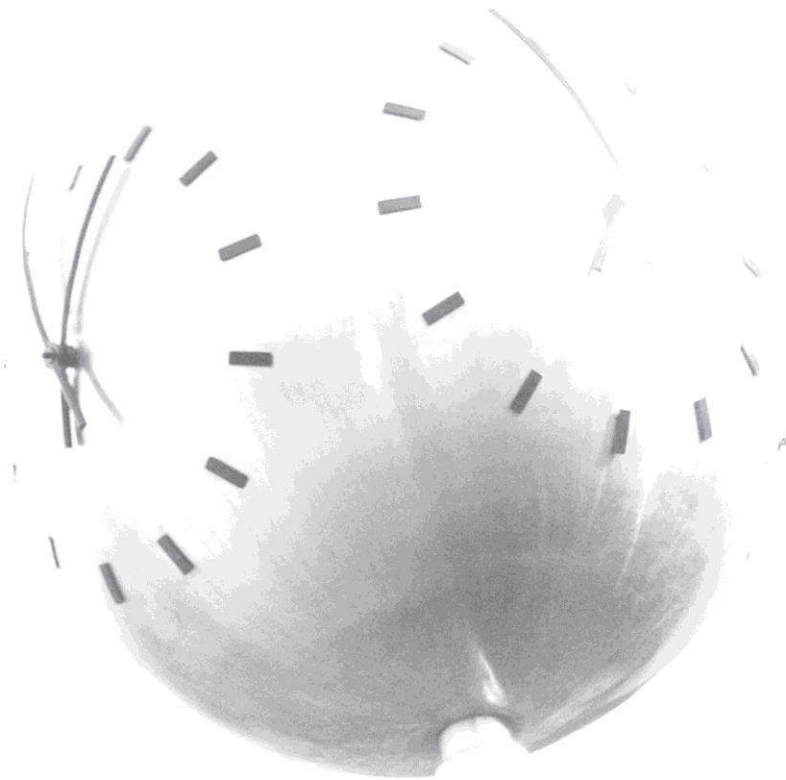


# ANNUAL FINANCIAL REPORT

2019-2020



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# Introduction from the Chief Executive

It gives me great pleasure to introduce the Annual Financial Report for 2019/20.

I am passionate about our borough and all that it has to offer. Hedgerows and fields, new town architecture and historic towns, close knit communities, thriving local businesses and the potential for significant economic growth, makes for a place that looks and feels like no other. It is this multifaceted identity that creates great opportunity and great challenges.

The Covid-19 pandemic has created a new set of challenges for the Council and its residents and businesses but the response of individuals, voluntary groups and businesses has demonstrated to me their resilience and I am confident that the borough can recover from this shock and emerge stronger and more confident.

The Believe in Basildon Corporate Plan sets out the Council's vision for the borough and how it intends to help its residents, businesses and service users. The Council is committed to improving the lives of all residents across the borough's five towns. This will be achieved by creating opportunity and prosperity for local people and businesses.

To deliver this vision, the Council has made three promises. Basildon Borough will be

- A place for everyone to call home
- A place where everyone prospers
- A place to be proud of.

This report and the statement of accounts that it accompanies demonstrates how we have used our resources to begin to deliver the outcomes promised in our Corporate Plan.

During the year we have:

- Invested in new homes
- Acquired a development company to complement the activities of Sempra Homes Ltd
- Secured significant funding to help those who are homeless
- Turned the streetlights back on
- Begun to explore the provision of a youth zone in the borough
- Launched a borough lottery to generate additional funding for local good causes
- Completed a successful year of events to celebrate the 70<sup>th</sup> anniversary of Basildon New Town.
- Commenced groundwork for the redevelopment of East Square with a new flagship cinema complex.
- Lake Meadows park in Billericay won the best park in the East of England Fields in Trust
- More than 1.3 million visits have been made to our leisure centres
- The Advice Store had more than 2,300 walk-in visits

We continue to work with our partners, the county council, health services, the police, our schools and colleges, and community and voluntary organisations pooling resources, acting together, influencing what others do, supporting one another – so that we can achieve the best possible outcomes for our residents.

There is no doubt that the impact of Covid-19 on the Council's finances is likely to be long-lasting. It is clear the return to pre-pandemic levels of activity is likely to take several months (or years), even when lockdown is fully lifted.

The Council's cash-backed reserves are an essential tool to help the Council to meet the immediate costs of the pandemic and we are well placed to cope financially. It will be difficult to balance financial recovery with meeting the costs of delivering on our vision for the borough, but it is a challenge that we will not shy away from.

**Scott Logan**  
Chief Executive

# Narrative Report

## OPERATING ENVIRONMENT

### ECONOMY AND SOCIETY

Basildon Council is the largest district authority in Essex with a population of approximately 185,900 people (2018). It comprises five distinct towns: Basildon, Laindon, Pitsea, Billericay and Wickford. By 2031 the population is expected to have grown to in excess of 206,000 people and will continue to have a higher proportion of under-15s than the England average. 28% of Basildon's population is aged 55+ and this is projected to rise to 32% by 2031, there are almost 4,000 residents aged 85 and over and this is due to increase to nearly 7,000 over the same period.

The Basildon economy is one of the largest in Essex, producing up to 12% of the county's Gross Value Added and a quarter of its manufacturing outputs. The borough has over 8,000 companies and 88,000 jobs, making it one of the largest economic hubs in the Thames Gateway. The main employment sectors are public administration, education and health (23.5%), wholesale and retail services (20.4%) and financial services (21.6%) as well as world leading engineering and technology firms. Basildon also has a higher proportion of small and medium enterprises than elsewhere in Essex. In order to maintain this competitive advantage the Council seeks to attract investment which will stimulate growth in evolving and developing business sectors thus securing future prosperity and job density.

The borough has a large number of high value jobs, however these are difficult to access by residents who have one of the lowest levels of skills in Essex. 62% of the borough's residents have NVQ2 level qualifications or above, which is equivalent to five GCSEs at grades A\*-C – this is lower than both the eastern region (73%) and Great Britain as a whole (75%). The skills gap becomes even greater when considering the proportion of residents that have an NVQ4 or above, which is equivalent to a professional BTEC level award or a certificate of higher education. 28% of Basildon's residents have this level of qualification, while 35% of people in the eastern region and 39% the total population have an NVQ4 or above. This is also reflected in current levels of educational attainment at both primary and secondary school levels, as they fall just below the Essex average, although this is much more significant with regards to secondary schools in the borough.

There are around 78,650 homes in the borough – this is approximately 10% of the housing stock in the Greater Essex area (including Southend and Thurrock). The borough of Basildon offers a cost effective housing option for those commuting into London for work (although house prices rose by 3.8% in the year to September 2017), while offering many jobs and recreational activities in the borough itself for those who live and work more locally.

On a national level the continuing period of austerity has had a profound effect on the resources the Council has to deliver services and it is expected that this will continue to influence the resources that are made available to the Council. While the budget for 2020/21 has been balanced, there remains a deficit in future years rising from £1.6M in 2021/22 to £3.8M in 2023/24.

Dependence on welfare sources for income is high and while the previous policy of reducing such payments, has come to an end, with a 1.7% benefit uplift implemented in April 2020, individuals and families still face significant challenges. The standard rate of Universal Credit and working tax credit for the next 12 months has increased by £1,000 as a response to the Covid-19 pandemic and this is undoubtedly helpful. The state pension rose by 3.9% as per the triple lock reflecting last year's substantial rise in average earning. Many working households would have felt the rise in average earnings, after a prolonged period of wage stagnation in the borough.

Basildon is ranked as the 3rd most deprived of the Essex boroughs for income (after Tendring and Southend) according to the 2015 Index of Multiple Deprivation. The borough has 11 lower layer super output areas (LSOAs) which are smaller areas within each ward that fall within the 10% most deprived in England. This accounts for 22% of all Essex areas 7 wards in Basildon rank in the least deprived half of the country for income, while 7 other wards rank in the top 30% most deprived wards in the country. This demonstrates the stark range of deprivation levels that exist across the borough.

# Narrative Report

An ageing population is having a profound impact on the structure of our communities and placing a strain on public services, around 10,300 of our over 65s live alone and are at risk of being isolated from society and over 1,400 of this group have been diagnosed as having dementia.

## COVID-19 PANDEMIC

The Council has responded proactively to the restrictions of the COVID-19 Pandemic guidelines, and

- has been alert to the local circumstances of the Borough when mobilising central government interventions, and
- has enabled prompt access for all businesses and households to financial support that they are entitled to.

In the period since government schemes were announced, Basildon Council staff have processed business grant applications totalling more than £27m to help keep 2,040 borough businesses going through the pandemic (figures at 29 May 2020). The application process for the discretionary business grant fund was open in the last week of May and at 29 May 2020 there had been 130 applications. The Council continues to be proactive in contacting and appealing for businesses that need help to apply for grants.

The Council reached out to worried residents about coronavirus, initially signposting them to Basildon Council's Covid-19 web page [www.basildon.gov.uk/coronavirus](http://www.basildon.gov.uk/coronavirus) where they could find a range of information and advice. The Council went further and invited those needing more specific answers to contact a new community hub by dedicated email or they could phone our dedicated call handling teams. Business advice has been centralised into a business hub.

The Council itself has mobilised its office workforce at short notice to a remote working from home model, using secure and reliable technology provided by its IT team and infrastructure provider. The Council continues to perform essential services including Waste Collections to normal weekly schedule for residents.

The Council has been considered in how it has managed its resources to ensure priority service provision and new initiatives are funded during a time of uncertainty for our community and undeniable risk to health and life that this threatened. The management team and councillors remain alert to evidence of hardship, and continue to monitor and intervene on behalf of the most vulnerable in the community.

The Council's own recovery plan, such as its subsidiary company restarting construction works for new housing, and the borough's own economic recovery relies on a phased re-opening of local businesses and transportation links. In the year ahead the Council will continue to exhibit leadership and map out local economic recovery and a long-term community resilience programme.

In financial terms the impact of the pandemic is difficult to quantify. Initial estimates put the cost up to 31 July 2020 as £4 million with the potential for this to grow by £1 million a month assuming similar lockdown measures are in place. However, these estimates do not take into account the ultimate effect on collection rates for council tax, business rates and housing rents.

There is no doubt that the impact of Covid-19 on the Council's finances is likely to be long-lasting. It is clear that any return to pre-pandemic levels of activity is likely to take several months (or years), even when lockdown is fully lifted.

To date, the Government has provided just short of £2million to the Council to meet the immediate costs of the pandemic. All costs in excess of this are currently being met from reserves. The Council is making the case to the government that these costs should be met in full so that our reserves can be used for the purposes for which they were established. Failure to do this would affect resources available to the Council.

If the Council is not re-imbursed by the Government it would face an unprecedented financial challenge. Forecast budget gaps would rise to levels unseen before. In addition there would not be the resources available to meet the cost of actions necessary to address those gaps. In these circumstances the Council would face the need for service reductions, substantial job losses and, ultimately, a possible financial failure.

# Narrative Report

## ENVIRONMENT

The Council has direct responsibilities for the environment through its role as a planning authority and as a recycling and waste collection authority. Recycling rates in the borough are at a five-year average of 48.1% which compares favourably to national averages.

The Council owns and promotes the use of:

- Parks, recreation grounds and country parks – 513.9 hectares
- Open spaces (unrestricted access) – 207.8 hectares.

In addition, it manages:

- Open spaces (restricted access) – 273.4 hectares
- Cemeteries – 15.25 hectares
- Allotments – 9.3 hectares.

The Council is responsible for four Sites of Special Scientific Interest at Norsey Wood, Wat Tyler Country Park, Pitsea Mount and Mill Meadows in Billericay.

## CORPORATE PLAN

The Corporate Plan covers the period 2019 to 2022.

Our Corporate Plan, Believe in Basildon, sets out an ambitious vision for Basildon to have the best town centres in the South East, with thriving market towns and busy high streets complementing good jobs across a range of sectors.

It commits the Council to improving the lives of all residents across our five towns and creating opportunity and prosperity for local people and businesses.

The Plan promises to make the borough:

- A place for everyone to call home
- A place where everyone prospers
- A place to be proud of.

It sets out outcomes that will be achieved to fulfil each of these promises.

The Plan also identifies a number of areas for action where efforts will be focused:

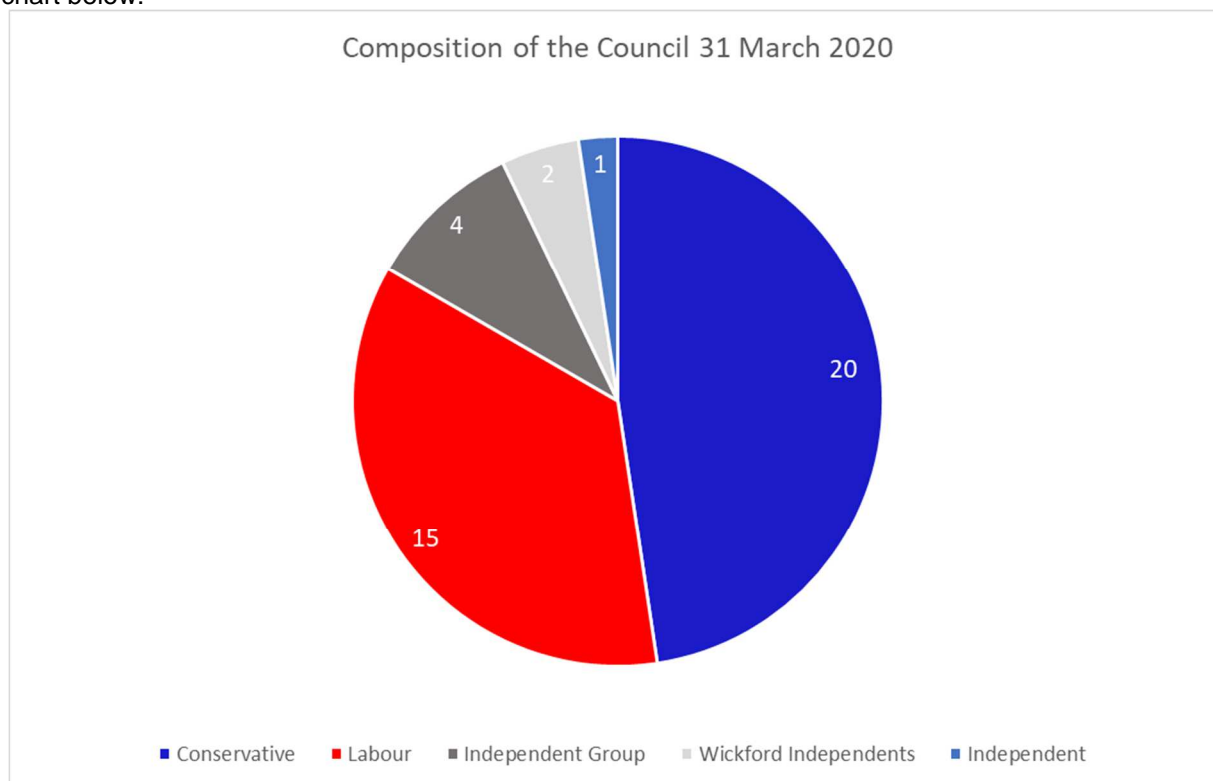
- Effective use of resources - making every penny count to create better lives for residents
- Growth - stimulating the local economy and improving skills so that as many people as possible can take advantage of this growth
- Digital - using new solutions to make service more effective and efficient and improving digital skills across our communities
- Prevention - helping people as soon as possible, working with partners and investing resources not to see benefits tomorrow
- Decision-making - being clear about the decision we make and why we are taking them.

The full Corporate Plan can be found here [Corporate Plan 2019-2022](#)

# Narrative Report

## POLITICAL STRUCTURE

The Council has 42 elected councillors. At the end of the year the political composition was as set out in the chart below:



Councillor Burton-Sampson was Mayor of the Council for the municipal year 2019/20.

