-	(17,269)	-	-	-	36,715	-	36,715	(8,519)	28,196
Other Comprehensive Income and Expenditure - CIES	-	-	-	-	-	-	-	-	-	-	(674,011)	(674,011)	-	(674,011)
Total Comprehensive Income and Expenditure	53,985	-	53,985	(17,269)	-	(17,269)	-	-	-	36,715	(674,011)	(637,296)	(8,519)	(645,815)
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments Between Accounting Basis and Funding Basis under Regulations	(11,113)	-	(11,113)	23,498	-	23,498	761	(1,848)	(7,255)	4,044	10,311	14,354.90	-	14,355
Net (Increase) / Decrease before Transfers to/ from Earmarked Reserves	42,871	-	42,871	6,229	-	6,229	761	(1,848)	(7,255)	40,759	(663,700)	(622,941)	(8,519)	(631,460)
Transfers (to) / from Earmarked Reserves	(45,425)	45,425	-	(2,778)	2,778	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(2,554)	45,425	42,871	3,451	2,778	6,229	761	(1,848)	(7,255)	40,759	(663,700)	(622,941)	(8,519)	(631,460)
Balance at 31 March 2023	(17,903)	(75,978)	(93,881)	(4,521)	-	(4,521)	0	(16,488)	(40,661)	(155,551)	(1,248,279)	(1,403,829)	(113,881)	(1,517,710)

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 BALANCE SHEET

	Note	31/03/2022	31/03/2023
		£'000	£'000
Property, Plant and Equipment	4	1,826,181	1,940,052
Heritage Assets	5	69,286	76,952
Investment Property		92,687	77,589
Intangible Assets		528	544
Long-Term Investments		4	4
Long Term Debtors		19,762	28,979
Total Long-Term Assets		2,008,448	2,124,120
Short-Term Investments		119,975	26,000
Assets Held for Sale		5,582	5,478
Inventories		1,436	1,344
Short-Term Debtors		72,763	135,501
Cash and Cash Equivalents		34,808	14,476
Total Current Assets		234,564	182,799
Public Finance Initiative Current Obligation		(554)	(596)
Short-Term Borrowing		(3,788)	(21,902)
Short-Term Creditors		(167,206)	(123,681)
Bank Overdraft		(12,457)	(24,190)
Grants Receipts in Advance - Revenue		(16,908)	(13,994)
Grants Receipts in Advance - Capital		(56,718)	(64,869)
Total Current Liabilities		(257,631)	(249,232)
Provisions		(30,020)	(27,274)
Long-Term Borrowing		(253,331)	(251,319)
Public Finance Initiative Capital Obligation		(7,265)	(6,669)
Pensions Liability		(808,513)	(254,716)
Total Long-Term Liabilities		(1,099,129)	(539,978)
Net Assets		886,252	1,517,709
Usable Reserves		(196,418)	(155,658)
Unusable Reserves	6	(689,834)	(1,362,051)
Total Reserves		(886,252)	(1,517,709)

GROUP CASH FLOW STATEMENT

	2021/22 £'000	2022/23 £'000
Net (Deficit)/Surplus on the provision of services	(75,537)	(42,551)
Adjust net Deficit on the Provision of Services for Non Cash Movements	194,650	3,315
Adjust for Items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	(48,097)	(63,454)
Net Cash Flows from Operating Activities	71,016	(102,690)
Investing Activities	(127,784)	49,363
Financing Activities	81,941	21,262
Net Increase in Cash and Cash Equivalents	25,173	(32,065)
Cash and Cash Equivalents at Beginning of the Reporting Period	(2,822)	22,351
Cash and Cash Equivalents at End of the Reporting Period	22,351	(9,714)

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General

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

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

2. Accounting Policies

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

a. Basis of Identification of the Group Boundary

Group Accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures and excluding intra-group transactions where necessary to eliminate any effect of grossing up on consolidation. The key basis for identification is the control the Council has over the other entities.

Subsidiary Boundary

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

Associate Boundary

An associate is an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, stopping short of control or joint control. It is presumed that holding more than 20% of the voting power of an investee, either directly or indirectly, brings significant influence but this presumption can be rebutted. It is possible for significant influence to be exerted where an investor has less than 20% of the voting power or where another party has majority ownership.

Joint Arrangement

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either:

- Joint Venture - Arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint ventures have rights to the net assets of the arrangement.
- Joint Operation - A joint operation as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. To be a joint operation, the arrangement must meet the definition of joint control where decisions about the relevant activities of the arrangement require the unanimous consent of all the parties sharing control.

Materiality

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

Five Parks Charity	Subsidiary	Consolidated
Lower Central Gardens Trust	Subsidiary	Consolidated
Russell-Cotes Art Gallery & Museum Charitable Trust	Subsidiary	Consolidated

The following subsidiaries and joint ventures have not been consolidated in the Group Accounts due to their materiality or significance to disclose:

Bournemouth Building & Maintenance Limited	Subsidiary	Unconsolidated
Seascope Group Limited	Subsidiary	Unconsolidated
Seascope South Limited	Subsidiary	Unconsolidated
Seascope Homes and Property Limited	Subsidiary	Unconsolidated
Fairways (T/A M D Care Ltd)	Subsidiary	Unconsolidated
Poole Housing Partnership Ltd	Subsidiary	Unconsolidated
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 2022/23 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 2023 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 used with adjustments for known asset revaluations during 2022/23.

Subsidiaries

Charities

The Council has overall control over the following charitable trusts as the board of the trust are made up entirely of elected members. The Council therefore treats the trusts as a subsidiary and consolidates them 100%. 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 its 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.

Seascope Group Ltd

Seascope 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:

Seascope South Limited

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

Seascope Homes and Property Limited

Seascope Homes and Property Limited provides housing solutions through the grant of Assured Shorthold Tenancies (ASTs) to a variety of client groups focusing initially but not exclusively on homeless customers in Bournemouth.

Fairways (T/A MD Care Ltd)

A care home purchased by BCP Council and leased to Tricuro to operate from 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 the company was dissolved at Companies House on 13th December 2022.

Poole Housing Partnership

Poole Housing partnership (PHP) is a company limited by guarantee without share capital that previously managed and maintained the housing stock of the Poole Neighbourhood HRA. On 1st July 2022 all the activities of the company were transferred to BCP Council. The company is now dormant and will be dissolved.

