



**BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL**

# **STATEMENT OF ACCOUNTS 2021/22**

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# NARRATIVE REPORT

## Introduction

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

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

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

## Bournemouth, Christchurch and Poole Council Corporate Strategy

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

The strategic priorities identified in the corporate strategy are:

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

Figure 1: BCP Council Corporate Strategy



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

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

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

### **Governance Arrangements**

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

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

Supporting the work of the elected councillors in delivering the corporate priorities of the council is the organisational structure of officers headed by the Chief Executive. The Chief Executive is supported by a corporate management board, comprising of the following officers:

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

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

### **National Picture**

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

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

### **Borrowing, servicing of debt and liquidity**

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

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

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

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

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

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

### **Financial Position for 2021/22**

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

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

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

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

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

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

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

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

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

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

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

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

**Figure 2: General Fund Summary 31 March 2022**

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

### Dedicated Schools Grant (DSG)

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

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

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

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

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

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

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

**Figure 3: Summary Position for Dedicated Schools Grant**

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

### Reserves

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

**Figure 4: Revenue Reserves 31 March 2022**

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

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

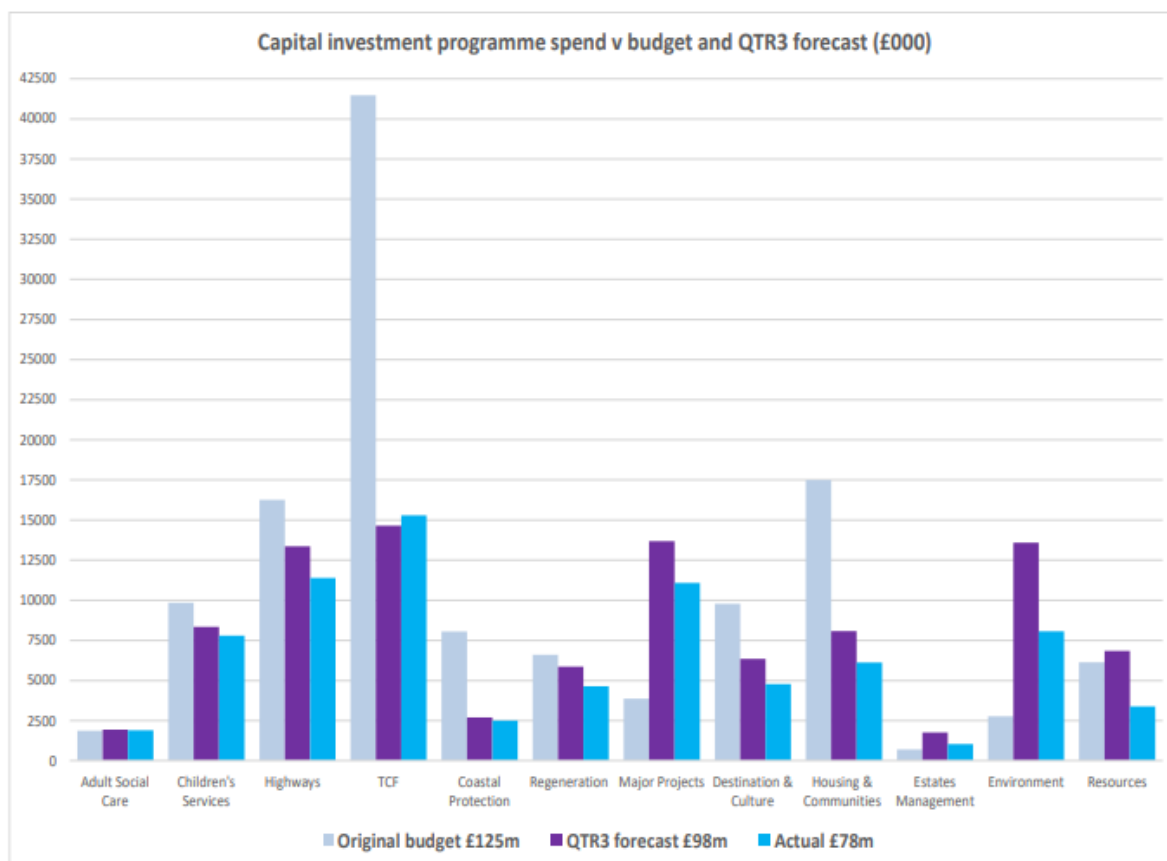
Financial resilience reserves totalling £42.6 million include £20.7 million to be drawn down in support of the 2022/23 budget. Transformation reserves of £14.3 million are available to fund the costs of transformation and are planned to be fully drawn down to support the budget in 2022/23.

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

### Capital Investment Programme (CIP)

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

**Figure 5: Revenue Reserves 31 March 2022**



CIP highlights for 2021/22 was as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Housing Revenue Account**

The Housing Revenue Account (HRA) is a separate account which ring fences the income and expenditure associated with the council's housing stock. Within the HRA the council operates two separate neighbourhood accounts, Bournemouth and Poole. Figure 6 below summarises the outturn for the council's HRA neighbourhood accounts for 2021/22.

Figure 6: BCP Council HRA Outturn 31 March 2022

HRA Bournemouth Neighbourhood - Revenue Account 2021/22						
	budget £000	forecast £000	actuals £000	Dec variance £000	March variance £000	Change variance £000
<b>Income</b>						
Dwelling rents	(22,879)	(22,879)	(22,851)	0	28	28
Non-dwelling rents	(149)	(149)	(145)	0	4	4
Charges for services and facilities	(482)	(587)	(758)	(105)	(276)	(171)
Contributions to expenditure	(60)	(90)	(161)	(30)	(101)	(71)
Other income	0	0	0	0	0	0
<b>Total income</b>	<b>(23,570)</b>	<b>(23,705)</b>	<b>(23,915)</b>	<b>(135)</b>	<b>(345)</b>	<b>(210)</b>
<b>Expenditure</b>						
Repairs and Maintenance	5,782	5,782	6,318	0	536	536
Supervision and Management	6,144	5,689	5,709	(455)	(435)	20
Rent, rates, taxes and other charges	220	240	198	20	(22)	(42)
Bad or doubtful debts	188	188	76	0	(112)	(112)
Capital financing costs (debt management costs)	75	75	75	0	0	0
Depreciation	6,878	6,878	6,869	0	(9)	(9)
Net interest payable	2,487	2,127	2,127	(360)	(360)	(0)
<b>Total expenditure</b>	<b>21,774</b>	<b>20,979</b>	<b>21,371</b>	<b>(795)</b>	<b>(403)</b>	<b>392</b>
<b>Net operating (surplus) / deficit</b>	<b>(1,796)</b>	<b>(2,726)</b>	<b>(2,544)</b>	<b>(930)</b>	<b>(748)</b>	<b>182</b>
<b>Appropriations to reserves</b>						
Transfer to/from HRA reserve	1,796	2,726	2,544	930	748	(182)
<b>Total appropriations</b>	<b>1,796</b>	<b>2,726</b>	<b>2,544</b>	<b>930</b>	<b>748</b>	<b>(182)</b>
<b>(Surplus) / deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>