Decisions on the Council's strategic priorities, main policies, council tax levels and overall budget are the responsibility of Full Council.

The following committees have executive authority in respect of the Council's activities that fall within their remit:

- Housing and Communities Committee - *Councillor Smith (Chairman)*
- Neighbourhoods and Public Spaces Committee - *Councillor Harrison (Chairman)*
- Policy and Resources Committee - *Councillor Callaghan (Chairman)*
- Infrastructure and Inclusive Growth Committee - *Councillor Brown (Chairman)*

The committees are responsible for delivering the Council's priorities within the budget set by Full Council and for ensuring that services are delivered to expected levels. The chairman of each committee is the council's spokesman on matters within that committee's remit with the chairman of Policy and Resources Committee being designated Leader of the Council. Committees are able to establish sub-committees to manage specific areas of activity.

Two further committees were established to focus on particular areas of member interest:

- External Affairs, Partnerships and Liaison Committee - *Councillor McGurran (Chairman)*
- Town Centre Revival Committee - *Councillor Callaghan (Chairman)*

Other standing committees dealt with a range of non-executive and quasi-judicial matters such as planning and licensing. The Audit and Risk Committee is a non-executive committee whose role is to provide independent assurance to the Council on the adequacy of the overall corporate governance and internal control environments. This includes scrutiny of treasury management, risk management and financial reporting processes. It reviews and approves the Statement of Accounts following the completion of the audit process.

# Narrative Report

Two scrutiny committees look at policy and performance matters and make recommendations to service committees on matters connected to both areas.

For more information on the current council, its councillors and committee structure, please visit the website at [www.basildon.gov.uk](http://www.basildon.gov.uk).

## ORGANISATIONAL STRUCTURE

The Senior Leadership Team consists of the Chief Executive and two other Directors supported by a team of seven senior managers. The role of Section 151 Officer is fulfilled by the Assistant Director - Resources. The role of monitoring officer is fulfilled by the Assistant Director – Corporate Services.

The salaries paid to and benefits received by the Council's senior officers in 2019/20 are set out in Note 14 to the Statement of Accounts.

## EMPLOYEES

At 31 March 2020, the Council had 875 employees (compared with 891 at 31 March 2019). The full time equivalent of these employees in 2019/20 was 805.15 (820.1 in 2018/19) Temporary staff are also used as cover for vacancies when necessary. Overall staff costs were within the budget for both 2019/20 and 2018/19.

The average cost, salary plus on-costs (employer's national insurance and pension contributions), per employee for the year was £38,200 (£36,800 in 2018/19).

The employee data that follows relates to the 2018/19 year, which is the latest information available, published in January 2020.

## Gender Pay Gap

Difference between males and females

|                         | Mean | Median |
|-------------------------|------|--------|
| Hourly pay              | 2.1% | -9.8%  |
| Performance related pay | 48%  | 32%    |

The table above shows the mean and median pay gap (where a positive figure indicates that male employees receive, on average, greater pay and a negative figure indicates that female employees receive greater pay) between males and females based on hourly rates of pay as at 31 March 2019. It also captures the gap for performance related payments. The Council has adopted a number of initiatives that have resulted in the relatively low difference. These initiatives include:

- A robust job evaluation scheme
- Fixed pay scales within a banded structure
- Pay progression is limited within the bands.

9% of the female workforce received a performance related payment in the year to 31 March 2019 compared with 6.3% of the male workforce.

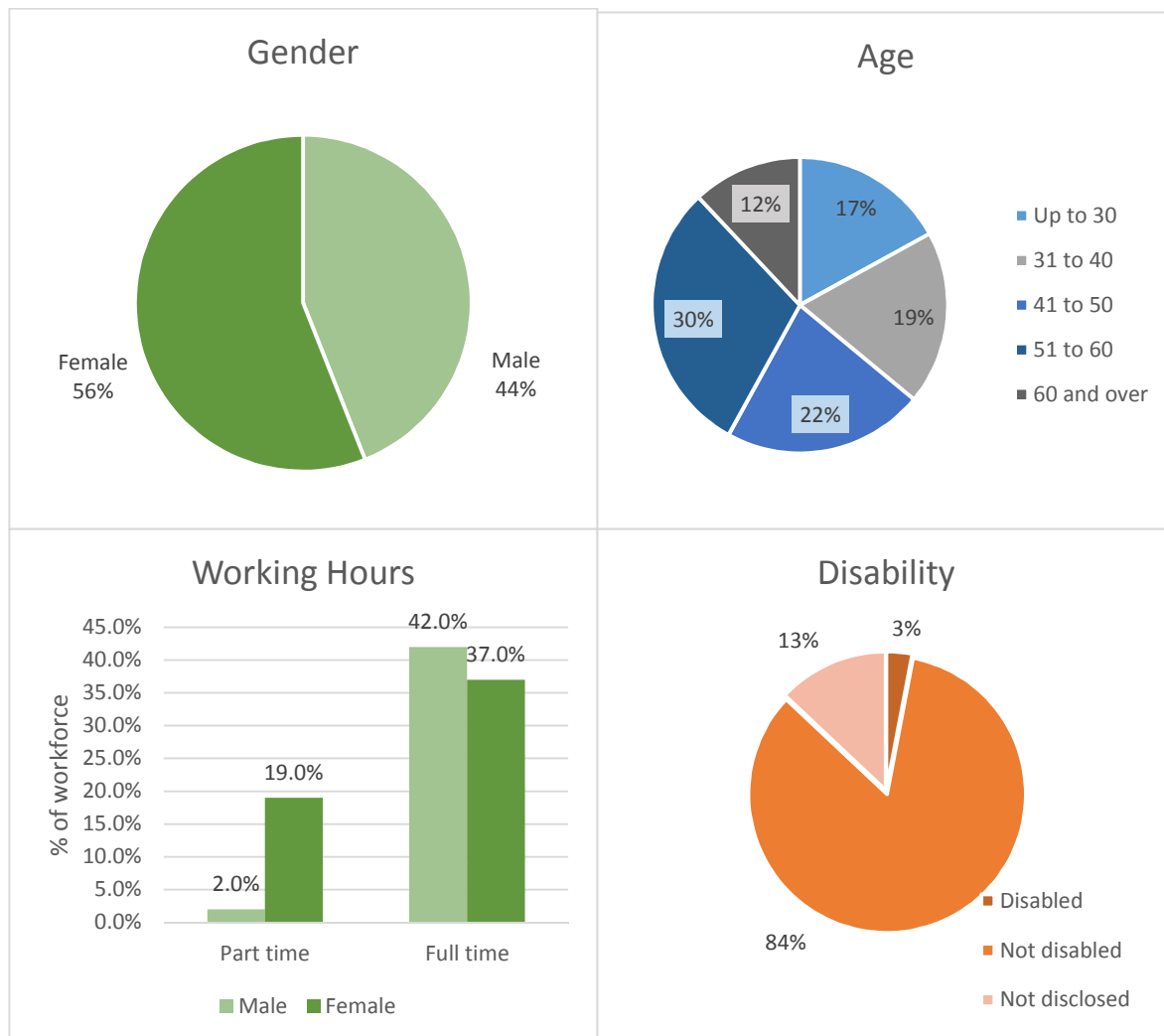
## People performance

To underpin effective delivery of the principles and promises set out in the Corporate Plan the Council uses a behavioural competency framework for our employee lifecycle – recruitment and selection, learning and development, and talent and succession planning. That framework helps ensure we have people with the skills, knowledge and flexible attitude that are key to our future success.



# Narrative Report

## Workforce profile



The Council is positive about disabled people and has signed the Time to Change employer pledge meaning that the Council takes action to tackle the stigma and discrimination around mental health, focusing on the workplace in particular. More information on Time to Change can be found at [www.time-to-change.org.uk](http://www.time-to-change.org.uk).

Working days lost to sickness increased in 2019/20 to an average of 10.7 days per annum compared with 9.8 days in 2018/19. There is a realistic management expectation that sick levels will correct to a lower average, due to staff-wide work from home measures initiated during the government stay at home restrictions in first quarter of 2020/21. This will be monitored and tracked by departments when office-based work resumes to some capacity for most employees.

Further information on the profile of the Council's workforce can be found here [workforce profile 2018/19](#).

## PERFORMANCE

The Council has a well-developed performance and risk management system. Key performance indicators and risk management actions are assigned an appropriate reporting level:

- Level 4 – reported to Members and all teams below
- Level 3 – reported to Executive Team and all teams below

# Narrative Report

Level 2 – reported to Departmental Management Teams and below

Level 1 – used for operational management purposes

The outcomes for selected key Level 4 financial performance indicators are set out in the table below:

| Title  | Target | Outturn |
|--|--------|---------|
| % of undisputed invoices paid within 30 days | 97.0%  | 97.4%   |
| Rent collected as % of rent due              | 96.2%  | 95.9%   |
| % of rent lost through voids                 | 1.00%  | 0.96%   |
| % of in year business rates collected        | 99.0%  | 98.5%   |
| % of in year council tax collected           | 97.0%  | 96.7%   |

Performance that is not on target is addressed through the implementation of agreed action plans. The income collections are all in year indicators and demonstrate the difficulties the Council continues to face in securing payment in an uncertain economic climate.

## RISK

The Council recognises that Risk Management is an essential part of delivering good governance in a Local Authority and reduces the uncertainty of achieving Basildon's strategic ambitions as defined in the Council's Corporate Plan. Risk Management is the planned and systematic process by which key risks are identified, evaluated and managed so as to maximize benefits and minimize potentially negative consequences to the Council and its partners. Risks are significant uncertainties that may affect an organisation's ability to achieve its strategic and operational objectives as outlined in its Corporate Plan and covers the whole spectrum of risks not just those associated with finance.

The Council has corporate, project, partnership and operational risk registers to manage risk at both a strategic and operational level. These are regularly reviewed by Senior Management and Members on an ongoing basis. The council has a Risk Management Policy and a Risk Strategy which are both available here <http://www.basildon.gov.uk/article/2834/Risk-Management-Policy-and-Strategy> .

The Council accepts that risk can never be eliminated. The purpose of the Council's Risk Management Policy is to support the development of a consistent approach to determining, analysing and managing risk to ensure that all reasonable steps are taken to mitigate risk and that the level of risk accepted is balanced against the expected reward.

The Policy seeks to integrate risk management throughout the organisation to encourage robust, timely and proportionate decision making, and to improve strategic and operational planning and delivery. The effectiveness of the Risk Management Policy, Strategy and related toolkit is monitored regularly as part of the council's governance assurance processes, and all Committee reports must include an analysis of the risks associated with the decisions that are to be taken.

The Annual Governance Statement provides assurance through its approval by Members and through the work of both internal and external audit. The corporate risk registers and significant high level operational risks are reported, as part of a Risk Management update report to the Audit and Risk Committee every six months. The Committee select specific risks to be examined and challenged by the Audit and Risk Committee's Member led Working Group which met five times during 2019/20.

The key strategic risks and their mitigations that were considered by the working group during the year are set out in the table below:

# Narrative Report

| Risk                              | Description   | Mitigation  |
|-----------------------------------|---|---|
| Effective preparation for EU Exit | Threat that the Council is unable to effectively contribute to local and national preparations for exiting the EU due to lack of planning, poor intelligence and lack of resourcing which may result in reputational damage to the Council and potential disruption of services affecting resident. | <p>The Council has a designated lead officer for planning and preparations for EU Exit, representation on the Essex Resilience Forum) and active participation in preparations, meetings and exercises.</p> <p>The Council's policy team are responsible for the oversight of negotiations for EU Exit and potential implications for local authorities, which are escalated to the EU Exit working Group and/or SLT, as appropriate.</p>   |
| College                           | There is an opportunity for SEC to relocate into the Town Centre due to the current campus being no longer being fit for purpose which may result in a boost to the Town Centre economy.  | <p>The Council has completed a two stage procurement process and have approved a Design and Build contract. Vacant possession and robust communication strategy in place.</p> <p>Regular liaison with neighbouring residents and businesses.</p> <p>Regular Ward Member briefings and updates to be provided at key stages.</p> <p>Periodic updates provided to the Town Centre Revival and Neighbourhood and Public Spaces Committee.</p>  |
| Cinema                            | To consider the financial, construction, securing third party operators, procurement, engagement and vacant possession risks associated with the new cinema.  | <p>Agreement for Lease in place with Empire Cinemas for a 25 year period.</p> <p>Leisure agent appointed and plans to secure food and beverage operators underway.</p> <p>Positive interest received in the development.</p> <p>Assumptions and incentives allowed for within the financial appraisal.</p> <p>Regular meetings with contractor to monitor programme and project progress.</p> <p>Experienced contractor with cinema experience appointed.</p> <p>Risk assessments undertaken for each design stage.</p> <p>Surveys undertaken such as geo-technical as part of the due diligence.</p> |

# Narrative Report

|   |   |  |
|---|---|--|
|   |   | <p>Cost plan produced at final tender stage.</p> <p>Fixed price contract in place.</p> <p>Provisional sums agreed to cover items such as ground risk, utilities and items where costs have not been defined.</p>   |
| Workforce Capacity & Skills                                       | <p>Threat that the Council is unable to engage appropriate resource (recruit or retain) with the specialist, technical or professional expertise necessary may result in the Council being unable to deliver its ambitions and statutory responsibilities.</p>  | <p>The Council has a defined recruitment policy, Career Development Scheme, range of pay incentives, Staff Benefits, Apprenticeship Scheme, Flexi/Home Working, Professional Development Scheme.</p> <p>There are ongoing meetings with services with hard to fill positions and staff surveys to identify issues i.e. Wellbeing.</p>  |
| Performance Management  | <p>Failure to effectively embed and raise the importance of performance management across the organisation may result in the Council being unable to demonstrate that there is a clear link to outcomes. This may affect reporting arrangements leading to the Senior Management being unable to prioritise Corporate activity and identify areas of underperformance which may impede intelligent, informed decision making and risk taking.</p> | <p>The Council has a performance Management system and undertakes performance challenge on a 6 weekly basis.</p> <p>New approach agreed to service planning, 7 services are currently in the process of producing their OBA Service Plans.</p> <p>Corporate programme has been set and significant projects have been mapped to the corporate plan to ensure delivery of priorities.</p> |
| Organisation Transformation and pace of change                    | <p>Threat that the Council does not effectively manage change, and does not engage with key stakeholders in the organization's change efforts. Failure to engage and fully assess the risks and impact on services' ability to deliver may result in the Council being unable to achieve its intended outcomes.</p>   | <p>The Council undertakes regular staff conversations and has engaged with staff on the workforce strategy.</p>  |
| Lack of Social Housing preventing the meeting of statutory duties | <p>Threat that insufficient Social Housing is being built to meet demands, which may result in the Council being unable to meet its statutory homeless duties.</p>  | <p>The Council has purchased Acorn House which will provide approx. 95 units for single people.</p> <p>Continuation of buy backs using one for one funding.</p> <p>Refreshing the local plan and new homes board objectives making use of funding identified in the budget to progress new affordable developments.</p> <p>Exploring additional funding available.</p>                   |

## Narrative Report

|  |   |   |
|--|---|---|
|  |   | <p>Rent Deposit Schemes.</p> <p>Homeless prevention measures (Awarded Gold Standard).</p> <p>Funding for rough sleepers.</p> <p>Voluntary sector running night shelters.</p>  |
| <p>Access to sufficient private sector accommodation</p> | <p>Threat that we are unable to access sufficient private sector accommodation to discharge our statutory duties around homelessness.</p> | <p>Continue with private sector landlords forums and review incentives.</p> <p>Closer working with environmental health to identify landlords of HMOs and improve the quality.</p> <p>New initiatives looking into "empty homes" to get into use.</p> <p>Council has first offer to buy back ex council properties on the open market.</p> <p>Government taken freeze off Local Housing Allowance, not a high amount but will help landlords and clients in receipt of benefits.</p> <p>Working with London Boroughs to establish protocols for better notification and prevent out bidding with landlords.</p> |

The Council has 18 Corporate risks focus on Project Management, Inappropriate and/or ineffective Partnership Relationships, Workforce Capacity & Skills, Information Governance (GDPR, Data Privacy and cybersecurity), Recycling, Performance Management, Organisation Transformation and pace of change, Failure to effectively communicate and manage the reputation of the council and borough, Exploring options for new administrative arrangements for the council, including the possibility of becoming a unitary authority, Failure to maintain a sustainable financial position, Breakdown of Governance controls, Effective ICT Infrastructure, Operational Security, Local Plan, Health & Safety, Air Quality, Covid 19 - Recovery - Safety Checks in relation to reopening buildings, Covid 19 - Recovery - Consultation and Communication, Covid 19 - Recovery - Transmission and impact of virus within the workplace.