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

Tricuro Ltd

Tricuro is a group of two companies, a care company Tricuro Ltd and a support function company Tricuro Support Ltd. These companies were established under local authority trading company principles and are managed by the same Board. Tricuro Support Ltd has two shareholders (Dorset Council, and Bournemouth, Christchurch and Poole Council).

Tricuro Support Ltd is the parent company and holds the contractual relationships with the two Councils, as well as the property leases and support services agreements with both Councils.

Tricuro Ltd is the only entity which employs staff. It is registered with CQC as the provider and provides the care requirements to service users.

Each council owns one ordinary share in Tricuro Support Ltd, which in turn owns 100% of the equity of Tricuro Ltd. Tricuro Group's turnover in 2022/23 was £33m, with £18.5m attributed to contracts with BCP Council (56%) and £12.6m with Dorset Council (38%). A shareholder agreement regulates the way in which the two councils manage Tricuro, including a profit /cost sharing agreement. Since 3 October 2022, Tricuro ceased to provide services to Dorset Council.

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 Wilks Head & Eve LLP who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification.

	HRA Assets	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Communit y Asset	Surplus Asset	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic Cost	18,879	-	32,176	322,991	17,373	-	6,540	397,959
Valued at current value :								
2022/23	743,108	402,212	-	-	-	10,608	8,624	1,164,552
2021/22	-	97,060	-	-	-	-	-	97,060
2020/21	-	41,996	-	-	-	-	-	41,996
2019/20	-	143,482	-	-	-	-	-	143,482
2018/19	-	95,003	-	-	-	-	-	95,003
Total	761,987	779,753	32,176	322,991	17,373	10,608	15,164	1,940,052

4. Property, Plant and Equipment – Movements on Balances 2022/23

	HRA Assets	Other Land and Buildings	Vehicles and Equipment	Plant Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment excluding infrastructure	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
Balance at 1 April 2022	682,846	781,079	59,649	23,298	11,372	3,940	1,562,184	8,920
Additions	32,475	23,808	8,461	160	24	2,599	67,527	-
Revaluation Increase/(Decrease) recognised in Revaluation Reserve	43,568	28,774	-	-	862	-	73,204	(296)
Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services	7,505	(3,914)	-	-	(4)	-	3,587	-
Derecognition - Disposals	(3,143)	(450)	(3,924)	-	(1,646)	-	(9,163)	-
Derecognition - Other	(54)	(14,588)	(1,514)	-	-	-	(16,156)	-
Reclassification - within PPE	450	(450)	-	-	-	-	-	-
Reclassification - outside PPE	-	-	-	-	-	-	-	-
Balance at 31 March 2023	763,648	814,259	62,671	23,457	10,608	6,539	1,681,184	8,624
Accumulated Depreciation & Impairment								
Balance at 1 April 2022	(1,260)	(20,274)	(27,633)	(5,624)	-	-	(54,791)	-
Depreciation for year	(12,395)	(20,062)	(6,001)	(459)	-	-	(38,917)	(312)
Depreciation Written out to Revaluation Reserve	9,364	12,609	-	-	-	-	21,974	312
Depreciation Written out to Surplus / Deficit on Provision of Services	340	736	-	-	-	-	1,076	-
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	2,256	1,056	-	-	-	-	3,312	-
Derecognition - Disposals	-	30	1,976	-	-	-	2,006	-
Derecognition - Other	33	22	1,163	-	-	-	1,219	-
Reclassification - within PPE	-	1	-	-	-	-	1	-
Reclassification - outside PPE	-	-	-	-	-	-	-	-
Balance at 31 March 2023	(1,662)	(25,882)	(30,496)	(6,083)	-	-	(64,122)	-
Balance at 1 April 2022	681,586	760,805	32,016	17,674	11,372	3,940	1,507,394	8,920
Balance at 31 March 2023	761,987	788,377	32,176	17,374	10,608	6,539	1,617,061	8,624

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

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	2021/22 £'000	2022/23 £'000
Net Book Value (Modified Historic Cost) At 1 April	293,379	311,079
Additions	28,644	25,923
Other Movements	789	(187)
Depreciation	(11,731)	(13,824)
Net Book Value at 31 March	311,080	322,991

Reconciling Note PPE Assets	31/03/2022 £'000	31/03/2023 £'000
Infrastructure Assets	311,080	322,991
Other PPE Assets	1,515,101	1,617,061
Total PPE Assets	1,826,181	1,940,052

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 2022	-	608	43,595	25,083	69,286
Depreciation	-	-	-	(462)	(462)
Additions	-	-	-	67	67
Revaluation	-	(15)	2,664	5,411	8,059
Balance at 31 March 2023	-	593	46,259	30,099	76,952

The valuation is based on insurance values. The assets were last valued during 2022/23.

The Russell Cotes building have been revalued at £30.099m 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 Triumphans' by E. de Morgan, furniture from Longwood, Napoleon's house on St. Helena, a display cabinet belonging to Empress Eugenie from her boudoir at the Chateau de Saint-Cloud, weaponry, badges of office and religious icons from Asia, the Middle East and the Orient and the mummified remains of a young boy from Egypt.

Valuation of the collection is determined by its size. It would be impractical to value each individual item, instead external professional valuations are sought for key groups of items and, working closely with the Council's insurance team, an informed estimate of the value of the whole collection is made. 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 2022	31 March 2023
	£'000	£'000
Revaluation Reserve	(602,957)	(681,913)
Capital Adjustment Account	(911,616)	(930,704)
Permanent Endowment Fund	(18,522)	(18,522)
Deferred Capital Receipts Reserve	(1,494)	(1,433)
Financial Instrument Adjustment Account	35	4
Pensions Reserve	808,513	254,716
Accumulated Absences Account	4,769	4,451
Collection Fund Adjustment Account	11,120	(24,495)
Dedicated School Grant Deficit	20,318	35,845
Total Unusable Reserves	(689,834)	(1,362,051)

7. Intra Group Loans

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

	FuturePlaces Ltd	BDC	Total
	£'000	£'000	£'000
Winter Garden/Durley Road loan	-	3,740	3,740
Working Capital loan	3,500	-	3,500

Winter Gardens Loan – The Council had initially lent Bournemouth Development Company LLP (BDC) 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.

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 its 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 Russell Cotes Museum updated on a day to day basis.

Capitalisation follows the policy of a threshold of £1,000.

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.

