



**BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL**

# **STATEMENT OF ACCOUNTS 2019/20**

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## NARRATIVE REPORT

### Introduction

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

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

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

### Local Government Reorganisation in Dorset

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

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

### Bournemouth, Christchurch and Poole Council

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

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

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

Figure 1: BCP Corporate Strategy



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

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

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

### Governance Arrangements

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

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

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

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

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

### **National Picture**

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

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

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

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

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

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

### **Financial Position for 2019/20**

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

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

Figure 2: General Fund Summary 31 March 2020

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

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

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

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

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

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

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

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

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

### **Dedicated Schools Grant (DSG)**

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

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

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

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

### **Reserves**

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

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

Figure 3: Earmarked Revenue Reserves 31 March 2020

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

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

#### Capital Investment Programme (CIP)

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

CIP spend for 2019/20 includes the following:

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

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



**Figure 4: BCP Council Capital Investment Programme**

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

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

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

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

## Appendix A

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

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

### Housing Revenue Account

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

**Figure 5: BCP Council HRA Outturn 31 March 2020**

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

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

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

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

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

**Figure 6: BCP Council HRA Capital Programme Spend**

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

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

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

### Group Accounts

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

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

#### Five Parks Charity

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

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

#### Lower Central Gardens Trust

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

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

#### Russell Cotes Art Gallery and Museum Charitable Trust

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

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

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

### **Financial Impact of Covid-19**

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

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

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

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

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

**Figure 7: Summary Revenue Budget Impact at June 2020**

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

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

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

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

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

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

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

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

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

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

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

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

## **Appendix A**

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

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

### **Asset Valuations**

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

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

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

### **The Council's Transformation Programme**

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

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

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

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

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

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

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

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

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

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

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

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

### Medium Term Financial Plan (MTFP)

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

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

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

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

## Appendix A

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

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

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

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

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

### Going Concern Assessment

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

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

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

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

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

### Statement of Accounts

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

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

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



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

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

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

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

The HRA financial statements are presented in three sections:

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

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

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

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

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

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

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

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

**Adam Richens FCCA CPFA**

Head of Finance and S151 Officer

Bournemouth, Christchurch and Poole Council

## THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 1. The Council's Responsibilities

The Council is required:

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

### 2. Chief Financial Officer Responsibilities

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

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

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

The S151 Officer has also:

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

### 3. S151 Officer's Certificate

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

*Adam Richens*

**Adam Richens**  
**S151 Officer**

**Date: 31<sup>st</sup> July 2020**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

## Appendix A

### MOVEMENT IN RESERVES STATEMENT 2019/20

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

## BALANCE SHEET

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

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

## CASH FLOW STATEMENT

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Acquired Operations as a result of Local Government Reorganisation**

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

#### **1a. Opening Balance Sheet of BCP Council**

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

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

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

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

## Balance Sheet – balances transferred in as part of LGR

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



## 2. Expenditure and Funding Analysis

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

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

## 2a. Note to the Expenditure and Funding Analysis

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

### 2019/20

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

### (i) - Adjustments for Capital Purposes

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

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

### (ii) - Net Change for Pension Adjustments

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

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

### **(iii) - Other Differences**

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

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

### **3. Expenditure and Income Analysed by Nature**

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

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

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

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

#### **4. Critical Judgements in applying Accounting Policies**

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

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

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

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

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

##### **Valuation of Assets**

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

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

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

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

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

### **Pension Liability**

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

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

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

### **Pension Assets**

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

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

### **Britain leaving the European Union**

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

### **Impairment allowance for doubtful debt**

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

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

## **6. Events after the Balance Sheet Date**

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

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

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

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

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

## **7. Adjustments between Accounting Basis and Funding Basis under Regulation**

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

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

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



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

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

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

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

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

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

## 8. Transfers to/from Earmarked Reserves

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

## 9. Other Operating Expenditure

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

## 10. Financing and Investment Income and Expenditure

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

## 11. Taxation and Non-Specific Grant Income

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

## 12. Property, Plant and Equipment

### Depreciation

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

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

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

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

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

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

### Capital Commitments

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

|                                | <b>£'000</b> |
|--------------------------------|--------------|
| Council Housing Improvements   | 19,040       |
| Corporate Assets               | 3,442        |
| Schools and Education projects | 2,507        |
| Open Spaces                    | 1,595        |

### Academies, Foundation and Trust Schools

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

### Effects on Changes in Estimation

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

### Revaluations

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

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

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

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

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

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

## 12. Property, Plant and Equipment

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



### 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.

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

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

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

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

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

### VALUATION INFORMATION SURPLUS ASSETS AND INVESTMENT PROPERTY

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

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

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

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

#### Valuation techniques used to determine level 2 fair values

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

#### Valuation techniques used to determine level 3 fair values

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

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

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

## 14. Financial Instruments

### Categories of Financial Instruments

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

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

### Income, Expense, Gains and Losses

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

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

### Fair Value of Assets and Liabilities Carried at Amortised Cost

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

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

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

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

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

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

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

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

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

## 15. Debtors

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

### Impairment allowance for doubtful debts

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

## 16. Cash and Cash Equivalents

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

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

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

## 17. Creditors

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

## 18. Provisions

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

### Insurance Provisions

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

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

### Business Rate Appeals

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

### Property Provisions

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

### Ordinary residence liability

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

## 19. Usable Reserves

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

## 20. Unusable Reserves

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

### Revaluation Reserve

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

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

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

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

### Capital Adjustment Account

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

The Account contains the accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007 the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

|   | <b>2019/20<br/>£'000</b> |
|---|--------------------------|
| <b>Balance transferred in as part of LGR</b>  | <b>(884,073)</b>         |
| <b>Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account:</b>   |                          |
| Charges for Depreciation and Impairment on Non-Current Assets   | 55,523                   |
| Depreciation of HRA   | 11,959                   |
| Non-Current Assets to Major Repairs Reserve   | (300)                    |
| Amount set aside to repay debt  | 1,103                    |
| Amortisation of Intangible Assets   | 7,668                    |
| Revenue Expenditure Funded from Capital under Statute   | 23,331                   |
| Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain / Loss on Disposal to the Comprehensive Income and Expenditure Statement                      | <b>99,285</b>            |
| Adjusting amounts written out of the Revaluation Reserve  | (12,245)                 |
| Net written out amount of the cost of Non-Current Assets consumed in the year   | <b>87,040</b>            |
| <b>Capital Financing applied in the year:</b>   |                          |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure  | (5,817)                  |
| Use of the Major Repairs Reserve to finance new Capital Expenditure   | (12,531)                 |
| Capital Grants and Contribution credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing                                      | (19,620)                 |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute | (6,100)                  |
| Application of Grants to Capital Financing from the Capital Grants Unapplied Account  | (9,845)                  |
| Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances   | (6,607)                  |
| Capital Expenditure Charged against the General Fund and HRA Balances   | (7,833)                  |
|   | <b>(68,355)</b>          |
| Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement  | 24,265                   |
| <b>Balance at 31 March</b>  | <b>(841,124)</b>         |

#### **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.

|  | <b>2019/20<br/>£'000</b> |
|--|--------------------------|
| <b>Balance transferred in as part of LGR</b>   | <b>(2,318)</b>           |
| Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | -                        |
| Transfer to Capital Receipts Reserve upon receipt of cash  | 118                      |
| Write off Deferred Capital Receipt Reserve to Short Term Debtors   | 62                       |
| <b>Balance at 31 March</b>   | <b>(2,138)</b>           |

### 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.

|  | <b>2019/20<br/>£'000</b> |
|--|--------------------------|
| <b>Balance transferred in as part of LGR</b>   | <b>199</b>               |
| Proportion of premiums and discounts incurred in previous financial years to be charged to the General Fund balance in accordance with statutory requirements            | -                        |
| Cost of soft loans charged to Comprehensive Income and Expenditure Statement in year   | -                        |
| Proportion of cost of soft loans incurred in previous Financial years to be credited to General Fund balance in accordance with statutory requirements                   | -                        |
| Amount by which finance costs shown in the Comprehensive Income and Expenditure Statement are different from the amounts shown in accordance with statutory requirements | (62)                     |
| <b>Balance at 31 March</b>   | <b>137</b>               |

### 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.

|  | <b>2019/20<br/>£'000</b> |
|--|--------------------------|
|  | <b>744,999</b>           |
| <b>Balance transferred in as part of LGR</b>   |                          |
| Remeasurements of the net defined benefit liability  | (27,430)                 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement | 68,846                   |
| Employer's pension contributions and direct payments to pensioners payable in the year   | (23,075)                 |
| <b>Balance at 31 March</b>   | <b>763,341</b>           |

### **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.

|  | <b>2019/20<br/>£'000</b> |
|--|--------------------------|
|  | <b>2,279</b>             |
| <b>Balance transferred in as part of LGR</b>   |                          |
| Settlement of cancellation of accrual made at the end of the preceding year  | (2,279)                  |
| Amounts accrued at end of current year   | 2,110                    |
| Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | (169)                    |
| Amounts accrued at end of current year   | <b>2,110</b>             |

### **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.

|  | <b>2019/20<br/>£'000</b> |
|--|--------------------------|
|  | <b>(1,501)</b>           |
| <b>Balance transferred in as part of LGR</b>   |                          |
| Amount by which council tax and business rates Income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements | (553)                    |
| <b>Balance at 31 March</b>   | <b>(2,054)</b>           |

## 21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

|                   | <b>2019/20</b><br><b>£'000</b> |
|-------------------|--------------------------------|
| Interest Received | 1,542                          |
| Interest Paid     | (8,212)                        |
| Dividends         | 100                            |

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

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| Depreciation   | 41,556                         |
| Impairment and downward valuations   | 25,924                         |
| Amortisation   | 1,103                          |
| Movements in pension liabilities   | 45,771                         |
| Increase / (decrease) in creditors   | 4,562                          |
| (Increase) / decrease in debtors   | 14,966                         |
| (Increase) / decrease in inventories   | 510                            |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 23,331                         |
| Other non-cash items charged to the net surplus or deficit on the provision of services          | 28,828                         |
|  | <b>186,551</b>                 |

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

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (6,655)                        |
| Any other items for which the cash effects are investing or financing cash flows                   | (36,894)                       |
|  | <b>(43,549)</b>                |

## 22. Cash Flow Statement - Investing Activities

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| Purchase of property, plant & equipment, investment property and intangible assets                 | (71,698)                       |
| Purchase of short-term and long-term investments   | (40,104)                       |
| Other payment for investing activities   | (3,400)                        |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 5,342                          |
| Other receipts from investing activities   | 49,498                         |
| <b>Net cash flows from investing activities</b>  | <b>(60,362)</b>                |

## 23. Cash Flow Statement - Financing Activities

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| Cash receipts of short and long-term borrowing   | 10,604                         |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI | (607)                          |
| Repayments of short and long-term borrowing  | (1,542)                        |
| Other payments for financing activities  | (2,173)                        |
| <b>Net cash flows from financing activities</b>  | <b>6,282</b>                   |

## 24. Members' Allowances

In accordance with the Local Authorities (Members' Allowances) Regulations 2003 the Council publishes each year details of the total amount of basic allowance, special responsibility allowance, travel allowance, subsistence allowance, carer's allowance and co-optees allowance paid to Members of BCP Council.

|                       | <b>2019/20</b><br><b>£'000</b> |
|-----------------------|--------------------------------|
| Total allowances paid | 1,150                          |

## 25. Officers' Remuneration

The number of directly employed employees whose gross remuneration, excluding employer pension contributions was £50,000 or more in bands of £5,000 were as below. The figures do include exit costs.

| Remuneration Band in £'s | Number of employees    |                    |
|--------------------------|------------------------|--------------------|
|                          | Non Schools<br>2019/20 | Schools<br>2019/20 |
| 50,000 - 54,999          | 51                     | 18                 |
| 55,000 - 59,999          | 42                     | 11                 |
| 60,000 - 64,999          | 28                     | 5                  |
| 65,000 - 69,999          | 12                     | 2                  |
| 70,000 - 74,999          | 13                     | 6                  |
| 75,000 - 79,999          | 1                      | 0                  |
| 80,000 - 84,999          | 5                      | 0                  |
| 85,000 - 89,999          | 3                      | 1                  |
| 90,000 - 94,999          | 2                      | 1                  |
| 95,000 - 99,999          | 9                      | 0                  |
| 100,000 - 104,999        | 1                      | 0                  |
| 105,000 - 109,999        | 3                      | 0                  |
| 110,000 - 114,999        | 0                      | 2                  |
|                          | <b>170</b>             | <b>46</b>          |

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

## 25. Officers' Remuneration - (Cont'd.)

|  | Remuneration<br>Salary<br>(including<br>supplements) | Expense<br>Allowances | Compensation<br>for Loss<br>of Office | Employers<br>Pension<br>Contributions | Total payments<br>including<br>Pension<br>Contributions |
|--|--|-----------------------|---------------------------------------|---------------------------------------|---|
|  | 2019/20  | 2019/20               | 2019/20                               | 2019/20                               | 2019/20   |
|  | £  | £                     | £                                     | £                                     | £   |
| Chief Executive - (Mr G Farrant)             | 183,600  | 21,552                | 0                                     | 0                                     | 205,152   |
| Corporate Director - Children's Services     | 142,634  | 0                     | 0                                     | 22,240                                | 164,875   |
| Corporate Director - Adult Social Care       | 122,400  | 0                     | 0                                     | 0                                     | 122,400   |
| Corporate Director - Regeneration & Economy  | 122,400  | 0                     | 0                                     | 19,094                                | 141,494   |
| Corporate Director - Environment & Community | 122,400  | 0                     | 0                                     | 19,094                                | 141,494   |
| Corporate Director - Resources               | 120,842  | 0                     | 0                                     | 18,851                                | 139,693   |
| Director of Finance                          | 107,100  | 0                     | 0                                     | 16,708                                | 123,808   |
| Director of Law and Governance               | 107,100  | 0                     | 0                                     | 16,708                                | 123,808   |
| <b>Totals</b>                                | <b>1,028,476</b>                                     | <b>21,552</b>         | <b>0</b>                              | <b>112,696</b>                        | <b>1,162,724</b>  |

## 26. Officers' Remuneration – Exit Package

|                           | Number of<br>Compulsory<br>Redundancies | Number of<br>Other<br>Departures<br>Agreed | Total Number<br>of Exit<br>Packages by<br>Cost Band | Total Cost<br>of Exit<br>Packages<br>in each<br>Band<br>£'000 |
|---------------------------|---|--|---|---|
| <b><u>2019/20</u></b>     |   |  |   |   |
| £0 - £20,000              | 15                                      | 46   | 61  | 223   |
| £20,001 - £40,000         | 8                                       | -  | 8   | 230   |
| £40,001 - £60,000         | 5                                       | -  | 5   | 303   |
| £60,001 - £80,000         | 1                                       | -  | 1   | 65  |
| £80,001 - £100,000        | 2                                       | -  | 2   | 162   |
| £100,001 - £120,000       | 2                                       | -  | 2   | 216   |
| £120,001 - £140,000       | 3                                       | -  | 3   | 394   |
| £140,001 - £160,000       | 3                                       | -  | 3   | 435   |
| £160,001 - £180,000       | 2                                       | -  | 2   | 339   |
| £180,001 - £200,000       | 1                                       | -  | 1   | 189   |
| £260,001 - £280,000       | 1                                       | -  | 1   | 271   |
| <b>Totals for 2019/20</b> | <b>43</b>                               | <b>46</b>                                  | <b>89</b>   | <b>2,827</b>  |

## 27. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| Fees payable to External Auditors with regard to External Audit Services carried out by the appointed Auditor for the year | 160                            |
| Fees payable in respect of Other Services & Grant Certification provided by the External Auditor during the year           | 26                             |
| <b>Total</b>   | <b>186</b>                     |

The charities' accounts will incur a £37 thousand external audit fee.