HRA Poole Neighbourhood - Revenue Account 2021/22						
	budget £000	forecast £000	actuals £000	Dec variance £000	March variance £000	Change variance £000
<b>Income</b>						
Dwelling rents	(20,357)	(20,400)	(20,396)	(43)	(39)	4
Non-dwelling rents	(43)	(27)	(32)	16	11	(5)
Charges for services and facilities	(1,390)	(1,359)	(1,392)	31	(2)	(33)
Contributions to expenditure	(54)	(54)	(54)	0	0	0
Other income	(273)	(266)	(499)	7	(226)	(233)
<b>Total income</b>	<b>(22,117)</b>	<b>(22,106)</b>	<b>(22,373)</b>	<b>11</b>	<b>(256)</b>	<b>(267)</b>
<b>Expenditure</b>						
Repairs and Maintenance	4,031	4,030	4,031	(1)	0	1
Supervision and Management	6,235	6,509	6,462	274	227	(47)
Rent, rates, taxes and other charges	162	162	160	0	(2)	(2)
Bad or doubtful debts	197	197	32	0	(165)	(165)
Capital financing costs (debt management costs)	107	107	107	0	0	0
Depreciation	4,665	4,665	4,768	0	103	103
Net interest payable	3,072	3,233	3,120	161	48	(113)
<b>Total expenditure</b>	<b>18,469</b>	<b>18,903</b>	<b>18,680</b>	<b>434</b>	<b>211</b>	<b>(223)</b>
<b>Net operating (surplus) / deficit</b>	<b>(3,648)</b>	<b>(3,203)</b>	<b>(3,693)</b>	<b>445</b>	<b>(45)</b>	<b>(490)</b>
<b>Appropriations to reserves</b>						
Transfer to/from HRA reserve	3,648	3,203	3,693	(445)	45	490
<b>Total appropriations</b>	<b>3,648</b>	<b>3,203</b>	<b>3,693</b>	<b>(445)</b>	<b>45</b>	<b>490</b>
<b>(Surplus) / deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

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

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

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

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

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

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

### **Bournemouth and Poole Neighbourhoods - Capital programme**

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

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

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

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

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

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

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

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

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

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

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

#### **National Context: 2022/23 provisional local government finance settlement**

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

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

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

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

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

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

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

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

with local government and other partners on options to update our assessment of local authority needs and resources.”

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

Key elements of the settlement include:

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

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

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

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

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

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

## Medium Term Financial Plan (MTFP)

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

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

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

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

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

<b>Annual – Net Funding Gap</b>	<b>0.0</b>	<b>28.2</b>	<b>(19.4)</b>	<b>(2.7)</b>	<b>1.6</b>	<b>7.7</b>
<b>Cumulative MTFP – Net Funding Gap</b>	<b>0.0</b>	<b>28.2</b>	<b>8.8</b>	<b>6.1</b>	<b>7.7</b>	

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

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

This restriction applies from 2023/24 onwards. The restriction is being applied as the council cognises that above inflationary increases in Adults and Children's Services are unsustainable. This restriction should be seen alongside the potential extension of the transformation programme. Council will therefore be asked to proactively consider using some of the potential excess capital receipts from the beach hut proposal on specific transformation workstreams in Adults and Children's Services to support the delivery of the changes needed to deliver these savings.

As part of this approach Portfolio Holders and officers will need to deliver a range of proposals for consideration in advance of the formal budget setting for 2023/24 and annually thereafter.

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

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

### **Going Concern Assessment**

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

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

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

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

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

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

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

### **Group Accounts**

The council owns or jointly owns several subsidiary companies, charities and joint ventures. Where the council exerts sufficient control over these entities and they are material to the BCP Council annual statement of accounts, they are consolidated into the BCP Council group accounts.

Included within the BCP Council group accounts are the following entities:

#### Five Parks Charity

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

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

### Lower Central Gardens Trust

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

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

### Russell Cotes Art Gallery and Museum Charitable Trust

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

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

### **Asset Valuations**

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

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

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

### **Statement of Accounts**

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

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

**Movement in Reserves Statement** – This statement shows the movement in the year for the different reserves held by the council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves (i.e. those reserves that the council is not able to use to provide services). The surplus or deficit on the provision of services line shows the true economic cost of providing the council's services. More detail is shown in the comprehensive income and expenditure statement.

**Balance Sheet** – This statement is fundamental to understanding the council's financial position as at 31 March 2022. It shows the balances and reserves at the council's disposal and available to fund future expenditure. The balance sheet also shows the council's long and short-term liabilities, and also the fixed and current assets at its disposal.

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

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

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

The HRA financial statements are presented in three sections:

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

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

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

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

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

- Group movement in reserves statement;
- Group comprehensive income and expenditure statement;
- Group balance sheet;
- Group cash flow statement.

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

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

**Adam Richens FCCA CPFA**

Chief Finance Officer and Director of Finance  
Bournemouth, Christchurch and Poole Council

## **THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **1. The Council's Responsibilities**

The Council is required:

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

### **2. Chief Financial Officer Responsibilities**

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

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

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

The S151 Officer has also:

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

### **3. S151 Officer's Certificate**

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

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

**Date: 31 May 2024**

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

**Cllr Marcus Andrews**

**Date: 31 May 2024**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2021/22

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

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

## MOVEMENT IN RESERVES STATEMENT 2021/22

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

## MOVEMENT IN RESERVES STATEMENT 2020/21

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

## BALANCE SHEET 2021/22

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

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

## CASH FLOW STATEMENT 2021/22

### Cash Flow Statement – Prior Period Adjustment

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

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

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

### Restated Prior Year Disclosure 22 – Cashflow Statement Operating Activities

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

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

## Restated Prior Year Disclosure 23 – Cashflow Statement Investing Activities

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1a. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2021/22 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement. (Please note that the previous directorates of Regeneration & Economy and Environment & Community have merged into 'Operations')

2021/22

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

2020/21

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

## 1b. Note to the Expenditure and Funding Analysis

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

### 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Services	2,846	(1,714)	14	1,146
Childrens Services	6,423	(2,569)	145	3,999
Operations	33,020	(4,212)	94	28,901
Resources	1,229	(2,007)	66	(713)
Housing Revenue Account	9,301	(319)	(12)	8,971
Corporate Items	(2)	58,694	10	58,702
<b>Net Cost of Services</b>	<b>52,817</b>	<b>47,873</b>	<b>317</b>	<b>101,006</b>
Other Income and Expenditure from the Funding Analysis	(40,278)	20,039	(32,767)	(53,006)
Statutory provision for the financing of capital investment	(10,511)	-	-	(10,511)
Capital expenditure charged to balances	(13,649)	-	-	(13,649)
Renewable Energy Projects	0	-	-	0
Transfer of Deferred Capital Receipts	27	-	-	27
Disposal Costs Chargeable to Capital Receipts	57	-	-	57
Flexible use of capital receipts	3,879	-	-	3,879
Dedicated Schools Grants Deficit	12,465	-	-	12,465
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>4,807</b>	<b>67,912</b>	<b>(32,450)</b>	<b>40,265</b>

### 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (Note iii)	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Services	3,442	(1,630)	219	2,031
Childrens Services	8,524	(2,313)	1,454	7,665
Environment & Community	6,099	(2,231)	166	4,034
Regeneration & Economy	18,395	(1,631)	355	17,119
Resources	681	(2,035)	172	(1,181)
Housing Revenue Account	2,093	(282)	35	1,846
Corporate Items	1,229	27,183	13	28,426
<b>Net Cost of Services</b>	<b>40,465</b>	<b>17,061</b>	<b>2,414</b>	<b>59,938</b>
Other Income and Expenditure from the Funding Analysis	(44,176)	17,599	47,664	21,088
Statutory provision for the financing of capital investment	(9,431)	-	-	(9,431)
Capital expenditure charged to balances	(6,895)	-	-	(6,895)
Renewable Energy Projects	(42)	-	-	(42)
Transfer of Deferred Capital Receipts	26	-	-	26
Disposal Costs Chargeable to Capital Receipts	154	-	-	154
Flexible use of capital receipts	311	-	-	311
Dedicated Schools Grants Deficit	3,209	-	-	3,209
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(16,379)</b>	<b>34,660</b>	<b>50,078</b>	<b>68,358</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.