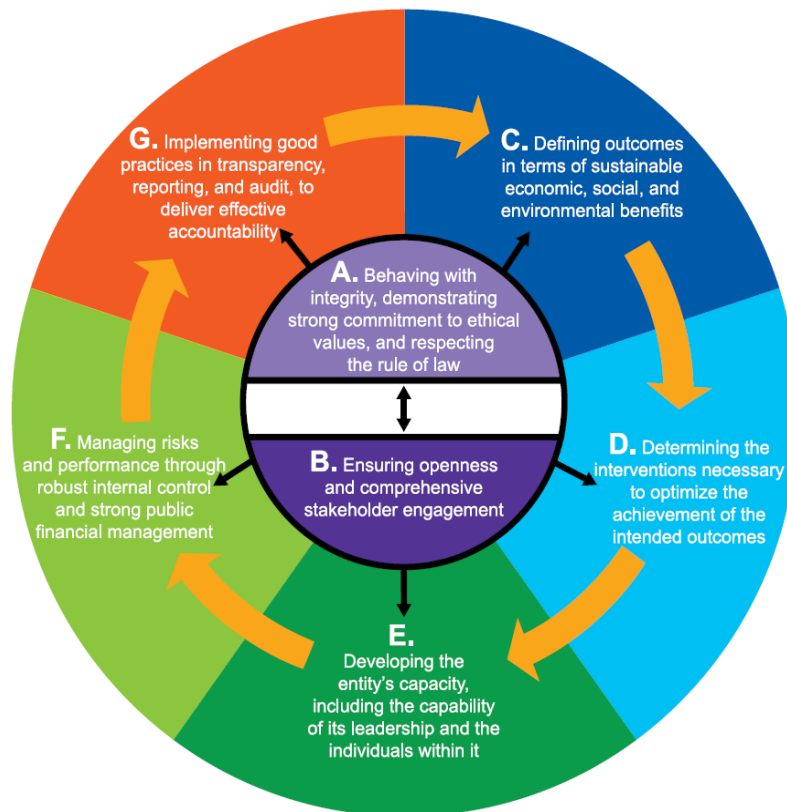


Scope of Responsibility

- 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 2022) 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 2023 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 2022/23 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.
- Regular scrutiny of financial monitoring reports by Councillors and Officers.
- External reviews and inspections, the results of which are reported and acted upon as appropriate. These included, for example:
 - Local Government Association Peer Review / progress report
 - Department for Levelling Up, Housing and Communities (DLUHC) letter (Jan 23)
 - Grant Thornton – Auditor's Annual Report on BCP Council 20/21 (Sept 22)
 - Health and Safety Executive (HSE) Improvement Notices
 - Judicial review of Sexual Entertainment Venue licencing policy
 - Children's services Ofsted & others e.g. Inspecting Local Authority Children's Services (ILACS) Monitoring Visit Letters
 - Safeguarding Review for Adult Social Care
 - DLUHC Assurance Review – commenced in the year but not yet completed or reported

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
- Self-assessments for group entities
- Internal Audit documentation and reports
- Chief Internal Auditor's Annual Report
- Findings from internal and external reports
- Follow up of the 2021/22 AGS action plan

- 14 The Chief Executive undertook a governance review during 2022/23 for which the BCP Council Assurance Review report was produced, and a series of recommendations raised.

Covid-19 – Impact of Pandemic on the Governance Framework

- 15 There were no significant remaining impacts on the governance framework from the Covid 19 pandemic during 2022/23.
- 16 However, the pandemic has had long lasting impacts on some areas of the BCP community, the economy and wider public services, which Council teams are continuing to support, often in partnership with other organisations, such as through the Economic Development team. The impacts on health services are particularly strong and ongoing and that has affected priorities and objectives around social care and hospital discharges.
- 17 There remain some operational and financial impacts on the Council itself, which are now managed by through the Council's normal governance arrangements.
- 18 No significant on-going governance issues caused by the pandemic have been identified.

Financial Management Code

- 19 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.
- 20 As required by best practice, senior finance 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.
- 21 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. Audit & Governance Committee were most recently updated in January 2023 and the table below shows the current position:

	Issue	Recommendation	Update at June 2023
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 £1million 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 (as reported June 2022)
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	In progress – The Council is now committed to creating a Corporate Landlord Model. The restructure of the Corporate Leadership Team puts in place the structure to enable the Council to take the next important step towards successful implementation.

		council. Capital strategy to be informed by the review.	
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.	Implemented - Consultation with residents was launched in November 2022. The public survey was available on the council's consultation and engagement platform and hard copy surveys were available at local libraries. This will be repeated for 24/25 budget setting.
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 – The transformation programme is progressing with the new financial system implemented from April 2023. Financial reporting requirements are under review during the first quarter of 2023/24 with an agreed suite of reports expected to be available in the second quarter.
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 investment partner and will take time to implement.	In progress - The new system implementation from 1 April 2023 includes a fixed asset accounting module. The records held on spreadsheets as at 31 March 2023 have been migrated to the new system where they will be maintained going forward.

Evaluation, Conclusion and Significant Governance Issues

- 22 Following review and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31st March 2023 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.**
- 23 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:
- The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
 - 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;
 - The governance issue may, or has, led to a material impact on the accounts;
 - The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
 - 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.
- 24 The Chief Executive's BCP Council Assurance Review highlighted a series of governance issues, including those relating to culture and leadership, political and financial governance and capacity and capability to improve. The Review has been included as appendix 1 to this report and the implementation of the recommendations raised within it included as part of the Action Plan monitoring process.
- 25 Two specific issues have been identified as significant governance concerns and have been included in the Action Plan, relating to the management and risks posed by the:
- Dedicated School Grant (DSG); and
 - BCP FuturePlaces Ltd wholly-owned company.
- 26 In addition, DLUHC are currently undertaking a governance review in response to the Council's application for a capitalisation direction during 2022/23, which has subsequently not been required due to changes in the financial strategy. The findings of the DLUHC review have not yet been finalised, however CMB are committed to addressing any governance concerns identified.
- 27 As a result of the wider work undertaken to evaluate the Council's governance framework, the following issues were highlighted for inclusion:
- completion of mandatory training by officers as it remains a persistent issue.
- 28 There were also a series of other potential issues identified for inclusion in the AGS. Whilst these were undoubtedly issues for the Council, they did not meet the Council's significant governance issue criteria, for example, they may have been governance related weaknesses, but in a relatively narrow scope of the Council's business, or they may have been operation concerns rather than governance issues. Some of these are shown below as follows:
- The Health and Safety Executive issued three improvement notices during 2022/23, each of which have now been resolved following urgent response by the Council.
 - The Council was subject to a Judicial review of Sexual Entertainment Venue licencing policy in respect of the evidence analysis and review of the equality impact assessment.
 - Work to rectify a historic site licence breach as identified with the Environment Agency is on-going and further dialog and work will be required
 - Bayside pop-up restaurant – the Council incurred a financial loss of circa £175,000.
- 29 The 2021/22 AGS identified three 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 2023, and a further update as at May 2023 is summarised below:

2021/22 Significant Governance Issue	Progress as at May 2023
Governance of Children's Social Services	This issue is being removed from the AGS – the Council considers that it now has robust governance arrangements in place to deliver the sustained improvements required in Children's Services. This includes Children's Improvement Board and associated action plans, SEND Board, regular reporting to CMB and Children's Overview & Scrutiny, regular inspection by Ofsted.