### Non-Audit Services

The Council subscribes to CFO Insights provided by our External Auditors, at a fee of £10 thousand.

## 28. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The council can supplement the Schools Budget from its own resource.

|  | <b>Central<br/>Expenditure<br/>£'000</b> | <b>Individual<br/>Schools<br/>Budget<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--|--|------------------------|
| <b>Final DSG for 2019/20 before Academy recoupment</b> |  |  | <b>260,129</b>         |
| Academy figure recouped for 2019/20                    |  |  | (172,050)              |
| <b>Total DSG after Academy recoupment for 2019/20</b>  |  |  | <b>88,079</b>          |
| <br><b>Balance transferred in as part of LGR</b>       |  |  | <br><b>(3,605)</b>     |
| less: Carry forward to 2020/21 agreed in advance       |  |  | 3,605                  |
| Agreed initial budgeted distribution in 2019/20        | 34,117                                   | 53,962   | 88,079                 |
| In year adjustments                                    | 301                                      | (1,195)  | (894)                  |
| <b>Final budgeted distribution for 2019/20</b>         | <b>34,418</b>                            | <b>52,767</b>                                      | <b>87,185</b>          |
| Less Actual Central Expenditure                        | (38,810)                                 | -  | (38,810)               |
| Less Actual ISB deployed to Schools                    | -  | (51,814)   | (51,814)               |
| <b>Movement</b>  | <b>2,400</b>                             |  | <b>2,400</b>           |
| <b>Carry Forward to 2020/21</b>                        | <b>(1,992)</b>                           | <b>953</b>   | <b>(4,644)</b>         |

## 29. Grant Income

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

|   | <b>2019/20</b>  |
|---|-----------------|
|   | <b>£'000</b>    |
| <b>Credited to Taxation and Non-Specific Grant Income</b> |                 |
| <b>Revenue Grants:</b>                                    |                 |
| Revenue Support Grant                                     | (2,957)         |
| New Homes Bonus Grant                                     | (3,788)         |
| PFI Support Grant   | (1,254)         |
| NNDR S31 Grants   | (9,822)         |
| Education Services Grant                                  | (59)            |
| Sub-total   | (17,880)        |
| <b>Capital Grants and Contributions</b>                   |                 |
| Miscellaneous Education Grants                            | (2,355)         |
| Miscellaneous Transport Grants                            | (16,747)        |
| Miscellaneous Government Grants                           | (1,136)         |
| Other Contributions                                       | (10,325)        |
| Sub-total   | (30,563)        |
| <b>Total</b>  | <b>(48,443)</b> |

|  | <b>2019/20</b>   |
|--|------------------|
|  | <b>£'000</b>     |
| <b>Credited to Services</b>  |                  |
| Dedicated Schools Grant  | (87,849)         |
| Pupil Premium Grant  | (2,253)          |
| Public Health Grant  | (19,353)         |
| Rent Allowances  | (85,407)         |
| Rent Rebates   | (23,668)         |
| Grants towards Revenue Expenditure Funded From Capital under Statute | (6,100)          |
| Covid 19 Grant   | (11,102)         |
| Miscellaneous  | (23,691)         |
| <b>Total</b>   | <b>(259,423)</b> |

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:



|   | <b>2019/20</b>  |
|---|-----------------|
|   | <b>£'000</b>    |
| <b>Capital Grants Receipts in Advance</b> |                 |
| Government Grants                         | (15,721)        |
| Other Contributions                       | (15,653)        |
| <b>Total</b>                              | <b>(31,374)</b> |

|   | <b>2019/20</b> |
|---|----------------|
|   | <b>£'000</b>   |
| <b>Revenue Grants Receipts in Advance</b> |                |
| Government Grants                         | -              |
| Other Contributions                       | (121)          |
| <b>Total</b>                              | <b>(121)</b>   |

### 30. Related Parties

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants, and prescribes the terms of many of the transactions the Council has with other parties, e.g. council tax bills, housing benefits.

Grants received from government departments are set out in Note 2 within the Expenditure and Funding Analysis. Grant receipts outstanding at 31 March are shown in Note 29.

#### Members

Members of the Council have direct control over the Council's financial and operating policies.

The total of Members' Allowances paid is shown in Note 24.

The amounts paid to these related parties are as follows:

|   | <b>2019/20</b> |
|---|----------------|
|   | <b>£'000</b>   |
| Dorset Healthcare University NHS Foundation         | 996            |
| Bournemouth Collegiate Prep School                  | 108            |
| Poole Hospital NHS Foundation Trust                 | 88             |
| Local Government Association                        | 79             |
| * Ambitions Academies Trust T/A St Aldhelms Academy | 54             |

\* Ambitions Academies Trust T/A St Aldhelms Academy has been disclosed by both Members and Senior Officers.

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

|   | 2019/20<br>Owing to<br>£'000 | 2019/20<br>Owing from<br>£'000 |
|---|------------------------------|--------------------------------|
| Dorset Healthcare University NHS Foundation       | (221)                        | 36                             |
| Bournemouth Collegiate Prep School                | -                            | 19                             |
| Poole Hospital NHS Foundation Trust               | (18)                         | -                              |
| Local Government Association                      | -                            | -                              |
| Ambitions Academies Trust T/A St Aldhelms Academy | -                            | 11                             |

### Officers

The amounts paid to these related parties are as follows:

|                             | 2019/20<br>£'000 |
|-----------------------------|------------------|
| Bournemouth Town Centre BID | 647              |

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

|                             | 2019/20<br>Owing to<br>£'000 | 2019/20<br>Owing from<br>£'000 |
|-----------------------------|------------------------------|--------------------------------|
| Bournemouth Town Centre BID | -                            | 1                              |

### Other Public Bodies (subject to common control by Central Government)

The Council has a pooled budget arrangement with other public bodies in the area for the provision of an Integrated Community Equipment Store.

### Other Entities the Council has influence over

The Council is a member of The Bournemouth Development Company LLP, where both Members and officers make decisions with regards to the transfer of Council assets, as a form of payment. Although no asset transfer was undertaken during 2019/20, we recognise the potential conflict of interest and always ensure that Members and officers on the board are withdrawn from any negotiations and decisions made by the Council.

The Council acts as trustee for several charities. See the Group Accounts towards the end of the Statement of Accounts for more details. Amounts paid to the charities was zero for 2019/20.

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

- Seascope South Ltd
- Bournemouth Building & Maintenance Ltd
- Seascope Group Ltd
- Tricuro Ltd
- Seascope Homes & Property Ltd
- M D Care T/A Fairways – purchased by BCP 27 September 2019
- Poole Housing Partnership Ltd

The amounts paid to these companies are as follows:

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| Seascope South Ltd                     | 257                            |
| Bournemouth Building & Maintenance Ltd | 8,010                          |
| Seascope Group Ltd                     | -                              |
| Tricuro Ltd                            | 15,992                         |
| Seascope Homes & Property Ltd          | 20                             |
| M D Care T/A Fairways                  | 988                            |
| Poole Housing Partnership Ltd          | 3,697                          |

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

|  | <b>2019/20</b><br><b>Owing to</b><br><b>£'000</b> | <b>2019/20</b><br><b>Owing from</b><br><b>£'000</b> |
|--|---|---|
| Seascope South Ltd                     | -   | 37  |
| Bournemouth Building & Maintenance Ltd | -   | 426   |
| Seascope Group Ltd                     | -   | 39  |
| Tricuro Ltd                            | (2,358)   | 422   |
| Seascope Homes & Property Ltd          | -   | 34  |
| M D Care T/A Fairways                  | (28)  | 2   |
| Poole Housing Partnership Ltd          | (33)  | 917   |

### 31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

|  | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|
| <b>Opening Capital Financing Requirement of new Council</b>  | <b>434,534</b>                 |
| <b>Capital Investment</b>                                    |                                |
| - Property, Plant & Equipment                                | 71,498                         |
| - Investment Property  | 2                              |
| - Assets Held for Sale                                       | -                              |
| - Inventory  | -                              |
| - Long term Debtor   | 3,400                          |
| - Deferred Debtors   | -                              |
| <b>Revenue Expenditure Funded from Capital under Statute</b> | <b>7,668</b>                   |
| <b>Sources of Finance:</b>                                   |                                |
| - Capital Receipts   | (5,817)                        |

|  |                |
|--|----------------|
| - Government Grants and Contributions  | (35,566)       |
| - Revenue Finance  | (7,833)        |
| - Major Repairs Reserve  | (12,531)       |
| <b>Other Sums set aside from Revenue:</b>  |                |
| - Revenue provision for repayment of borrowing   | (6,607)        |
| - HRA Receipt set aside to repay borrowing   | (300)          |
| <b>Closing Capital Financing Requirement</b>   | <b>448,448</b> |
| <b>Explanation of movements in year:</b>   |                |
| Decrease in underlying need to borrow (supported by Government financial assistance)   | -              |
| Increase in underlying need to borrow (unsupported by Government financial assistance) | 13,914         |
| Assets acquired under Finance Leases   | -              |
| <b>Increase in Capital Financing Requirement</b>                                       | <b>13,914</b>  |

### 32. Leases

#### Council as Lessee

##### Finance leases

The Council has buildings and the mercury abatement unit at the Crematorium under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts.

|                        |                |
|------------------------|----------------|
|                        | <b>2019/20</b> |
|                        | <b>£'000</b>   |
| Other land & Buildings | 8,134          |
| Vehicle & plant        | 189            |
| <b>Total</b>           | <b>8,323</b>   |

When the Council entered the finance leases for the buildings it paid an initial premium in the first year with no subsequent minimum lease payment. However, the Council is committed to making minimum lease payments under the lease for the mercury abatement unit comprising settlement of the long-term liability for the interest in the mercury abatement unit acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

|                                       |                |
|---------------------------------------|----------------|
|                                       | <b>2019/20</b> |
|                                       | <b>£'000</b>   |
| Finance lease liabilities             |                |
| Current                               | 106            |
| Non-Current                           | 106            |
| Finance costs payable in future years | -              |
| <b>Minimum Lease Payments</b>         | <b>212</b>     |

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

|                         |                |
|-------------------------|----------------|
|                         | <b>2019/20</b> |
|                         | <b>£'000</b>   |
| Not later than one year | 132            |

|   |            |
|---|------------|
| Later than one year and not later than five years | 182        |
| Later than five years                             | 344        |
| <b>Total</b>                                      | <b>337</b> |

### 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:

|   |                |
|---|----------------|
|   | <b>2019/20</b> |
|   | <b>£'000</b>   |
| Not later than one year                           | 278            |
| Later than one year and not later than five years | 723            |
| Later than five years                             | 6,737          |
| <b>Total</b>                                      | <b>7,738</b>   |

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:

|                        |                |
|------------------------|----------------|
|                        | <b>2019/20</b> |
|                        | <b>£'000</b>   |
| Minimum lease payments | 866            |
| Contingent rents       | 73             |
| <b>Total</b>           | <b>939</b>     |

### Council as Lessor

#### Finance Leases

The Council has leases out a number of properties on a finance leases. The lease is made up of minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the leases come to an end.

|   |                |
|---|----------------|
|   | <b>2019/20</b> |
|   | <b>£'000</b>   |
| Not later than one year                           | 333            |
| Later than one year and not later than five years | 1,322          |
| Later than five years                             | 17,588         |
| <b>Total</b>                                      | <b>19,243</b>  |

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:

|                        |                |
|------------------------|----------------|
|                        | <b>2019/20</b> |
|                        | <b>£'000</b>   |
| Minimum lease payments | 327            |
| Contingent rents       | 46             |
| <b>Total</b>           | <b>373</b>     |

## 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:-

|   | <b>2019/20</b> |
|---|----------------|
|   | <b>£'000</b>   |
| Not later than one year                           | 4,481          |
| Later than one year and not later than five years | 14,876         |
| Later than five years                             | 83,448         |
| <b>Total</b>                                      | <b>102,805</b> |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £6.092 million contingent rents were receivable by the Council.

