

CABINET



Report subject	Financial Outturns 2018/19
Meeting date	12 June 2019
Status	Public Report
Executive summary	<p>This report presents the performance against budget for the period 1 April 2018 to 31 March 2019 for each of the following predecessor councils;</p> <ul style="list-style-type: none"> • Bournemouth Borough Council (BBC) • Christchurch Borough Council (CBC) • Borough of Poole Council (BoP) <p>In summary each of the predecessor Councils listed above have achieved a balanced or better financial outturn position for 2018/19.</p> <p>This positive achievement is after each Council has met its share of the BCP programme costs incurred in 2018/19 and is also after adequate provision has been made for their share of any such costs reprofiled into 2019/20. The outcome for the year has been influenced to an extent by caution in incurring expenditure in the final quarter prior to the creation of the new BCP Council.</p> <p>In closing the accounts of each of the predecessor authorities the opportunity has been taken, where possible, to create consistency in the accounting policies which will then be adopted by the new authority. This has created some variances which may not have otherwise occurred.</p> <p>BCP Financial Services, besides being responsible for the closure of the 2018/19 accounts for the listed three predecessor councils, has also led the process for the closure of the accounts of East Dorset District Council (EDDC) which will be reported to the new Dorset Area Council.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1) approve the allocation of £493k in capital funding towards an early priority of the BCP Council as set out in section 10; 2) request an update from the Corporate Director for Children's Services on the progress in delivering a sustainable solution to the High Needs element of

	<p>the Dedicated Schools Grant. This update to be included as a separate appendix to the 2019/20 First Quarter's Budget Monitoring Report.</p> <p>It is RECOMMENDED that Cabinet note:</p> <p>3) the opening reserve position of BCP Council as set out in Appendix D.</p> <p>4) the year-end outturn positions achieved including revenue, capital, reserves and Housing Revenue Accounts.</p>
Reason for recommendations	<p>To comply with accounting codes of practice and best practice which requires Councils to report their end of financial year position compared to budget of the authority.</p> <p>To facilitate the implementation of a strong and active culture of financial management within the BCP Council by identifying when prompt management action is needed to avoid an adverse impact on future service delivery or the achievement of future corporate objectives.</p>
Portfolio Holder(s):	Councillor David Brown – Finance Portfolio Holder
Corporate Director	Julian Osgathorpe
Contributors	<p>Adam Richens, Chief Financial Officer and Director of Finance</p> <p>Dan Povey, Acting Assistance Chief Finance Officer</p> <p>Nicola Webb, Assistance Chief Finance Officer</p> <p>Matthew Filmer, Finance Manager</p>
Wards	Authority-wide
Classification	For Decision

Background

1. This report advises Members of the actual revenue, capital, Housing Revenue Account (HRA) and reserves outturn position for the financial year 2018/19 for each of the three predecessor councils Bournemouth, Christchurch and Poole. By authority a summary position is included within the main section of this report. A separate appendix provides the detailed information for each of the relevant authorities. It is important to recognise that no attempt has been made to standardise the presentation of this information. Instead to aid transparency the information is presented in line with the format adopted by each of the predecessor councils in their 2018/19 quarter three financial monitoring reports.
2. In addition the draft statutory accounts for each of the predecessor councils have been compiled, published and the external auditors are shortly due to start their

work on their certification. The final Statement of Accounts will be presented to the BCP Audit & Governance Committee for approval on the 25 July 2019.

3. The 31 March 2019 Balance Sheet position of the predecessor Dorset County Council (DCC) will have a direct impact on the opening financial position of BCP Council. This is on the basis that we will inherit a proportion of their assets and liabilities in line with the principles agreed between the two new unitary councils as part of the disaggregation process. Details of the final settlement of the DCC accounts will be included in the October 2019 Medium Term Financial Plan (MTFP) Update report to Cabinet.

Bournemouth

4. Appendix A presents the details of the performance against budget for Bournemouth Borough Council for the 2018/19 financial year.
5. The Council achieved a balanced financial outturn after meeting both its share of the 2018/19 BCP Programme Management costs incurred in preparation for Local Government Reorganisation (LGR), as well as providing for its share of the costs reprofiled into 2019/20.

Christchurch

6. Appendix B presents the details of the performance against budget for Christchurch Borough Council for the 2018/19 financial Year.
7. The Council achieved a balanced financial after meeting its share of the 2018/19 BCP Programme Management costs incurred and those reprofiled into 2019/20 in preparation for Local Government Reorganisation (LGR). In addition a small surplus of £0.562m was generated which will better support the reserves position of the new council.

Poole

8. Appendix C presents the details of the performance against budget for the Borough of Poole for the 2018/19 financial Year.
9. The Council achieved a balanced financial outturn after meeting its share of the 2018/19 BCP Programme Management costs incurred in preparation for Local Government Reorganisation (LGR), as well as making a contribution towards its share of the costs reprofiled into 2019/20.
10. This approach means the Council will not need to drawdown capital resources in support of the LGR programme management transition costs as originally planned. This position has enabled additional capital resources to be directed towards an early priority of the new Council. To that effect the proposal is to set aside within the capital programme £493k to create an improvement programme for Poole public conveniences.