<p>Governance Arrangements with External Bodies</p> <p>a) Parks, charities and trusts</p> <p>b) Partnerships</p>	<p>This issue is being removed from the AGS –</p> <p>a) Only one item now remains outstanding in relation to parks governance review work, which is due to be presented to Cabinet by September. This no longer meets the Council's criteria as a significant governance issue</p> <p>b) Partnership guidance has been produced and compilation of the Corporate Partnership Register is in process.</p>
<p>Delay in the completion of the 2020/21 external audit</p>	<p>This issue remains on the AGS but has been updated for relevant dates – Although the 2020/21 external audit has now been completed, a similar issue has now occurred with the 2021/22 audit, which is outstanding as of May 2023. Therefore, this has been included as a significant governance issue. There is a plan in place with external audit to conduct both the 2021/22 and the 2022/23 audits during the same period, summer/autumn 2023.</p>

Table 1 - 'Significant Governance Issues' and Action Plan

1	<p>BCP Council Assurance Review – the review (see appendix 1) identified a range of governance areas where improvements could be made. Recommendations were made in the following areas:</p> <ul style="list-style-type: none"> • Council meetings and decision making • Cabinet and leadership • Councillor behaviour • Further issues to address: <ul style="list-style-type: none"> • BCP FuturePlaces Ltd • Subsidiary Companies • Finance • DSG 		
	Action Points	Responsible Officer	Target Date
	CMB to oversee implementation of recommendations raised in the BCP Council Assurance Review.	Chief Executive (CMB)	September 2023
2	<p>Dedicated School Grant (DSG) - The overall level of council reserves is of concern because of growing deficit on the Dedicated Schools Grant (DSG) budget is taken into consideration. At 31 March 2023 the Council is predicted to have a DSG deficit of £37m which is particularly impacted by the expenditure on the High Needs block and support for Education, Health, and Care Plans (EHCPs) for young people.</p> <p>The budget for 2023/24 assumes this deficit will grow to £64m by 31 March 2024 at which point the Council will have overall negative reserves. The presence of a statutory instrument allows the Council to ignore this deficit until the 2026/27 financial year at which point the deficit is currently forecast to have increased to around £160m without corrective action. Whilst the long-term impacts are potentially significant, the short-term effects are also impacting on the Council's budgets because of the cost to the Council of managing the cashflow of the payments, at an estimated annual revenue cost of around £2.5m for 2023/24 and growing in future years. This is causing an effective cut of service provision to that degree.</p> <p>Although part of the DfE Delivering Better Value in SEND programme the Council is no clearer as to how this deficit will be funded. The Council should consider how best to manage the future risks and current costs associated with this significant issue.</p> <p><i>(Extract from BCP Council Assurance Review)</i></p>		
	Action Points	Responsible Officer	Target Date
	The Council should consider how best to manage the future risks and current costs associated with the issue of continued and growing DSG overspend. Councillors and officers need to consider the options for DSG provision and determine the most appropriate strategy, through liaison with the DfE.	Chief Executive and Director of Children's Services	September 2023

3	<p>BCP FuturePlaces Ltd - The governance of BCP FuturePlaces Ltd, the Council's URC (Urban Regeneration Company) has been a matter of significant local concern. The Leader and Deputy Leader were both appointed to the Board in the formative stages and have only recently been able to step back from the Board as a very strong team of the independent Chair and new non-executive directors have been appointed. New ongoing consultative arrangements with a cross-party group of councillors have been established. The Council has appointed the Chief Executive to be the Shareholder Representative on the board and other Council officers attend board meetings in an advisory capacity including the S151 officer, Monitoring Officer and Director of Infrastructure.</p> <p>The commissioning arrangements are established but scope creep is a danger, and some projects have become wider and less focussed than originally intended, increasing the financial risk to both the Council and BCP FuturePlaces Ltd. There is, as a result, reduced focus on the core projects which means they are taking longer to deliver than first envisaged.</p> <p><i>(Extract from BCP Council Assurance Review)</i></p> <p>Both the (former) Leader and Deputy Leader have now resigned from the Board and four independent non-executive directors have now been appointed.</p>		
	Action Points	Responsible Officer	Target Date
	Review the operation of the governance arrangements following the appointment of the non-executive directors to ensure governance and structure is effective and fit-for-purpose. <i>(action point based on CMB/Assurance Review)</i>	The Chair/non-executives Chief Executive / CMB	September 2023
	The adopted funding regime for BCP FuturePlaces Ltd contains risk for both parties, which could be reduced by a mixed model of funding. The Council should consider working with BCP FuturePlaces Ltd to identify a new, mixed, funding regime for 2023/24 which would directly cover more of the costs as they are incurred to reduce future risk. <i>(from Assurance Review)</i>	Chief Executive and Director of Finance	September 2023
4	The Council and BCP FuturePlaces Ltd should work together to consider the scope of regeneration projects being pursued to bring the core projects more into focus and to programme non-core schemes further out to balance the projected workload and pipeline more evenly. The governance and workload review of BCP Future places to be carried out by the new Board will address this issue. <i>(from Assurance Review)</i>	The Chair/non-executives Chief Executive / CMB	September 2023
	<p>Delay in the completion of the 2021/22 External Audit – The Council considers that the delay to the completion of the external audit of the 2021/22 statement of accounts to be a governance weakness as this is a key source of assurance. The delay is principally caused by wider sector problems with both auditor capacity and the increase complexity of recent audit requirements.</p> <p>There is a plan in place with external audit to conduct both the 2021/22 and the 2022/23 audits during the same period, summer/autumn 2023. This plan has been, and will continue to be, agreed and reviewed by the Audit & Governance Committee, consequently no AGS Action Points are necessary.</p>		

5	Mandatory Training - Less than 50% of officers have completed their mandatory training.		
	Action Points	Responsible Officer	Target Date
	<p>Managers to review the mandatory training dashboards in SkillGate to ensure full compliance.</p> <p>Managers to provide teams dedicated work time to complete any outstanding mandatory training.</p> <p>Managers whose teams have completed their mandatory training will show as compliant on SkillGate.</p> <p>Managers whose teams who have not completed their mandatory training will show as non-complaint on Skill-Gate.</p> <p>Regular reports on managers compliance will be shared with senior leadership team to ensure that BCP Council is compliant.</p>	Corporate Directors, Directors & SLN	December 2023

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

Cllr V Slade - 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 Support Grant (RSG)

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

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.