### 33. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The amount paid to the Teachers' Pension Scheme is recognised in the accounts as a charge to net cost of service.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

|  | <b>2019/20</b> |
|--|----------------|
| Amount paid to Teachers' Pensions Scheme - £'000 | 4,185,125.76   |
| Percentage of pensionable pay :                  |                |
| Period 1 (01/04/2019 – 31/08/2019)               | 16.48%         |
| Period 2 (01/09/2019 – 31/03/2020)               | 23.68%         |

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34.

### 34. Defined Benefit Pension Schemes

Due to the Covid-19 crisis and the levels of volatility the actuary was asked to wait until 31 March asset values were available before producing the reports. In normal years the approach was to take the most recently available assets (29 February) and make an estimate of market movements to 31 March when the actuary estimates the notional asset value attributable to each employer.

#### Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- the Local Government Pension Scheme, administered locally by Dorset Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Teachers' Pensions additional benefits, arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investments built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Teachers pensions have now been combined with the Local Government Pension Scheme in the actuary information the Council receives.

#### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

|   | <b>2019/20</b>   |
|---|------------------|
|   | <b>£'000</b>     |
| Present Value of the Defined Benefit Obligation       | (1,718,738)      |
| Fair Value of Plan Assets                             | 955,397          |
| Net Liability arising from defined Benefit Obligation | <b>(763,341)</b> |

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

|   | <b>2019/20</b>   |
|---|------------------|
|   | <b>£'000</b>     |
| <b>Opening Fair Value of Scheme Assets – Balance transferred in as part of LGR</b>  | <b>1,056,156</b> |
| Interest Income   | 25,119           |
| Remeasurement Gain / (Loss)   |                  |
| - Return on Plan Assets (excluding the amount included in the net interest expense) | (129,008)        |
| - Other   | 23,171           |
| Administration Expenses   | (821)            |
| Contributions from Employer   | 23,074           |
| Contributions from Employees into the Scheme  | 9,271            |
| Benefits Paid (net of transfers in)   | (51,565)         |
| Receipt of Bulk Transfer Value  | -                |
| <b>Closing Fair Value of Scheme Assets at 31 March</b>                              | <b>955,397</b>   |

## 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.

|   | <b>2019/20</b>       |
|---|----------------------|
|   | <b>£'000</b>         |
| <b>Comprehensive Income and Expenditure Statement</b>   |                      |
| <b>Cost of Services:</b>  |                      |
| - Service Cost  | 50,410               |
| - Administration Cost   | 820                  |
|   | <u>51,230</u>        |
| <b>Financing and Investment Income and Expenditure</b>  |                      |
| - Interest Cost   | 17,615               |
| <b>Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>  | <u><b>68,845</b></u> |
| <b>Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b>  |                      |
| Remeasurement of the Net Defined Benefit Liability comprising:  |                      |
| - Return on Plan Assets (excluding the amount included in the net interest expense)   | (129,008)            |
| - Actuarial Gains and Losses arising on changes in Demographic Assumptions  | 74                   |
| - Actuarial Gains and Losses arising on changes in Financial Assumptions  | 228,682              |
| - Other   | (72,318)             |
|   | <u><b>27,430</b></u> |
| <b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>  | <u><b>96,275</b></u> |
| <b>Movement in Reserves Statement</b>   |                      |
| - Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (93,918)             |
| <b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>   |                      |
| - Employers' Contributions payable to the Scheme  | <u>22,883</u>        |



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

|  | 2019/20<br>£'000          |
|--|---------------------------|
| <b>Balance transferred in as part of LGR</b>                             | <b>(1,801,155)</b>        |
| Current Service Cost   | (48,484)                  |
| Interest Cost  | (42,735)                  |
| Contributions from Scheme Participants                                   | (9,271)                   |
| Experience loss/gain on defined benefit obligation                       | (42)                      |
| Remeasurement Gain/(Loss)  |                           |
| - Actuarial Gains/(Losses) arising on changes in Demographic Assumptions | 30,857                    |
| - Actuarial Gains/(Losses) arising on changes in Financial Assumptions   | 175,214                   |
| - Other  | (72,760)                  |
| Past Service Cost, including Curtailments                                | (1,927)                   |
| Benefits Paid (Net of transfers in)                                      | 48,953                    |
| Payment of Bulk Transfer Values  | -                         |
| Unfunded Pension Payments  | 2,612                     |
| <b>Closing Balance at 31 March</b>                                       | <b><u>(1,718,738)</u></b> |

## Local Government Pension Scheme Assets Comprised:

|                           | 2019/20<br>£'000      |
|---------------------------|-----------------------|
| Cash and Cash Equivalents | 19,914                |
| Equity Instruments        | 475,945               |
| Bonds & Gilts             | 78,372                |
| Property                  | 218,516               |
| Other Investment Funds    | 162,651               |
|                           | <b><u>955,398</u></b> |

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

|                    |                             | <b>31st March 2020</b> |                   |
|--------------------|-----------------------------|------------------------|-------------------|
|                    |                             | <b>% Quoted</b>        | <b>% Unquoted</b> |
| Corporate Bonds    | UK                          | 8.2%                   | -                 |
|                    | Overseas                    | -                      | -                 |
| Equities           | UK                          | 18.1%                  | -                 |
|                    | Overseas                    | 28.4%                  | -                 |
| Property           | All                         | -                      | 9.8%              |
| Others             | Private Equity              | -                      | 3.6%              |
|                    | Infrastructure              | -                      | 6.9%              |
|                    | Derivatives                 | -                      | (0.4%)            |
|                    | Diversified Growth Fund     | -                      | 5.7%              |
|                    | Liability Driven Investment | -                      | 11.4%             |
|                    | Multi Asset Credit          | -                      | 4.5%              |
|                    | Property Pooled Funds       | -                      | 1.7%              |
|                    | Cash/Temporary Investments  | -                      | 2.0%              |
| Net Current Assets | Debtors                     | -                      | -                 |
|                    | Creditors                   | -                      | -                 |
| <b>Total</b>       |                             | <b>54.8%</b>           | <b>45.2%</b>      |

**Basis for Estimating Assets and Liabilities**

**Local Government Pension Scheme**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary level etc.

The Dorset County Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the County Fund being based on the latest full valuation of the scheme as at 31 March 2020.

There have been some significant movements in regard to the net pension liability and associated movements within the pension fund. These movements are due to the differing assumptions that the actuaries have applied to the pension valuation.

The principal assumptions used by the actuary have been:

| <b>Local Government Pension Scheme</b>           | <b>2019/20</b> |
|--|----------------|
|  | <b>%</b>       |
| Expected rate of return on assets in the scheme: | 10.00          |
|  | <b>2019/20</b> |
|  | <b>Years</b>   |
| Mortality assumptions                            |                |
| Longevity at 65 for current pensioners           |                |
| - Men  | 23.3           |
| - Women  | 24.7           |
| Longevity at 65 for future pensioners            |                |
| - Men  | 24.7           |
| - Women  | 26.2           |

|   | <b>2019/20</b> |
|---|----------------|
|   | <b>%</b>       |
| Rate of inflation                       | 2.70           |
| Rate of increase in Salaries            | 2.90           |
| Rate of increase in Pensions            | 1.90           |
| Rate for Discounting Scheme Liabilities | 2.35           |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

|  | <b>Impact on the Defined<br/>Benefit Obligation in the<br/>Scheme</b> |   |
|--|---|---|
|  | <b>Increase<br/>in<br/>Assumption<br/>£'000</b>                       | <b>Decrease<br/>in<br/>Assumption<br/>£'000</b> |
| <b>Longevity (increase or decrease in 1 year)</b>                    | 23,835  | (41,242)  |
| Rate of increase in salaries (increase or decrease by 1%)            | 42,539  | (42,498)  |
| Rate of increase in Pensions (increase or decrease by 1%)            | 43,619  | (41,446)  |
| Rate for Discounting Scheme Liabilities (increase or decrease by 1%) | 41,431  | (43,636)  |

There have been relatively significant movements with regards to the net pension liability, service cost and associated movements within the Pension fund. These movements are due to the differing assumptions that the actuaries have applied to the pension valuation. One notable change in the assumptions this year is in respect of the mortality projections where the actuary has indicated that it is now assumed that the improvements in mortality which have slowed in recent years is "a new trend rather than a blip". This has an impact upon the overall liabilities of the scheme, which is reflected in the figures reported here and which will be factored into the next valuation in 2020.

#### **Discretionary Benefits**

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

#### **Impact on the Council's Cash Flows**

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. Dorset Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a maximum of the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £24.711 million in contributions to the scheme in 2020/21.

### **35. Contingent Liabilities**

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end for known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

A supplier to the Council which holds a contract for services are seeking additional costs over the life of the remaining life of the contract. This is an ongoing legal matter between the Council and the Supplier to resolve.

A claim has been made against the Council and one of its Subsidiary Companies. The organisation bringing the action argues that services being provided by the company are an extension of the Council's responsibilities and therefore the activities are unlawful. The Council is seeking further legal advice in its defence.

### **36. Financial Instruments and the Nature and Extent of Risks Arising from Financial Instruments**

Financial Instruments are held by the Council in the form of financial liabilities and financial assets:

#### **Financial Liabilities**

A Financial Liability is an obligation to transfer economic benefits controlled by the Council. It can be represented by a contractual obligation to deliver cash or financial assets or through an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council. The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount the Council will have to pay if the lender requested or agreed the early repayment of loans.

The Council's loan portfolio at year end consisted of PWLB loans, loans from a commercial lender, short-term loans from other local authorities and a small balance of interest free Salix loans. The Council also utilises a bank overdraft facility as part of its daily treasury management activity.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For simple loans the effective interest rate normally equates to the same as the actual rate payable on the instrument.

#### **Financial Assets**

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets are held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- Fair Value Through Profit and Loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Allowances for impairment losses should be calculated for amortised cost assets, applying the expected credit losses model. This approach is useful when there are a large number of comparable financial liabilities and this methodology which assesses current and prospective losses according to a weighted probability of losses occurring. The Council used an alternative methodology for calculating losses on assets by reviewing most financial assets individually rather than as a class of asset. Consequently, this methodology is used to calculate losses which are then debited to the CIES as a proxy for the expected credit losses required to be calculated under IFRS9. Not all assets will have an expected loss as the debt may be held against a guarantee or property.

Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. The opening balances for the amortised cost assets would not be materially affected by the expected credit losses and no change to the value of these in the Balance Sheet as at 1 April 2019 has been made.

One further exception to the expected credit losses model applies to investments with Government or other local authorities as there are statutory provisions in place to prevent default on these debts. This is reflected in note 15 – Short term debtors - £11.694 million.

The Council's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in interest rates.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and it has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Treasury Management function is carried out in accordance with the Annual Treasury Management Strategy which is approved each year by Cabinet.

## **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they are rated independently, with a minimum Fitch Rating of Short Term F1, Long Term A-. In the case of building societies, the short-term rating is F2, Long Term A-. The Council has a specific policy of not lending more than 20 to 25% of its surplus balances to one institution depending on the category and risk rating of that institution. There are no geographical limitations on where the investments are made provided they meet the rating requirements.

These requirements have been relaxed where the UK government has become a major shareholder of the institution.

Historically the Council has never suffered a loss of deposits with banks and financial institutions.

- short-term Rating 'F1' Indicates the strongest capacity for timely payment of financial commitments;
- short-term Rating 'F2' indicates a good capacity for timely payment of financial commitments, however the margin of safety is not as great as in the case of the higher ratings;
- long-Term Rating 'A' denotes expectations of a low credit risk. The capacity for payment of financial commitments is considered strong.

No breaches of the Council's counterparty criteria occurred during the reporting period. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

| <b>Credit risk - Financial Assets:</b> | <b>Balance as at<br/>31 March 2020<br/>£'000</b> |
|--|--|
| <b>Long-Term Debtors:</b>              |  |
| - with other Public Bodies             | 433  |
| - secured against property             | 4,741  |
| - unsecured                            | 4,390  |
| <b>Investments:</b>                    |  |
| Local Government                       | 5,239  |
| Central Government                     | 26,100   |
| UK Domiciled Banks                     | 52,725   |
| Non UK Bank                            | -  |
| <b>Debtors:</b>                        |  |
| Trade receivables                      | 15,349   |
| Other receivables                      | 82,073   |
| <b>Total Financial Assets</b>          | <b>191,050</b>                                   |

The credit risk associated with the loans with other public bodies and those secured against property is minimal, however, the unsecured loans are at risk of non-payment. However, the credit risk associated with these amounts is reflected in the impairment allowance.

Debtors are also subject to non-payment. Impairment allowances are calculated for these based on the historic experience of levels of default. By including these allowances within the accounts, the credit risk is recognised in the accounts.

Debts due to the Council are recorded as they become due and the item "debtors" in the Balance Sheet represents the amounts due during the year which remain unpaid at the year end, from which a sum is deducted as a provision for bad debts. This provision is calculated by analysing the age of the debts and setting aside an amount dependent on the age of those debts outstanding. The bad debt provisions are calculated as follows:

- Sundry Debtors – calculated as 10% to 80% of debtors outstanding depending upon age. Based on current review following the Covid-19 situation, an additional £1.7 million has been set aside in the provision for a known supplier's situation.
- Housing Benefits – calculated as 100% of total inhibited debt outstanding, 50% for accounts in payment
- Council Tax – calculated as between 5% and 100% of the debt depending upon age
- National Non Domestic Rates – Calculated as between 10% and 100% of the debt depending upon age

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

### **Liquidity Risk**

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. One exception to this was in relation to a series of short term loans totalling £75m, which were borrowed from other local authorities at low rates in the short-term pending longer-term financing. These short-term loans become repayable in 2020/21

and the Council has a strategy in place to replace these loans with a long-term loan. The Council also holds significant deposits with approved financial institutions which would allow flexibility when any replacement borrowings need to be taken out.