### 1c. Expenditure and Income Analysed by Nature

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

\* Capital charges include depreciation and amortisation of intangible assets.

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

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

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

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

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

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

#### **Local Government Funding**

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

#### **Wholly Owned Subsidiaries of the Council**

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

Those entities which fall within the boundary and are considered to be material are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e., the

consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Other Land and Buildings – Valuation of Assets, Asset life and Valuer Assumptions</b>	<p>The carrying value of Land and building Assets and its remaining useful lives (RUL) are assessed by the Council's Valuers.</p> <p>Valuations contain estimates and assumptions made by qualified and experienced valuers including nationally derived building cost indices and income and yield estimates.</p> <p>Council dwellings are subject to less uncertainty as an active market exists for housing providing reliable price movement data.</p> <p>The value of Other Land and Buildings as at 31 March 2022 was £768.5 million net book value (NBV)</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's Land and Buildings were to reduce by 10% that would equate to £77 million movement on Property, Plant and Equipment in the statement of accounts.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the Rate for Discount Scheme Liabilities would result in a decrease in the pension liability of £58.865 million.</p> <p>The Sensitivity Analysis is provided in Note 35 in a table outlining the impact on the Defined Benefit Obligation in the Scheme.</p>

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

## 5. Events after the Balance Sheet Date

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

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

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

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(29,422)	6,135	-	-	-	(23,287)	23,287	-
Revaluation Losses on Property, Plant and Equipment	(10,784)	(15,436)	-	-	-	(26,220)	26,220	-
Movement in the Market Value of Investment Property	2,450	-	-	-	-	2,450	(2,450)	-
Amortisation of Intangible Assets	(64)	-	-	-	-	(64)	64	-
Capital Grants and Contributions Applied	33,001	3,886	-	-	-	36,887	(36,887)	-
Revenue Expenditure Funded from Capital under Statute	(12,372)	-	-	-	-	(12,372)	12,372	-
Grant Finance of Revenue Expenditure Funded from Capital	9,126	-	-	-	-	9,126	(9,126)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(6,905)	(3,364)	-	-	-	(10,269)	10,269	-
<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	10,511	-	-	-	-	10,510	(10,510)	-
Capital Expenditure charged against General Fund and HRA Balances	904	12,746	-	-	-	13,648	(13,648)	-
<b>Sub Total Carried overleaf</b>	<b>(3,555)</b>	<b>3,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>412</b>	<b>(412)</b>	<b>-</b>

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

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

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

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	(3,423)	10,184	-	2,750	(597)	8,914	(8,914)	-
<b><u>Adjustments Primarily Involving the Major Repairs Reserve:</u></b>								
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	(11,637)	-	-	(11,637)	11,637	-
Use of Major Repairs Reserve to repay debt	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new Capital Expenditure	-	-	18,391	-	-	18,391	(18,391)	-
<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	(27)	-	-	(34)	-	(61)	61	-
<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	32	-	-	-	-	32	(32)	-
<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	(66,810)	(1,102)	-	-	-	(67,912)	67,912	-
<b>Sub Total Carried overleaf</b>	<b>(70,228)</b>	<b>9,083</b>	<b>6,755</b>	<b>2,716</b>	<b>(597)</b>	<b>(52,271)</b>	<b>52,271</b>	<b>-</b>

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

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

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

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(28,635)	3,567	-	-	-	(25,069)	25,069	-
Revaluation Losses on Property, Plant and Equipment	(7,423)	(5,658)	-	-	-	(13,081)	13,081	-
Movement in the Market Value of Investment Property	(6,733)	-	-	-	-	(6,733)	6,733	-
Amortisation of Intangible Assets	(5)	-	-	-	-	(5)	5	-
Capital Grants and Contributions Applied	49,248	-	-	-	-	49,248	(49,248)	-
Revenue Expenditure Funded from Capital under Statute	(9,392)	(2)	-	-	-	(9,394)	9,394	-
Grant Finance of Revenue Expenditure Funded from Capital	7,085	-	-	-	-	7,085	(7,085)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(728)	(3,510)	-	-	-	(4,238)	4,238	-
<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	9,431	-	-	-	-	9,430	(9,430)	-
Capital Expenditure charged against General Fund and HRA Balances	2,303	4,592	-	-	-	6,894	(6,894)	-
<b>Sub Total Carried overleaf</b>	<b>15,149</b>	<b>(1,011)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,138</b>	<b>(14,138)</b>	<b>-</b>

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

	General Fund	Housing Revenue Account	Major Repair Reserve	Usable Capital Receipts	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total Bfwd from previous page	15,149	(1,011)	-	-	-	14,138	(14,138)	-
<b><u>Adjustments Primarily Involving the Capital Grants Unapplied Account</u></b>								
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	(1,042)	-	-	-	1,042	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	3,676	3,676	(3,676)	-
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve</u></b>								
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,793	3,148	-	(6,941)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	(13)	-	-	-	-	(13)	13	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	2,279	-	2,279	(2,279)	-
Capital Receipts Reserve set aside in relation to debt on sold HRA properties	-	-	-	5,582	-	5,582	(5,582)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	(154)	-	154	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(914)	-	-	914	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(500)	-	(500)	500	-
Flexible use of capital receipts funding transformation	(311)	-	-	311	-	-	-	-
<b>Sub Total Carried overleaf</b>	<b>16,663</b>	<b>1,983</b>	<b>-</b>	<b>1,799</b>	<b>4,717</b>	<b>25,162</b>	<b>(25,162)</b>	<b>-</b>

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

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

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

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

## 8. Transfers to/from Earmarked Reserves

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

## 9. Other Operating Expenditure

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

## 10. Financing and Investment Income and Expenditure

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

## 11. Taxation and Non-Specific Grant Income

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

## 12. Property, Plant and Equipment

### Depreciation

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

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

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

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

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

### Capital Commitments

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

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

### Revaluations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. The valuations are carried out using the Council's Estates Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification; the external company Norse Consulting Group Ltd and the Valuation Office Agency. The valuations are as at 31 March 2022. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices.

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

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

All Housing Revenue Account council dwellings are re-valued annually as at the balance sheet date. The Valuer for the two neighbourhoods are:-

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

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

## 12. Property, Plant and Equipment

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

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

\* See Note 12.1 for Infrastructure Note

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

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

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

### Note 12.1

#### Infrastructure Assets - Movements on Balances

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

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

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

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

### 13. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

## VALUATION INFORMATION SURPLUS ASSETS AND INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

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

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

## 14. Financial Instruments

### Income, Expense, Gains and Losses

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

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

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

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

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

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

**Note 14.3 Fair Values of Financial Assets and Liabilities**

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

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

See below for breakdown of \* and \*\*.