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.

AUDIT AND GOVERNANCE COMMITTEE

Report subject	Review of the Council's Constitution - Recommendations of the Constitution Review Working Group
Meeting date	28 November 2024
Status	Public Report
Executive summary	<p>The report summarises the issues considered by the Constitution Review Working Group and sets out a series of recommendations arising from the Working Group for consideration by the Committee relating to the arrangements at Council for a separate budget meeting and the scheme of delegation for the planning committees.</p> <p>In addition, the report seeks the appointment of an additional member of the committee to serve on the Constitution Review Working Group.</p> <p>Any recommendations arising from the Committee shall be referred to full Council for adoption.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <ul style="list-style-type: none"> (a) in relation to Issue 1 (Article 4 – The Full Council) the proposed amendments to Part 2, Article 4 (The Full Council), as set out in Appendix 1 to this report, be approved; (b) that the Council meeting scheduled for Tuesday, 25 February 2025 be designated as the Annual Budget Council Meeting and that an additional ordinary meeting of Council be scheduled for Tuesday, 11 February 2025 at 7.00pm; (c) in relation to Issue 2 (Part 3A Responsibility for Functions – Planning Committee) the proposed amendments to Part 3A (Responsibility for Functions), as set out in Appendix 2 to this report, be approved; (d) the Committee appoint a member of the committee to serve on the Constitution Review Working Group; (e) any necessary and consequential technical and formatting related updates and revisions to the Constitution be delegated to the Monitoring Officer.
Reason for recommendations	To make appropriate updates and revisions to the constitution following consideration by the Working Group.

Portfolio Holder(s):	Councillor Jeff Hanna (Portfolio Holder for Transformation, Resources and Governance)
Corporate Director	Graham Farrant (Chief Executive)
Report Authors	Janie Berry (Director of Law and Governance and Monitoring Officer) Richard Jones (Head of Democratic Services)
Wards	Not applicable
Classification	For Recommendation

Background

1. The Terms of Reference of the Audit and Governance Committee include 'Maintaining an overview of the Council's Constitution and governance arrangements in all respects'.
2. In discharge of this responsibility the Committee established a Constitution Review Working Group of five of its Councillors. The current members of the Working Group are Councillor Connolly (Chair) and Councillors Andrews, Beesley and Phipps. A vacancy on the Working Group exists following the recent passing of the late councillor Brian Castle. Since its establishment in July 2020, the Working Group has continued to meet on a regular basis to consider requests for change. The Group receives advice from various officers including the Monitoring Officer and Head of Democratic Services. From time to time, as required, Officers and Councillors with specialist responsibility have been invited to have an involvement.
3. Since its establishment, the Working Group has continued to meet on a regular basis and completed various phases of its work. Recommendations that were agreed by Council have been implemented and incorporated into a revised and updated version of the Constitution and published on the Council's web site.
4. The Working Group has considered suggestions received from a wide variety and range of sources including input from Councillors and Officers.

Format

5. Throughout the work of the Group a 'Forward Plan' of issues has been maintained and added to as additional issues have arisen. This approach will continue to be adopted for capturing future issues.
6. Where appropriate, any proposed changes to the Constitution are shown with track changes in the appendices to this report (and where changes are proposed to individual paragraphs these may be embedded into the body of this report in red outline boxes) to assist members identifying the proposed changes. Page number references are to pages within the current Constitution.

Options Appraisal

7. The Working Group considers carefully whether or not changes are necessary on each issue raised. If supported the Working Group determines the proposed

alterations to the wording which forms the basis of the recommendations to the Audit and Governance Committee. This report sets out the proposed changes following those deliberations.

8. For ease of reference, each matter considered will be referred to as an Issue with a corresponding number which will be referenced through the report and recommendations. There are two issues for consideration in this report.

ISSUE 1 – PART 2, ARTICLE 4 (THE FULL COUNCIL) – BUDGET MEETING

9. At its meeting held on 11 April 2024, the Committee considered and recommended to Council, new Procedure Rules aimed at strengthening and clarifying the decision-making process for the consideration, objection, amendment and approval of key policies and budget proposals. The procedures rules were supported and approved unanimously by the Council on 23 April 2024.
10. Members will be aware that at the current time, the budget is considered at an ordinary meeting of council which includes non-budget related business. At the meeting in February 2024, the meeting adjourned after 4½ hours, reconvening a week later for a further hour and 40 minutes.
11. Members have expressed a desire for a dedicated council meeting to consider the budget items and this was supported through the recent councillor survey. The feedback from the councillor survey showed that 87% of those responding (52 out of 75) supported an extra council meeting for matters relating to the budget.
12. The proposed changes to Article 4 are set out in Appendix 1 to this report. Track changes are shown in red text. The effect of these changes is to introduce an Annual Budget Council meeting and the business to be included.

13. RECOMMENDATION

It is RECOMMENDED that:

- (a) in relation to Issue 1 (Article 4 – The Full Council) the proposed amendments to Part 2, Article 4 (The Full Council), as set out in Appendix 1 to this report, be approved;**
- (b) that the Council meeting scheduled for Tuesday, 25 February 2025 be designated as the Annual Budget Council Meeting and that an additional ordinary meeting of Council be scheduled for Tuesday, 11 February 2025 at 7.00pm.**

ISSUE 2 – PART 3A RESPONSIBILITY FOR FUNCTIONS – PLANNING COMMITTEE

14. The Director of Planning and Transport presented a paper for consideration by the Working Group outlining proposed changes to Part 3A Responsibility for Functions relating to the Planning Committee.
15. Every council has its own scheme of delegation to identify the circumstances where planning consent decisions are taken by the Planning Committees rather than delegated to officers.
16. As it is impractical and unnecessary for committees of councillors to consider all planning applications, best practice advice and national guidance encourages the delegation of decision making to appropriate officers of the council. The council may modify or revoke the scheme of delegation at any time.
17. The scheme of delegation set out in the council's Constitution reserves the right of the Eastern and Western planning committees to determine certain applications and

sets out the full details associated with delegation of the authority to make the decision to officers, and the options and associated requirements for referring applications to committees for decision where it is appropriate.

