

**Questions from Final Accounts Members Workshop on
15th July 2019**

Introduction

1. Can we get paper copies of the accounts to allow a better review of the latest version of the accounts?

We will look to provide members with hard copies of the statements before the committee meeting.

2. Will there be any change in the accounts from the version sent to members between the agenda and committee? Will they change after committee?

There will likely be some changes between publication of agenda and the committee meeting which we will update members on during the committee meeting if this is the case.

Any changes after this will be reported in the October audit Committee when the final audit letter is presented.

3. Accounting Policies – query in regards to consistency of accounting policies between the three legacy councils. Further discussion / queries around componentisation and capitalisation

As an example Bournemouth and Poole capitalisation de minimus £25k / CBC £15k. What is material to CBC will not be the case for Bournemouth and Poole hence the current difference. Accounting policies will be reviewed for the new BCP council once the accounts have been finalised.

Bournemouth

4. Income and Expenditure Statement – Is Depreciation / Revaluations included within these services

The accounting cost of service shown in the Income and Expenditure statement does include depreciation and revaluations. However these are reversed below the line and do not impact on the General Fund.

5. Movement in Reserves Statement – query in regard to the reversal of accounting adjustments – whether this reflected just depreciation or other movements including pensions

The reversal of accounting adjustments shown in the line “Adjustments Between Accounting Basis and Funding Basis under regulation” includes depreciation and

other movements such as pension adjustments. Please see answer to query 4 regards to the principles of accounting adjustments.

6. What is included in the costs for the Directors earnings note? These costs look high.

Includes loss of office payments as well as normal salary costs. An adjustment was identified in this note from the draft accounts which does not change any of the figures in the primary accounts.

7. What are the Group companies and how have these been included? How has Tricuro been treated?

Five Parks Charity
Lower Central Garden Trust
Russell Cotes Museum
Bournemouth Building & Maintenance Ltd
Seascope Group Ltd
Seascope South Ltd
Seascope Homes and Property Ltd
Bournemouth Development Company LLP
Tricuro – 25% of equity consolidated as per the partnership agreement

8. Collection Fund – why the loss of £5m on business rates? Comment made in regards to the 2017 rating and whether we have made provision for this, despite no appeals currently being on the VOA list.

Significant amount of money has been set aside for the provision of appeals which explains the deficit position on Business rates. Part of the reason for the increase is to ensure consistent policy on appeals provisions for the BCP Council.

9. Why are you implementing consistency with Christchurch and Poole before the start of BCP?

This was to ensure that during 2019/20 that we did not have to change provision significantly again in year which could potentially impact on BCP finances.

10. What happens to the debt? Why does it transfer to BCP rather than being repaid?

As part of the statutory change order the debt will novate to the new Council. Debt providers were informed of the order before the 1st April and the debt has successfully transferred into the BCP Council.

Christchurch

11. Why is the format of these accounts different?

There is no prescribed format for the presentation of the local authority accounts. The CIPFA code of practice prescribes the minimum disclosures needed in the

accounts. The Poole and Bournemouth legacy accounts are the same format as they are prepared by the legacy Poole and Bournemouth finance team. The Christchurch accounts are prepared by the legacy Christchurch and East Dorset finance team and are the same format as the East Dorset accounts.

12. Why is there a loss on transfer of assets to Parishes? Why does this go through the I and E account?

Proper accounting treatment is for a local authority to post the net book value of assets disposed of in year to the I & E account along with the proceeds of sale to give a net gain or loss on disposal. In the case of assets transferred to new parish councils as part of the community governance review, there was zero consideration and so the "loss on disposal" equates to the full net book value. This notional loss is reversed out elsewhere in the accounts and does not affect the Council's outturn position.

13. Why is there a loss on the revaluation of assets?

The net loss of £499k relates to Highcliffe Castle where significant expenditure in year, which resulted in opening a new wing to the public, has not resulted in a like-for-like increase in asset value.

14. What is the headroom referred to in the narrative report and why has it been added to an earmarked reserve? What will happen to this in BCP?