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

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

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

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

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

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

## **A breakdown of long and short term borrowing**

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

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

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

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of borrowing includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

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

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

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

The Council's activities can be exposed to a variety of financial risks:

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

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

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

### Credit Risk

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

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

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

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

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

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

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

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

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

#### Impairment Losses in accordance with the Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

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

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

### Liquidity Risk

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

It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring loans mature at different times. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. The Council also holds significant deposits with approved financial institutions which would allow flexibility when any replacement borrowings need to be taken out.

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

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

### Market Risk

#### Interest Rate Changes

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

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.
- Private Finance Initiative (PFI) contract payments are not subject to variations in interest rates but the payments are subject to adjustments based on the Retail Price Index (RPI).

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

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

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

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

#### Price Risk

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

#### Foreign Exchange Risk

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

## 16. Debtors

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

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

### Net Local Taxation receivable outstanding

#### 2021/22

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

#### 2020/21

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

### Impairment allowance for doubtful debts

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

## 17. Cash and Cash Equivalents

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

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

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

## 18. Creditors

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

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

## 19. Provisions

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

### Insurance Provisions

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

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

### Business Rate Appeals

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

### Property Provisions

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

### Ordinary residence liability

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

### Winter Gardens Provision

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

## 20. Usable Reserves

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

## 21. Unusable Reserves

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

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

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

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

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

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

	2020/21 £'000	2021/22 £'000
<b>Balance at 1 April</b>	<b>763,341</b>	<b>1,000,949</b>
Remeasurements of the net defined benefit liability	202,949	(260,347)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	65,105	99,288
Employer's pension contributions and direct payments to pensioners payable in the year	(30,446)	(31,377)
<b>Balance at 31 March</b>	<b>1,000,949</b>	<b>808,513</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.

	2020/21 £'000	2021/22 £'000
<b>Balance at 1 April</b>	<b>2,110</b>	<b>4,483</b>
Settlement of cancellation of accrual made at the end of the preceding year	(2,110)	(4,483)
Amounts accrued at end of current year	4,483	4,769
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	2,373	286
<b>Amounts accrued at end of current year</b>	<b>4,483</b>	<b>4,769</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.

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

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

### Dedicated Schools Grant Adjustment Account

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

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

## 22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

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

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

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

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

## 23. Cash Flow Statement - Investing Activities

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

## 24. Cash Flow Statement - Financing Activities

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

## 25. Members' Allowances

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

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

## 26. Officers' Remuneration

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

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

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

## 26. Officers' Remuneration – Senior Officers

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

### Notes:

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

## 26. Officers' Remuneration – Senior Officers

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

### Notes:

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

## 27. Officers' Remuneration – Exit Package

	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band £'000
<b><u>2021/22</u></b>				
£0 - £20,000	20	5	25	169
£20,001 - £40,000	17	-	17	455
£40,001 - £60,000	3	1	4	187
£60,001 - £80,000	3	-	3	209
£80,001 - £100,000	3	-	3	256
£100,001 - £120,000	1	-	1	103
£120,001 - £140,000	1	-	1	124
<b>Totals for 2021/22</b>	<b>48</b>	<b>6</b>	<b>54</b>	<b>1,503</b>

	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band £'000
<b><u>2020/21</u></b>				
£0 - £20,000	8	6	14	139
£20,001 - £40,000	6	1	7	211
£40,001 - £60,000	1	1	2	91
£60,001 - £80,000	2	2	4	269
£80,001 - £100,000	1	1	2	184
£100,001 - £120,000	-	1	1	115
£160,001 - £180,000	-	1	1	176
<b>Totals for 2020/21</b>	<b>18</b>	<b>13</b>	<b>31</b>	<b>1,185</b>

## 28. External Audit Costs

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

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

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

## 29. Dedicated Schools Grant

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

	Central expenditure £'000	Individual schools budget £'000	Total £'000
<b>Final DSG for 2021/22 before academy and high needs recoupment</b>			<b>298,695</b>
Academy and high needs figure recouped for 2021/22			201,994
<b>Total DSG after academy and high needs recoupment for 2021/22</b>			<b>96,701</b>
Plus: Brought forward from 2020/21			
Less: Carry-forward to 2022/23 agreed in advance			10,846
Agreed initial budgeted distribution in 2021/22	48,470	59,077	107,547
In year adjustments	-	(106)	(106)
Final budget distribution for 2021/22	48,470	58,971	107,441
Less: Actual central expenditure	50,649	-	50,649
Less: Actual ISB deployed to schools		58,409	58,409
Plus: Local authority contribution for 2021/22	-	-	-
<b>In Year Carry-forward to 2022/23</b>	<b>(2,179)</b>	<b>562</b>	<b>(1,617)</b>
Plus/Minus: Carry-forward to 2022/23 agreed in advance			(10,846)
Carry-forward to 2022/23			-
DSG unusable reserve at the end of 2020/21			(7,853)
Addition to DSG unusable reserve at the end of 2021/22			(12,464)
Total of DSG unusable reserve at the end of 2021/22			(20,317)
<b>Net DSG position at the end of 2021/22</b>			<b>(20,317)</b>

### 30. Grant Income

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

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

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

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

### 31. Related Parties

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

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

#### Central Government

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

Grants received from government departments are set out in Note 2 within the Expenditure and Funding Analysis. Grant receipts outstanding at 31 March are shown in Note 30.

#### Members

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

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

The amounts paid are as follows:

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

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

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

The amounts paid to these related parties are as follows:

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

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

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

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

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

#### **Entities controlled or significantly influenced by the authority**

The Council is a member of The Bournemouth Development Company LLP, where both Members and officers make decisions with regards to the transfer of Council assets, as a form of payment. In 2021/22 there was no asset transfer but £683,600 was loaned to the company. We recognise the potential conflict of interest and always advise Members and officers on the board to withdrawal from any negotiations and decisions made by the Council.

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

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

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

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

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

The amounts paid to these companies are as follows:

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

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

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

### 32. Capital Expenditure and Capital Financing

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

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

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

### 33. Leases

#### Council as Lessee

##### Finance leases

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

	2020/21 £'000	2021/22 £'000
Vehicle & plant	125	62
<b>Total</b>	<b>125</b>	<b>62</b>

The Council is committed to making minimum lease payments under the lease for the mercury abatement unit comprising settlement of the long-term liability for the interest in the mercury abatement unit acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

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

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	118	109
Later than one year and not later than five years	113	-
Later than five years	-	-
<b>Total</b>	<b>231</b>	<b>109</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>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	217	303
Later than one year and not later than five years	669	845
Later than five years	5,987	6,768
<b>Total</b>	<b>6,873</b>	<b>7,916</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>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	559	795
Contingent rents	16	16
<b>Total</b>	<b>575</b>	<b>811</b>

### Council as Lessor

#### Finance Leases

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

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

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	41	41
Contingent rents	59	61
<b>Total</b>	<b>100</b>	<b>102</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>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	7,188	8,244
Later than one year and not later than five years	26,949	27,606
Later than five years	166,715	184,799
<b>Total</b>	<b>200,852</b>	<b>220,649</b>

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

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

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

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

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

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

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 35.