The maturity analysis of the financial instruments held is as follows:

|                                    | <b>Balance as at<br/>31 March 2020<br/>£'000</b> |
|------------------------------------|--|
| less than one year                 | (173,456)  |
| between one and two years          | (18,509)   |
| between two and five years         | (8,422)  |
| between five and ten years         | (38,498)   |
| in ten years or more               | (118,464)  |
| <b>Total Financial Liabilities</b> | <b>(357,348)</b>                                 |

## Market Risk

### Interest Rate Changes

The Council is exposed to risk associated with changes in interest rates on its borrowings and investment. A rise in interest rates would have the following impact on the Council's accounts:

- long-term borrowings - the fair value of these fixed interest borrowings shown in this note would be less;
- temporary borrowings - the interest payable in the Comprehensive Income and Expenditure Statement would be greater;
- long-term loans and receivables, the interest receivable on the variable interest loans in the Comprehensive Income and Expenditure Statement would be greater and the fair value shown in these notes would be less;
- short-term investments - the interest receivable in the Comprehensive Income and Expenditure Statement would be greater;
- Private Finance Initiative (PFI) contract payments are not subject to variations in interest rates but the payments are subject to adjustments based on the Retail Price Index (RPI).

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

|  | <b>2019/2020<br/>£'000</b>                       |
|--|--|
| Increase in interest payable/(Receivable) on : |  |
| Temporary Borrowing                            | 179  |
| Short-Term Investments                         | (610)  |
| Long-Term Debtors                              | -  |
| Impact on Income and Expenditure               | <b>(431)</b>                                     |
| <br>Decrease in Fair Value:                    |  |
|  | <b>Balance as at<br/>31 March 2020<br/>£'000</b> |
| Fixed Rate Long-Term Borrowing - Liability     | 43,836   |
| Soft loans - Assets                            | 66   |

#### Price Risk

The Council does not invest in equity shares and has no exposure to losses arising from fluctuations in share prices.

#### Foreign Exchange Risk

The Council has no assets or liabilities denominated in foreign currencies and thus has no exposures arising from movements in exchange rates.

### **37. Accounting Policies**

#### **a. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which state that the Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of assets and financial instruments. These accounts have been prepared on the basis the Council is a going concern.

#### **b. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The Council has adopted a materiality level of accruals greater than £25,000. In particular:

- income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and the probable economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are received. Where there is a gap between the date supplies are received and their use, they are carried as Inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **c. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

#### **d. Exceptional Items**

When items of income and expense are material i.e. they are significant items to the understanding of the Council's performance, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the core financial statements.

#### **e. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**



Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions, on the Council's financial position or performance.

Where a change in relation to an accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **f. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end and include wages and salaries, paid annual leave and sick leave, bonuses and non-monetary benefits for current employees. These are charged as an expense for services in the year in which employees work for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which can be carried forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services line but reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is committed to the termination, or to making an offer of voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement transfers are required to and from the Pensions Reserve to remove the notional charges and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-employment Benefits**

Employees of the Council are members of two separate pension schemes:

- the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the Local Government Pensions Scheme administered by Dorset Council.

Both schemes provide defined benefits i.e. a retirement lump sum and an annual pension, which are earned as employees work for the Council.

The arrangements for the teachers' pensions scheme mean that the Council's liabilities for these benefits cannot be separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the teachers' pensions scheme in the year.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Dorset Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees;

- liabilities are discounted to their value at current prices using a discount rate of 2.35% based on the indicative rate of return on high quality corporate bonds;
- the assets of Dorset Council Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price;
  - property – market value;
- the change in the net pensions liability is analysed into the following components:
  - I. service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
    - net interest on the net defined liability i.e. net interest expense for the Council – the change during the year in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - II. re-measurements comprising:
    - the net return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - actuarial gains and losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - contributions paid to the Dorset Council Pension Scheme is cash paid as an employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### **Discretionary Benefits**

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

### **g. Events after the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where an event would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **h. Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

The balance sheet figures for 2019/20 are presented in line with IFRS9 classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The Council has made a number of loans at less than market rates. These are called soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the appropriate service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is

credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

#### **i. Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been met. Conditions are stipulations that specify future economic benefits or service improvements required to be made using the grant or contribution without which the grant or contribution must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. When it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **j. Intangible Assets**

Expenditure on intangible assets that have no physical substance but are controlled by the Council as a result of past events e.g. software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed, with adequate resources being available, and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, statute requires that amortisation, impairment losses and disposal gains and losses do not have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

#### **k. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. This definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if the property is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties in an arm's-length arrangement. Investment properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

#### **l. Joint ventures**

Joint ventures are activities undertaken by the Council in conjunction with other organisations. These involve the use of the assets and resources of the organisations rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets and liabilities that it controls on its Balance Sheet and charges or credits the Comprehensive Income and Expenditure Statement with its share of income and expenditure in accordance with its interest in the venture.

#### **m. Leases**

Leases are classified as finance leases where under the arrangements most of the risks and rewards associated with ownership of the property, plant or equipment transfer from the lessor to the lessee. All other leases are classified as operating leases.

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

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

#### **The Council as Lessee**

##### **Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment; and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, together with any premiums received; and
- finance income, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

### **Operating Leases**

Where the Council grants an operating lease over an item of property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the commencement of the lease.

### **n. Overheads and Support Services**

The costs of overheads and support services are charged to those services that benefit from the supply or service. Total absorption costing principle is used, and the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Non-Distributed Costs, the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

The cost category is defined by internal management reporting and accounted for as a separate heading in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

## **o. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to, an asset's potential to deliver future economic benefits or service potential i.e. repairs and maintenance, is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price and;
  - any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Where this is the case the gain is held in the Donated Assets Account until conditions are met. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historic cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use value (EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values, or both, depreciated historic cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, this is at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains which arise from the reversal of a loss previously charged to a service are credited to the Comprehensive Income and Expenditure Statement where they were originally debited.

Decreases in value are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains;
- where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and any shortfall is recognised as an impairment loss.

Impairment losses are accounted for in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains;
- where there is no balance in the Revaluation Reserve or an insufficient balance the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

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

Depreciation is calculated on the following bases:

- dwellings and other buildings, straight-line allocation over the useful life of the property as estimated by a suitably qualified valuer;
- vehicles, plant, furniture and equipment, straight-line allocation over the useful life of the item as advised by a suitably qualified officer;
- infrastructure, straight-line allocation over 20 or 25 years.

Where an item of property, plant and equipment has major components, whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This additional analysis is only required for assets that the Council deem 'significant'. The Council is required to set a materiality threshold to assist with the identification of such assets. This level has been set at £2 million for individual assets and a significance level for separate components of 20% of the whole asset's original cost. Consideration of componentisation is only required for assets that meet these two criteria. This is the minimum requirement, but services may choose to apply componentisation for assets below this threshold if it assists with asset planning.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost. Any depreciation on revaluation gain is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and market value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in market value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services line. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale and adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the



gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains previously accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, 75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### **p. School Assets**

The accounting treatment of schools' assets is decided by the legal framework of the type of school.

Community and voluntary controlled schools' land and buildings are recorded on the Council's Balance Sheet and any capital expenditure is added to the balances.

Voluntary aided schools' land and buildings are not shown on the Council's Balance Sheet and any capital expenditure is reversed through Revenue Expenditure Funded from Capital under Statute under Children's and Education on the Comprehensive Income and Expenditure Statement. This treatment has been deemed relevant due to the Dioceses having control over the use and activities provided by these school assets. One foundation school (Poole High school) is included in the Council's Balance Sheet and any subsequent capital expenditure linked to it.

When schools become self-governing academies the ownership of the buildings is passed to the governing body either as a disposal or a long lease. For accounting purposes this is treated as a disposal for nil consideration resulting in a substantial loss on disposal in the Comprehensive Income and Expenditure Statement. Despite building work being undertaken, if the Academy has full legal control of the managing the asset, the asset will be removed from our accounts.

Individual schools' balances at 31 March, excluding academies which are not under Local Authority control are included in the Balance Sheet of the Council.

The Dedicated Schools Grant is allocated between central Council budget and budgets allocated to individual schools ("delegated school budgets"). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under Children's and Education services.

#### **q. Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation to a third party, which is likely to require settlement by transferring economic benefit or service potential and the value can be reliably estimated. For instance, the Council may be involved in a court case that could eventually result in a settlement or the payment of compensation.

Provisions are charged as a cost to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate, at the balance sheet date, of the amount required to settle the obligation.

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer will be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party e.g. from an insurance claim, this is only recognised as income for the relevant service if it is almost certain that reimbursement will be received.

## **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation, but whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events, not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a transfer of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset, but whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be a transfer of economic benefits or service potential to the Council.

## **r. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to count against the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

## **s. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of an asset for the Council has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

## **t. Value Added Tax (VAT)**

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

## **u. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures require the authority to prepare Group Accounts.

## **v. Collection Fund**

The Council is a billing authority who collects money on behalf of the precepting authorities (police and fire authority).

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. The fund's key features relevant to accounting for council tax and business rates in the primary financial statements are:

- in its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax and business rates income on behalf of Central Government the major preceptors and itself.

- while the council tax and business rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to the major preceptors (and Central Government for business rates) and in turn credited to their General Fund.

Council tax and business rates included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and business rates is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors and business rate payers belongs proportionally to the billing authority and the major preceptors (and Central Government for business rates). There will therefore be a debtor / creditor position between the billing authority and each major preceptor and Central Government to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council tax payers and business rate payers.

#### **w. Fair Value Movement**

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

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

The Council's Estates Services valuers and External Valuers provide valuations of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability

#### **x. Capital Commitment Disclosures**

The Councils General Fund programme is in excess of 500 schemes and over £100 million in value. For disclosure purposes the Council contracted capital commitments will only be disclosed when in excess of £1 million or more.

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

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

The standards that may be relevant for additional disclosures that will be required in the 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. An initial review has deemed that the changes will not have a material impact.

# HOUSING REVENUE ACCOUNT

## INCOME AND EXPENDITURE STATEMENT

|   | 2019/20<br>£'000 |
|---|------------------|
| <b>EXPENDITURE</b>  |                  |
| Repairs and Maintenance   | 10,482           |
| Supervision and Management  | 11,694           |
| Rents, rates, taxes and other charges   | 408              |
| Charge for bad & doubtful debts   | 324              |
| Depreciation and Impairment of Non-current Assets   | 23,910           |
| Debt Management Expense   | 178              |
| <b>Total Expenditure</b>  | <b>46,996</b>    |
| <b>INCOME</b>   |                  |
| Dwelling rents (gross)  | (42,120)         |
| Non-dwelling rents (gross)  | (211)            |
| Charges for services and facilities   | (2,740)          |
| Contributions towards expenditure   | (912)            |
| <b>Total Income</b>   | <b>(45,983)</b>  |
| <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account</b>                         | <b>1,013</b>     |
| HRA share of Non-Distributed Costs  | (101)            |
| <b>Net Cost of HRA Services</b>   | <b>912</b>       |
| <b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b> |                  |
| (Gain) or loss on disposal of HRA fixed assets  | (885)            |
| Interest payable and similar charges  | 5,617            |
| Investment Income   | (243)            |
| Pensions Interest Cost and Expected Return on Pension Assets  | 1,001            |
| Capital Grants and Contributions  | (232)            |
| <b>(Surplus) / Deficit for the year on HRA Services</b>   | <b>6,170</b>     |

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

|   | 2019/20<br>£'000 |
|---|------------------|
| <b>Balance transferred in as part of LGR</b>                          | <b>(1,807)</b>   |
| (Surplus)/Deficit on HRA Income and Expenditure Statement             | 6,170            |
| Adjustments between Accounting Basis and Funding Basis under Statute: | (8,480)          |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves        | (2,310)          |
| Transfers to/(from) Earmarked Reserves                                | 2,280            |
| <b>(Increase)/Decrease in Year on the HRA</b>                         | <b>(30)</b>      |
| <b>Balance at End of Year</b>   | <b>(1,837)</b>   |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Housing Stock

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

|                         | Bedrooms<br>No. | 2019/20<br>No. |
|-------------------------|-----------------|----------------|
| <b>Houses</b>           | 1               | 2              |
|                         | 2               | 1,166          |
|                         | 3               | 2,208          |
|                         | 4               | 259            |
|                         | 5+              | 13             |
| <b>Flats</b>            | 0               | 436            |
|                         | 1               | 3,180          |
|                         | 2               | 1,533          |
|                         | 3               | 139            |
| <b>Bungalows</b>        | 0               | 8              |
|                         | 1               | 483            |
|                         | 2               | 161            |
|                         | 3               | 31             |
|                         | 4               | 3              |
| <b>Shared Ownership</b> | 5               | 1              |
|                         |                 | 34             |
|                         |                 | <b>9,657</b>   |