The Council's has a Corporate Governance and Assurance Board, which is an officer-only board responsible for monitoring the Council's Corporate and significant risks, ensuring action is being taken to manage risks effectively and reporting concerns to the Senior leadership team and the Audit & Risk Committee, as necessary.

### UK's exit from the European Union

The UK and the European Union (EU) reached an agreement on the UK's withdrawal from the EU in October 2019. The revised Withdrawal Agreement and Political Declaration has been approved by the UK Parliament through the EU (Withdrawal Agreement) Bill. The UK left the EU on 31 January 2020 and has entered a transition period where it remains a member of the EU Single Market and Customs Union until 31 December 2020. During the transition period the UK will seek to have agreed new trade and other arrangements with the EU.

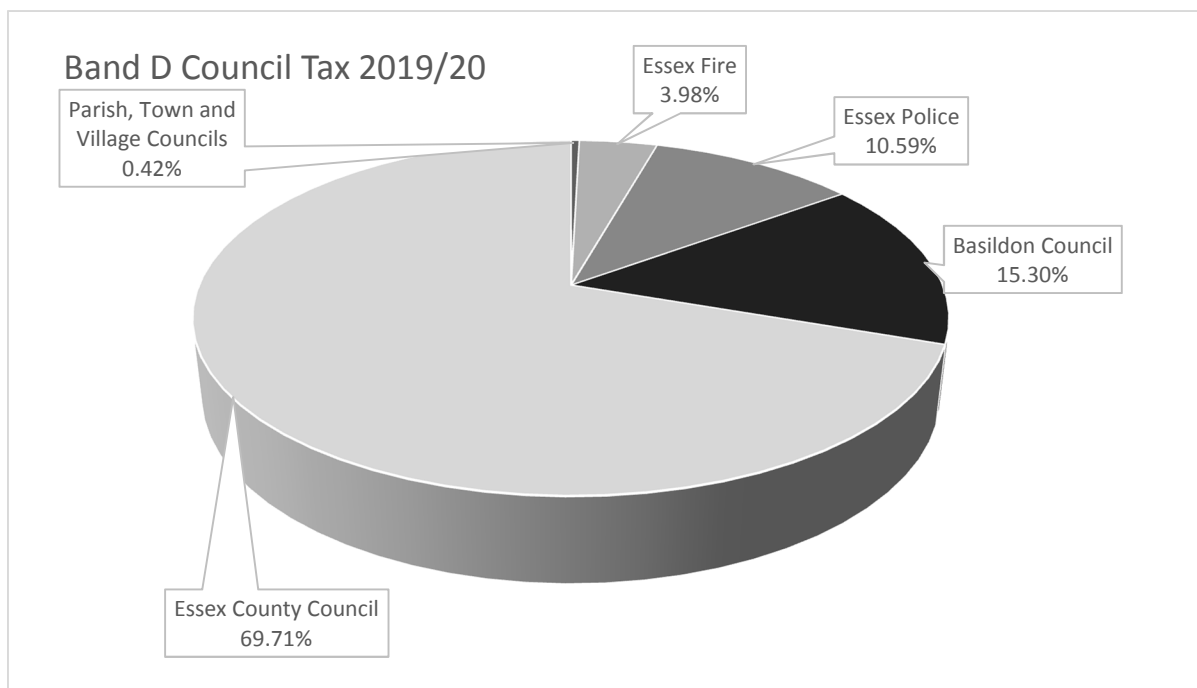
# Narrative Report

## COUNCIL TAX 2019/20

The net budget requirement for a council is the amount needed to finance council services after allowing for planned expenditure and income. For 2019/20, this was set by the Council at £26.7 million. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £9.7 million leaving £17.0 million to be raised locally from Council Tax (the Council Tax Requirement).

The 2019/20 Band D council tax for Basildon Council services was £278.91 (an increase of 2.99% over the 2018/19 charge of £270.81). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverables and the local council tax support scheme) of 60,924 Band D equivalent properties.

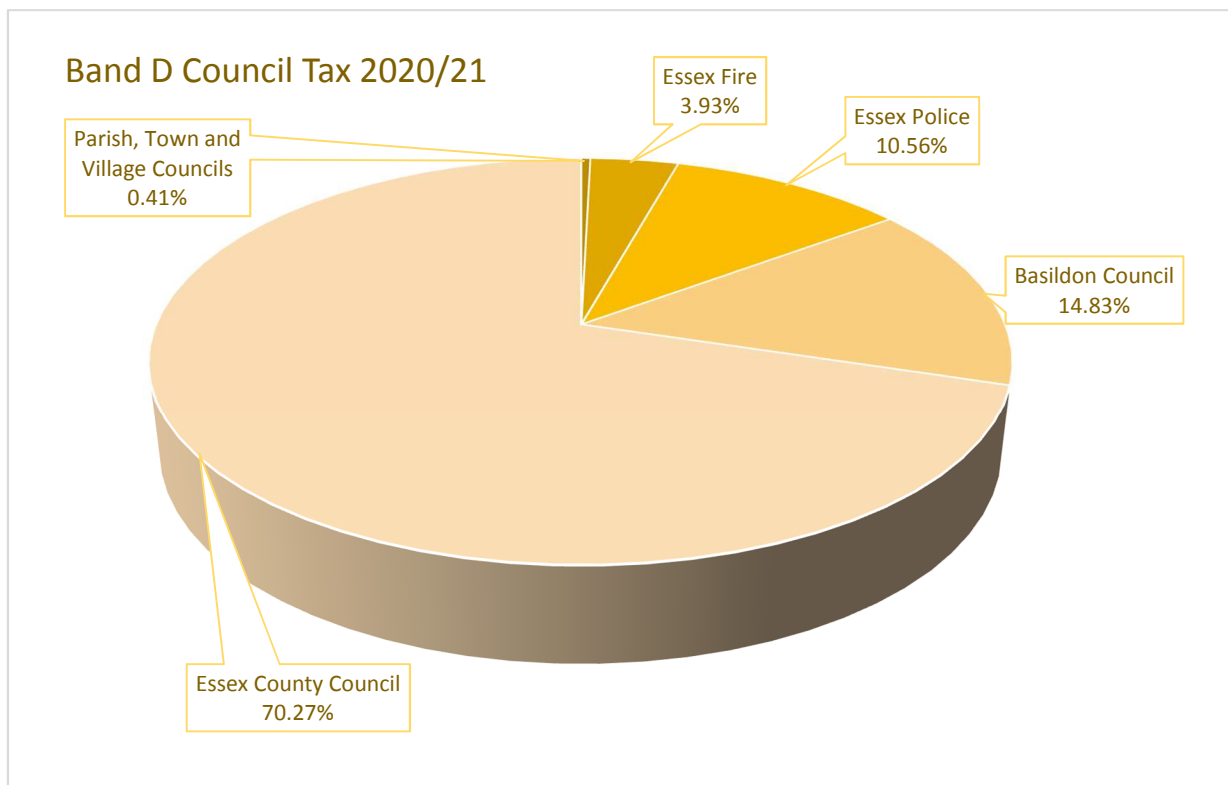
The total Band D council tax for the Borough was £1822.35 distributed amongst the major and local preceptors as set out in the chart below:



## COUNCIL TAX 2020/21

The total Band D council tax for the borough for 2020/21 has been set at £1,880.16 distributed amongst the major and local preceptors as set out in the chart below:

# Narrative Report



## THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2019/20 financial year. The tables below show the original budget for the year as 2019/20 budget for Borough Council services, approved by the Council on 14 February 2019. This budget was revised during the year to take into account unspent budgets carried forward from 2018/19 and other approved budget changes. The result of these changes is the working budget column.

The outturn variance is calculated by comparing the actual outturn plus unspent budgets to be carried forward to 2020/21 on the one hand, with the working budget on the other. Carry forwards are authorised where there is budget provision for specific items that are committed or planned but the specific goods or services were not received by 31<sup>st</sup> March. Once authorised the carry forwards are added to the budget for the following year funded by the related unspent reserves.

# Narrative Report

## GENERAL FUND REVENUE

|                                | Original Budget | Working Budget | Actuals       | Variance from Working Budget | Carry Forwards | Outturn Variance from Working Budget |
|--------------------------------|-----------------|----------------|---------------|------------------------------|----------------|--------------------------------------|
|                                | £000            | £000           | £000          | £000                         | £000           | £000                                 |
| <b>Service Net Expenditure</b> |                 |                |               |                              |                |                                      |
| Community                      | 1,669           | 1,892          | 1,846         | -46                          | 10             | -36                                  |
| Development and Regulation     | -858            | 1,318          | 257           | -1,061                       | 1,788          | 727                                  |
| Environment                    | 8,509           | 8,948          | 9,145         | 197                          | 185            | 382                                  |
| Housing                        | 2,352           | 3,001          | 2,511         | -490                         | 472            | -17                                  |
| Leisure                        | 7,531           | 8,037          | 7,949         | -88                          | 81             | -7                                   |
| Regeneration & Partnerships    | 3,421           | 3,575          | 1,781         | -1,794                       | 1,434          | -360                                 |
| Corporate & Central            | 3,448           | 5,956          | 1,741         | -4,215                       | 2,569          | -1,646                               |
| <b>Net Cost of Services</b>    | <b>26,072</b>   | <b>32,727</b>  | <b>25,230</b> | <b>-7,497</b>                | <b>6,539</b>   | <b>-958</b>                          |

The table above shows the overall net expenditure across the main General Fund activities of the Council for 2019/20. The General Fund is the main revenue fund of the Council. The Expenditure and Funding Analysis included before the core statements in the accounts takes the outturn figures reported above and translates them into the segmental analysis as disclosed in the Comprehensive Income and Expenditure Statement.

Net expenditure was funded as set out in the table below:

|                             | Original Budget | Working Budget | Actuals        | Variance from Working Budget | Carry Forwards | Outturn Variance from Working Budget |
|-----------------------------|-----------------|----------------|----------------|------------------------------|----------------|--------------------------------------|
|                             | £000            | £000           | £000           | £000                         | £000           | £000                                 |
| <b>Funding</b>              |                 |                |                |                              |                |                                      |
| Revenue Support Grant       | -               | -              | -              | -                            | -              | -                                    |
| New Homes Bonus             | -1,599          | -1,599         | -1,599         | -                            | -              | -                                    |
| Other Grants                | -286            | -378           | -1,140         | -762                         | -              | -762                                 |
| Business Rates Income       | -8,135          | -7,895         | -8,464         | -569                         | -              | -569                                 |
| Council Tax surplus         | -166            | -166           | -166           | -                            | -              | -                                    |
| Business Rates deficit      | -217            | -380           | 187            | 567                          | -              | 567                                  |
| Council Tax                 | -16,992         | -16,992        | -16,992        | -                            | -              | -                                    |
| Transfer from/(to) reserves | 1,323           | -5,317         | 2,944          | 8,261                        | -6,539         | 1,722                                |
| <b>Total Funding</b>        | <b>-26,072</b>  | <b>-32,727</b> | <b>-25,230</b> | <b>7,497</b>                 | <b>-6,539</b>  | <b>958</b>                           |



# Narrative Report

The service variances are explained in the following table

|   | <b>£0</b>   |
|---|-------------|
| <hr/>   |             |
| <b>Income</b>                                     |             |
| Industrial and Commercial Premises                | -172        |
| Other   | 11          |
| <hr/>   |             |
| <b>Sub-Total</b>                                  | <b>-161</b> |
| <hr/>   |             |
| <b>Expenditure</b>                                |             |
| Refuse and recycling                              | 424         |
| Legal services                                    | 125         |
| Financial Management System implementation        | -107        |
| Corporate Initiatives                             | -143        |
| Insurance   | -208        |
| Other   | -442        |
| <hr/>   |             |
| <b>Sub-Total</b>                                  | <b>-351</b> |
| <hr/>   |             |
| <b>Changes to movements in earmarked reserves</b> |             |
| Regeneration Account, contributions net of costs  | -38         |
| Asset Management funding not utilised             | -300        |
| Additional transfer to IT reserve                 | -219        |
| Capital Financing                                 | 111         |
| <hr/>   |             |
| <b>Sub-Total</b>                                  | <b>-446</b> |
| <hr/>   |             |
| <b>Outturn after carry forwards</b>               | <b>-958</b> |
| <hr/>   |             |

# Narrative Report

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records the expenditure and income arising from the provision of Council housing. While technically part of the General Fund, the balance is “ring-fenced” and may not be included in the budget requirement to be met from council tax.

The table below sets out the outturn for the HRA for 2019/20.

|                                   | Original Budget | Working Budget | Actuals        | Variance from Working Budget | Carry Forwards | Outturn Variance from Working Budget |
|-----------------------------------|-----------------|----------------|----------------|------------------------------|----------------|--------------------------------------|
|                                   | £000            | £000           | £000           | £000                         | £000           | £000                                 |
| <b>Expenditure</b>                |                 |                |                |                              |                |                                      |
| Management                        | 15,152          | 14,840         | 14,004         | -836                         | -              | -836                                 |
| Repairs                           | 11,510          | 11,379         | 11,965         | 586                          | -              | 586                                  |
| Depreciation and Financing costs  | 27,889          | 32,148         | 27,309         | -4,839                       | 4,330          | -509                                 |
| <b>Total Expenditure</b>          | <b>54,551</b>   | <b>58,367</b>  | <b>53,278</b>  | <b>-5,089</b>                | <b>4,330</b>   | <b>-759</b>                          |
| <b>Income</b>                     |                 |                |                |                              |                |                                      |
| Rents                             | -46,915         | -47,798        | -48,008        | -210                         | -              | -210                                 |
| Service charges and contributions | -4,805          | -5,220         | -5,495         | -275                         | -              | -275                                 |
| <b>Total Income</b>               | <b>-51,720</b>  | <b>-53,018</b> | <b>-53,503</b> | <b>-485</b>                  | <b>-</b>       | <b>-485</b>                          |
| <b>Total Net Cost</b>             | <b>2,831</b>    | <b>5,349</b>   | <b>-225</b>    | <b>-5,574</b>                | <b>4,330</b>   | <b>-1,244</b>                        |

The variances are explained in the following table

|  | £000          |
|--|---------------|
| <b>Income</b>  |               |
| Dwelling rents above budget assumption, higher occupancy   | -211          |
| Service charges  | -122          |
| Other additional income  | -152          |
| <b>Sub-Total</b>   | <b>-485</b>   |
| <b>Expenditure</b>   |               |
| Unused revenue funding for IT changes  | -531          |
| Increased utilities costs  | 82            |
| Decreased bad debt write downs   | -398          |
| Reduction in treasury and capital charges  | -508          |
| Increased general repairs expenditure to mitigate risk of future disrepair claims trend nationally | 356           |
| Open Book Review performed, and back dated CPI linked uplift on Managed Service charges            | 240           |
| <b>Sub-Total</b>   | <b>-759</b>   |
| <b>Outturn after carry forwards</b>  | <b>-1,244</b> |