## 35. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- the Local Government Pension Scheme, administered locally by Dorset Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan

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

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

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

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

### Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

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

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

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

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

#### Local Government Pension Scheme Assets Comprised:

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

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

		31st March 2021		31st March 2022	
		% Quoted	% Unquoted	% Quoted	% Unquoted
Corporate Bonds	UK	5.7%	-	5.0%	-
	Overseas	-	-	-	-
Equities	UK	10.3%	-	10.0%	-
	Overseas	40.5%	-	39.0%	-
Property	All	-	7.7%	-	7.0%
Others	Private Equity	-	3.6%	-	4.0%
	Infrastructure	-	6.0%	-	7.0%
	Derivatives	-	-	-	0.0%
	Diversified Growth Fund	-	4.9%	-	7.0%
	Liability Driven Investment	-	11.3%	-	12.0%
	Multi Asset Credit	-	5.1%	-	5.0%
	Property Pooled Funds	-	1.6%	-	2.0%
	Secured Income Funds	-	0.4%	-	0.0%
	Debtors	0.5%	-	-	-
	Creditors	(0.2%)	-	-	-
	Cash/Temporary Investments	-	2.6%	-	2.0%
<b>Total</b>		<b>56.8%</b>	<b>43.2%</b>	<b>54.0%</b>	<b>46.0%</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 Council fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2022.

There have been some significant movements (updated as part of the triannual review) in regards to the net pension liability and associated movements within the pension fund. These movements are due to the differing assumptions that the actuaries have applied to the pension valuation.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2020/21 %	2021/22 %
Expected rate of return on assets in the scheme:	23.81	34.06

	2020/21 Years	2021/22 Years
Mortality assumptions		
Longevity at 65 for current pensioners		
- Men	23.1	22.1
- Women	24.6	24.2
Longevity at 65 for future pensioners		
- Men	24.4	23.4
- Women	26.0	25.6
	2020/21 %	2021/22 %
Rate of inflation (CPI)	2.40	3.20
Rate of increase in Salaries	3.80	4.20
Rate of increase in Pensions	2.80	3.20
Rate for Discounting Scheme Liabilities	2.00	2.60

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
<b>Longevity (increase or decrease in 1 year)</b>	59,173	(54,568)
Rate of increase in salaries (increase or decrease by 0.1%)	56,861	(56,799)
Rate of increase in Pensions (increase or decrease by 0.1%)	58,848	(54,887)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	54,872	(58,865)

There have been relatively significant movements with regards to the net pension liability, service cost and associated movements within the Pension fund. These movements are due to the differing assumptions that the actuaries have applied to the pension valuation. One notable change in the assumptions this year is in respect of the mortality projections where the actuary has indicated that it is now assumed that the improvements in mortality which have slowed in recent years is "a new trend rather than a blip". This has an impact upon the overall liabilities of the scheme, which is reflected in the figures reported here and which will be factored into the next valuation in 2023.

### Discretionary Benefits

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

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

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. Dorset Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a maximum of the next 25 years. Funding levels are monitored on an annual basis. Full valuation/triennial review of the Pension Fund was 31 March 2022. The next triennial valuation is due to be completed on 31 March 2025.

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

The Council anticipates paying £28.086 million in contributions to the scheme in 2022/23.

## **36. Contingent Liabilities**

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

## **37. Accounting Policies**

### **a. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which states that the Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

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

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

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

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

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

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

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

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

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

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

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

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

### **e. Employee Benefits**

#### **Benefits Payable during Employment**

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

#### **Termination Benefits**

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

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

#### **Post-employment Benefits**

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

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

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

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative

balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### **Discretionary Benefits**

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

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

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

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

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

#### **g. Financial Instruments**

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

### **Financial Liabilities**

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

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

### **Financial Assets**

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

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

The balance sheet figures for 2021/22 are presented in line with IFRS9 classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

### **Financial assets measured at amortised cost**

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

The Council has made a number of loans at less than market rates. These are called soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the appropriate service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

One further exception to the expected credit losses model applies to investments with Government or other local authorities as there are statutory provisions in place to prevent default on these debts.

### **Expected Credit Loss Model**

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

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

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

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

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

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

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

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

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

#### **h. Government Grants and Contributions**

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

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

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

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

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

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

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

#### **Acting as a principal or agent**

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

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

#### **i. Intangible Assets**

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

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

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever

there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

#### **j. Investment Property**

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

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

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

#### **k. Joint ventures**

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

#### **l. Leases**

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

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

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

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

##### **Finance Leases - Lessee**

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is

shorter than the asset's estimated useful life, where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by using an adjusting transaction in the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases - Lessee**

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

### **The Council as Lessor**

#### **Finance Leases - Lessor**

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

Lease rentals receivable are apportioned between:

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

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

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

#### **Operating Leases – Lessor**

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

### **m. Overheads and Support Services**

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

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

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

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

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

##### **Recognition**

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

##### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

The de minimis for capitalisation is £10,000.

Decreases in value are accounted for in the following ways:

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

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

### **Impairment**

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

Impairment losses are accounted for in the following ways:

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- dwellings and other buildings, straight-line allocation over the useful life of the property as estimated by a suitably qualified valuer;
- vehicles, plant, furniture and equipment, straight-line allocation over the useful life of the item as advised by a suitably qualified officer;
- infrastructure, straight-line allocation over 5 - 124 years. (\* see below)
- it is charged in the following year of expenditure being incurred

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

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

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

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains previously accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

#### **\* Infrastructure Assets**

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

#### **Recognition**

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

#### **Measurement**

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

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

#### **Assets transferred as part of a Local Government Reorganisation**

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

#### **Depreciation**

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

Annual depreciation is the depreciation amount allocated each year.

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

### **Disposals and derecognition**

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

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

### **o. Schools**

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

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

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

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

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

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

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

**p. Provisions, Contingent Liabilities and Contingent Assets**

**Provisions**

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

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

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

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

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

**q. Reserves**

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

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

**r. Revenue Expenditure Funded from Capital under Statute**

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

**s. Value Added Tax (VAT)**

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

**t. Interests in Companies and Other Entities**

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

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

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

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

- in its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax and business rates income on behalf of Central Government, the major preceptors and itself.
- while the council tax and business rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to the major preceptors (and Central Government for business rates) and in turn credited to their General Fund.

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

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

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

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

**v. Fair Value Movement of non-financial assets**

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset.

#### **w. Capital Commitment Disclosures**

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

#### **x. Acquisitions and Discontinued Operations**

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

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

#### **y. Charges to revenue for non-current assets**

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off Statements
- amortisation of intangible assets attributable to the service.