### 2. Balance Sheet Value of HRA Assets

| Property, Plant & Equipment   | Council Dwellings<br>£'000 | Other Land & Buildings<br>£'000 | Assets Under Construction<br>£'000 | Surplus Asset<br>£'000 | Plant & Equipment<br>£'000 | Total<br>£'000 |
|---|----------------------------|---------------------------------|------------------------------------|------------------------|----------------------------|----------------|
| <b>Cost or Valuation</b>  |                            |                                 |                                    |                        |                            |                |
| Balance transferred in as part of LGR   | 588,969                    | 4,909                           | 10,098                             | 2,184                  | 1,670                      | 607,830        |
| Additions   | 14,523                     | 105                             | 3,839                              | 143                    | 450                        | 19,060         |
| Revaluation increase / decrease recognised in Revaluation Reserve                       | 170                        | 1,760                           | 975                                | 84                     | -                          | 2,989          |
| Revaluation increase / decrease recognised in Surplus/ Deficit in Provision of Services | (15,978)                   | -                               | -                                  | (61)                   | -                          | (16,039)       |
| Derecognition Disposals   | (4,012)                    | -                               | -                                  | (309)                  | -                          | (4,321)        |
| Reclassifications within PPE  | 12,504                     | -                               | (11,394)                           | -                      | -                          | 1,110          |
| Balance Carried Forward 31 March 2020   | 596,176                    | 6,774                           | 3,518                              | 2,041                  | 2,120                      | 630            |
| <b>Cumulative Depreciation and Impairments</b>  |                            |                                 |                                    |                        |                            |                |
| Balance transferred in as part of LGR   | (139)                      | (337)                           | -                                  | -                      | (452)                      | (928)          |
| Depreciation for year   | (11,631)                   | (155)                           | -                                  | -                      | (173)                      | (11,959)       |
| Depreciation written out to Revaluation Reserve   | 7,310                      | 112                             | -                                  | -                      | -                          | 7,840          |
| Impairment losses recognised in Surplus/Deficit on Provision of Services                | 3,667                      | -                               | -                                  | -                      | -                          | 3,667          |
| Depreciation written out to Surplus / Deficit on Provision of Services                  | 418                        | -                               | -                                  | -                      | -                          | 3,666          |
| Derecognition – Other   | -                          | -                               | -                                  | -                      | -                          | -              |
| Reclassifications within PPE  | -                          | -                               | -                                  | -                      | -                          | -              |

|                                       |                |              |               |              |              |                |
|---------------------------------------|----------------|--------------|---------------|--------------|--------------|----------------|
| Balance Carried Forward 31 March 2020 | (376)          | (380)        | -             | -            | (625)        | (1,381)        |
| Balance Sheet Amount 1 April 2019     | <b>588,830</b> | <b>4,572</b> | <b>10,098</b> | <b>2,184</b> | <b>1,218</b> | <b>606,902</b> |
| Balance Sheet Amount 31 March 2020    | <b>595,801</b> | <b>6,394</b> | <b>3,518</b>  | <b>2,041</b> | <b>1,495</b> | <b>609,250</b> |

The valuation of the housing stock based on vacant possession at 31 March 2020 was £1,706 million (1 April 2019 £1,690 million). This assumes that the stock is unoccupied and could be sold. The carrying value of the stock on the Balance Sheet is based on existing use as social housing. The difference between the two methods reflects the economic cost of providing council housing at less than market rent.

### 3. Major Repairs Reserve

The Major Repairs Reserve (MRR) controls an element of capital resources required to be used on HRA assets or for capital purposes. Under self-financing arrangements there are regulations that require the MRR to be credited with an amount equal to the depreciation charge on all HRA assets. Under the adopted transitional arrangements this is abated to the notional Major Repairs Allowance (MRA). The balance is available to fund HRA capital expenditure.

|  | <b>2019/20</b>  |
|--|-----------------|
|  | <b>£'000</b>    |
| Balance transferred in as part of LGR                  | (12,865)        |
| HRA Depreciation from Capital Adjustment Account       | (11,959)        |
| Excess Depreciation to HRA                             | -               |
| Financing of HRA debt                                  | -               |
| Financing of HRA Capital Expenditure - Council Housing | 12,531          |
| Balance Carried Forward 31 March                       | <b>(12,293)</b> |

### 4. Summary of Capital Expenditure and Sources of Finance

|   | <b>2019/20</b> |
|---|----------------|
|   | <b>£'000</b>   |
| Opening Capital Financing Requirement                 | 139,684        |
| Appropriation of property from the HRA                | 960            |
| Capital Investment:                                   |                |
| Property, plant and equipment                         | 19,061         |
| Revenue Expenditure Funded from Capital under Statute | 2              |
| Sources of Finance:                                   |                |
| Capital Receipts                                      | (3,006)        |
| Government Grants and Contributions                   | (232)          |
| Revenue Finance                                       | (3,294)        |
| Major Repairs Reserve                                 | (12,531)       |
| Reserve   | -              |
| Switch between HRA and General Fund                   | -              |
| Revenue Provision for Repayment of Borrowing          | (300)          |
| <b>Closing Capital Financing Requirement</b>          | <b>140,344</b> |

Explanation of movements in year:  
Decrease in underlying need to borrow (supported by Government financial assistance) -  
Increase in underlying need to borrow (unsupported by Government financial assistance) 660



Appropriation of property to the HRA

**Increase / (decrease) in Capital Financing Requirement**

**660**

## 5. Capital Receipts

|   | <b>2019/20<br/>£'000</b> |
|---|--------------------------|
| <b>Usable Capital Receipts - Balance transferred as part of LGR</b> | <b>(18,499)</b>          |
| Capital receipts in year:   |                          |
| - Sale of Council Houses  | (5,186)                  |
| - Housing Advances Repaid   | -                        |
| Pooled Capital Receipts   | 914                      |
| Admin Costs for RTB   | 23                       |
| Repayment of borrowing from General Fund                            | 300                      |
| Applied to finance Capital Expenditure:                             |                          |
| - Housing (HRA)   | 3,006                    |
| - Housing (General Fund)  | 2,421                    |
| Balance Carried Forward 31 March                                    | <b>(17,021)</b>          |

## 6. Depreciation and Impairment of Non-Current Assets

|   | <b>2019/20<br/>£'000</b> |
|---|--------------------------|
| Depreciation is charged based on the useful life of assets as follows:  |                          |
| - Council Dwellings   | 11,627                   |
| - Other Land and Buildings  | 155                      |
| - Plant & Equipment   | 173                      |
|   | <b>11,955</b>            |
| Impairment resulting from the reduction in the valuation of non-current assets resulted in a charge to the income and expenditure account as follows: |                          |
| - Council Dwellings   | 5,254                    |
| - Other Land and Buildings  | 106                      |
|   | 5,360                    |
| Total charge to income and expenditure account  | <b>17,315</b>            |

## 7. Rent Arrears

|   | <b>2019/20<br/>£'000</b> |
|---|--------------------------|
| Cumulative Gross Arrears                | 1,770                    |
| Dwellings rents written off during year | 53                       |
| Provision for bad debt as at 31 March   | 1,685                    |

Current Tenant rent arrears expressed as a % of gross rent income was 4.20%.

## THE COLLECTION FUND

|   | 2019/20          |
|---|------------------|
|   | £'000            |
| <b><u>INCOME</u></b>  |                  |
| Income from Council Tax   | (255,086)        |
| Income Collectable from Business Ratepayers (NNDR)                        | (149,669)        |
| Contribution from Precepting Authorities - towards deficit balance (NNDR) | -                |
| <b>Total Income</b>   | <b>(404,755)</b> |
| <b><u>EXPENDITURE</u></b>   |                  |
| Council Tax - Precepts and Demands  |                  |
| - BCP Council   | 210,157          |
| - Dorset Police and Crime Commissioner                                    | 32,690           |
| - Dorset & Wiltshire Fire & Rescue  | 10,614           |
| Business Rate:  |                  |
| - Share to Major Preceptors   |                  |
| - BCP Council   | 65,444           |
| - Dorset & Wiltshire Fire & Rescue  | 1,336            |
| - Share to Central Government   | 66,780           |
| - Transitional Protection Payments  | 1,023            |
| - Renewable energy disregard  | -                |
| - Costs of Collection   | 596              |
| Impairment of Debts and Appeals   | 299              |
| Council Tax:  |                  |
| - Write Offs  | -                |
| - Allowance for impairment  | 1,745            |
| Business Rate:  |                  |
| - Write Offs  | -                |
| - Allowance for impairment  | 4,738            |
| - Appeals charged against provision                                       | 7,837            |
| Contribution of surplus to Preceptors                                     |                  |
| - Council Tax   | 239              |
| - Business Rates  | -                |
| <b>Total Expenditure</b>  | <b>403,498</b>   |
| Movement in Fund Balance (Surplus)/Deficit                                | (1,257)          |
| Balance Brought Forward 1 April:  |                  |
| Council Tax:  |                  |
| - BCP Council's Proportion  | (2,351)          |
| - Preceptors' Proportion  | (452)            |
| Business Rate:  |                  |
| - BCP Council's Share   | 749              |
| - Central Government Share  | 765              |
| - Preceptors' Share   | 15               |
| <b>Balance Carried Forward 31 March</b>                                   | <b>(2,531)</b>   |
| Council Tax:  |                  |
| - BCP Council's Proportion  | (2,024)          |
| - Preceptors' Proportion  | (419)            |
| Business Rate:  |                  |
| - BCP Council's Share   | (30)             |
| - Central Government Share  | (43)             |
| - Preceptors' Share   | (1)              |
|   | <b>(2,517)</b>   |

## NOTES TO THE COLLECTION FUND

### 1. Income from Council Tax

The council tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of tax properties are placed in one of eight valuation bands by Her Majesty's Revenue and Customs. After accounting for discounts, exemptions etc, these are then converted to a Band D equivalent which is known as the Tax Base. There is a requirement to maintain three separate Council Tax bases for Bournemouth, Poole and Christchurch until the Council Tax Band D charge is harmonised for the new authority. The Tax Base for 2019/20 on which the tax was set was:

#### **Bournemouth**

| Valuation Band                           | No. Of Properties | Proportion to Band D | No. Of Band D Equivalent Properties | Est. Additions & MOD Properties | Tax Base      |
|--|-------------------|----------------------|-------------------------------------|---------------------------------|---------------|
| A* - disabled relief for Band A property | 2                 | 5/9                  | 1                                   | -                               | 1             |
| A  | 10,898            | 6/9                  | 7,265                               | 153                             | 7,418         |
| B  | 13,642            | 7/9                  | 10,611                              | 223                             | 10,834        |
| C  | 18,974            | 8/9                  | 16,866                              | 16                              | 16,882        |
| D  | 13,549            | 9/9                  | 13,549                              | 13                              | 13,562        |
| E  | 7,149             | 11/9                 | 8,737                               | 9                               | 8,746         |
| F  | 3,161             | 13/9                 | 4,566                               | 4                               | 4,570         |
| G  | 1,414             | 15/9                 | 2,356                               | 2                               | 2,358         |
| H  | 98                | 18/9                 | 191                                 | -                               | 191           |
| <b>Total</b>                             | <b>68,884</b>     |                      | <b>64,142</b>                       | <b>63,608</b>                   | <b>64,562</b> |
|  |                   |                      |                                     | <b>Expected Collection Rate</b> | <b>98.70%</b> |
|  |                   |                      |                                     |                                 | <b>63,723</b> |

**Christchurch**

| Valuation Band                           | No. Of Properties | Proportion to Band D | No. Of Band D Equivalent Properties | Est. Additions & MOD Properties | Tax Base      |
|--|-------------------|----------------------|-------------------------------------|---------------------------------|---------------|
| A* - disabled relief for Band A property | 3                 | 5/9                  | 1                                   | -                               | 1             |
| A  | 954               | 6/9                  | 636                                 | -                               | 646           |
| B  | 1,488             | 7/9                  | 1,157                               | 13                              | 1,170         |
| C  | 4,789             | 8/9                  | 4,257                               | 18                              | 4,275         |
| D  | 5,336             | 9/9                  | 5,336                               | 19                              | 5,355         |
| E  | 4,601             | 11/9                 | 5,624                               | 39                              | 5,663         |
| F  | 1,523             | 13/9                 | 2,199                               | 1                               | 2,200         |
| G  | 738               | 15/9                 | 1,229                               | -                               | 1,229         |
| H  | 33                | 18/9                 | 66                                  | 2                               | 68            |
| <b>Total</b>                             | <b>19,465</b>     |                      | <b>20,505</b>                       | <b>92</b>                       | <b>20,597</b> |
|  |                   |                      |                                     | <b>Expected Collection Rate</b> | <b>99.50%</b> |
|  |                   |                      |                                     |                                 | <b>20,494</b> |

**Poole**

| Valuation Band                           | No. Of Properties | Proportion to Band D | No. Of Band D Equivalent Properties | Est. Additions & MOD Properties | Tax Base      |
|--|-------------------|----------------------|-------------------------------------|---------------------------------|---------------|
| A* - disabled relief for Band A property | 5                 | 5/9                  | 3                                   | -                               | 3             |
| A  | 2,703             | 6/9                  | 1,802                               | 32                              | 1,834         |
| B  | 8,535             | 7/9                  | 6,638                               | 41                              | 6,679         |
| C  | 18,808            | 8/9                  | 16,718                              | 73                              | 16,791        |
| D  | 10,908            | 9/9                  | 10,908                              | 74                              | 10,982        |
| E  | 7,478             | 11/9                 | 9,139                               | 13                              | 9,152         |
| F  | 3,669             | 13/9                 | 5,300                               | 45                              | 5,345         |
| G  | 3,071             | 15/9                 | 5,118                               | 30                              | 5,148         |
| H  | 981               | 18/9                 | 1,962                               | 24                              | 1,986         |
| MOD properties                           |                   |                      |                                     | 158                             | 158           |
| <b>Total</b>                             | <b>56,158</b>     |                      | <b>57,588</b>                       | <b>490</b>                      | <b>58,089</b> |
|  |                   |                      |                                     | <b>Expected Collection Rate</b> | <b>99.10%</b> |
|  |                   |                      |                                     |                                 | <b>57,555</b> |

## 2. Income from Business Rate Payers

|   | <b>2019/20</b> |
|---|----------------|
|   | <b>£</b>       |
| Total Rateable Value at 31 March (£)                        | 375,559,933    |
| The Multiplier (rate in the £) as set by Government (Pence) | 50.4           |

## 3. Distribution of Estimated Balance on the Collection Fund

In accordance with regulations the balance on the Collection Fund has to be estimated on 15 January each year. This estimate is distributed the following year between the authorities.