# Narrative Report

## CAPITAL EXPENDITURE

The table below summarises the outturn on the capital programme for the year.

|                              | Original Budget | Working Budget | Actuals       | Variance from Working Budget | Carry Forwards | Outturn Variance from Working Budget |
|------------------------------|-----------------|----------------|---------------|------------------------------|----------------|--------------------------------------|
| <u>Programme Expenditure</u> | £'000           | £'000          | £'000         | £'000                        | £'000          | £'000                                |
| Housing - General Fund       | 800             | 1,731          | 1,188         | -543                         | 543            | -                                    |
| Housing – HRA                | 27,914          | 32,033         | 23,477        | -8,556                       | 8,564          | 8                                    |
| General Fund                 | 11,702          | 55,423         | 12,204        | -43,219                      | 43,910         | 691                                  |
| <b>Total Expenditure</b>     | <b>40,416</b>   | <b>89,187</b>  | <b>36,869</b> | <b>-52,318</b>               | <b>53,017</b>  | <b>699</b>                           |

|                            | Original Budget | Working Budget | Actuals        | Variance from Working Budget | Carry Forwards | Outturn Variance from Working Budget |
|----------------------------|-----------------|----------------|----------------|------------------------------|----------------|--------------------------------------|
| <u>Financing</u>           | £'000           | £'000          | £'000          | £'000                        | £'000          | £'000                                |
| Capital Receipts           | -8,514          | -9,187         | -3,670         | 5,517                        | -4,799         | 718                                  |
| Grants & Contributions     | -800            | -5,860         | -3,816         | 2,044                        | -2,044         | -                                    |
| Contributions from Revenue | -3,165          | -8,368         | -3,585         | 4,783                        | -4,783         | -                                    |
| Major Repairs Reserve      | -16,400         | -17,519        | -18,235        | -716                         | -              | -716                                 |
| Borrowing                  | -11,537         | -48,253        | -7,563         | 40,690                       | -41,391        | -701                                 |
| <b>Total Financing</b>     | <b>-40,416</b>  | <b>-89,187</b> | <b>-36,869</b> | <b>52,318</b>                | <b>-53,017</b> | <b>-699</b>                          |

## Narrative Report

In addition to the above, the following items have been accounted for as capital expenditure in the accounts, but did not form part of the capital programme:

| <u>Other Capital Expenditure</u>               | <u>£'000</u>  |
|--|---------------|
| New Finance Leases                             | 2,881         |
| Capitalisation of Borrowing Costs- East Square | 82            |
| Purchase of Market Pavement                    | 5,451         |
| Equity in Acorn House                          | 7,810         |
| Loans to Acorn House                           | 1,158         |
| Loan to Sempra Homes                           | 5,318         |
| Shares in Sempra Homes                         | 3,498         |
| Sempra Capitalised Interest                    | 328           |
| <b>Total Expenditure</b>                       | <b>26,526</b> |

### TREASURY MANAGEMENT

The table below sets out the closing position for the Council's debt and investment portfolios compared with the closing position at 31 March 2019.

|                            | 31-Mar-20    | 31-Mar-19    | Change      |
|----------------------------|--------------|--------------|-------------|
|                            | £m           | £m           | £m          |
| Borrowing                  | 236.1        | 239.1        | -3.0        |
| Finance leases             | 6.1          | 4.3          | 1.8         |
| <b>Total External Debt</b> | <b>242.2</b> | <b>243.4</b> | <b>-1.2</b> |
| Investments                | -22.1        | -68.3        | 46.2        |
| <b>Net External Debt</b>   | <b>218.2</b> | <b>175.1</b> | <b>43.1</b> |

The figures above for external debt do not include accrued interest.

Interest payable on external debt and other liabilities for the year amounted to £9.385 million. The average interest rate on external borrowing was 3.96% for the year. Investment income for year was £0.467million at an average return of 0.70%. The borrowing rate is the product of taking loans at fixed rates with extended maturities as is appropriate when financing assets with long lives. The principal aim when the Council is investing is to ensure the security of the sum invested this results in relatively low returns.

# Narrative Report

## ASSETS AND LIABILITIES

The table below compares the assets and liabilities of the Council at 31 March 2020 with those at 31 March 2019.

|                       | 31-Mar-20  | 31-Mar-19  | Change    |
|-----------------------|------------|------------|-----------|
|                       | £m         | £m         | £m        |
| Long Term Assets      | 1,064      | 1,020      | 47        |
| Current Assets        | 58         | 90         | -35       |
| Current Liabilities   | -36        | -37        | 1         |
| Long Term Liabilities | -339       | -347       | 8         |
| <b>Net Assets</b>     | <b>747</b> | <b>726</b> | <b>21</b> |
| Usable Reserves       | 111        | 111        | 1         |
| Unusable Reserves     | 636        | 615        | 20        |
| <b>Total Reserves</b> | <b>747</b> | <b>726</b> | <b>21</b> |

Overall the value of the net assets of the Council rose by £20.6 million. This was largely the result of the revaluation of long term assets. The Council's pension liability (within long term liabilities) was assessed by the actuary to be £5.4 million lower than in the previous year.

Right to buy sales represent a significant set of transactions. In 2019/20 sales totalled 29 yielding a gross receipt of £3.3 million (2018/19 53 sales with a gross receipt of £6.5 million). Of this receipt £1.1 million was paid to the Treasury under the pooling arrangements, £1.1 million was retained for use in the provision of affordable housing with the balance being available to the Council for any HRA capital purpose.

## PENSIONS LIABILITY AND RESERVE

In common with most, if not all, other local authorities, this council carries a deficit on its Pension Reserve. This reflects Basildon Council's share of the Pension Fund administered by Essex County Council. This deficit decreased from £103.9 million at 31 March 2019 to £98.5 million at 31 March 2020.

For further information on the basis of the valuation of the Council's pension assets and liabilities please see the notes to the accounts.

## BALANCES AND RESERVES

The Council's financial position is subject to a range of external influences and risks. In addition, the Council is ambitious and is continuing to deliver a number of significant investment and regeneration projects. These projects when combined with the current funding regime mean that the scale of risk and complexity that the Council is managing is significant. In this context it is essential that the Council maintains an adequate level of reserves.

# Narrative Report

The tables below set out the revenue reserves position at 31 March 2020

|   | 2018/19<br>Closing<br>position | Outturn<br>2019/20 | Change<br>in<br>reserves<br>in year | Carry<br>Forwards | Reserves<br>available<br>after<br>carry<br>forwards |
|---|--------------------------------|--------------------|-------------------------------------|-------------------|---|
|   | £000                           | £000               | £000                                | £000              | £000  |
| General Fund Balance                      | 11,696                         | 9,649              | -2,047                              | 6,539             | 3,110   |
| General Fund Earmarked Reserves           | 28,408                         | 33,507             | 5,099                               | 0                 | 33,507  |
| <b>Sub-total: General Fund</b>            | <b>40,104</b>                  | <b>43,156</b>      | <b>3,052</b>                        | <b>6,539</b>      | <b>36,617</b>                                       |
| Housing Revenue Account                   | 8,782                          | 8,332              | -450                                | 4,330             | 4,002   |
| HRA – Earmarked Balances                  | 24,493                         | 25,015             | 522                                 | 0                 | 25,015  |
| <b>Sub-total: Housing Revenue Account</b> | <b>33,275</b>                  | <b>33,347</b>      | <b>72</b>                           | <b>4,330</b>      | <b>29,017</b>                                       |
| <b>Total Balances and Reserves</b>        | <b>73,379</b>                  | <b>76,503</b>      | <b>3,124</b>                        | <b>10,869</b>     | <b>65,634</b>                                       |

Earmarked reserves hold sums reserved for specific purposes and include sums in respect of insurance, asset management, treasury management, business rates, commercial activities and contingencies.

## Capital Reserves

|   | 31-Mar-<br>20 | 31-Mar-<br>19 | Change        |
|---|---------------|---------------|---------------|
|   | £000          | £000          | £000          |
| GF Capital receipts                     | 990           | 3,757         | -2,767        |
| HRA Capital receipts - any use          | 9,748         | 12,551        | -2,803        |
| HRA Capital receipts - 1 for 1 use only | 11,521        | 13,305        | -1,784        |
| Major repairs                           | 154           | 1,806         | -1,652        |
| Capital grants unapplied                | 7,423         | 5,270         | 2,153         |
| Lifecycle Funds                         | 2,697         | 2,531         | 166           |
| Regeneration                            | 2,346         | 3,166         | -820          |
| <b>Total capital reserves</b>           | <b>34,879</b> | <b>42,386</b> | <b>-7,507</b> |

# Narrative Report

The table below describes the use to which each capital reserve can be put

| <b>Reserve</b>                          | <b>Use</b>   |
|---|--|
| GF Capital receipts                     | can be used for any GF capital purpose.  |
| HRA Capital receipts - any use          | can be used for any HRA capital purpose and are programmed to be used over the next few years.   |
| HRA Capital receipts – 1 for 1 use only | can only be used to fund 30% of the costs of new affordable homes and have to be paid over to the Government if this does not happen within 3 years of their retention. Continuation of their retention is currently being reviewed. |
| Major repairs                           | can only be used for HRA capital purposes.   |
| Capital grants unapplied                | represents unspent Section 106 receipts.   |
| Lifecycle Funds                         | can only be used to fund the replacement and renewal of plant and equipment at the Sporting Village and Wickford pool.   |
| Regeneration                            | generated from and can only be used to fund regeneration activity in Basildon town centre.   |

# Narrative Report

## REVIEW OF 2019/20

### Working with partners

The Council is committed to working with public, private and voluntary sector organisations to improve the efficiency of services, to create income-generating opportunities and to support organisational resilience.

#### *The Advice Store*

The Advice Store opened in January 2019 to raise access and awareness to skills, careers guidance and local job opportunities. Within the first month there were 238 referrals and to date have had in excess 2,460 people refer to the store and access the services.

More and more providers have engaged with the store since its opening including Realise Futures, Peabody and The Lightbulb. There are now around 30 different organisations working with the store with 13 of these making the store their regular base.

In the July 2019 wi-fi was installed which means the referral process is now digital, less time consuming and allows us to reach people that have not entered the store to register.

Original funding covered the first year, however the store lease has now been extended for a further two years with self-sustaining income now being received from desk rental and training room hire. The Advice Store also received an Essex Housing Excellence Award for its contribution to Skills and the innovative partnership work carried out across Essex.

CV workshops and Job Clubs started January 2020 and have seen 307 people receive access to support with job searching and CV guidance as well as the access to the digital technology required.

#### *Basildon at 70*

On 4<sup>th</sup> January 1949, a designation order was signed that marked the start of transforming the small semi-rural and ancient outpost of Basildon and its neighbouring communities into a thriving town.

Looking back, we engaged with 90 partners from physical activity, culture, business, education and voluntary organisations during our anniversary year. Collectively delivered 31 community events and 13 community projects across the new town to celebrate the milestone. Highlights include the inaugural town centre music event, New Town Sounds which saw 12 town centre venues come to life with live music from local and national musicians. The Vintage Birthday Tea Dance gave residents aged 70 and over a chance to socialise over afternoon tea and dance to some 1940's music provided by students at Woodlands School.

Backside to Trackside was a free 9-week fitness initiative delivered in partnership with Everyone Active and Active Basildon that helped inactive residents improve their physical and mental wellbeing.

We celebrated 70 Basildon Heroes nominated by the community, received 52 memories of residents past and present and inspired over 1000 young residents to express themselves creatively through art and poetry.

Through new partnerships and strengthened community spirit, an exciting legacy of activity and events has been created.

#### *Shared Services*

The Council continues to work with neighbouring authorities to explore opportunities for the sharing of services.

We have performed our full third year of operating as a Shared Service Revenue and Benefits function with our partner authority, Brentwood Borough Council. There is an ongoing ambition to add a third partner to grow this mature service platform.



# Narrative Report

This year, we delegated the Council's enforcement function of external collection for unpaid debts to the London Borough of Newham which operated within the shared services umbrella of 'oneSource'.

## *Strategic Asset Management*

The Council's Strategic Asset Management contract for housing repairs and investment is now over 4 years in to a 15-year period and continues to deliver high quality outcomes. The repairs service achieves over 90% satisfaction with residents, and over £20m of planned investment has been made into the borough's housing stock.

The delivery of social value forms a key part of the contract where the service provider is required to provide employment and training opportunities for residents. So far, the contract has created Basworx training programme placements for over 84 individuals; 50 apprenticeships are currently being undertaken or completed from a mix of Basworx course completers, and our strategic partner's in-house staff upskilling programme.

This year as a result of a new training pilot in The Place, in Pitsea 16 residents were trained over two separate courses in Customer Service and First Aid. This was a pilot programme over and above our contractual obligations. When we undertook an analysis of the breakdown of our Basworx attendees they were predominantly male and therefore it was felt that our offer was not as community inclusive as we would like. We therefore introduced these pilot accredited resident courses held in local community assets in partnership with Basildon Council and South Essex College. Attendees were mainly women- and we have already seen attendees go on to further learning opportunities with the college and employment.

## *Regeneration and investment schemes*

### *Basildon Town Centre*

The public realm works in St Martins Square and around the bell tower are now complete. Construction and relocation of the market stalls was completed, and the new market opened in October 2018. The Market Relocation Project was funded from the sale of the South Essex College (SEC) campus at Nethermayne and additionally supported by a £1.75 million grant from Essex County Council. The main construction work for the college has now started with completion expected in Summer 2020.

Plans to introduce a family-friendly night-time economy centred on East Square which will create jobs and boost the local economy are now gathering pace. The flagship development of a 10-screen cinema and 6 restaurants in East Square, has proceeded with the demolition stage preparing the site. Following the financial collapse of Simons, the original contractor for the scheme, a design team was appointed to support the Council with the re-procurement process. The preferred bidder was confirmed in January 2020 with a view to starting on site shortly afterwards. The project remains on track.

These proposals are proving to be a catalyst for other investment in the town centre and new restaurants have already opened and there is increasing interest from landowners and developers in the town centre.

### *Wickford*

A new £2.5m Community Centre has been constructed and opened in Nevendon Road in November 2019, leased to the Wickford Community Association. This releases the existing site in Market Road for a mixed use scheme, planning permission has been granted for a 65 apartment and flexible retail space scheme during 2019/20 and expected to be progressed during 2020. This includes the relocation of the Wickford Library into the Willows Centre.

A feasibility study for the Gibraltar Walk site in Wickford Town Centre has been completed and has identified further opportunities for the site to be developed to support the regeneration strategy.

# Narrative Report

## Pitsea

Engagement is ongoing with London and Cambridge on phase 2 of the redevelopment, for Pitsea Town Centre which includes the re-provision of community facilities, the library, improved public realm and the delivery of new homes. Work continues with other landowners, on developing these plans.

Engagement is ongoing with the owners of the Pitsea Gala Bingo Hall, with a view to bring forward a viable opportunity for a mixed use development to support the regeneration aspirations for the Town Centre. The owners have expressed a desire to work alongside the Council to achieve their vision.

## Laindon

Swan Housing's proposal to deliver over 224 new homes, a new supermarket, new retail space with parking to provide a new high street style shopping experience, enhanced public realm and the re-provision of the health facility into a new larger building has made significant progress during 2019/20.

Phase 1 and 2 of the development is progressing well, with a number of new houses due to be completed in 2020/21, as well as the completion of the new Swan offices. The Council continues to work proactively with Swan to bring the development forward through partnership working and negotiations with both the Post Office and NHS England to ensure a smooth transition for existing services into the new development, as well as a successful and extensive community engagement and resident liaison programme.

## Housing Revenue Account and Housing Supply

### *Housing Revenue Account*

The lifting of the rent reduction scheme from 2020/21 has allowed more optimistic assumptions to be made concerning the availability of resources to the HRA. It means that while the Council's ambition to repay all housing related debt over the life of the 30 year business plan is no longer achievable it is possible to substantially reduce it over that period. Moreover it has identified that it is possible to invest up to £36 million in the acquisition or development of new dwellings for local people in the period to 2022/23.