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

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

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

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

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

## **IFRS 16 Leases \***

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

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

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

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

## HOUSING REVENUE ACCOUNT

### INCOME AND EXPENDITURE STATEMENT

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

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

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Housing Stock

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

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

### 2. Balance Sheet Value of HRA Assets

Property, Plant & Equipment	Council Dwellings £'000	Other Land & Bldgs £'000	Assets Under Construct. £'000	Surplus Asset £'000	Plant & Equip.t £'000	Total £'000
<b>Cost or Valuation</b>						
Balance at 1 April 2021	616,947	6,378	7,304	2,163	1,744	634,537
Additions	32,997	24	5,351	-	135	38,508
Revaluation increase / decrease recognised in Revaluation Reserve	24,232	(65)	-	79	626	24,872
Revaluation increase / decrease recognised in Surplus/ Deficit in Provision of Services	(12,092)	(11)	-	109	-	(11,994)
Derecognition - Disposals	(3,127)	(37)	-	(200)	-	(3,364)
Reclassifications within PPE	1,671	-	(1,451)	(220)	-	-
Reclassifications outside PPE	290	-	-	-	-	290
Balance at 31 March 2022	660,918	6,289	11,205	1,931	2,505	682,847

#### Cumulative Depreciation and Impairments

Balance at 1 April 2021	-	-	-	-	-	-
Depreciation for year	(11,191)	(109)	-	-	(337)	(11,637)
Depreciation written out to Revaluation Reserve	8,502	104	-	-	(923)	7,683
Depreciation written out to Surplus / Deficit on Provision of Services	654	1	-	-	-	655
Impairment losses recognised in Surplus/Deficit on Provision of Services	2,035	4	-	-	-	2,039
Derecognition - Disposals	-	-	-	-	-	-
Reclassifications within PPE	-	-	-	-	-	-
Reclassifications outside PPE	-	-	-	-	-	-
Balance at 31 March	-	-	-	-	(1,260)	(1,260)

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

The valuation of the housing stock based on vacant possession at 31 March 2022 was £1,892 million (31 March 2021 £1,766 million). This assumes that the stock is unoccupied and could be sold. The carrying value of the stock on the Balance Sheet is based on existing use as social housing. The difference between the two methods reflects the economic cost of providing council housing at less than market rent.

### 3. Major Repairs Reserve

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

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

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

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

Explanation of movements in year:

Decrease in underlying need to borrow (supported by Government financial assistance)

- -

Increase in underlying need to borrow (unsupported)

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

## 5. Capital Receipts

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

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

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

## 7. Rent Arrears

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

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

## THE COLLECTION FUND STATEMENT

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

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

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

### 2. Income from Business Rate Payers

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

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

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

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

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

## GROUP MOVEMENT IN RESERVES STATEMENT 2021/22

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

## GROUP MOVEMENT IN RESERVES STATEMENT 2020/21

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

## GROUP BALANCE SHEET

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

## GROUP CASH FLOW STATEMENT

### Group Cash Flow Statement – Prior Period Adjustment

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

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

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

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 1. General

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

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

### 2. Accounting Policies

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

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

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

#### Subsidiary Boundary

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

#### Associate Boundary

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

#### Joint Arrangement

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

A joint arrangement is either:

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

#### Materiality

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

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

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

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

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

The Group Accounts have been prepared using the group accounts requirements of the 2021/22 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to the users of the Financial Statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

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

The Group Accounts only incorporate the accounts of the three charities for the year ended 31 March 2022 as they were material due to their asset base. These three Charities comply with the Charities Statement of Recommended Practice (SORP). Audited 2021/22 accounts have been.

### **Subsidiaries**

#### Charities

The Council has overall control over the following charitable trusts as the board of the trust are made up entirely of elected members. The Council therefore treats the trusts as a subsidiary and consolidates them 100%. Any deficits which the charities creates are subsidised fully by the Council.

#### **Five Parks Charity**

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

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

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

#### **Lower Central Gardens Trust**

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

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

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

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

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

#### **Recreation Ground**

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

### Companies

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

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

A wholly owned subsidiary company to deliver building works for the Council for HRA and General Fund purposes.

#### **Seascope Group Ltd**

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

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

#### **Seascope South Limited**

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

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

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

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

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

#### **Poole Housing Partnership**

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

PHP is a subsidiary of the BCP Council. The Company's principal activity is to manage and maintain the housing stock of the Poole Neighbourhood HRA. Turnover and operating profit arise solely from the housing management activities with the BCP Council. From 1<sup>st</sup> July 2022 this company will be dissolved and services will be managed by BCP Council.

#### **BCP FuturePlaces Ltd**

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

### **3. Joint Venture**

The Council has no restrictions on its ability to access or use the assets under the Council subsidiaries. The Council would be liable for any outstanding liabilities of the subsidiaries or joint operations (up to 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 70%, and Bournemouth Christchurch and Poole Council 30%) instead of three. Existing contracts and agreements in place with the legacy councils were novated to the new two unitary authorities under the structural change order.

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

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

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

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2021/22 was £44.3m (the year to 31 March 2021 saw the group turnover £46.4m). A shareholder agreement regulates the way in which the two councils manage Tricuro, including a profit /cost sharing agreement. Dorset Council is contracted to provide support services to Tricuro, the value of this contract was £1,043k or £1.04m for the period to 31 March 2022. Bournemouth, Christchurch and Poole Council also provides certain support services to the company. The cost of this was £293k for the period to 31 March 2022.

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

Tricuro has the following main areas of service delivery.

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

#### **Bournemouth Development Company**

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

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

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

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

### **Revaluations**

Note 12 of the single entity accounts gives details of the valuation of the property, plant and equipment included in the group accounts. Depreciation and asset lives are consistent with those of the single entity. Charitable Assets are material for the group accounts as a whole and are therefore revalued at the 31 March by the external company Norse Consulting Group Ltd who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification.