The Estimated (Surplus) / Deficit on the Collection Fund was distributed as below:

|                                      | <b>2019/20</b> |
|--------------------------------------|----------------|
|                                      | <b>£'000</b>   |
| BCP Council                          | (200)          |
| Dorset Police and Crime Commissioner | (10)           |
| Dorset & Wiltshire Fire and Rescue   | (29)           |
| <b>Total</b>                         | <b>(239)</b>   |

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

|   | Gross<br>Expenditure<br>2019/20 | Gross<br>Income<br>2019/20 | Net<br>Expenditure<br>2019/20 |
|---|---------------------------------|----------------------------|-------------------------------|
|   | £'000                           | £'000                      | £'000                         |
| <b>Service:</b>   |                                 |                            |                               |
| Adult Services  | 192,695                         | (76,694)                   | 116,001                       |
| Childrens Services  | 185,486                         | (115,534)                  | 69,952                        |
| Environment & Community                                     | 129,781                         | (64,776)                   | 65,005                        |
| Regeneration & Economy                                      | 84,809                          | (57,398)                   | 27,411                        |
| Resources   | 181,742                         | (140,243)                  | 41,499                        |
| Housing Revenue Account                                     | 50,266                          | (49,353)                   | 913                           |
| Non Distributed cost  | 22,588                          | -                          | 22,588                        |
| <b>COST OF SERVICES</b>                                     | <b>847,367</b>                  | <b>(503,998)</b>           | <b>343,369</b>                |
| Other Operating Expenditure                                 | 26,160                          | (6,633)                    | 19,527                        |
| Financing and Investment Income and Expenditure             | 76,695                          | (32,669)                   | 44,026                        |
| Taxation and Non-Specific Grant Income                      | 327                             | (306,969)                  | (306,642)                     |
| <b>(Surplus) / Deficit on Provision of Services</b>         | <b>950,550</b>                  | <b>(850,269)</b>           | <b>100,280</b>                |
| (Surplus) / Deficit on Revaluation of Non-current Assets    |                                 |                            | (78,398)                      |
| Actuarial (gains) / losses on Pensions Assets / Liabilities |                                 |                            | (27,430)                      |
| <b>Other Comprehensive Income and Expenditure</b>           |                                 |                            | <b>(105,828)</b>              |
| <b>Total Comprehensive Income and Expenditure</b>           |                                 |                            | <b>(5,548)</b>                |

## GROUP MOVEMENT IN RESERVES STATEMENT 2019/20

|   | General<br>Fund | Earmarked<br>General<br>Fund<br>Reserves | Housing<br>Revenue<br>Account | Major<br>Repairs<br>Reserve | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied<br>Account | Total<br>Usable<br>Reserves | Unusable<br>Reserves | Total<br>Council<br>Reserves | Council's Share<br>of Reserves of<br>Subsidiaries and<br>Joint Ventures | Total<br>Reserves |
|---|-----------------|--|-------------------------------|-----------------------------|--------------------------------|---|-----------------------------|----------------------|------------------------------|---|-------------------|
|   | £'000           | £'000                                    | £'000                         | £'000                       | £'000                          | £'000                                     | £'000                       | £'000                | £'000                        | £'000   | £'000             |
| <b>Balance transferred in as part of LGR</b>  | <b>(15,405)</b> | <b>(84,393)</b>                          | <b>(1,807)</b>                | <b>(12,865)</b>             | <b>(19,392)</b>                | <b>(36,198)</b>                           | <b>(170,060)</b>            | <b>(510,933)</b>     | <b>(680,993)</b>             | <b>(96,147)</b>   | <b>(777,139)</b>  |
| (Surplus) or Deficit on Provision of Services (accounting basis) - Group CIES   | 92,944          | -  | 6,170                         | -                           | -                              | -   | 99,114                      |                      | 99,114                       | 1,167   | 100,281           |
| Other Comprehensive Income and Expenditure - Group CIES   | -               | -  |                               | -                           | -                              | -   | -                           | (105,828)            | (105,828)                    | -   | (105,828)         |
| Total Comprehensive Income and Expenditure  | 92,944          | -  | 6,170                         | -                           | -                              | -   | 99,114                      | (105,828)            | (6,714)                      | 1,167   | (5,547)           |
| Adjustments between Group Accounts and Council Accounts - Donations from Council to subsidise Charitable Trust subsidiaries | -               | -  | -                             | -                           | -                              | -   | -                           | -                    | -                            | -   | -                 |
| Net (Increase) / Decrease before Transfers  | 92,944          | -  | 6,170                         | -                           | -                              | -   | 99,114                      | (105,828)            | (6,714)                      | 1,167   | (5,547)           |
| Adjustments Between Accounting Basis and Funding Basis under Regulations - Note 7 Single entity accounts                    | (91,395)        | -  | (8,480)                       | 572                         | 270                            | (1,329)                                   | (100,362)                   | 100,362              | -                            | -   | -                 |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves  | 1,549           | -  | (2,310)                       | 572                         | 270                            | (1,329)                                   | (1,249)                     | (5,466)              | (6,714)                      | 1,167   | (5,547)           |
| Transfers (to) / from Earmarked Reserves  | 3,150           | (5,430)                                  | 2,279                         | -                           | -                              | -   | (1)                         | -                    | (1)                          | -   | (1)               |
| (Increase) / Decrease in Year   | 4,699           | (5,430)                                  | (31)                          | 572                         | 270                            | (1,329)                                   | (1,250)                     | (5,466)              | (6,715)                      | 1,167   | (5,548)           |
| <b>Balance at 31 March 2020</b>   | <b>(10,706)</b> | <b>(89,823)</b>                          | <b>(1,838)</b>                | <b>(12,293)</b>             | <b>(19,122)</b>                | <b>(37,527)</b>                           | <b>(171,310)</b>            | <b>(516,399)</b>     | <b>(687,708)</b>             | <b>(94,980)</b>   | <b>(782,688)</b>  |

## GROUP BALANCE SHEET

|  | Note | 2019/20          |                  |
|--|------|------------------|------------------|
|  |      | 01/04/2019       | 31/03/2020       |
|  |      | £'000            | £'000            |
| Property, Plant and Equipment                | 4    | 1,585,112        | 1,644,871        |
| Heritage Assets                              | 5    | 69,514           | 67,210           |
| Investment Property                          |      | 120,931          | 96,619           |
| Intangible Assets                            |      | 3,839            | 31               |
| Assets held for Sale                         |      | 174              | -                |
| Long-Term Investments                        |      | 3,404            | 4                |
| Long Term Debtors                            |      | 6,392            | 9,564            |
| Joint Venture Investments                    |      | -                | -                |
| <b>Total Long-Term Assets</b>                |      | <b>1,789,366</b> | <b>1,818,299</b> |
| Short-Term Investments                       |      | 40,565           | 84,069           |
| Assets Held for Sale                         |      | 3,683            | 7,060            |
| Inventories                                  |      | 1,978            | 1,473            |
| Short-Term Debtors                           |      | 83,074           | 70,861           |
| Cash and Cash Equivalents                    |      | 14,327           | 7,252            |
| <b>Total Current Assets</b>                  |      | <b>143,628</b>   | <b>170,715</b>   |
| Public Finance Initiative Current Obligation |      | (444)            | (478)            |
| Finance Lease Current Obligation             |      | (103)            | (106)            |
| Short-Term Borrowing                         |      | (80,484)         | (85,307)         |
| Short-Term Creditors                         |      | (108,133)        | (112,277)        |
| Bank Overdraft                               |      | (6,173)          | (9,217)          |
| Grants Receipts in Advance - Revenue         |      | (752)            | (122)            |
| Grants Receipts in Advance - Capital         |      | (18,817)         | (31,374)         |
| <b>Total Current Liabilities</b>             |      | <b>(214,906)</b> | <b>(238,881)</b> |
| Provisions                                   |      | (15,006)         | (19,569)         |
| Long-Term Borrowing                          |      | (171,916)        | (176,155)        |
| Public Finance Initiative Capital Obligation |      | (8,812)          | (8,334)          |
| Finance Lease Capital Obligation             |      | (212)            | (46)             |
| Pensions Liability                           |      | (744,999)        | (763,341)        |
| <b>Total Long-Term Liabilities</b>           |      | <b>(940,946)</b> | <b>(967,446)</b> |
| <b>Net Assets</b>                            |      | <b>777,141</b>   | <b>782,688</b>   |
| Usable Reserves                              |      | (170,882)        | (171,312)        |
| Unusable Reserves                            | 6    | (606,259)        | (611,376)        |
| <b>Total Reserves</b>                        |      | <b>(777,141)</b> | <b>(782,688)</b> |



## GROUP CASH FLOW STATEMENT

|   | <b>2019/20<br/>£'000</b> |
|---|--------------------------|
| Net Deficit on the provision of services  | (100,281)                |
| Adjust net Deficit on the Provision of<br>Services for Non Cash Movements   | 187,791                  |
| Adjust for Items included in the Net Deficit<br>on the Provision of Services that are<br>Investing and Financing Activities | (43,549)                 |
| Net Cash Flows from Operating Activities  | 43,961                   |
| Investing Activities  | (60,362)                 |
| Financing Activities  | 6,282                    |
| Net Increase in Cash and Cash Equivalents   | (10,119)                 |
| Cash and Cash Equivalents at Beginning of<br>the Reporting Period   | 8,154                    |
| Cash and Cash Equivalents at End of the<br>Reporting Period   | <u>(1,965)</u>           |

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 1. General

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

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

### 2. Accounting Policies

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

#### a. Basis of Identification of the Group Boundary

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

#### Subsidiary Boundary

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

#### Associate Boundary

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

#### Joint Arrangement

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

A joint arrangement is either:

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

#### Materiality

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

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

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

|  |               |                |
|--|---------------|----------------|
| Bournemouth Building & Maintenance Limited | Subsidiary    | Unconsolidated |
| Seascope Group Limited                     | Subsidiary    | Unconsolidated |
| Seascope South Limited                     | Subsidiary    | Unconsolidated |
| Seascope Homes and Property Limited        | Subsidiary    | Unconsolidated |
| Fairways (T/A M D Care Ltd)                | Subsidiary    | Unconsolidated |
| Poole Housing Partnership Ltd              | Subsidiary    | Unconsolidated |
| The Bournemouth Development Company LLP    | Joint Venture | Unconsolidated |
| Tricuro Ltd                                | Joint Venture | Unconsolidated |

## **b. Basis of the Preparation of the Group Financial Statements**

The Group Accounts have been prepared using the group accounts requirements of the 2019/20 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to the users of the Financial Statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements;
- eliminating intra-group balances and transactions in full.

The Group Accounts only incorporate the accounts of the three charities for the year ended 31 March 2020 as they were material due to their asset base. These three Charities comply with the Charities Statement of Recommended Practice (SORP). Audited 2018/19 accounts have been used with adjustments for known asset revaluations during 2019/20.

## **Subsidiaries**

### Charities

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

### **Five Parks Charity**

The Five Parks Charity consists of King's Park, Queen's Park, Meyrick Park, Redhill Parks and Seafield Gardens.

The Trust was created under a number of Conveyances and Deeds of Exchange dated 1883 to 1906.

Under the BCP Council Act 1985 s.28 makes provision for the Council to manage and control the parks. This includes the provision of facilities for sports and recreations for the benefit of the public at large.

### **Lower Central Gardens Trust**

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

The day to day control and management of the Lower Central Gardens and hence the charity, was varied by s.29 BCP Council Act 1985. This vested in the Council the general power to use, control and manage the Lower Central Gardens.

### **Russell-Cotes Art Gallery and Museum Charitable Trust**

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

The original Indentures were varied by s.57 BCP Council Act 1985. This requires that the Council manage, regulate, control and deal with the Trust, premises and property by means of a management committee appointed by them in accordance with the Local Government Act 1972.

## Companies

The Council has no restrictions on its ability to access or use the assets under the Council subsidiaries. The Council would be liable for any outstanding liabilities of the subsidiaries or joint operations (up to its proportionate share) should they cease operations.

### **Bournemouth Building & Maintenance Limited**

During 2014/15 the Council established a wholly owned subsidiary company to deliver building works for the Council for HRA and General Fund purposes.

### **Seascope Group Ltd (formerly known as Bournemouth Council Group Limited)**

During 2014/15 the Council created Seascope Group Limited to provide an umbrella structure, allowing other entrepreneurial endeavours to be created as wholly owned subsidiaries within the Group. This enables the Council, as a public body, to work in a commercial environment and so create alternative revenue inflows to the Council to assist the Council's Financial Strategy.

Within the Group there are currently two wholly owned subsidiaries. These are:

### **Seascope South Limited**

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

### **Seascope Homes and Property Limited**

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

### **Fairways (T/A MD Care Ltd)**

During the 2019/20 financial year the Council purchased a care home company with the primary intention to transfer the care home building into the Council's possession. The care home is then subsequently leased to Tricuro to operate. From the point of purchase and asset transfer there has been minimal low value transactions of the company and the net assets are immaterial.

### **Poole Housing Partnership**

Poole Housing partnership (PHP) is a company limited by guarantee without share capital and is managed by a Board, with day-to-day management undertaken by the executive officers.

PHP is a subsidiary of the BCP Council. The Company's principal activity is to manage and maintain the housing stock of the Poole Neighbourhood HRA. Turnover and operating profit arise solely from the housing management activities with the BCP Council.

The back-funding element of the pensions fund deficit relating to staff that transferred to PHP remains the direct responsibility of the Housing Revenue Account and does not form part of the management fee paid to the Company. It is included within the Council's pension totals.

## **3. Joint Controlled Venture**

The Council has no restrictions on its ability to access or use the assets under the Council subsidiaries. The Council would be liable for any outstanding liabilities of the subsidiaries or joint operations (up to its proportionate share) should they cease operations.

### **Tricuro Limited**

On 1 July 2015, Bournemouth Borough Council, Dorset County Council and the Borough of Poole, launched Tricuro. Tricuro is a group of two companies established under local authority trading

company principles to take the transfer of the three authorities' supply-side Adult Social Services business, with staff transferring from each of the three authorities in order to provide care services. All councils in Dorset were involved in Local Government Reorganisation (LGR). This change took effect from 1 April 2019 and resulted in Tricuro having two shareholders (Dorset Council and Bournemouth – 70%, Christchurch and Poole Council - 30%) instead of three. All contracts and agreements were novated to the new two unitary authorities under the structural change order.