The new build and acquisition programme is funded through a mix of capital receipts retained to fund replacement affordable housing, HRA reserves, borrowing and other contributions. The Council acquired 14 homes during the year. It is expected that up to 200 additional homes will be delivered over the next four years.

The Council owns 10,600 dwellings, has shares equivalent to 107 whole properties in shared ownership properties and manages approximately 2,200 leasehold flats.

### *Sempra Homes*

Sempra Homes Ltd was incorporated on 19 December 2014 and began trading in December 2015 with the transfer of five properties, at Lincewood Court, from the Council to the company. These properties are let at a market rent. The company has grown to now manage 72 homes and has plans to ultimately deliver up to 1,000 new homes in the borough to be let on a mix of tenures (affordable rent, shared ownership, market rent and sale). Borough residents and key workers are given priority to purchase Sempra's shared ownership homes and all the company's affordable homes are let to applicants from the Council's Home Seeker register.

During 2019/20, Sempra acquired the paddock area of the former Basildon Zoo site to bring forward new housing as part of the Council's emerging Local Plan. The company also completed the development of 15 new homes at Roman Way, 20 new homes at Maplewood Court and 9 new homes at Cherry Tree Court. These three developments were brought forward in close liaison with local schools with over 80 students in construction related learning attending the schemes for site-based learning and experience.

# Narrative Report

Sempra Homes received an Affordable Housing Grant from the Council to enable nine new homes to be let at social rent levels to tenants nominated by the Council and another grant from Homes England towards the development of shared ownership homes.

The end of the financial year was punctuated by the successful purchase of a 1.5 hectares site in Laindon Link known as Car Park 14; situated in a prime location close to Basildon town centre and Sempra's newly released development at Maplewood Court. The site, previously owned by Homes England, was sold to Sempra for £2.6 million to bring forward a mixed tenure development to meet the housing needs and aspirations of the borough.

## Other matters

### *Local Plan*

Work started in December 2014 on a new Local Plan that will provide the planning framework for the future growth and development of the Basildon Borough area until 2034. It will identify land for housing, businesses, shops and leisure, as well as areas for protection, such as open space and sites important for wildlife.

The Submission Local Plan, its Sustainability Appraisal, Habitats Regulations Assessment and Service Impact Assessment were submitted to the Government on 28 March 2019. The Examination in Public is expected to commence late 2020 with the Plan finally adopted in 2021.

## Investment areas

### *ICT Strategy 2020-2025 Building for change*

The Policy and Resources Committee approved and has adopted the Council's ICT Strategy 2020-2025 setting out the overall direction for Infrastructure, End User Device replacement, integrating Data and rationalising Applications.

The associated funding was recommended to Council for approval as part of the budget for £1.5m in 2020/21 and the forward forecast detailed in the Medium Term Financial Strategy under strategic investments. This encompasses both the investment for Digital Transformation and ICT Strategy as a joint initiative.

The programme of digital transformation will initiate and enable the following key outcomes:

- To improve the digital skills of the organisation's workforce and its customers to provide capability for everyone to embrace future technologies and to drive innovation
- To utilise data to shape digital solutions to improve the customer's experience
- To use modern online applications to engage and interact better with the community

### *Asset Management Strategy*

The Council has had in place for a number of years a robust asset management plan and strategy for its housing stock. As part of the restructure of the Senior Leadership Team all asset management responsibilities now lie within the same function. The asset management principles that have been applied to the housing stock are now being applied to the rest of the Council's property portfolio and an up to date and fit for purpose asset management strategy is emerging for those assets. Funding has been set aside in the budget and forward forecast to meet the anticipated cost of the strategy.

### *Acquisition of Investment Properties*

The Investment Asset Acquisition Strategy has been established by the Council, with the aim of purchasing assets in the property markets with the intention of them providing a financial return to the Council. At present, four properties have been purchased at a cost of around £40 million. To be clear, there were no further assets acquired in 2019/20 to add to the total properties; these had been acquired in prior years.

# Narrative Report

The strategy sets out certain criteria that the properties are required to meet prior to consideration for purchase, and full due diligence is carried out on all potential opportunities prior to any final decisions being made. The purchase of these investment assets is accounted for as capital expenditure by the Council and to the extent that they are financed through borrowing, will increase the Council's debt position.

The Council does not place undue reliance on investment activities as a proportion of the Council's budget requirement. The ratio of net income from investment activities as a percentage of Total Actual Income is 1.21% and is budgeted for 2020/21 at less than 2%.

## *Acquisition of Strategic Assets*

This activity has a different objective to the purchase of investment assets in that the focus is on the regeneration of the key town centres within the borough. These assets are therefore not necessarily purchased to provide an investment return, however the financing costs associated with this activity assumes that, on purchase, each of these acquisitions, when taken with assets already in the portfolio, will initially provide enough income to cover the financing costs or will provide wider economic benefits. A separate decision can be made in terms of the viability of any redevelopment of any of these schemes once in Council ownership.

We will build on current momentum for change created by the cinema development at East Square and the introduction of South Essex College into Market Square. The objectives when we purchased Market Square will be extended to new strategic assets, such as the former Robins Cinema site, adjacent to the East Square development.

The Basildon town centre masterplan will set out ambitions for improving public spaces and the routes around the town centre, making it better connected to surrounding neighbourhoods and to transport connections.

It is currently proposed that the masterplan will be adopted as a Supplementary Planning Document (SPD) to the Local Plan so that it is used to manage the development of the town centre over coming years.

## *Acorn House*

Acorn House Developments (Basildon) Ltd. was acquired during the year for the provision of affordable housing. It is a wholly owned property development subsidiary of the Council.

We plan to create 4,000 new homes as part of the Basildon town centre masterplan. The conversion of the office space at Acorn House into new homes, and another recent land purchase of a car park for the provision of new town centre housing by Sempra Homes, also a subsidiary of the Council, will form part of that and represents another step forward in the reimagining of the town centre.

## **The Future**

### *The budget and financial forecast to 2023/24*

The following narrative sets out the assumptions used when the budget for 2020/21 was developed. Clearly the impact of the Covid-19 pandemic has fundamentally changed the Council's financial outlook. However, the base assumptions concerning government funding remain valid at this point in time.

#### *Government funding for 2020/21*

The final Local Government Finance Settlement for 2020/21 was received in January. The two key elements of the Government's funding strategy most relevant for local government, consists of:

1. The gradual withdrawal of government support has eased somewhat. However, the Settlement Funding Assessment has declined by over 40% since 2015/16 while council tax has risen over the same period. When the figures are adjusted for inflation Settlement Funding Assessment has reduced by 53% in spending power.
2. Where additional resources have been made available, they have almost exclusively been in respect of social care.

# Narrative Report

## *Government funding post 2020/21*

The settlement for 2020/21 is for one year only, the position for funding post 2020/21 is still unclear and is not likely to be any clearer until late 2020.

The forecast for business rates beyond 2020/21 reflects the Government's funding baseline under the existing 50% retention scheme at this stage. Potential impacts on future funding of the Council include the following:

- the Government has announced a further review of the New Homes Bonus.
- the outcome of the Fair Funding Review will not be known until some point in the forthcoming year.
- it is expected that increased retention of business rates locally at 75% will be introduced from 2021/22. with an uncertain impact on Core Spending Power due to the retraction of existing grants to local government.

## *Sustainable finances*

The financial strategy of the Council seeks to maintain a sustainable financial position against a background of continuing financial uncertainty and reduced government funding.

The assumptions used to forecast future income and expenditure are prudent and realistic. On current projections the Council is forecasting a budget gap of £3.8 million by 2023/24 and £13.1 million by 2029/30.

The Council is continuing to develop its financial strategy to deliver the Corporate Plan while addressing the budget gap and mitigating risk. The budget gap will be addressed primarily through:

1. generating income through commercial activity and seeking to embed commercial thinking throughout the organisation
2. the ongoing review and redesign of services
3. expansion of the investment asset acquisition programme
4. developing the activity of Semptra Homes
5. a focus on growing income from business rates
6. reviewing fees and charges to ensure full cost recovery, where this is not possible reviewing how the associated services are delivered to reduce costs or accepting a discounted charge in return for an appropriate community benefit
7. generating new ideas for delivering efficiencies
8. optimising the council's use of technology to enable new ways of working and improving service quality for our residents
9. ensuring the Council's assets are used effectively and efficiently
10. exploring the feasibility of commercial lending and commercial leasing.

## *Value for Money*

The Council strives to secure both value for money and added value in its procurement activities. Added value has been achieved by, for example, securing apprenticeships via contracts awarded by the Council. While the re-procurement of contracts provides an opportunity to enhance value for money, it also presents the risk that costs will be higher under a new contract due to changes in the relevant market. The Council ensures that value for money is obtained through its procurement strategy, contract procedure rules and benchmarking of services.

# Narrative Report

Further particulars about the accounts can be obtained by writing to the Assistant Director Resources, Basildon Borough Council, The Basildon Centre, St Martin's Square, Basildon SS14 1DL.

**Other useful information can be found on the Council's website, including:**

Prior years' Statements of Accounts:

<https://www.basildon.gov.uk/article/529/Annual-Financial-Reports>

Current and prior years' budget information:

<https://www.basildon.gov.uk/article/530/Council-Budgets>

Invoices paid over £500 in value by month:

<https://www.basildon.gov.uk/article/3400/Payments-to-Suppliers-over-500-Current-Financial-Year-2019-20>

Agendas and minutes for all Council Meetings. These contain useful information regarding decisions taken during the year:

<http://www.basildonmeetings.info/uuCoverPage.aspx>

Corporate Plan 2019 to 2022

<https://www.basildon.gov.uk/article/4351/Corporate-Plan-2019-2022->

Budget Report 2019/20

<http://www.basildonmeetings.info/ieListDocuments.aspx?CIId=216&MIId=6438&Ver=4>

Budget Report 2020/21

<http://www.basildonmeetings.info/ieListDocuments.aspx?CIId=216&MIId=6648&Ver=4>

Doing business with the Council:

<https://www.basildon.gov.uk/article/4643/Doing-business-with-Basildon-Council>

The Council's Constitution, the internal rules under which the Council operates:

<https://www.basildon.gov.uk/article/2084/Political-Structure-Our-Constitution-and-the-way-we-work->

Information published under the requirements of the Transparency Code:

<http://www.basildon.gov.uk/opendata>

Sempra Homes Ltd:

<http://www.semprahomes.co.uk/>

# Guide to the Financial Statements

## THE PUBLISHED ACCOUNTS

The Statement of Accounts (comprising the financial statements and notes to the accounts), is part of a wider financial report (called the Annual Financial Report or AFR) which also includes the Annual Governance Statement (AGS), the Narrative Report and the Auditor's Report. The responsible financial officer's true and fair certification in the Statement of Responsibilities covers the Financial Statements and notes as does the Auditor's report.

The main Financial Statements within this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which defines proper accounting practices for local authorities.

The Code requires that the core financial statements and notes be prepared consistently with International Financial Reporting Standards (IFRS) as adopted for use in local government. IFRS accounting entries are in many cases reversed out through the Movement in Reserves Statement to reconcile back to the amount to be raised from council tax under statute. Similar adjustments are also made in respect of the Housing Revenue Account.

The accounts have been prepared on a going concern basis. This reflects the economic and statutory environment in which the council operates. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

The accounts for 2019/20 have been prepared on both a single entity (i.e. the Council only) and a Group basis (i.e. the Council and its **two** wholly owned subsidiaries, Sempra Homes Ltd and Acorn House Developments (Basildon) Ltd, acquired for the provision of affordable housing). The notes to the accounts are all presented on a single entity basis except where it is helpful to present information on the Group as a whole.

The figures in this report are based on the statutory amounts that impact on council tax levels, housing rents, reserves and balances. They, therefore, include amounts reversed out through the Movement in Reserves Statement.

Whilst the Auditor does not certify the Narrative Report it is checked for consistency with the rest of the Statement of Accounts.

The Council's Auditor is BDO LLP.

## THE CORE STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and rent setting purposes. The Net Increase / Decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain them at a prudent

# Guide to the Financial Statements

level and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves relates to those that the authority is not able to use to provide services. These reserves hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide resources if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## **CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The net cash flows arising from operating activities are a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

## **HOUSING REVENUE ACCOUNT**

This 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

## **COLLECTION FUND**

This 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 Council in relation to the collection from taxpayers, distribution to local authorities and the Government of council tax and business rates.



# Statement of Responsibilities

## Basildon Borough Council

The Council is required under local government legislation and other requirements to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this authority, that Officer is the Assistant Director - Resources (Section 151 Officer).

The Council is also required to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets. It is also required to approve and publish a Statement of Accounts.

## Assistant Director – Resources (Section 151 Officer)

I am the Assistant Director with delegated legal and professional responsibility for the preparation of the authority'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). Where necessary I have to make judgements and estimates, and these must be both reasonable and prudent.

In preparing this Statement of Accounts, appropriate accounting policies have been adopted and applied consistently unless otherwise stated.

Proper and up to date records were kept and reasonable steps taken for the prevention and detection of fraud and other irregularities.

I confirm that the Statement of Accounts complies with the Code and gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2020.

Signed:

### **Owen Sparks**

Assistant Director - Resources (Section 151 Officer)

## The Chairman of the meeting approving these accounts

I confirm that these accounts were approved by the Audit and Risk Committee of the Council at its meeting on 29 July 2020.

Signed:

### **Councillor A Davies**

Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASILDON BOROUGH COUNCIL**

### **Opinion on the financial statements**

We have audited the financial statements of Basildon Borough Council ("the Council") and its subsidiaries (together comprising "the group") for the year ended 31 March 2020 which comprise the Council and group Comprehensive Income and Expenditure Statement, Council and group Movement in Reserves Statements, the Council and group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and related numbered notes and the Expenditure and Funding Analysis note to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion on the financial statements**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director – Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director – Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Emphasis of matter – valuation of land and buildings (including investment properties) and Pension Fund assets**

We draw attention to Note 4 to the financial statements, which refers to the outbreak of the Novel Coronavirus (COVID-19) and the impacts on global financial markets. The Note explains that the Council can attach less weight to previous market evidence to inform opinions of value as at 31 March 2020. The Council's valuations are therefore reported on the basis of 'material valuation uncertainty' per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. The Note explains that, consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

The valuation of land, buildings and investment property of £1.492.4 million has therefore been reported on the basis of a 'material valuation uncertainty'.

Note 4 also explains that valuations applied by the Pension Fund to property, equity and other investments are also reported on the basis of a 'material valuation uncertainty'.

Our opinion is not modified in respect of this matter.

### **Other information**

The Assistant Director – Resources is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

### **Conclusion on use of resources**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in April 2020, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

### **Responsibilities of the Assistant Director – Resources and the Council**

As explained more fully in the Statement of Responsibilities, the Assistant Director – Resources is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Assistant Director – Resources is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Auditor's responsibilities in respect of the Council's use of resources**

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate of completion of the audit**

We certify that we have completed the audit of the accounts of Basildon Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the Council, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to him in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

### **David Eagles**

For and on behalf of **BDO LLP**, Appointed Auditor  
Ipswich, UK

25 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Statement of Accounts

## 2019/20

# Index to Financial Statements and Notes to the Accounts

## FINANCIAL STATEMENTS

All statements have been prepared in accordance with the Accounting Policies and the Code of Practice on Local Authority Accounting in the United Kingdom.

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## NOTES TO THE CORE STATEMENTS

All Notes have been prepared in accordance with the Accounting Policies and the Code of Practice. They are designed to enhance understanding of the financial statements by providing further detail and explanation on specific entries. Other information required to be disclosed by statute is also included here. The Notes have been split into five distinct sections to bring together related and similar Notes.