18. The Constitution explains that all matters relating to Town & Country Planning functions as set out in the planning and related Acts, are delegated to the relevant senior planning officer as set out in the Chief Executive's Scheme of Delegation to determine, other than those matters as set out in Part 3A, which shall be the responsibility of the respective area Planning Committee.
19. Therefore, the starting point is that all planning applications are delegated for officer determination and then it is a matter of carefully considering the types of applications where such an approach might not work for BCP Council, and rather the decision should be made by the Planning Committee.

Consideration of changes

20. ***Applications for reserved matters where the outline planning permission was granted by Planning Committee*** – Change proposed to be added under paragraph 2.3.3
21. Explanation:
 - a. Once outline planning permission has been granted, a 'reserved matters' application must be made within three years of the consent (or a lesser period if specified by a condition on the original outline approval)
 - b. The aim of reserved matters in planning permission is to secure the outstanding details that were not included within an outline application.
 - c. As Planning Committee have been involved with the outline application, it appears logical for the Planning Committee to determine reserved matters pursuant to outline planning permission unless the Planning Committee expressly requested (when determining applications for outline planning permission) that the subsequent reserved matters should not be referred to the Planning Committee for determination.
22. ***Referral of applications where BCP Council has an interest (currently paragraph 2.3.4)*** – Change proposed to widen scope of applications that would go to Planning Committee
23. Explanation:
 - a. Interests outside the council may consider that the Planning Authority would not be objective in considering the Council's own applications and therefore making a decision in public through the Planning Committee will demonstrate that all relevant planning matters have been discussed fairly and objectively.
 - b. Many of the applications submitted by the council are minor and uncontentious. Therefore, in such cases, it could unnecessarily take up Planning Committee time and delay the planning decision and so the applications to be taken will include exemptions.
 - c. The constitution currently only requires applications where the Council is the applicant or landowner for major development proposals, and it appears that most Council's require a wider scope of planning applications to be referred.
 - d. Major applications are residential applications for 10 or more houses or for Outline Consent on a site of 0.5 hectares or more, or a commercial

development site of 1 hectare or more, or involving floor space of 1000m² or more.

- e. It is therefore proposed to widen the scope of application that would go to Planning Committee but use the logic in place for Councillor call-ins. Officers are proposing that the threshold for referral is 10 or more representations from third parties subject to the same conditions and exemptions i.e. prior approvals and notifications. This is half the number of representations that are required for applications where BCP Council is not the applicant or landowner.
- f. When the Director of Planning & Transport started with the Council, the former Leader expressed her concern about only 'major' planning applications being automatically referred and it was agreed that a change would be made to the constitution. In the interim, the Director of Planning & Transport has been referring most of the applications where the Council is the applicant or landowner to the Planning Committees. This needs to be formalised.

24. *Referral of applications by a BCP Councillor where they consider it warrants Planning Committee consideration (currently paragraph 2.3.7, 2.6 and 2.7) – Minor changes proposed*

25. Explanation:

- a. This requires a careful balance to ensure that the intrinsic value of Planning Committee is not lost by its consideration of planning applications that do not warrant that oversight.
- b. Referral relies on the personal motivation of a councillor to refer a matter to the Planning Committee. This can also create difficulties for a councillor when a constituent or organisation might lobby for an application's consideration at Planning Committee.
- c. Councillor referrals normally add delay to the decision-making progress and often Extension of Time (EoTs) are required from the applicant as the decision is going over the statutory timeframes. This is discretionary and if not given, this will impact on national and local performance targets, and can result in the Council losing the right to determine certain types of planning application if the Council is designated for poor performance.

26. *Referral of applications by a town council, parish council or neighbourhood forum – No change proposed*

27. Explanation:

- a. Parish and Town Councils and Neighbourhood Forums with made or post-examination plans are statutory consultees in the planning process and must be informed of all planning applications, and any amendments to those applications, within the parish.
- b. We have been advised that Christchurch BC had an automatic referral for consideration at a committee for applications which met certain criteria in respect to representations made by town and parish councils. Such a referral is not currently in place.
- c. No change is proposed at this time as:
 - i. Christchurch and Throop and Holdenurst are currently the only area of BCP that has town and parish councils, and so the residents in these areas

would be treated differently to other parts of the BCP area if there was an automatic referral.

- ii. A community governance review is underway, and this may result in a greater coverage of town and parish councils in BCP. The Council may want to reconsider the situation of referrals to Planning Committee once this review has taken place and been enacted.
- iii. If a town council, parish council or neighbourhood forum consider that the issues raised are of such local or strategic significance which would benefit from scrutiny, they can contact their ward councillors and ask them to consider calling in the application to committee.

28. RECOMMENDATION

It is RECOMMENDED that in relation to Issue 2 (Part 3A Responsibility for Functions – Planning Committee) the proposed amendments to Part 3A (Responsibility for Functions), as set out in Appendix 2 to this report, be approved.

CONSTITUTION REVIEW WORKING GROUP MEMBERSHIP

- 29. The Audit and Governance Committee appoints members to the Constitution Review Working Group which comprises five members of the committee, including the Chair, Vice-Chair and three other councillors. Following the recent passing of the late councillor Brian Castle a vacancy on the Working Group exists.
- 30. The Committee is asked to appoint a councillor from its membership to serve on the Working Group. The current membership is detailed in paragraph 2 to this report.

31. RECOMMENDATION

It is RECOMMENDED that the Committee appoint a member of the committee to serve on the Constitution Review Working Group.

Summary of financial implications

- 32. There are no financial implications arising from this report.

Summary of legal implications

- 33. The Constitution of the BCP Council complies with relevant legislation. Where appropriate, the Constitution references relevant legislation which underpins specific procedure rules.

Summary of human resources implications

- 34. There are no human resource implications arising from this report.

Summary of sustainability impact

- 35. There are no sustainability implications arising from this report.

Summary of public health implications

- 36. There are no public health implications arising from this report.