Tricuro has two companies (a care company Tricuro Limited and a 'support function' company Tricuro Support Limited) managed by the same Board.

Tricuro Support Limited holds the contractual relationships with the two commissioning Councils, as well as the property leases and support services agreements with the two providing Councils.

Tricuro Limited employs all the staff and is registered with CQC as the provider and provides all the care requirements to service users.

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2019-20 was £42.3m (the year to 31 March 2019 saw the group turnover £40.3m). A shareholder agreement regulates the way in which the two councils manage Tricuro, including a profit /cost sharing agreement. Dorset Council is contracted to provide support services to Tricuro, the value of this contract was £1.002m for the period to 31 March 2020. Bournemouth, Christchurch and Poole Council also provides certain support services to the company. The cost of this was £619k for the period to 31 March 2020.

Tricuro has the following main areas of service delivery. All shareholders treat Tricuro as a joint venture in their respective financial statements in 2019-20.

Tricuro has the following main areas of service delivery.

- Residential Care Homes - 7 homes providing residential care for older people, 1 home providing residential and nursing care for older people and 2 homes providing residential care for people with a learning disability.
- Reablement, providing short term support for up to six weeks, enabling people to regain and maximise daily living skills and independence in their own homes with one home providing intermediate care services.
- Day opportunities and other services provide a range of services with identified support needs (older people, dementia, learning disability, mental health, physical disability).

### **Bournemouth Development Company**

The Council is one of two members of a limited liability partnership ("LLP") trading as The Bournemouth Development Company LLP (BDC). The other member is a private sector construction services business. BDC was set up to undertake development on a number of town centre car parks owned by the Council to assist in achieving social and economic objectives.

When a development is selected to take place, the private sector member funds the upfront design work and submits a planning application. The sums required to fund this work represent the private sector's investment in BDC. Once the development has secured planning permission and is ready to commence the Council will transfer the land or property to the BDC. The land is transferred based on its residual value with the benefit of planning permission, i.e. the gross development value minus the costs and profit. The development will then take place with the private sector partner matching the residual value of the land invested by the Council less the sums spent by the private sector partner undertaking the design and securing the planning permission. The additional funding required to build out the development will then be sourced from third party lenders and/or from the BDC members.

When completed the development is sold, with the proceeds first repaying any third-party debt. Any surplus generated will be available to be distributed between the members.

#### 4. Property, Plant and Equipment

##### Revaluations

Note 12 of the single entity accounts gives details of the valuation of the property, plant and equipment included in the group accounts. Charitable Assets are material for the group accounts as a whole and are therefore revalued at the 31 March by the Council's Estate Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification and External Valuers.

| Year of Valuation                                    | £'000            |
|--|------------------|
| Historic cost and awaiting completion of major works | 317,269          |
| 2015/2016  | 33,136           |
| 2016/2017  | 52,339           |
| 2017/2018  | 39,496           |
| 2018/2019  | 166,629          |
| 2019/2020  | 1,036,002        |
|  | <b>1,644,871</b> |

#### 4. Property, Plant and Equipment - (Cont'd.)

| Property, Plant and Equipment  |                     |                                   |                                       |                         |                           |                         |                                    |  |   |
|--|---------------------|-----------------------------------|---------------------------------------|-------------------------|---------------------------|-------------------------|------------------------------------|--|---|
| Movements in Balances 2019/2020  | HRA Assets<br>£'000 | Other Land and Buildings<br>£'000 | Vehicles Plant and Equipment<br>£'000 | Infrastructure<br>£'000 | Community Assets<br>£'000 | Surplus Assets<br>£'000 | Assets under Construction<br>£'000 | Total Property, Plant & Equipment<br>£'000 | PFI Assets Included in Property, Plant & Equipment<br>£'000 |
| <b>Cost or Valuation</b>   |                     |                                   |                                       |                         |                           |                         |                                    |  |   |
| Balance transferred in as part of LGR  | 607,830             | 701,087                           | 50,504                                | 418,016                 | 18,652                    | 7,549                   | 4,532                              | 1,808,170                                  | 10,000  |
| Additions  | 19,061              | 11,977                            | 7,569                                 | 23,630                  | 3,098                     | -                       | 6,163                              | 71,498                                     | -   |
| Revaluation Increase/(Decrease) recognised in Revaluation Reserve                      | 2,990               | 46,582                            | -                                     | -                       | -                         | (307)                   | -                                  | 49,266                                     | 500   |
| Revaluation Increase/(Decrease) recognised in Surplus / Deficit Provision of Services  | (16,040)            | (21,607)                          | -                                     | -                       | -                         | -                       | -                                  | (37,647)                                   | -   |
| Derecognition - Disposals  | (4,322)             | (2)                               | (41)                                  | -                       | -                         | (360)                   | -                                  | (4,725)                                    | -   |
| Derecognition - Other  | (0)                 | (12,642)                          | (5,100)                               | -                       | -                         | -                       | -                                  | (17,742)                                   | -   |
| Reclassification - within PPE  | 1,110               | 1,583                             | -                                     | 129                     | 66                        | (60)                    | (2,828)                            | 0  | -   |
| Reclassification - outside PPE   | -                   | (244)                             | -                                     | -                       | -                         | -                       | -                                  | (244)                                      | -   |
| <b>Balance at 31 March 2020</b>  | <b>610,628</b>      | <b>726,736</b>                    | <b>52,932</b>                         | <b>441,775</b>          | <b>21,815</b>             | <b>6,822</b>            | <b>7,867</b>                       | <b>1,868,577</b>                           | <b>10,500</b>   |
| <b>Depreciation</b>  |                     |                                   |                                       |                         |                           |                         |                                    |  |   |
| Balance transferred in as part of LGR  | (929)               | (25,028)                          | (27,133)                              | (165,449)               | (4,519)                   | -                       | -                                  | (223,058)                                  | (301)   |
| Depreciation for year  | (11,959)            | (15,486)                          | (4,260)                               | (9,511)                 | (336)                     | -                       | -                                  | (41,553)                                   | (345)   |
| Depreciation Written out to Revaluation Reserve  | 7,422               | 20,158                            | -                                     | -                       | -                         | -                       | -                                  | 27,581                                     | -   |
| Depreciation Written out to Surplus / Deficit on Provision of Services                 | 418                 | 3,994                             | -                                     | -                       | -                         | -                       | -                                  | 4,412                                      | -   |
| Impairment Losses / Reversals recognised in the Revaluation Reserve                    | -                   | 645                               | -                                     | -                       | -                         | -                       | -                                  | 645  | 645   |
| Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services | 3,667               | -                                 | -                                     | -                       | -                         | -                       | -                                  | 3,667                                      | -   |
| Derecognition - Disposals  | -                   | -                                 | 41                                    | -                       | -                         | -                       | -                                  | 41   | -   |
| Derecognition - Other  | -                   | 488                               | 4,049                                 | -                       | -                         | -                       | -                                  | 4,537                                      | -   |
| Reclassification - within PPE  | -                   | 2                                 | -                                     | -                       | (2)                       | -                       | -                                  | -  | -   |
| Reclassification - outside PPE   | -                   | 21                                | -                                     | -                       | -                         | -                       | -                                  | 21   | -   |
| <b>Balance at 31 March 2020</b>  | <b>(1,381)</b>      | <b>(15,204)</b>                   | <b>(27,303)</b>                       | <b>(174,960)</b>        | <b>(4,857)</b>            | <b>-</b>                | <b>-</b>                           | <b>(223,706)</b>                           | <b>-</b>  |
| <b>Balance at 1 April 2019</b>   | <b>606,901</b>      | <b>676,060</b>                    | <b>23,370</b>                         | <b>252,567</b>          | <b>14,132</b>             | <b>7,549</b>            | <b>4,532</b>                       | <b>1,585,112</b>                           | <b>9,699</b>  |
| <b>Balance at 31 March 2020</b>  | <b>609,247</b>      | <b>711,532</b>                    | <b>25,629</b>                         | <b>266,815</b>          | <b>16,958</b>             | <b>6,822</b>            | <b>7,867</b>                       | <b>1,644,871</b>                           | <b>10,500</b>   |

## 5. Heritage Assets

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

| Cost or Valuation                        | Civic<br>Regalia<br>£'000 | Sculptures<br>£'000 | Museum<br>Collection<br>£'000 | Museum<br>Building<br>£'000 | Total<br>Assets<br>£'000 |
|--|---------------------------|---------------------|-------------------------------|-----------------------------|--------------------------|
| Balance as transferred in as part of LGR | 2,029                     | 377                 | 44,615                        | 22,493                      | 69,514                   |
| Transfer to Trustee                      | (2,029)                   | -                   | -                             | -                           | (2,029)                  |
| Revaluation                              | -                         | 262                 | (356)                         | (180)                       | (274)                    |
| <b>Brought Forward 31 March</b>          | <b>-</b>                  | <b>639</b>          | <b>44,259</b>                 | <b>22,313</b>               | <b>67,211</b>            |

During the year, BCP Council saw a reduction of £2 million within their heritage asset, as Civic Regalia was transferred to Bournemouth and Poole Charter Trustees.

The valuation is based on insurance values. The assets were last valued during 2019/20.

There are two valuers for Russell Cotes Museum's art work, the curator and Sotheby's, Sotheby's are a world-renowned auction house. The museum curator has a degree in history from Oxford University and a MA in Museum Studies and 10 years' experience of working in museums. There were no concerns in their valuations due to limits on provenance.

The museum collection consists of over 35,000 lots including many fine examples of artwork, ephemera and weaponry from across the globe, illustrating the craft and art of Europe and many indigenous people, cultures and religions. Highlights of the collection include - Victorian masterpieces such as 'Venus Verticordia' by D.G. Rossetti, 'Midsummer' by A.J. Moore and 'Aurora Triumphans' by E. de Morgan, furniture from Longwood, Napoleon's house on St. Helena, a display cabinet belonging to Empress Eugenie from her boudoir at the Chateau de Saint-Cloud, weaponry, badges of office and religious icons from Asia, the Middle East and the Orient and the mummified remains of a young boy from Egypt.

Valuation of the collection is determined by its size. It would be impractical to value each individual item, instead external professional valuations are sought for key groups of items and, working closely with the Council's insurance team, an informed estimate of the value of the whole collection is made.

Policies and procedures are in place to manage the collection. As part of the Arts Council England Accreditation process these are being reviewed. There is also a conservation priority list for the paintings and significant conservation work as a result of loan requests and the exhibition programme. A dedicated team of trained volunteers keep the displays and historic interiors clean to prevent damage. For the wider collection, there is an offsite facility which, like the museum, is environmentally controlled and securely protected.

Currently about 1,500 lots are on display at the museum, with a further few items on loan to other institutions.



## 6. Unusable Reserves

|   | <b>31 March 2020</b> |
|---|----------------------|
|   | <b>£'000</b>         |
| Revaluation Reserve                     | (505,267)            |
| Capital Adjustment Account              | (841,123)            |
| Permanent Endowment Fund                | (28,518)             |
| Deferred Capital Receipts Reserve       | 154                  |
| Financial Instrument Adjustment Account | (18)                 |
| Pensions Reserve                        | 763,341              |
| Unequal Pay Back Pay Account            | 2,110                |
| Accumulated Absences Account            | (2,054)              |
| Collection Fund Adjustment Account      | -                    |
| <b>Total Unusable Reserves</b>          | <b>(611,376)</b>     |

## 7. Intra Group Loans

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

|                      | <b>Seascape<br/>South Ltd<br/>£'000</b> | <b>BBML<br/>£'000</b> | <b>Seascape<br/>Group Ltd<br/>£'000</b> | <b>BDC<br/>£'000</b> | <b>Total<br/>£'000</b> |
|----------------------|---|-----------------------|---|----------------------|------------------------|
| LTI Winter Gardens   | -                                       | -                     | -                                       | 3,400                | 3,400                  |
| Working Capital loan | 35                                      | 200                   | -                                       | -                    | 235                    |

**Winter Gardens Loan** – The council has lent Bournemouth Development Company Ltd £3.4m in order to purchase land at the Winter Gardens site in Bournemouth. Morgan Sindall the other partner in the partnership has also lent the company £3.4 million.

### Working Capital Loans

Companies wholly owned by the Council have agreement in place with the subsidiaries to provide working capital loans. The following are the maximum amounts each company can borrow. Interest rates charged on these loans are set based on state aid and EU legislation.

Seascape South Ltd - £1 million

BBML Ltd - £1 million

Seascape Homes and Property Ltd - £100,000

Seascape Group Ltd - £100,000



## Annual Governance Statement (AGS)

For the Year Ended 31 March 2020

### Scope of Responsibility

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

### The Purpose of the Governance Framework

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

continually being adapted and improved during the year, as there was a move away from legacy to BCP arrangements.