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The Notes for the Supplementary Statements (Housing Revenue Account and Collection Fund) follow immediately after the respective Financial Statement.

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Narrative Report to those in the Comprehensive Income and Expenditure Statement.

This note shows how expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by local authorities in comparison with those economic resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2018/19   |   |                             |  | 2019/20   |   |                             |
|---|---|-----------------------------|--|---|---|-----------------------------|
| Net Expenditure chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis<br>Note 10 | Net Expenditure in the CIES |  | Net Expenditure chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis<br>Note 10 | Net Expenditure in the CIES |
| £000  | £000  | £000                        |  | £000  | £000  | £000                        |
| 2,522   | 4,305   | 6,827                       | Corporate and Central                                | 1,631   | 5,468   | 7,099                       |
| 1,668   | 139   | 1,807                       | Community  | 1,846   | 2,433   | 4,279                       |
| (109)   | 3,298   | 3,189                       | Development and Regulation                           | 257   | 3,181   | 3,438                       |
| 2,932   | (1,114)   | 1,818                       | Regeneration and Partnerships                        | 1,781   | 3,949   | 5,730                       |
| 8,341   | 845   | 9,186                       | Environment  | 9,145   | 956   | 10,101                      |
| 1,867   | 1,397   | 3,264                       | Housing  | 2,511   | 2,501   | 5,012                       |
| 7,726   | (843)   | 6,883                       | Leisure and Open Spaces                              | 7,949   | (162)   | 7,787                       |
| <b>24,947</b>   | <b>8,027</b>  | <b>32,974</b>               | <b>General Fund</b>                                  | <b>25,120</b>   | <b>18,326</b>   | <b>43,446</b>               |
| (3,959)   | 14,302  | 10,343                      | Housing Revenue Account                              | (72)  | 9,784   | 9,712                       |
| <b>20,988</b>   | <b>22,329</b>   | <b>43,317</b>               | <b>Cost of Services</b>                              | <b>25,048</b>   | <b>28,110</b>   | <b>53,158</b>               |
| (32,184)  | 17,407  | (14,777)                    | Other income and expenditure                         | (28,172)  | 6,193   | (21,979)                    |
| <b>(11,196)</b>   | <b>39,736</b>   | <b>28,540</b>               | <b>(Surplus) or Deficit on Provision of Services</b> | <b>(3,124)</b>  | <b>34,303</b>   | <b>31,179</b>               |
| (62,183)  |   |                             | Opening General Fund and HRA Balance                 | (73,379)  |   |                             |
| (11,196)  |   |                             | (Surplus) or Deficit on Provision of Services        | (3,124)   |   |                             |
| <b>(73,379)</b>   |   |                             | <b>Closing General Fund and HRA Balance *</b>        | <b>(76,503)</b>   |   |                             |

\* For an analysis of this balance between the General Fund and HRA see the Movement in Reserves Statement.

## Comprehensive Income and Expenditure Statement (CIES)

| 2018/19                   |                      |                         |                           |                      |                         | 2019/20 |                           |                      |                         |                           |                      |                         |
|---------------------------|----------------------|-------------------------|---------------------------|----------------------|-------------------------|---------|---------------------------|----------------------|-------------------------|---------------------------|----------------------|-------------------------|
| Council                   |                      |                         | Group                     |                      |                         | Council |                           |                      | Group                   |                           |                      |                         |
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 | Note    | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 9,918                     | (3,091)              | 6,827                   | 9,931                     | (3,039)              | 6,892                   |         | 9,700                     | (2,601)              | 7,099                   | 9,720                     | (2,530)              | 7,190                   |
| 2,444                     | (637)                | 1,807                   | 2,444                     | (637)                | 1,807                   |         | 4,945                     | (666)                | 4,279                   | 4,945                     | (666)                | 4,279                   |
| 60,243                    | (57,054)             | 3,189                   | 60,243                    | (57,054)             | 3,189                   |         | 53,370                    | (49,932)             | 3,438                   | 53,370                    | (49,932)             | 3,438                   |
| 4,814                     | (2,996)              | 1,818                   | 4,646                     | (2,560)              | 2,086                   |         | 7,676                     | (1,946)              | 5,730                   | 7,676                     | (1,839)              | 5,837                   |
| 13,666                    | (4,480)              | 9,186                   | 13,666                    | (4,480)              | 9,186                   |         | 15,172                    | (5,071)              | 10,101                  | 15,172                    | (5,071)              | 10,101                  |
| 4,063                     | (799)                | 3,264                   | 4,063                     | (799)                | 3,264                   |         | 5,862                     | (850)                | 5,012                   | 5,875                     | (850)                | 5,025                   |
| 9,664                     | (2,781)              | 6,883                   | 9,664                     | (2,781)              | 6,883                   |         | 10,460                    | (2,673)              | 7,787                   | 10,460                    | (2,673)              | 7,787                   |
| <b>104,812</b>            | <b>(71,838)</b>      | <b>32,974</b>           | <b>104,657</b>            | <b>(71,350)</b>      | <b>33,307</b>           |         | <b>107,185</b>            | <b>(63,739)</b>      | <b>43,446</b>           | <b>107,218</b>            | <b>(63,561)</b>      | <b>43,657</b>           |
| 62,754                    | (52,411)             | 10,343                  | 62,754                    | (52,387)             | 10,367                  |         | 63,214                    | (53,502)             | 9,712                   | 63,214                    | (52,913)             | 10,301                  |
| <b>167,566</b>            | <b>(124,249)</b>     | <b>43,317</b>           | <b>167,411</b>            | <b>(123,737)</b>     | <b>43,674</b>           |         | <b>170,399</b>            | <b>(117,241)</b>     | <b>53,158</b>           | <b>170,432</b>            | <b>(116,474)</b>     | <b>53,958</b>           |
| 8,225                     | -                    | 8,225                   | 8,391                     | -                    | 8,391                   | 17      | 3,500                     | (1,236)              | 2,264                   | 3,500                     | (1,833)              | 1,667                   |
| 17,598                    | (6,779)              | 10,819                  | 17,184                    | (6,814)              | 10,370                  | 18      | 17,302                    | (7,816)              | 9,486                   | 17,581                    | (7,450)              | 10,131                  |
| 25,178                    | (58,999)             | (33,821)                | 25,178                    | (58,989)             | (33,811)                | 19      | 25,745                    | (59,474)             | (33,729)                | 25,745                    | (60,356)             | (34,611)                |
| <b>218,567</b>            | <b>(190,027)</b>     | <b>28,540</b>           | <b>218,164</b>            | <b>(189,540)</b>     | <b>28,624</b>           |         | <b>216,946</b>            | <b>(185,767)</b>     | <b>31,179</b>           | <b>217,258</b>            | <b>(186,113)</b>     | <b>31,145</b>           |
|                           |                      | -                       |                           |                      | (22)                    | 24      |                           |                      | -                       |                           |                      | (145)                   |
|                           |                      | <b>28,540</b>           |                           |                      | <b>28,602</b>           |         |                           |                      | <b>31,179</b>           |                           |                      | <b>31,000</b>           |
|                           |                      | (27,017)                |                           |                      | (27,017)                | 34      |                           |                      | (40,224)                |                           |                      | (41,624)                |
|                           |                      | (15,839)                |                           |                      | (15,839)                | 40      |                           |                      | (12,405)                |                           |                      | (12,405)                |
|                           |                      | <b>(41,934)</b>         |                           |                      | <b>(41,934)</b>         |         |                           |                      | <b>(52,629)</b>         |                           |                      | <b>(54,029)</b>         |
|                           |                      | <b>(13,394)</b>         |                           |                      | <b>(13,332)</b>         |         |                           |                      | <b>(21,450)</b>         |                           |                      | <b>(23,029)</b>         |



## Movement in Reserves Statement

|  | Usable Revenue Reserves |                              | Usable Capital Reserves         |                               |                                  |                                  | Unusable Reserves                  |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
|--|-------------------------|------------------------------|---------------------------------|-------------------------------|----------------------------------|----------------------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|-----------------------------------|--------------------------|--|---------------------------------|---------------------------------|--------------------------------|--|------------------------------|
|  | Note                    | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Major Repairs Reserve<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Earmarked Capital Reserves<br>£000 | Total Usable Reserves<br>£000 | Revaluation Reserve<br>£000 | Capital Adjustment Account<br>£000 | Deferred Capital Receipts<br>£000 | Pensions Reserve<br>£000 | Collection Fund Adjustment Account<br>£000 | Other Unusable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Council Reserves<br>£000 | Council's share of subsidiary's reserves<br>£000 | Total Group Reserves<br>£000 |
| <b>2019/20</b>   |                         |                              |                                 |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| <b>Balance at 1 April 2019</b>   |                         | <b>40,104</b>                | <b>33,275</b>                   | <b>1,806</b>                  | <b>24,659</b>                    | <b>5,270</b>                     | <b>5,697</b>                       | <b>110,811</b>                | <b>367,958</b>              | <b>346,110</b>                     | <b>6,056</b>                      | <b>(103,870)</b>         | <b>(690)</b>                               | <b>(405)</b>                    | <b>615,159</b>                  | <b>725,970</b>                 | <b>748</b>                                       | <b>726,718</b>               |
| Total Comprehensive Income and Expenditure                             |                         | (14,315)                     | (16,864)                        | -                             | -                                | -                                | -                                  | (31,179)                      | 40,224                      | -                                  | -                                 | 12,405                   | -  | -                               | 52,629                          | 21,450                         | 1,579  | 23,029                       |
| Adjustments between accounting basis & funding basis under regulations | 9                       | 17,367                       | 16,936                          | (1,653)                       | (2,401)                          | 2,153                            | (653)                              | 31,749                        | (8,204)                     | (16,071)                           | 391                               | (6,997)                  | (874)                                      | 6                               | (31,749)                        | -                              | -  | -                            |
| <b>Increase/(Decrease) in year</b>                                     |                         | <b>3,052</b>                 | <b>72</b>                       | <b>(1,653)</b>                | <b>(2,401)</b>                   | <b>2,153</b>                     | <b>(653)</b>                       | <b>570</b>                    | <b>32,020</b>               | <b>(16,071)</b>                    | <b>391</b>                        | <b>5,408</b>             | <b>(874)</b>                               | <b>6</b>                        | <b>20,880</b>                   | <b>21,450</b>                  | <b>1,579</b>                                     | <b>23,029</b>                |
| <b>Balance at 31 March 2020 carried forward</b>                        |                         | <b>43,156</b>                | <b>33,347</b>                   | <b>153</b>                    | <b>22,258</b>                    | <b>7,423</b>                     | <b>5,044</b>                       | <b>111,381</b>                | <b>399,978</b>              | <b>330,039</b>                     | <b>6,447</b>                      | <b>(98,462)</b>          | <b>(1,564)</b>                             | <b>(399)</b>                    | <b>636,039</b>                  | <b>747,420</b>                 | <b>2,327</b>                                     | <b>749,747</b>               |
| Of which:  |                         |                              |                                 |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| Earmarked Reserves   | 12                      | 33,507                       | 25,015                          |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| General Reserves   |                         | 9,649                        | 8,332                           |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| <b>2018/19</b>   |                         |                              |                                 |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| <b>Balance at 1 April 2018</b>   |                         | <b>32,867</b>                | <b>29,316</b>                   | <b>6,695</b>                  | <b>30,392</b>                    | <b>4,259</b>                     | <b>5,604</b>                       | <b>109,133</b>                | <b>349,385</b>              | <b>359,638</b>                     | <b>1,102</b>                      | <b>(110,326)</b>         | <b>4,107</b>                               | <b>(463)</b>                    | <b>603,443</b>                  | <b>712,576</b>                 | <b>810</b>                                       | <b>713,386</b>               |
| Total Comprehensive Income and Expenditure                             |                         | (12,382)                     | (16,158)                        | -                             | -                                | -                                | -                                  | (28,540)                      | 26,095                      | -                                  | -                                 | 15,839                   | -  | -                               | 41,934                          | 13,394                         | (62)   | 13,332                       |
| Adjustments between accounting basis & funding basis under regulations | 9                       | 19,619                       | 20,117                          | (4,889)                       | (5,733)                          | 1,011                            | 93                                 | 30,218                        | (7,522)                     | (13,528)                           | 4,954                             | (9,383)                  | (4,797)                                    | (9,168)                         | (30,218)                        | -                              | -  | -                            |
| <b>Increase/(Decrease) in year</b>                                     |                         | <b>7,237</b>                 | <b>3,959</b>                    | <b>(4,889)</b>                | <b>(5,733)</b>                   | <b>1,011</b>                     | <b>93</b>                          | <b>1,678</b>                  | <b>18,573</b>               | <b>(13,528)</b>                    | <b>4,954</b>                      | <b>6,456</b>             | <b>(4,797)</b>                             | <b>(9,168)</b>                  | <b>11,716</b>                   | <b>13,394</b>                  | <b>(62)</b>                                      | <b>13,332</b>                |
| <b>Balance at 31 March 2019 carried forward</b>                        |                         | <b>40,104</b>                | <b>33,275</b>                   | <b>1,806</b>                  | <b>24,659</b>                    | <b>5,270</b>                     | <b>5,697</b>                       | <b>110,811</b>                | <b>367,958</b>              | <b>346,110</b>                     | <b>6,056</b>                      | <b>(103,870)</b>         | <b>(690)</b>                               | <b>(405)</b>                    | <b>615,159</b>                  | <b>725,970</b>                 | <b>748</b>                                       | <b>726,718</b>               |
| Of which:  |                         |                              |                                 |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| Earmarked Reserves   | 12                      | 28,408                       | 24,493                          |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |
| General Reserves   |                         | 11,696                       | 8,782                           |                               |                                  |                                  |                                    |                               |                             |                                    |                                   |                          |  |                                 |                                 |                                |  |                              |

Further details of the nature and purpose of reserves can be found in Note 8.