Summary of equality implications

37. The Constitution of the BCP Council sets out the rights of public access to the democratic process. Where appropriate the Equality Officer is engaged on relevant issues.
38. The proposed Constitution changes contained within this report do not impact directly or indirectly upon service users and as a consequence there are no equality implications arising from this report.

Summary of risk assessment

39. The Constitution is a legally required document which prescribes the procedural and democratic arrangements for the proper governance of the Council.

Background papers

Published works

Appendices

Appendix 1 – Proposed changes to Part 2, Article 4 (The Full Council)

Appendix 2 – Proposed changes to Part 3A (Responsibility for Functions)

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Article 4 - The Full Council

4.1. Functions

The Council will be responsible for the adoption of the Council's budgetary and key policy frameworks.

4.1.1. Key Policy Framework

The Key Policy Framework shall mean the Corporate Plan and any policy or strategy required by law or by the Council to be approved by Full Council including the following:

- a) Children and Young People's Plan;
- b) Crime and Disorder Reduction Strategy;
- c) Development Plan Documents;
- d) Licensing Authority Policy Statements;
- e) Local Transport Plan;
- f) Youth Justice Plan;
- g) Housing Strategy;
- h) Corporate Plan; and
- i) Annual Senior Officer Pay Policy Statement.

4.1.2. Budgetary Framework

The Budgetary Framework shall mean:

- a) The Revenue Budget;
- b) The Capital Programme;
- c) Capital Strategy;
- d) Medium Term Financial Plan; and
- e) To the extent it is not covered by a) to d) above:
 - (i) any plan or strategy for the control of the Council's borrowing, investments or capital expenditure or for determining the Council's minimum revenue provision; and
 - (ii) any other financial requirements that legislation expressly requires to be determined by Full Council.

4.1.3. The Council's functions are set out fully in Part 3 of this Constitution.

4.2. Council Meetings

4.2.1. There are ~~three~~ four types of Council meeting:

- a) the Annual Meeting;
- b) Ordinary Meetings;

~~b)c)~~ a Budget Meeting; and

~~e)d)~~ Extraordinary Meetings,

and they will be conducted in accordance with the Procedural Rules at Part 4D of this Constitution.

4.2.2. Full Council will normally have six Ordinary Meetings a year plus the Annual Meeting and a Budget Meeting unless it determines otherwise.

4.3. Order of Business

4.3.1. Save for any statutory items of business, the order of business at Ordinary Meetings will be as follows:-

1. Apologies
2. Declarations of Interest
3. Confirmation of Minutes
4. Announcements and Introductions from the Chairman
5. Public Issues (Questions, Statements and Petitions)
6. Recommendations from Cabinet and Other Committees
7. Other Direct Reports to Council for Determination (e.g., Scheme of Members' Allowances, Outcome of Ombudsman Complaints, etc.)
8. Notices of Motion under Procedure Rule 9
9. Questions from Councillors
10. Urgent Decisions taken by the Chief Executive

4.3.2. The Order of Business at Budget Council shall be:-

1. Apologies
2. Declarations of Interest
3. Confirmation of Minutes
4. Announcements and Introductions from the Chairman
5. Public Issues (Questions, Statements and Petitions) – these must address the business on the agenda in so far as it may relate to the setting of the budget for the coming financial year:-
 - i. Revenue budget (including dees and charges and Housing Revenue Account estimates)
 - ii. Capital programme
6. To agree Council Tax resolution for the coming year based on the above agreed budget
7. To consider and determine the Cabinet's recommendations in relation to Treasury Management Statement and Prudential Indicators, as necessary

8. To consider any other business set out in the notice convening the meeting
9. To consider any business, brought before the Council by the Chairman on the grounds of urgency in accordance with s100B(4) Local Government Act 1972

4.4. Conduct of Council Meetings

Council meetings will be conducted in accordance with the law and the Procedure Rules as set out at Part 4D of this Constitution.

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- 1.15. Conferring honorary titles.
- 1.16. Making, amending, revoking, re-enacting and adopting byelaws and promoting and opposing the making of local legislation and personal bills in Parliament.
- 1.17. Any other function which, by law, must be reserved to the Full Council.

Full Council has delegated specific non-executive functions to the following bodies listed below.

2. Planning Committees

Western BCP and Eastern BCP Planning Committee comprising the following

Western BCP Planning Committee

Alderney & Bourne Valley
 Bearwood & Merley
 Broadstone
 Canford Cliffs
 Canford Heath
 Creekmoor
 Hamworthy
 Kinson
 Newtown & Heatherlands
 Oakdale
 Parkstone
 Penn Hill
 Poole Town
 Redhill & Northbourne
 Talbot & Branksome Woods
 Westbourne & West Cliff

East BCP Planning Committee

Boscombe East & Pokesdown
 Boscombe West
 Bournemouth Central
 Burton & Grange
 Christchurch Town
 Commons
 East Cliff & Springbourne
 East Southbourne & Tuckton
 Highcliffe & Walkford
 Littledown & Iford
 Moordown
 Mudeford, Stanpit & West Highcliffe
 Muscliff & Strouden Park
 Queen's Park
 Wallisdown & Winton West
 West Southbourne
 Winton East

- 2.1. All matters relating to Town & Country Planning functions as set out in the planning and related Acts, are delegated to the relevant senior planning officer as set out in the Chief Executive's Scheme of Delegation to determine, other than those matters as set out below which shall be the responsibility of the respective area Planning Committee.
- 2.2. For the avoidance of doubt, applications falling within more than one Committee area shall be determined by the Committee in whose area contains the greater proportion of land within the red line application site boundary. In the event that the area within the red line application site boundary falls equally between the two committees, the relevant Chief Officer with responsibility for Planning (or any person nominated by them for such a purpose) shall determine, in consultation with both chairs, and having regard to the location of any impacts of the proposal that the Chief Officer (or any person nominated

by them for such purpose) considers relevant, to which of the two committees the report relating to the application will be taken for the determination to be made.