### Review of Effectiveness of the Governance Framework

- 8 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
- 9 The review considers both in-year, continuous elements and year-end review processes to consider its effectiveness.
- 10 The in-year, continuous elements process applied by the Council in maintaining and reviewing the effectiveness of the governance framework during the 2019/20 financial year included the following:
  - Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, and Standard Committee, operating in line with the Council's Constitution
  - The Audit and Governance Committee which provides independent assurance to the Council on the effectiveness of governance arrangements, risk management and the internal control environment
  - Established arrangements for senior officers to meet as part of Corporate Management Board, Transformation Board and Directors Strategy Group
  - Regular meeting of Statutory Officers Group, which comprises the Chief Executive, Monitoring Officer and Chief Financial Officer (CFO)
  - The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements is set out in the Council's Constitution. The Council's financial management arrangements conform to the governance requirements of the *CIPFA Statement of the Role of the Chief Financial Officer in Local Government* (2016). The Head of Finance is designated as the Council's CFO
  - The Council's assurance arrangements also conformed to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2019). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit
  - The Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it was lawful, up to date and fit for purpose
  - The Council reached a good level of performance against the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption'. This means the organisation had put in place effective arrangements across many aspects of the counter-fraud code and took taking positive action to manage its risks
  - Internal Audit, who provide an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems

- External reviews and inspections, the results of which are reported and acted upon as appropriate. This included, for example, the Ofsted focused visit looking at arrangements for planning and achieving permanence for children in care.
  - Regular scrutiny of financial monitoring reports by councillors and officers
- 11 In addition, a year end assessment of the effectiveness of the governance arrangements was undertaken, using sources of evidence including:
- Completion of Management Assurance Statements by all service directors
  - Completion of Directors Assurance Statements by all strategic directors
  - Internal Audit documentation and reports
  - Chief Internal Auditor's Annual Report
  - Findings from internal and external reports
  - Follow up of the previous year's AGS action plan resulting from the legacy Councils' Annual Governance Statements

## Evaluation, Conclusion and Significant Governance Issues

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

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

### **a. Impact of Covid-19**

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

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

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

### **b. Legacy Governance Arrangements**

When BCP Council was formed on 1st April 2019, its key governance structures, such as its Constitution, legal framework and democratic arrangements were operational from day 1. However, as reflected in the Local Code of Governance, the Council chose to continue to operate a number of legacy policy arrangements during the year. These included, for example, business planning, performance

management, HR policies and risk management. Whilst the Council continues to introduce BCP specific policies, such as the Declaration of Interests, Gifts and Hospitality Policy, it does not consider that reliance on legacy arrangements is a significant governance weakness, and appropriate policies and processes are in place. The Council remains focused on introducing BCP specific policies.

BCP Council inherited two significant governance issues from the legacy Councils' 2018/19 Annual Governance Statements. These were Information Governance (legacy Bournemouth Borough Council and Borough of Poole) and Ofsted – Inspection of Children's Social Services (legacy Bournemouth Borough Council).

- 14 These significant governance issues were carried over for action and monitoring by BCP Council in 2019/20. Good progress has been made against implementing these actions, and Information Governance is no longer considered a significant governance issue. The remaining issue in Children's Social Services has seen significant improvements, with further improvement identified still to be fully implemented and embedded, therefore it has been included in the AGS for 2019/20. A more detailed update against each is included below:

| 2018/19 Issue (as inherited by BCP Council)  | 2019/20 Update   |
|--|--|
| <p><b>Information Governance</b> (legacy Bournemouth Borough Council and legacy Borough of Poole Council)</p> <p>Some elements of GDPR* have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.</p> <p><i>*General Data Protection Regulation</i></p> | <p>Work continues to embed Information Governance (IG) arrangements at BCP Council. Service Directors are now in place and are the Information Asset Owners for their service areas. The IG Team have recently undertaken work to establish the Information Asset Advisors for all service units. Information asset registers continue to be enhanced and refined following restructures and changes to systems. The IG Board met during the year and agreed the IG team are responsible for compliance checks.</p> <p>The 2019/20 Internal Audit report provided 'reasonable assurance' on the Information Governance function, and service are committed to implementing the recommendations made.</p> <p>Therefore, <b>Information Governance is no longer considered a 'significant governance issue'</b> for BCP Council.</p> |
| <p><b>Ofsted – Inspection of Children's Social Services</b> (legacy Bournemouth Borough Council)</p> <p>The outcome of the Bournemouth Ofsted inspection of Children's Social Services in July 2018 was inadequate / requires improvement*, and included governance related issues such as</p>                                 | <p>The issues raised in the legacy Bournemouth Ofsted report helped inform the Children's Services Development Improvement Plan. Improvements against the plan were made during the year and monitored by children's services directorate management board, through the Chief Executive's leadership and governance of the risk register, and periodically through the Children's Services Overview and Scrutiny Committee.</p> <p>Action has been taken to improve both the governance of service delivery and of the</p>   |

|   |   |
|---|---|
| <p>management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children's Services Overview &amp; Scrutiny Panel.</p> <p><i>*Both Bournemouth Borough Council (BBC) and Borough of Poole (BoP) were assessed overall as 'requires improvement' in their last Ofsted inspections. However, BBC was assessed as being 'inadequate' in relation to the Leadership and Management judgement only.</i></p> | <p>improvement plan. Clear lines of accountability have been established to ensure that there is a clean 'line of sight' to the performance and quality of services. This ensures that any issues that are identified are visible to strategic leaders, including Councillors, at the earliest opportunity. A challenging and supportive model has been developed by leaders to drive up standards and ensure compliance with statutory and regulatory standards.</p> <p>Significant improvements were made during the year, such as harmonisation of the social work, Special Educational Needs and Disabilities (SEND) and early help structures, a new quality assurance and learning framework, a strong workforce plan to address recruitment and retention, and the set up of a safeguarding service creating a new system-wide approach to addressing child exploitation (which went live May 2020).</p> <p>However, a number of internal and external reviews during 2019/20, together with the new Corporate Children's Director of Children's Services, were able to identify areas for further improvement.</p> <p>For example, in November, an Ofsted focused visit on permanency made five key recommendations, and a peer review in February 2020 of virtual school highlighted four key areas for improvement. A 'Partners in Practice' review of Front Door in May 2019 and a BCP hosted pan-Dorset multi-agency piece of work to define what a good Multi-Agency Safeguarding Hub (MASH) looked like took place in early 2020 has led to improvements.</p> <p>The Learning and Improvement Plan (LIP) was produced in February, incorporating the previous Development Improvement Plan. It reflects the 3 key priority areas; 1-Children who need help and protection, 2-Children in care and achieving permanence, 3-Leadership, Management and Governance, with 38 improvement objectives to focus on good outcomes for BCP Children and families.</p> <p>As at 30 June 2020, of the 38 LIP objectives; 7=Red (needs escalating), 27=Amber (manageable), 4=Green (on track)</p> <p>A robust performance management framework has been implemented. Performance is monitored via the Quality Improvement &amp; Performance Board (QPIB), a Performance Surgery group every 6</p> |
|---|---|

|  |   |
|--|---|
|  | <p>weeks and children's directorate management board, where performance or LIP objectives are showing exceptions (high or lower than expected), exception reports are submitted to QPIB by lead managers.</p> <p><b>This remains a significant governance issue for the 2019/20 AGS and has been retitled 'Governance of Children's Social Services' – see Table 1 below for details of current issues and action plan.</b></p> |
|--|---|

- 15 In conclusion, whilst overall governance arrangements are considered sound, the Council has identified **three significant governance issues** where governance arrangements require strengthening as follows:

- **Governance of Children's Social Services**
- **Adjustments to the Highways Register**
- **Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors**

- 16 The following criteria was used to help evaluate significant governance issues:

- 1 The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
- 2 The governance issue may, or has, result/ed in a need to seek additional funding to allow it to be resolved, or may, or has, result/ed in a significant diversion of resources from another service area;
- 3 The governance issue may, or has, led to a material impact on the accounts;
- 4 The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
- 5 The governance issue may, or has, be/en publicly reported by a third party (e.g. external audit, Information Commissioner's Office) as a significant governance issue;
- 6 The governance issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

- 17 Details of the concerns relating to all the governance issues identified, together with an action plan including target dates, are included on Table 1 below, for each of the three significant governance issues identified.

**Table 1 - 'Significant Governance Issues' and Action Plan**

1

### Governance of Children's Social Services

Significant improvements were made during the year, such as harmonisation of the social work, SEND and early help structures, a new quality assurance and learning framework, a strong workforce plan to address recruitment and retention, and the set up of a safeguarding service creating a new system-wide approach to addressing child exploitation (which went live May 2020).

However, a number of internal and external reviews during 2019/20, together with the new Corporate Children's Director of Children's Services, were able to identify areas for further improvement.

For example, in November, an Ofsted focused visit on permanency made five key recommendations, and a peer review in February 2020 of virtual school highlighted four key areas for improvement. A 'Partners in Practice' review of Front Door in May 2019 and a BCP hosted pan-Dorset multi-agency piece of work to define what a good MASH looked like took place in early 2020 has led to improvements.

The Learning and Improvement Plan (LIP) reflects the 3 key priority areas; 1-Children who need help and protection, 2-Children in care and achieving permanence, 3-Leadership, Management and Governance, with 38 improvement objectives to focus on good outcomes for BCP Children and families.

As at 30 June 2020, of the 38 LIP objectives; 7=Red (needs escalating), 27=Amber (manageable), 4=Green (on track)

A robust performance management framework has been implemented. Performance is monitored via the Quality Improvement & Performance Board (QPIB), a Performance Surgery group every 6 weeks and children's directorate management board, where performance or LIP objectives are showing exceptions (high or lower than expected), exception reports are submitted to QPIB by lead managers.

| Action Points  | Responsible Officer                      | Target Date    |
|--|--|----------------|
| <p>1. Implementation of the Children's Services Learning and Improvement Plan (LIP)</p> <p><i>Please note – there is an ambition for there to be a front facing LIP which will be available to the public. It is suggested that we include a link to this here in the AGS for transparency. It is hoped this will be available prior to the AGS being published.</i></p> <p><i>Please note that Children's Overview and Scrutiny Committee will receive and scrutinise regular updates of the LIP.</i></p> | Corporate Director – Children's Services | As per the LIP |



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

|   |  |                            |                    |
|---|--|----------------------------|--------------------|
| 3 | <b>Governance Arrangements with Key Partners, Wholly Owned Companies, Trusts, and Contractors</b>  |                            |                    |
|   | BCP Council recognises that it needs to ensure that it's governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose.   |                            |                    |
|   | Following changes to officers, councillors and restructures, the Council needs to ensure that the roles and responsibilities of key officers and councillors are identified and understood. Furthermore, it recognises that with some organisations, there may be potential or perceived conflicts of interest for officers or councillors who have a role in the organisation in addition to their Council role.                      |                            |                    |
|   | During 19/20, partial audit opinions were given by Internal Audit for its Wholly Owned Companies (comprising of Bournemouth Building and Maintenance Limited, Seascope Group Limited, Seascope South Limited, and Seascope Homes and Property Limited) and Lower Gardens and Five Parks Charitable Trusts, identifying a number of governance issues which required improvement, such as decision making, and achievement of strategy. |                            |                    |
|   | Review of the governance arrangements at Russell Cotes Museum is underway and due to be reported to Cabinet in the year.   |                            |                    |
|   | The Council recognises that the governance arrangements with BH Live need to be reviewed to ensure they are appropriate for the new Council.   |                            |                    |
|   | <b>Action Points</b>   | <b>Responsible Officer</b> | <b>Target Date</b> |
|   | 1. CMB lead an overarching review of governance to include:  | Chief Executive            | December 2020      |

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

This statement explains how BCP Council has complied with the requirements of the code and also meets the requirements of the Accounts and Audit Regulations 2020.

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

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

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**G Farrant - Chief Executive of BCP Council**

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**Date**

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**V Slade - Leader of BCP Council**

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**Date**

**Independent auditor's report to the members of Bournemouth  
Christchurch and Poole Council in respect BCP Council**

*To follow pending external audit*

## **GLOSSARY**

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Borrow to Invest Schemes**

The scheme allows Business Units to borrow from the Council's reserves, the loan repayments are subject to interest.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Receipt**

The proceeds from the sale of a fixed asset. A proportion of capital receipts relating to the sale of council dwellings is payable to the National Pool the remainder of capital receipts are available to finance capital expenditure.

### **Charging Authority**

The Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and business rates (NDR).

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

### **Council Tax**

A charge on the residential property within the Council's area to finance a proportion of the Council's expenditure.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

### **Current Assets**

Assets which can be expected to be consumed or cease to have material value during the next accounting period, examples are stock and debtors.

### **Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period, examples are creditors.

### **Debtors**

Amounts due to the Council for goods or services provided within the accounting period but not received at the balance sheet date.

### **Deferred Capital Receipts**

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale.

### **Depreciation**

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

### **Fixed Assets**

Tangible assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

### **General Fund**

The main account of the Council which records the cost of service provision.

**Government Grants**

Payments by Central Government towards the cost of local Council services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

**Housing Benefits**

A system of financial assistance to individuals towards certain housing costs administered by Councils and subsidised by Central Government.

**Housing Revenue Account**

A separate account from the General Fund recording all the transactions relating to the provision of housing accommodation by the Council.

**Infrastructure Assets**

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

**Leasing**

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

**Liquid Resources**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash as or close to the carrying amount; or
- Traded in an active market.

**Minimum Revenue Provision (MRP)**

Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**Non-Domestic Rates (NDR)**

A flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Council and then passed to Central Government who reallocate the proceeds to all Councils.

**Non-Operational Assets**

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services for which it has either a statutory or discretionary responsibility.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Precept**

The amount which a Precepting Authority requires from a Charging Council to meet its expenditure requirements, requiring the Charging Council to collect income from council tax payers on their behalf.

**Precepting Authority**

Local Authorities, including fire and rescue and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Councils.

**Projected Unit Method**

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

**Private Finance Initiative (PFI)**

The PFI is a government policy designed to increase private sector involvement in the provision of public services. The Council does not own the asset, for example, the Bournemouth Library, but pays the PFI contractor payments over the period of the contracts for the use of the facilities under the contract period.

**Provisions**

Amounts set aside in the accounts for future liabilities which cannot accurately be quantified.

**Public Works Loan Board (PWLB)**

A Central Government Agency which lends money to public bodies for capital purposes at interest rates only slightly higher than those at which the Government itself can borrow.

**Related Party Transaction**

This is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Reserves**

Amounts set aside in the accounts for the purpose of providing money for future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are often described as balances.

**Revenue Account**

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

**Revenue Budget Comparison**

This statement reports the actual expenditure and income of the services for which the Council is responsible. It demonstrates how the new cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Council's functions.

**Revenue Expenditure**

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

**Revenue Support Grant (RSG)**

A general Central Government Grant paid to the Income and Expenditure Account in support of the Charging Council's revenue expenditure.

**Stocks**

Items of raw materials and stores purchased by the Council to use on a continuing basis and which has not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

**Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

**Work in Progress**

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the balance sheet date.