## Balance Sheet

| 31 March 2019    |                  |                                      |      | 31 March 2020    |                  |
|------------------|------------------|--------------------------------------|------|------------------|------------------|
| Council<br>£000  | Group<br>£000    |                                      | Note | Council<br>£000  | Group<br>£000    |
| 969,512          | 984,257          | Property, plant & equipment          | 34   | 1,003,663        | 1,032,660        |
| 39,329           | 39,329           | Investment property                  | 35   | 36,646           | 36,646           |
| 914              | 914              | Intangible assets                    | 37   | 800              | 1,698            |
| 3,502            | -                | Investment in subsidiaries           | 24   | 10,181           | -                |
| 6,448            | 199              | Long term debtors                    | 25   | 13,255           | 202              |
| -                | 151              | Deferred tax asset                   |      | -                | 474              |
| <b>1,019,705</b> | <b>1,024,850</b> | <b>Non current Assets</b>            |      | <b>1,064,545</b> | <b>1,071,680</b> |
| 46,048           | 46,048           | Investments                          | 30   | 3,010            | 3,010            |
| 240              | 240              | Assets held for sale                 | 38   | 251              | 2,991            |
| 170              | 170              | Inventories                          |      | 189              | 189              |
| 21,966           | 19,820           | Short-term debtors                   | 25   | 33,750           | 27,052           |
| 21,334           | 21,344           | Cash and cash equivalents            | 41   | 21,275           | 21,587           |
| <b>89,758</b>    | <b>87,622</b>    | <b>Current Assets</b>                |      | <b>58,475</b>    | <b>54,829</b>    |
| (3,025)          | (3,025)          | Borrowing                            | 30   | (3,535)          | (3,535)          |
| (25,193)         | (27,186)         | Short-term creditors                 | 26   | (26,048)         | (26,575)         |
| (4,951)          | (4,951)          | Provisions                           | 27   | (5,980)          | (6,169)          |
| (3,297)          | (3,297)          | Grants receipts in advance - Capital | 22   | (643)            | (643)            |
| (153)            | (153)            | Grants receipts in advance - Revenue | 22   | (229)            | (229)            |
| <b>(36,619)</b>  | <b>(38,612)</b>  | <b>Current Liabilities</b>           |      | <b>(36,435)</b>  | <b>(37,151)</b>  |
| (1,119)          | (1,119)          | Provisions                           | 27   | (880)            | (880)            |
| (238,299)        | (238,299)        | Borrowing                            | 30   | (234,764)        | (234,764)        |
| (3,586)          | (3,586)          | Finance lease liabilities            | 29   | (5,059)          | (5,059)          |
| -                | (268)            | Deferred tax liability               |      | -                | (446)            |
| (103,870)        | (103,870)        | Net pensions liability               | 40   | (98,462)         | (98,462)         |
| <b>(346,874)</b> | <b>(347,142)</b> | <b>Long Term Liabilities</b>         |      | <b>(339,165)</b> | <b>(339,611)</b> |
| <b>725,970</b>   | <b>726,718</b>   | <b>Net Assets</b>                    |      | <b>747,420</b>   | <b>749,747</b>   |
| 11,696           | 11,696           | General Fund Balance                 |      | 9,649            | 9,649            |
| 28,408           | 28,408           | GF Earmarked Reserves Balance        | 12   | 33,507           | 33,507           |
| -                | 748              | Subsidiary Reserves                  | 24   | -                | 927              |
| 8,782            | 8,782            | Housing Revenue Account              |      | 8,332            | 8,332            |
| 24,493           | 24,493           | HRA Earmarked Reserves Balance       | 12   | 25,015           | 25,015           |
| 1,806            | 1,806            | Major Repairs Reserve                |      | 153              | 153              |
| 24,659           | 24,659           | Capital Receipts Reserve             |      | 22,258           | 22,258           |
| 5,270            | 5,270            | Capital Grants Unapplied             |      | 7,423            | 7,423            |
| 5,697            | 5,697            | Earmarked Capital Reserves           | 12   | 5,044            | 5,044            |
| <b>110,811</b>   | <b>111,559</b>   | <b>Usable Reserves</b>               |      | <b>111,381</b>   | <b>112,308</b>   |
| 367,958          | 367,958          | Revaluation Reserve                  |      | 399,978          | 401,378          |
| 346,110          | 346,110          | Capital Adjustment Account           |      | 330,039          | 330,039          |
| 6,056            | 6,056            | Deferred Capital Receipts Reserve    |      | 6,447            | 6,447            |
| (103,870)        | (103,870)        | Pensions Reserve                     |      | (98,462)         | (98,462)         |
| (690)            | (690)            | Collection Fund Adjustment Account   |      | (1,564)          | (1,564)          |
| (405)            | (405)            | Other Unusable Reserves              |      | (399)            | (399)            |
| <b>615,159</b>   | <b>615,159</b>   | <b>Unusable Reserves</b>             |      | <b>636,039</b>   | <b>637,439</b>   |
| <b>725,970</b>   | <b>726,718</b>   | <b>Total Reserves</b>                |      | <b>747,420</b>   | <b>749,747</b>   |

These financial statements replace the unaudited financial statements confirmed by the Section 151 Officer on 12 June 2020.

Owen Sparks  
Assistant Director - Resources (Section 151 Officer)  
23 November 2020

# Cash Flow Statement

| 2018/19         |                 |   | 2019/20         |                 |
|-----------------|-----------------|---|-----------------|-----------------|
| Council<br>£000 | Group<br>£000   |   | Council<br>£000 | Group<br>£000   |
| <b>28,540</b>   | <b>28,602</b>   | <b>Net (surplus) or deficit on the provision of services</b>  | <b>31,179</b>   | <b>31,000</b>   |
| (20,642)        | (20,642)        | Depreciation  | (21,337)        | (21,337)        |
| (21,454)        | (20,876)        | Impairment and downward valuations  | (26,418)        | (26,170)        |
| (114)           | (114)           | Amortisation  | (114)           | (114)           |
| (738)           | (746)           | Movement in impairment provision for bad debts  | (579)           | (575)           |
| (2,593)         | (2,661)         | Movement in creditors   | (2,251)         | (2,354)         |
| (3)             | (1,934)         | Movement in debtors   | 3,714           | 2,965           |
| (5)             | (5)             | Movement in inventories   | 19              | 19              |
| (9,383)         | (9,383)         | Movement in pension liability   | (6,997)         | (6,997)         |
| (17,210)        | (12,582)        | Carrying amount of non-current assets sold  | (2,501)         | (3,287)         |
| (69)            | (69)            | Disposal costs of non-current assets sold   | (36)            | (36)            |
| (457)           | (457)           | Movement in provisions  | (790)           | (979)           |
| (2,240)         | (2,240)         | Movement in the value of investment properties  | (2,683)         | (2,683)         |
| (74,908)        | (71,709)        | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | (59,973)        | (61,548)        |
| 7,442           | 7,602           | Proceeds from the sale of property, plant and equipment   | 3,382           | 5,156           |
| 6,013           | 7,101           | Grants received for the financing of capital expenditure <b>22</b>  | 5,969           | 6,851           |
| 13,455          | 14,703          | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 9,351           | 12,007          |
| <b>(32,913)</b> | <b>(28,404)</b> | <b>Net cash flows from Operating Activities</b> <b>42</b>   | <b>(19,443)</b> | <b>(18,541)</b> |
| <b>46,380</b>   | <b>41,871</b>   | <b>Net cash flows from Investing Activities</b> <b>43</b>   | <b>14,329</b>   | <b>13,125</b>   |
| <b>(23,060)</b> | <b>(23,060)</b> | <b>Net cash flows from Financing Activities</b> <b>44</b>   | <b>5,173</b>    | <b>5,173</b>    |
| <b>(9,593)</b>  | <b>(9,593)</b>  | <b>Net (increase) or decrease in cash and cash equivalents</b>  | <b>59</b>       | <b>(243)</b>    |
| <b>11,741</b>   | <b>11,751</b>   | <b>Cash and cash equivalents at the beginning of the reporting period</b>   | <b>21,334</b>   | <b>21,344</b>   |
| <b>21,334</b>   | <b>21,344</b>   | <b>Cash and cash equivalents at the end of the reporting period</b> <b>41</b>   | <b>21,275</b>   | <b>21,587</b>   |

# Notes to the Core Statements

## General Notes

### 1 DATE ACCOUNTS AUTHORISED

These accounts were authorised for issue by the Section 151 Officer on 12 June 2020.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

For 2019/20 these proper accounting practices principally comprise :

- the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code)
- Update to the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (Code Update)
- the Service Reporting Code of Practice 2019/20 (SeRCoP)
- the Capital Finance and Accounting (England) Regulations 2003 as amended (2003 Regulations)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets:

| Asset Class   | Valuation Basis  |
|---|--|
| Property, Plant and Equipment: Dwellings                | Current value, comprising existing use value for social housing<br>Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.   |
| Property, Plant and Equipment: Other Land and Buildings | Current value, comprising existing use value<br>Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists, or the property is specialised, current value is measured at depreciated replacement cost. |
| Property, Plant and Equipment: Surplus Assets           | Fair value   |
| Investment properties                                   | Fair value   |
| Pensions Assets   | Fair value   |

The Code requires local authorities with interests in subsidiaries to prepare group accounts. These accounts comprise the consolidated financial statements of the Council and its subsidiary Sempra Homes Limited. In the Council's single-entirety accounts the interests in the company are recorded at cost, less any provision for losses. Consolidation has been performed on a line-by-line basis combining similar items, and any intra-group balances and transactions have been eliminated. The notes to the financial statements have been prepared for the single entity, where there are material differences to the single entity accounts separate disclosures are shown for the group position.

Detailed Accounting Policies for these and all other areas can be found on page 80.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

#### Leases

Critical judgement has been applied to the assessment of leases to determine whether they are finance or operating leases. Accounting Standard IAS 17 (Leases) describes five primary and three secondary tests of the lease's characteristics, with the over-riding consideration that ownership rests with the party bearing substantially all of the risks and rewards of the underlying asset. The standard acknowledges that it is possible for the eight tests to return differing opinions on whether the lease falls to be classified as a finance lease, and advises that accountants must use their professional judgement to assess the substance of the lease. Leases have therefore been judged in the light of their terms and the effect on the Council's ultimate ownership of the assets involved. See Note 29 for details of the Council's leasing arrangements.

#### Grants and contributions

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are deemed as restrictions or conditions and whether any conditions have been met, see Accounting Policy 10. If conditions are met then the income must be shown in the Comprehensive Income and Expenditure Statement. Treatment is the same if there are no conditions or just restrictions. However if there are conditions and they have not been met they must be shown in the Balance Sheet under Creditors. Details of grants recognised during the year can be found in Note 22.

# Notes to the Core Statements

## General Notes

### Investment Properties

The Council is required to judge whether or not it is holding property on an investment basis. The Code requires that, for an investment to be present, the property should only be held: a) for capital appreciation or b) to produce rental income, and for no other reason e.g. other operational reasons. See Note 35 for details of the Council's investment properties.

### Accruals, provisions and contingent liabilities

In terms of deciding if an item of expenditure should be classified as an accrual, a provision, or a contingent liability a judgement has to be made around whether the expenditure is virtually certain to be incurred or probably to be incurred, coupled with an assessment as to whether there is a present obligation from a past event or only a possible obligation from a past event. See Notes 27 and 28 for more information.

## 4 ASSUMPTIONS MADE ABOUT THE FUTURE & 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 certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's balance sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are identified below.

The outbreak of the novel coronavirus (COVID-19), first detected in Wuhan in China in December 2019, has had a substantial effect on the world, its economy, the UK and the local area. As a result of the pandemic, on 23 March 2020 the UK government imposed a lockdown on the whole population, banning all "non-essential" travel and contact with people outside the home, and shutting almost all businesses, venues, facilities and places of worship.

It is clear that the pandemic and the ensuing economic damage which will need to be repaired is likely to have an impact on the Council, its assets and its future operations, but it is too early to ascertain with any certainty what the likely adverse impact will be.

### Non current assets

The Royal Institute of Chartered Surveyors has urged caution with its members in respect of property valuations undertaken in light of the global coronavirus pandemic and the possible consequences on the reliance that can be placed on valuations carried out for the 2019/20 accounts. Where RICS regulated members conclude there is material uncertainty, they have recommended the following phrasing be used:

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

*Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review.*

In terms of these accounts, the Council places reliance on the professional valuers in providing accurate valuations for properties defined as Council Dwellings, Other Land and Buildings and Investment Properties. While there is always a degree of judgement and estimation involved in these valuations, it is clear from the above that for 2019/20, this is greater than under normal circumstances. Users of the accounts should therefore take this into account when reaching any conclusions in respect of the Council's finances in these particular areas.

Assets are depreciated over their useful lives and the length of this life is dependent on the level of repairs and maintenance to keep the asset in good order. The current economic climate has created some uncertainty as to the level of resources that might be available in the future to continue with the current repair and maintenance programme. However, for the 2019/20 asset valuations, it is assumed that current levels of expenditure will be maintained.

### Pension fund

Many assumptions about the future are made by the Pension Fund Actuary in calculating the relevant figures for the Fund as a whole and for the accounts of this Council. Note 40 sets out the main assumptions.

In respect of the Council's pension arrangements, the government continues to develop proposals to address the unlawful age discrimination identified by the Court of Appeal within the new Judicial Pension Scheme (the McCloud judgement). It is likely that this judgement will affect LGPS members' past or future service benefits and as such, has been included within the obligations figures included in these accounts.

# Notes to the Core Statements

## General Notes

On 15 July 2019, the government announced it would take steps to remove this discrimination retrospectively. Detailed proposals are expected to be published by the end of 2020.

The actuary acting for the Council's pension scheme has therefore assumed the following:

The remedy may be applied to all members who were active at 31 March 2012 until their retirement.

IAS19 requires the actuary to place a best estimate value on liabilities and costs. Given the current uncertainty about the range of potential remedies the best estimate would require some judgement. The amounts included therefore represent a reasonable estimate of the costs likely to be incurred by the Council based on the above assumptions, rather than, at this stage, a matter of fact.

The valuation of the assets within the pension fund were also subject to a stated 'material valuation uncertainty' as outlined in the previous section for non-current assets. To the extent that these valuations formed part of the overall valuation of the pension fund attributable to Basildon Borough Council, users of the accounts should take this into account as suggested previously.

### Leases

All leases are assessed under the requirements of International Financial Reporting Standards (IFRS). In order to represent the financial impact of lease arrangements, estimates are required in respect of the following;

- The level of rent charged or payable at the outset of the lease;
- The value of the underlying asset at the outset of the lease;
- The expected life of the asset at the outset of the lease.

See Note 29 for details of the Council's lease arrangements.

### Impairment allowance

There is a degree of estimation uncertainty in the setting of Impairment Allowances (for bad debts). Historical trends are usually the best technique available to predict the future, but it is important to take account of the economic climate and the potential impact of legislation on peoples' ability to pay their debts. In setting these for 2019/20 year end, an additional view has been taken about the economic impact that COVID-19 has had on both individuals and on business, including the likelihood of their ability to settle historic debts.

Impairment allowances can be found in Note 25.

### Business Rates appeals

The provision for losses in business rates income arising from appeals against assessed rateable values in the 2010 rating list is based on an assessment using local knowledge, the historical experience of appeals, information reported by the Valuation Office Agency and analysis of such data. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list. At this stage the levels of checks and challenges are insignificant and no appeals have yet been made against properties on the Council's list, over the full life of the list however, exposure to losses could be substantial. Given the lack of any robust information, the Council's methodology adopted for the 2017 list uses the Government's national assumption on losses through appeal of 4.4% of yield, which is not markedly different from the experience to date on the 2010 list of 4.34%. The result is then adjusted for local factors that the Council is aware of. Taking both lists together, the overall provision at March 2020 is £14.1 million (2019 £11.5 million). Of this provision Basildon's share is £5.6 million (2018 £4.6 million). Should the appeals actually settled vary by +/- 1% this would represent approximately a £1.5 million difference from the sum provided of which Basildon's share would be £0.6 million.

## **5 MATERIAL ITEMS OF INCOME AND EXPENDITURE**

There are some regular items of income and expenditure in Basildon's accounts which are material due to their potential impact on the Council if there are significant fluctuations. These include figures for sums collected through Council Tax and Business rates - £49.2 million for Basildon Borough Council's proportion (£190.3 million across all preceptors). Housing Benefits involve paying out sums in the region of £43.5 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £9.9 million.

# Notes to the Core Statements

## General Notes

### 6 EVENTS AFTER THE REPORTING PERIOD

Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue.

The following event largely occurred after the balance sheet date of 31 March 2020. However, had it been before it is likely to have had a material impact on some of the balances within the accounts.

#### Impact of the Covid-19 pandemic

As a result of the Covid-19 pandemic on 23 March the government imposed a lockdown on the whole population, banning all “non-essential” travel and contact with people outside the home, and shutting almost all businesses, venues, facilities and places of worship; this lockdown was gradually eased during the summer. Additional restrictions were subsequently imposed on 5 November. The immediate financial impact of the pandemic has been both in terms of additional spending and lost income. To date, the estimated impact of the Covid-19 pandemic on the financial position of the Council is in the region of £7.1 million arising from a combination of additional costs incurred and income lost as a result of the pandemic; The table below summarises the forecast effect for 2020/21.

|                                       | <b>£'000</b> |
|---------------------------------------|--------------|
| Accommodation for homeless            | 400          |
| Support for leisure recovery          | 1,200        |
| Loss of income - Public Spaces        | 3,282        |
| Loss of income - Communities          | 357          |
| Loss of income - Resources            | 600          |
| Slippage of previous savings delivery | 125          |
| Other                                 | 1176         |
| <b>Total</b>                          | <b>7,140</b> |

However, it is likely that the impact of the pandemic will continue to affect the council's financial position for many months to come and it is being monitored on an ongoing basis.