Part of the council's medium term financial strategy was to achieve front loaded savings from partnership working with East Dorset that would create headroom in the revenue budget. This headroom would be used to fund the negative revenue support grant that the Council was due to pay the government from 2019/20. The amount has been added to reserves and will form part of the opening reserve position for BCP council. Negative revenue support grant has disappeared from the 2019/20 finance settlement, but may well appear in one form or another in future finance settlements.

15. Directors earnings note - why is the Chief Executive not included in the table of figures?

The table only includes members of the senior management team employed by Christchurch. The Chief Executive was employed by East Dorset and Christchurch shared 50% of the cost as disclosed in another note to the accounts.

Poole

16. Do grants in earmarked reserves need to be repaid?

Grants are held in earmarked reserves when there is no conditions or the conditions are met. If there are conditions that may not be met they are held as a liability on the balance sheet under "Grants Received in Advance"

17. Where are Community Infrastructure Levy balances included? Is this all committed? Why are they not included as a liability rather than a reserve.

CIL balances are included within the Capital Contribution / Grants Unapplied reserve. Some of the CIL balances will be committed already for Capital projects but the accounting standards requires us to show the full unspent balances.

18. HRA management fee look high – what is the process for ensuring value for money?

As the management fee has already been paid it would not be for us in the accounts to explain the reasoning why it would be deemed high. The accounts reflect the current cost as per the management agreement and is subject to periodic review.

19. The employee costs note shows a significant increase in higher earners – why is this?

Employee costs include redundancy payments which can skew the figures from year to year. When reviewing employee costs, it is best to review it alongside the proceeding note on exit costs to understand the redundancy payments for the year.

Overall

20. How is materiality determined?

It is determined by the external auditor based on the size of the council and uses 2% of gross expenditure.

21. How is the closing position of Dorset County Council taken into account to reflect services provided to Christchurch?

The 2018/19 Dorset County Council accounts will be audited by 31 July. The principles for disaggregating the DCC balance sheet have already been agreed, and these will be applied to the audited balance sheet. The result of this work will determine what element form part of the opening BCP Council position as at 1 April.

22. What is the timescale for determining the opening position for BCP?

Hopefully towards the end of September.

23. How will assets be transferred to BCP – will this be at the cost valuation?

To be determined once we have identified what assets will transfer to BCP and look to aggregate all four balance sheets into one.

Annual Governance Statement (AGS)

24. Are AGS issues on the Corporate Risk Register (CRR)?

Almost certainly all AGS issues feature in some risk register or other. It is common, but not always so, that AGS issues will feature in the CRR because the issue requires a corporate response to resolve and mitigate. Rarely the AGS issue features in a Service or Team Risk Register (rather than the CRR) because the issue will be resolved and mitigated at a service or team level.

25. Should the Bournemouth and Poole Information Governance issue identified in those Councils AGS be added in to the Christchurch AGS?

Information governance was not considered a significant risk at Christchurch as they do not hold the same sensitive data as unitary councils, who provide education and social services. Christchurch employed a GDPR officer that was able to conduct a thorough information audit with managers, which was made possible by the relative small size of Christchurch Council.

26. What is the process for agreeing the AGS?

Ultimately Audit & Governance Committee approve and agree the AGS. The AGS report explains the process which culminates in the Corporate Management Board (CMB) agreeing those issues to be included. CMB review a significant suite of evidence gathered from a variety of sources including:

- Annual Management Assurance Statements (MAS);
- Executive Director and Statutory Officer Disclosure Statements;
- A follow up of the previous year's Annual Governance Statement Action Plan;
- Chief Internal Auditor's Annual Report and Opinion 2018/19 (reported separately to this Committee);
- Internal documentation and reports such as those reported during the year to the Audit / Audit & Governance Committee, such as the Corporate Risk Register, Breaches, Waivers and Exemptions, and Fraud, Corruption & Whistleblowing); and
- External Inspection reports (such as those from the external auditor, OFSTED and CQC).