2.3. The Planning Committees have responsibility to determine the following:

- 2.3.1. applications submitted by or on behalf of a Councillor or direct family (spouse or civil partner) of a Councillor for any property or land in which they have a financial interest;
- 2.3.2. applications submitted by or on behalf of a current Officer:
 - a) working within the planning section; or
 - b) at Tier 3 level and above; or
 - c) direct family (spouse or civil partner) of Officers identified under 2.3.22-32.2 a) and b); or
 - d) for any property or land in which they have a financial interest;
- 2.3.3. applications referred to the respective Committee by the relevant senior planning officer for one or more of the following reasons:
 - a) applications where there are material planning issues that have not previously been considered within the Council's area;
 - a)b) applications for reserved matters where the outline planning permission was granted by Planning Committee unless the Planning Committee have expressly requested (when determining applications for outline planning permission) that the subsequent reserved matters should not be referred to Planning Committee for determination
 - b) applications where a national or local planning policy is being tested for the first time within the Council's area;
 - c) applications which have a significant impact on a wide number of businesses and / or people; with a major economic impact
 - d) applications which have a finely balanced Officer recommendation;
 - e)d) applications by or on behalf of a planning Officer who has recently left the organisation ~~or one of the preceding councils~~; and/or
 - f)e) applications that the Head of Planning Operations considers are potentially contentious and raise material planning issues, have a finely balanced Officer recommendation or would affect the wider public interest;
- 2.3.4. applications where the Council is the applicant or landowner ~~for major development proposals as defined in the Development~~

~~Management Procedures Order; and subject to 10 or more representations from third parties provided that to count toward that number, a representation must fulfil the criteria under paragraph 2.3.8, and are not an application listed under paragraph 2.3.7(c).~~

- 2.3.5. significant departure from Development Plan Policy which would be required to be the subject of consultation with the Secretary of State;
- 2.3.6. applications which require an Environmental Impact Assessment except where the relevant senior planning officer considers that approval of the application would not lead to significant environmental impacts;
- 2.3.7. an application which a Councillor requests should be referred to the Planning Committee ("Councillor Call-In") provided that all of the following criteria are met:
 - a) in the opinion of the Councillor making the request, the application ~~is (i) potentially contentious; and (ii)~~ raises material planning issues that affect their ward or would affect the wider public interest that would warrant debate and consideration by a planning committee; and
 - b) the request is in accordance with the local planning authority's agreed call-in protocol (as set out at paragraphs 2.56 and 2.67 to this Part 3A); and
 - c) the Application is not one of the following:
 - i. Permission in Principle (PiPs)
 - ii. Lawful Development Certificates (LDC) (existing or proposed)
 - iii. Prior Approvals and Prior Notifications
 - iv. non-material amendments (S96 applications)
 - v. applications other than "major", "minor" and "householder".
- 2.3.8. applications where there have been 20 or more representations from third parties provided that to count toward that number, a representation must:
 - a) identify on the representation that it has come from a residence which is believed by the case officer (at the time of deciding whether the matter needs to go to Planning Committee) to be within one mile of any point measured from the relevant application site red line boundary;
 - b) be received by the Council within the initial or any subsequent representation period as identified on the posted planning site notice relating to that application or any other related representation period provided by the Council if no planning site notice is posted;

- c) identify one or more issues that the case officer considers to be of material planning relevance to the application to which it relates;
 - d) not have been withdrawn by the person making the representation prior to the time of deciding whether the matter needs to go to Planning Committee;
 - e) be contrary to the intended case officer recommendation; and
 - f) provided that any additional representation from the same residence may be counted if in the opinion of the relevant senior planning officer in consultation with the relevant Chair of Planning it raises any different relevant material planning issues to those already contained in other representations from that residence.
- 2.4. The Planning Committees have power to receive and provide comment on presentations relating to pre-application planning proposals that the relevant senior planning officer considers appropriate having regard to the Council's Local Code of Best Practice relating to Planning Matters and any extant guidelines agreed by the Planning Committees.
- 2.5. In addition to the powers identified above, the Planning Committees have the power to consider and determine any matter arising in relation to any Town and Country Planning Legislation where that matter has been expressly referred to the Planning Committee by an Officer for such a purpose as an alternative to that Officer exercising a power delegated to them pursuant to the Officer Scheme of Delegations.
- 2.6. The requirement of the call-in protocol referred to at ~~2.3.72-32.7~~ above are as follows:
- 2.6.1. the request is submitted on the latest Planning Committee Referral Form produced for that purpose ("Planning Committee Referral Form") and all parts of the submitted Planning Committee Referral Form have been completed. This includes setting out:
- ~~a) why the application is considered to be potentially contentious;~~
 - ~~b)~~a) planning reasons that the Councillor considers are material to the application that justify the referral;
 - ~~e)~~b) why it is considered that the application will affect the ward of the Councillor making the referral or why the Councillor considers that the application would affect the wider public interest and should be considered by planning committee; and
 - ~~d)~~c) confirmation that the Councillor, in advance of submitting the Planning Committee Referral Form, has used their reasonable endeavours to notify all Councillors in whose ward the application site (of the application) is situated in whole or part that they are making a call in request; and

2.6.2. the completed Planning Committee Referral Form:

- a) has been submitted by the Councillor making the request by email and received in the inbox of both the case officer and the relevant office inbox as follows:
 - i. an application where the application site is wholly or partly in the former Bournemouth Council area - planning.bournemouth@bcpcouncil.gov.uk;
 - ii. an application where the application site is wholly or partly in the former Christchurch Council area - planning.christchurch@bcpcouncil.gov.uk;
 - iii. an application where the application site is wholly or partly in the former Poole Council area planning.poole@bcpcouncil.gov.uk,
 - iv. or any other inbox notified to Councillors for this specific purpose

(N.B. if an application crosses more than one former Council area then the request must be sent to both relevant office email addresses); and
- b) is received no later than 4pm on the seventh calendar day after the initial or subsequent notification period as identified on the posted planning site notice relating to that application or any other related notification period provided by the Council if no planning site notice is posted.

2.7. With regard to the Councillor Call-In:

- 2.7.1. a Councillor may make the request that the application be called in conditional upon the case officer recommendation being to either grant or refuse or in the alternative may make the request unconditional;
- 2.7.2. a request may be withdrawn by the Councillor by sending an email notification to both the case officer and the relevant office inbox (see paragraph ~~2.6.22-65.2~~ above), that is received in both inboxes no later than 7 calendar days prior to the agenda publication date of the relevant Planning Committee meeting; and
- 2.7.3. in the event of any of the requirements relating to the Councillor Call-In not being met, the Councillor Call-In will not have been validly made and Councillors should be aware that a decision may (subject to the exercise of the option in paragraph ~~2.52.4~~ above) at any time thereafter be made by officers under delegated powers.

2.8. For the avoidance of doubt, for the purposes of the 20 representation process identified in ~~2.3.82-32.8~~ above, a representation that identifies more than one name on it (including a petition) shall only be counted as one representation in calculating whether the 20 representation trigger has been reached.

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