Statutory Accounts

11. To comply with the Accounts and Audit (England) Regulations 2011 the Chief Finance Officer is required to certify that the Council's 2018/19 Statement of Accounts present a true and fair view of each Authority's financial position by 31 May 2019.
12. At that stage the accounts are then passed over for external audit. Consideration for approval, supported by the findings of the audit process, will be undertaken by the Audit & Governance Committee in July 2019.
13. In order to adhere to these deadlines the revenue and capital accounts for 2018/19 were closed at the end of April 2019. Given the nature of the closedown process and the reporting differences between management and statutory accounting it is likely that there will be some adjustments made to each Council's final year end position for 2018/19. These are likely to include adjustments as a consequence of consolidating the accounts.
14. The Statement of Annual Accounts 2018/19 for each of the predecessor councils will include an audit trail of how the financial outturns as presented in this report links with the position as finally recorded in the annual accounts.

Implications for Bournemouth, Christchurch and Poole Council

15. It is possible for the financial year April 2018 to March 2019 outturns for each of the predecessor councils to have a significant impact of the financial health of the new BCP Council. Examples could be that the demand for services or their associated cost base is higher than previously assumed or the new council is starting with a lower level of reserves than assumed when it agreed its first budget in February 2019.

Analysis of these financial outturn indicates that;

16. BCP Council is in a slightly healthier position than previously assumed as a result of the cautious approach adopted in incurring expenditure in the final quarter. This has meant that the 2018/19 BCP Programme Management costs incurred could be funded in-year rather than drawing on earmarked reserves. A higher level of earmarked reserves are now available to fund those BCP Programme Management going forward.
 - In the case of Poole, the approach of funding the BCP Programme Management from in-year resources has meant that capital resources previously identified can now be released to fund an early priority of the new BCP Council as set out in paragraph 10.
 - The net Dedicated Schools Grant (DSG) Deficit is lower than forecast, with the final surplus achieved in Poole reducing the burden of the deficits from Bournemouth and Dorset County Council for Christchurch.

- BCP Council will have an opening reserve position higher than that assumed as part of the February budget report. Cabinet is asked to formally note the opening position as set out in Appendix D.

Proposed Actions

17. Budget monitoring reports will be presented quarterly to Cabinet for the 2019/20 financial year. It is important that the council takes action to correct emerging risks to its budget strategy and financial sustainability.
18. All Corporate Directors and Directors of Service are required to review the 2018/19 outturns and consider the implications for both 2019/20 and the Medium Term Financial Plan (MTFP).
19. The Corporate Director for Children's Services is requested to present, as a separate appendix to the 2019/20 first quarter's Budget Monitoring report, details of the progress in delivering a recovery plan for the historical deficit on the High Needs element of the Dedicated Schools Grant as well a sustainable solution to the in-year pressures.

Consultation

20. The BCP Corporate Management Board has reviewed the information provided in this report and the relevant Directors of Services and budget holders have considered the underpinning financial information.

Alternative Options

21. This report provides financial performance information, and as a result there are no alternative options to consider.

Summary of finance and resourcing implications

22. The effective management of the Council's Budget is fundamental to the good governance of the organisation. Failure to monitor and manage the finances of the organisation will affect the financial health and wellbeing of the Council. The Council will not be able to develop a sustainable Medium Term Financial Plan and will not be able to effectively invest in its service priorities if it fails to recognise and address any identified financial pressures.

Summary of legal implications

23. It is a legal requirement of the Council to monitor its budget during the financial year, take remedial action if necessary and to produce a statutory set of accounts within the prescribed deadlines.

Summary of human resources implications

24. None specifically related to this report.

Summary of environmental impact

25. None specifically related to this report.

Summary of public health implications

26. None specifically related to this report.

Summary of equalities and diversity impact

27. Any variations to budgets require the responsible officers to be mindful of the equality implications within the Council. Individual budget holders will consider and address any such implications in line with their service specific equality impact assessments.

Summary of risk assessment

28. A key thread of the Future Dorset submission was the opportunity to best protect public services as the government continued to reduce the funding it provides to local councils.

29. This report and the outlined actions will form part of the mitigation strategy to best protect the council from Government funding reductions valued at £105m per annum for the BCP Council for the 2019/20 financial year.

Background papers

30. The quarter three budget monitoring reports for each of the predecessor councils can be found at;

Bournemouth

<https://www.bournemouth.gov.uk/councildemocratic/CouncilMeetings/CommitteeMeetings/Cabinet/2019/02/20/Cabinet20-Feb-2019.aspx>

Christchurch

<http://moderngovcbc.christchurchandeastdorset.gov.uk/ieListDocuments.aspx?Clid=287&MId=1052&Ver=4>

Poole

<http://ha2.boroughofpoole.com/akspoole/users/public/admin/kab12.pl?cmte=CAB&meet=232&arc=71>

Appendices

Appendix A	Bournemouth 2018/19 Financial Outturn Information
Appendix B	Christchurch 2018/19 Financial Outturn Information
Appendix C	Poole 2018/19 Financial Outturn Information
Appendix D	BCP Council Earmarked Reserves