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

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

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

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

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

## Group Note 4.1

### Infrastructure Assets - Movements on Balances

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

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

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

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

## 5. Heritage Assets

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

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

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

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

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

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

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

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

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

## 6. Unusable Reserves

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

## 7. Intra Group Loans

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

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

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

### **Working Capital Loans**

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

Seascope South Ltd - £1 million

BBML Ltd - £1 million

Seascope Homes and Property Ltd - £100,000

Seascope Group Ltd - £100,000

FuturePlaces Ltd - £400,000

### **8. Group Accounting Policies**

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

#### **Heritage Assets**

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

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

Heritage - Freehold buildings	50 years
Heritage - Land	Not depreciated

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

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

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

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

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



## Annual Governance Statement (AGS)

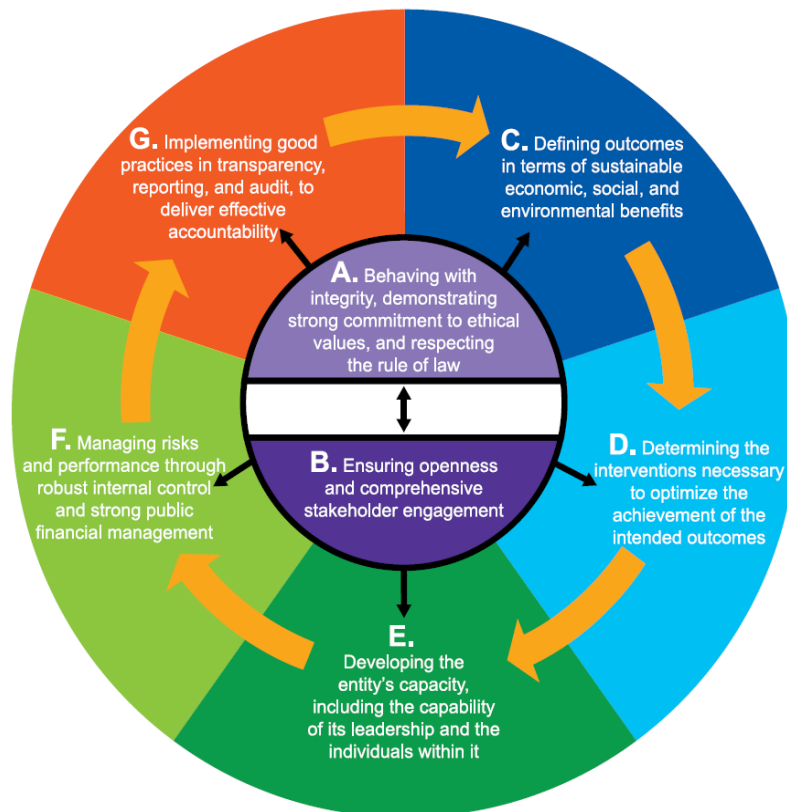
For the Year Ended 31 March 2022

### Scope of Responsibility

- 1 BCP Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for and used economically, efficiently and effectively.
- 2 In discharging this overall responsibility, BCP Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.
- 3 To this end, BCP Council has adopted a Local Code of Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this Code is available on the [Council's website](#).
- 4 The Annual Governance Statement (AGS) explains how BCP Council complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 (and as amended by the Accounts and Audit (Amendment) Regulations 2021) in relation to its preparation, approval and publication.

### The Purpose of the Governance Framework

- 5 The governance framework comprises of the systems and processes, culture and values by which the authority is directed and controlled, and by which it accounts to, engages with and lead its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It does not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 7 The key elements of the Council's governance framework are identified in the [Local Code of Governance](#) which is consistent with the seven best practice principles of the *International Framework: Good Governance in the Public Sector* (CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*) as shown in the diagram below.



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

### Review of Effectiveness of the Governance Framework

- 9 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including how it meets the principles above and the effectiveness of the system of internal control. This includes how its vision, priorities and objectives, as articulated in the corporate Strategy and Big Plan, are delivered, effectiveness of decision making, and governance of partnerships and group entities.
- 10 The AGS is the method by which we record the outcome of this review. The AGS also includes the Council's group entities as identified in its Statement of Accounts.
- 11 As part of the review, the Council considers both in-year, continuous elements and year-end review processes.
- 12 Many of the elements identified in the Local Code of Governance provided on-going review of the effectiveness of the governance framework during the 2021/22 financial year including:
- Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, which operated in line with the Council's Constitution
  - The Audit and Governance Committee which provided independent assurance to the Council on the effectiveness of governance arrangements, risk management and the internal control environment
  - Established arrangements for senior officers to meet as part of Corporate Management Board, Transformation Board and Directors Strategy Group

- Statutory Officers Group, comprising of the Chief Executive, Monitoring Officer and Chief Financial Officer, which met regularly throughout the year. The Head of Audit & Management Assurance also attended these meetings.
- The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements is set out in the Council's Constitution. The Council's financial management arrangements conformed to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2016). The Director of Finance is designated as the Council's CFO
- The Council's assurance arrangements also conformed to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit
- The Director of Law & Governance has been designated as the Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose
- Review of and changes to the Constitution following the work of the Constitution Review Working Group and Monitoring Officer
- The Council reached a good level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This means the organisation has put in place effective arrangements across many aspects of the counter-fraud code and undertook positive action to manage its risks
- Internal Audit, who provided an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems
- External Audit, to whom the Council provides support, information and responses as required, and ensures findings and recommendations are appropriately considered
- External reviews and inspections, the results of which are reported and acted upon as appropriate. These included, for example:
  - The Corporate Peer Challenge (November 2021)
  - External assessment of Internal Audit (June 2021)
  - Ofsted/Care Quality Commission Joint Local Area SEND Inspection (July 2021)
  - Ofsted Inspection of BCP local authority Children's Services (December 2021)
- Regular scrutiny of financial monitoring reports by Councillors and Officers

13 A year-end assessment of the effectiveness of the governance arrangements was undertaken, using sources of evidence including:

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

### **Covid-19 – Impact of Pandemic on the Governance Framework**

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

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

- 15 During the year, as a result of the changing nature of challenges presented by the pandemic, BCP Council introduced additional responses, such as:
- delivery of the local outbreak management plan via the COVID-19 Health Protection Board – from July 2020 until regulations were lifted in February 2022
  - Oversight and deployment of the Test and Trace Support Grant, and Contain Outbreak Management Funds in 2020-2022
  - Delivery of the local health protection response via the public health team's day response and out of hours service – support to managing infections in high risk settings like care homes, schools, healthcare premises, and
  - Preparations for surge testing, if required, as part of Operation Eagle.
- 16 Frontline teams, such as social care, refuse and street cleansing, parks and seafront, environmental health and enforcement, actively supported measures to keep individuals and the community safe. Council services continued to use adapted ways of working to ensure continued safe delivery of services, including online library services and online exercise classes offered through our leisure centres. In addition, over 5,000 staff worked from home or from active front-line services.
- 17 Whilst the ongoing changes required to respond to the pandemic impacted on business as usual, with performance adversely affected in a range of areas, particularly those dependant on public access, such as libraries and museums, the Council continued to deliver its services and meet its statutory requirements to a significant degree. Pressure were particularly felt in the customer contact centre and in responsive services, including Planning.
- 18 Staff redirection in the immediate response phase to the pandemic resulted in some capacity issues, which delayed planned improvements in some areas and impacted some business as usual activity such as timely processing of complaints and undertaking mandatory training.
- 19 The Council worked in line with government guidance when facilitating a return to work, moving from remote working, through amended face to face arrangements as the pandemic developed.
- 20 During the year, the financial position of the Council was significantly impacted, both through the immediate impact of lost income in customer facing charged-for services such as car-parking and by significant additional costs incurred in responding to the pandemic. However, governance was in place to manage the budget position, through close monitoring and scrutiny, and communication and updates to Senior Management, Councillors and Committees. Government support is reflected in the year end budget position.
- 21 In response to the financial constraints caused largely by the pandemic, the Council's Transformation Programme has been rescheduled to deliver the large-scale savings required. Other significant projects, such as the Transforming Cities Fund, have continued to be delivered during the pandemic, but subsequent rising costs and supply-chain pressures have impacted on delivery timescales and had some impact on deliverables.
- 22 Throughout the pandemic, the Council has ensured fit for purpose governance arrangements have been in place to respond efficiently and effectively to the risks presented by Covid. During the initial response phase, a 'Corporate Incident Management Team' comprising of the Council's most senior officers and attended by the Leader (or representative) which, meeting as frequently as required, co-ordinated the Council-wise response and took key decisions supported by decision records. This was able to be stood down in April 2021 and Covid-19 decision making reverted to match normal service decision-making governance.
- 23 The Council's internal governance arrangements, such as Corporate Management Board (CMB) and Transformation Programme Board were able to operate during the year.

- 24 From May 2021 decision-making councillor meetings had to revert to meeting physically and that required significant adjustments to meeting arrangements including face-to-face Council meetings involving all 76 councillors in external venues. This was a significant pressure on the decision-making processes of the Council, which were maintained in compliance with the legislative requirements.
- 25 No immediate significant governance issues which were caused directly by the pandemic have been identified, the Council is now entering a period of reflection and learning in relation to its response, led by CMB. Lessons learnt will be built into the future planning cycles and governance arrangements as appropriate.
- 26 BCP Council's Head of Internal Audit, in line with the Public Sector Internal Audit Standards, is content that the internal audit team have undertaken sufficient internal audit work during 2021/22 to issue a positive annual audit opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control. The delivery of the audit plan itself was not adversely impacted by the pandemic; no limitation of scope statement was required. In addition, no significant governance concerns resulting directly from the pandemic were identified by IA during the year.

### Financial Management Code

- 27 The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively.
- 28 As required by best practice, senior officers at BCP Council have undertaken self-assessments against the FM Code. Following the initial self-assessment in 2020/21, an action plan was produced and monitored with a mid-year update going to Audit & Governance Committee.
- 29 An updated self-assessment for 2021/22 concluded that BCP Council was compliant with the FM Code. Progress against all the actions has been made, with a number of opportunities for further improvement remaining. An update against last year's action plan is shown below:

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

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

#### Evaluation, Conclusion and Significant Governance Issues

- 30 Following review and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31<sup>st</sup> March 2022 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework.**
- 31 The Council's Corporate Management Board (CMB) considered the effectiveness of the governance arrangements, including potential significant governance issues arising from the review, using the following criteria as a guide:
- a) The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
  - b) The governance issue may, or has, result/ed in a need to seek additional funding to allow it to be resolved, or may, or has, result/ed in a significant diversion of resources from another service area;
  - c) The governance issue may, or has, led to a material impact on the accounts;

- d) The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
  - e) The governance issue may, or has, be/en publicly reported by a third party (e.g. external audit, Information Commissioner's Office) as a significant governance issue;
  - f) The governance issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 32 As a result, one new significant governance issues was identified for the 2021/22 AGS: the Delay in the Completion of the 2020/21 External Audit. Please refer to Table 1 below for more details.
- 33 The Council is committed to the continual improvement of its governance arrangements, established management processes, such as financial and performance monitoring, risk management and internal audit, have identified a number of governance issues for improvement during the year. These included, for example:
- Asset Management;
  - Children's Capital Programme;
  - Planning Service;
  - Transformation;
  - Budget Management; and
  - Complaints.
- CMB considered that these were either risks, rather than governance concerns and/or they did not meet the level of significance required for inclusion on the AGS. They are satisfied that the necessary actions being taken to address them.
- 34 The 2020/21 AGS identified two significant governance issues as outlined below, for which an action plan was produced and monitored. A detailed follow up report was presented to the Audit and Governance Committee in January 2022.
- 35 Progress against the two governance issues as at June 2022 is summarised below:

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

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

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

1

### Governance of Children's Social Services

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

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

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

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

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

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

There is a highly committed and motivated workforce who are determined not just to withstand increased pressure, but to go on making the necessary improvements. It is recognised that further improvements at pace are still required, including changes to the operating culture in BCP.

Action Points	Responsible Officer	Target Date
Delivery of the Action Plan (as detailed above)	Corporate Director – Children's Services	As per Action Plan

2	<b>Governance Arrangements with External Bodies</b> <p>In previous years' AGS, the Council recognised that it needed to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose. Last year, the areas of Parks Charities and Trusts, and Partnerships were specifically identified for improvement.</p> <p>During 2021/22, significant work has been undertaken to improve the governance in these areas. For Parks, this has included presentations to Audit &amp; Governance Committee, implementation of many of the Internal Audit recommendations, and re-instigation of Board meetings for the Lower Gardens Trust (although these were not in place throughout 2021/22). However, several elements are still outstanding, notably completion of the legal review into Parks Trusts arrangements to achieve consistency and sound governance.</p> <p>As part of the Council's Transformation programme, the Communities and Partnerships workstream is progressing work to strengthen partnership governance. Good progress has been made on all the action points on last year's AGS, a corporate partnership register, corporate oversight and guidance, however, this has yet to be completed and implemented.</p>		
	<b>Action Points</b>	<b>Responsible Officer</b>	<b>Target Date</b>
	<b>1. Parks, charities and trusts</b> Completion of review of Parks Trust arrangements to ensure sound governance and achieve consistency	Chief Operations Officer & Monitoring Officer	31/12/22
	<b>2. Partnerships</b> BCP Council Partnership governance will be strengthened through the development of the following: a) Agreement of a partnership definition b) Production and maintenance of a Corporate Partnership Register c) Establishment of corporate oversight of partnerships d) Production of corporate partnership guidance to supplement Financial Regulations, which can also be used for compliance purposes  This will initially be lead through the Communities and Partnership Transformation workstream but, if necessary, a new corporate lead will be identified and appointed to take these forward.	Chief Executive  Head of Community Engagement	31/3/23

3	<p><b>Delay in the completion of the 2020/21 external audit</b></p> <p>The Council considers that the delay to the completion of the external audit of the 2020/21 statement of accounts to be a governance weakness as this is a key source of assurance. <b>This is caused by delays in receiving required confirmations from the auditor of Dorset Pensions Fund</b> and national issues regarding the accounting treatment and auditing of infrastructure assets which is affecting approximately 50% of local authorities, and therefore, out of the Council's direct control to take actions to remedy the situation. However, the Council continues to work with the external auditor to provide necessary data and support and to respond to matters raised. In addition, the Council's own mechanisms, such as internal accounting processes and controls, reporting to officers and Members, publication of accounts and internal audit continue to provide assurance over financial management. Given that the matter is a national one outside of the direct influence of the Council, no internal action plan is appropriate.</p>
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This statement explains how BCP Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and also meets the requirements of the Accounts and Audit Regulations 2015.

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

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

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

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**Date**

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**Drew Mellor - Leader of BCP Council**

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**Date**

## **GLOSSARY**

### **Accruals**

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

### **Borrow to Invest Schemes**

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

### **Capital Expenditure**

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

### **Capital Receipt**

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

### **Charging Authority**

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

### **Contingent Asset**

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

### **Contingent Liability**

A contingent liability is either:

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

### **Council Tax**

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Debtors**

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

### **Deferred Capital Receipts**

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

### **Depreciation**

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

### **Fixed Assets**

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

### **General Fund**

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

**Government Grants**

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

**Housing Benefits**

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

**Housing Revenue Account**

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

**Infrastructure Assets**

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

**Leasing**

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

**Liquid Resources**

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

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

**Minimum Revenue Provision (MRP)**

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

**Non-Domestic Rates (NDR)**

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

**Non-Operational Assets**

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

**Operational Assets**

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

**Post Balance Sheet Events**

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

**Precept**

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

**Precepting Authority**

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

**Projected Unit Method**

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

**Private Finance Initiative (PFI)**

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

**Provisions**

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

**Public Works Loan Board (PWLB)**

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

**Related Party Transaction**

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

**Reserves**

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

**Revenue Account**

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

**Revenue Budget Comparison**

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

**Revenue Expenditure**

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

**Revenue Expenditure funded as Capital under Statute (REFCUS)**

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

**Revenue Support Grant (RSG)**

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

**Stocks**

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

**Temporary Borrowing/Investment**

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

**Work in Progress**

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