To offset this, the government has provided a total of just in excess of £3 million in grants. In addition a compensation scheme for lost sales, fees and charges income has been put in place that could compensate the council for up to £1 million in lost income. The remaining balance will be funded through the use of contingencies and from reserves.

The net effect of Covid-19 on the Council's resources, based on the best information to date, is therefore £3.1 million. At present, this shortfall in resources can be adequately met from reserves should no further Government support be made available.

Other areas of the accounts where the impact of Covid-19 has been considered are:

Valuation of Property, Plant and Equipment, Investment Properties and Assets Held for Sale – these valuations are subject to material uncertainty statements as described in Note 4.

Valuation of Pension Fund assets – these valuations are subject to material uncertainty statements as described in Note 4.

Impairment Allowances – in respect of sums due to the Council these include an amount to reflect current economic conditions resulting from measures put in place to combat the virus. The amounts are included within the figures disclosed in Note 25.

Construction Activity – although all construction was paused at the end of March at the advice of Government, this activity has now all recommenced and any delay has not had a material impact on either the accounts of the Council, or those of the Council's subsidiary companies which are included, where relevant, in the Group accounts.

All other impacts are deemed to be not material for these accounts.

#### Investment in Subsidiaries

Ordinary shares to the value of £3.498m, at par value £1 each, in Sempra Homes Limited, were purchased by the Council on 28 April 2020.

These events, where not included, are deemed to be non-adjusting events for the purposes of the accounts for the year ending 31 March 2020.

# Notes to the Core Statements

## General Notes

### 7 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. The new standards that would require additional disclosures in the 2019/20 financial statements are as follows:

- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS 19 Employee Benefits

It is not anticipated that these changes will be relevant to the Council.

*IFRS 16 Leases* was issued to come into effect on 1 January 2019. Following the consultation on this standard CIPFA have deferred its adoption into the 2021/22 edition of the Accounting Code.

### 8 RESERVES

A brief description of the nature and purpose of Reserves is provided below:

| <b>Usable Reserves</b>                   | <b>Reserves that can be used to meet future expenditure.</b>   |
|--|--|
| General Fund Balance                     | The accumulated surplus of income over expenditure. Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax and Business Rates income levels. |
| GF Earmarked Reserves                    | Part of the General Fund Balance earmarked for particular spending plans and contingencies.  |
| Housing Revenue Account                  | The accumulated surplus of income over expenditure. Its strategic use is to safeguard against budget risk and adverse impact on Council rent levels.                                 |
| HRA Earmarked Reserves                   | Part of the Housing Revenue Account earmarked for particular spending plans and contingencies.   |
| Major Repairs Reserve                    | A resource set aside to finance capital expenditure on dwellings and other property in the HRA.  |
| Capital Receipts Reserve                 | Proceeds of non-current asset sales available to finance capital expenditure or repay debt.  |
| Capital Grants Unapplied                 | Grants received for specific purposes which remain unspent at the end of the year.   |
| <b>Unusable Reserves</b>                 | <b>Reserves that exist for technical accounting purposes that cannot be used for any other purpose.</b>  |
| Revaluation Reserve                      | Gains on revaluation of non-current assets accumulated since 1 April 2007 not yet realised.  |
| Capital Adjustment Account               | Capital resources applied to meet past capital expenditure.  |
| Deferred Capital Receipts                | Proceeds from the sale of non-current assets not yet received.   |
| Pensions Reserve                         | Timing differences arising from accounting arrangements in accordance with statutory provisions.   |
| Collection Fund Adjustment Account       | Difference between the Council's share of actual council tax and business rates income for the year and the statutory amount that can be released to the General Fund.               |
| Other unusable reserves comprising:      |  |
| Financial Instruments Adjustment Account | Unamortised premiums and discounts arising from premature redemption of debt.  |
| Unpaid Absences Account                  | Value of officers remuneration for annual leave accrual not yet borne by the General Fund or HRA balance under statutory regulations.  |



# Notes to the Core Statements

## General Notes

### 9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The resources available to the Council in any financial year, and the expenses that are charged against those resources, are specified by statute. Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement (CIES), adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the end of the accounting period. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The adjustments are:

#### **Property, Plant and Equipment**

Depreciation and revaluation/impairment losses (that are not reversals of previous revaluation gains) are charged to the CIES under accounting rules, but are reversed through the Capital Adjustment Account and replaced by Revenue Provision to cover costs as determined in accordance with the 2003 Regulations. In the HRA depreciation and impairments are proper charges to revenue. However, it is permitted to reverse these charges to the Capital Adjustment Account via the Movement in Reserves Statement.

#### **Revenue Expenditure funded from Capital under Statute**

Expenditure incurred in the year charged to the CIES under accounting rules is reversed through the Capital Adjustment Account and replaced by Revenue Provision to cover historical cost determined in accordance with the 2003 Regulations.

#### **Capital Grants, Contributions and Donated Assets**

Unconditional Capital Grants received in the year, or grants that became unconditional in the current year, are recognised as income in the CIES under accounting rules. Where these grants have been applied to Capital Financing in the year they are reversed through the Capital Adjustment Account, where they are yet to be applied to capital expenditure in the year they are reversed to the Capital Grants Unapplied Reserve. Donated Assets with no conditions attached, or where any conditions have been met, are recognised as income in the CIES under accounting rules, and are reversed through the Capital Adjustment Account in accordance with the 2003 Regulations.

#### **Disposal of Non Current Assets**

Gains or losses based on sale proceeds less the carrying amount of the asset (net of disposal costs) are charged to other operating expenditure in the CIES under accounting rules, but are reversed to the Capital Adjustment Account (carrying amount) and the Capital Receipts Reserve (sale proceeds less disposal costs) in accordance with statutory requirements. Where sale proceeds are yet to be received the reversal is made to the Deferred Capital Receipts Reserve. When cash proceeds are eventually realised an adjustment is then made between the Deferred Capital Receipts Reserve to the Useable Capital Receipts Reserve where they will be available for application to capital expenditure.

#### **Premiums and Discounts**

Premiums payable and discounts receivable on the early repayment of borrowing in the current year are charged to the CIES under accounting rules. The 2003 regulations require this charge to reflect deferred debits and credits of premiums and discounts from earlier years. An adjustment is therefore made through the Financial Instruments Adjustment Account.

#### **Pensions costs**

Movements in the pension scheme assets and liabilities are charged to the CIES under accounting rules, but are reversed through the Pensions Reserve and replaced by Employers' contributions payable and direct payments made by the Council to pensioners in the current year under statutory requirements.

#### **Council Tax and Business Rates**

Accrued income billed in the current year is charged to the CIES under accounting rules, statutory regulations require this charge to reflect the demand on the Collection Fund (precept) for the current year plus the recovery of the estimated share of the surplus/deficit pertaining to the prior year. An adjustment is therefore made through the Collection Fund Adjustment Account.

#### **Unpaid Absences**

The projected cost of untaken holiday leave entitlement at the end of the year is charged to services in the CIES under accounting rules. This charge is reversed through the Unpaid Absences Adjustment Account in accordance with statutory requirements.

# Notes to the Core Statements

## General Notes

### 9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

|  | Note      | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Earmarked Capital Reserves | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Other Unusable Reserves | Total Unusable Reserves |
|--|-----------|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|----------------------------|-----------------------|---------------------|----------------------------|-------------------------|-------------------------|
|  |           | £'000                | £'000                   | £'000                 | £'000                    | £'000                    | £'000                      | £'000                 | £'000               | £'000                      | £'000                   | £'000                   |
| Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)                                      | 34        | 9,992                | 20,164                  | 16,468                | -                        | -                        | -                          | 46,624                | (8,204)             | (38,420)                   | -                       | (46,624)                |
| Amortisation of intangible assets  | 37        | -                    | -                       | 114                   | -                        | -                        | -                          | 114                   | -                   | (114)                      | -                       | (114)                   |
| Impairment of investment in subsidiaries   | 37        | 1,131                | -                       | -                     | -                        | -                        | -                          | 1,131                 | -                   | (1,131)                    | -                       | (1,131)                 |
| Movements in the fair value of investment properties   | 35        | 2,683                | -                       | -                     | -                        | -                        | -                          | 2,683                 | -                   | (2,683)                    | -                       | (2,683)                 |
| Revenue expenditure funded from capital under statute  | 39        | 2,219                | -                       | -                     | -                        | -                        | -                          | 2,219                 | -                   | (2,219)                    | -                       | (2,219)                 |
| Net gain/loss on sale of non-current assets  |           | (44)                 | (1,243)                 | -                     | 3,397                    | -                        | -                          | 2,110                 | -                   | (2,501)                    | 391                     | (2,110)                 |
| Costs of disposal funded from capital receipts   |           | -                    | 36                      | -                     | (36)                     | -                        | -                          | -                     | -                   | -                          | -                       | -                       |
| Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)                |           | 3,049                | -                       | -                     | (3,049)                  | -                        | -                          | -                     | -                   | -                          | -                       | -                       |
| Capital grants, contributions and income in relation to donated assets credited to the CIES                                  |           | (5,426)              | (543)                   | -                     | -                        | 2,153                    | -                          | (3,816)               | -                   | 3,816                      | -                       | 3,816                   |
| Statutory provision for the repayment of debt  | 39        | (1,650)              | (40)                    | -                     | -                        | -                        | -                          | (1,690)               | -                   | 1,690                      | -                       | 1,690                   |
| Capital expenditure charged against the General Fund and HRA Balances  | 39        | (1,101)              | (2,789)                 | -                     | 957                      | -                        | (653)                      | (3,586)               | -                   | 3,586                      | -                       | 3,586                   |
| <b>Capital adjustments</b>   |           | <b>10,853</b>        | <b>15,585</b>           | <b>16,582</b>         | <b>1,269</b>             | <b>2,153</b>             | <b>(653)</b>               | <b>45,789</b>         | <b>(8,204)</b>      | <b>(37,976)</b>            | <b>391</b>              | <b>(45,789)</b>         |
| Use of the Capital Receipts Reserve to finance capital expenditure   | 39        | -                    | -                       | -                     | (3,670)                  | -                        | -                          | (3,670)               | -                   | 3,670                      | -                       | 3,670                   |
| Use of the Major Repairs Reserve to finance capital expenditure  | 39        | -                    | -                       | (18,235)              | -                        | -                        | -                          | (18,235)              | -                   | 18,235                     | -                       | 18,235                  |
| <b>Financing adjustments</b>   |           | <b>-</b>             | <b>-</b>                | <b>(18,235)</b>       | <b>(3,670)</b>           | <b>-</b>                 | <b>-</b>                   | <b>(21,905)</b>       | <b>-</b>            | <b>21,905</b>              | <b>-</b>                | <b>21,905</b>           |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services |           | 9,097                | 2,164                   | -                     | -                        | -                        | -                          | 11,261                | -                   | -                          | (11,261)                | (11,261)                |
| Employer's contributions to Essex County Council Pension Scheme  |           | (3,445)              | (819)                   | -                     | -                        | -                        | -                          | (4,264)               | -                   | -                          | 4,264                   | 4,264                   |
| <b>Pensions costs (transferred to the Pensions Reserve)</b>  | <b>40</b> | <b>5,652</b>         | <b>1,345</b>            | <b>-</b>              | <b>-</b>                 | <b>-</b>                 | <b>-</b>                   | <b>6,997</b>          | <b>-</b>            | <b>-</b>                   | <b>(6,997)</b>          | <b>(6,997)</b>          |
| Unpaid Absences (transferred to the Accumulated Absences Reserve)  |           | 14                   | 6                       | -                     | -                        | -                        | -                          | 20                    | -                   | -                          | (20)                    | (20)                    |
| Finance costs (transferred to the Financial Instruments Adjustments Account)   |           | (26)                 | -                       | -                     | -                        | -                        | -                          | (26)                  | -                   | -                          | 26                      | 26                      |
| Council tax and business rate income (transferred to the Collection Fund Adjustment Account)                                 |           | 874                  | -                       | -                     | -                        | -                        | -                          | 874                   | -                   | -                          | (874)                   | (874)                   |
| <b>Other adjustments</b>   |           | <b>862</b>           | <b>6</b>                | <b>-</b>              | <b>-</b>                 | <b>-</b>                 | <b>-</b>                   | <b>868</b>            | <b>-</b>            | <b>-</b>                   | <b>(868)</b>            | <b>(868)</b>            |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>  |           | <b>17,367</b>        | <b>16,936</b>           | <b>(1,653)</b>        | <b>(2,401)</b>           | <b>2,153</b>             | <b>(653)</b>               | <b>31,749</b>         | <b>(8,204)</b>      | <b>(16,071)</b>            | <b>(7,474)</b>          | <b>(31,749)</b>         |

## Notes to the Core Statements

### General Notes

#### 9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

|  | Note      | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Earmarked Capital Reserves | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Other Unusable Reserves | Total Unusable Reserves |
|--|-----------|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|----------------------------|-----------------------|---------------------|----------------------------|-------------------------|-------------------------|
|  |           | £'000                | £'000                   | £'000                 | £'000                    | £'000                    | £'000                      | £'000                 | £'000               | £'000                      | £'000                   | £'000                   |
| Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)                                      | 34        | 4,431                | 21,310                  | 16,355                | -                        | -                        | -                          | 42,096                | (7,522)             | (34,574)                   | -                       | (42,096)                |
| Amortisation of intangible assets  |           | -                    | -                       | 114                   | -                        | -                        | -                          | 114                   | -                   | (114)                      | -                       | (114)                   |
| Movements in the fair value of investment properties   | -         | 2,240                | -                       | -                     | -                        | -                        | -                          | 2,240                 | -                   | (2,240)                    | -                       | (2,240)                 |
| Revenue expenditure funded from capital under statute  | 39        | 1,189                | -                       | -                     | -                        | -                        | -                          | 1,189                 | -                   | (1,189)                    | -                       | (1,189)                 |
| Net gain/loss on sale of non-current assets  |           | 6,216                | (2,858)                 | -                     | 8,898                    | -                        | -                          | 12,256                | -                   | (17,210)                   | 4,954                   | (12,256)                |
| Costs of disposal funded from capital receipts   |           | -                    | 69                      | -                     | (69)                     | -                        | -                          | -                     | -                   | -                          | -                       | -                       |
| Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)                |           | 2,870                | -                       | -                     | (2,870)                  | -                        | -                          | -                     | -                   | -                          | -                       | -                       |
| Capital grants, contributions and income in relation to donated assets credited to the CIES                                  |           | (5,962)              | (51)                    | -                     | -                        | 1,011                    | (200)                      | (5,202)               | -                   | 5,202                      | -                       | 5,202                   |
| Statutory provision for the repayment of debt  | 39        | (1,267)              | (91)                    | -                     | -                        | -                        | -                          | (1,358)               | -                   | 1,358                      | -                       | 1,358                   |
| Capital expenditure charged against the General Fund and HRA Balances  | 39        | (2,482)              | -                       | -                     | -                        | -                        | 293                        | (2,189)               | -                   | 2,189                      | -                       | 2,189                   |
| <b>Capital adjustments</b>   |           | <b>7,235</b>         | <b>18,379</b>           | <b>16,469</b>         | <b>5,959</b>             | <b>1,011</b>             | <b>93</b>                  | <b>49,146</b>         | <b>(7,522)</b>      | <b>(46,578)</b>            | <b>4,954</b>            | <b>(49,146)</b>         |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 39        | -                    | -                       | -                     | (11,692)                 | -                        | -                          | (11,692)              | -                   | 11,692                     | -                       | 11,692                  |
| Use of the Major Repairs Reserve to finance capital expenditure  | 39        | -                    | -                       | (21,358)              | -                        | -                        | -                          | (21,358)              | -                   | 21,358                     | -                       | 21,358                  |
| <b>Financing adjustments</b>   |           | <b>-</b>             | <b>-</b>                | <b>(21,358)</b>       | <b>(11,692)</b>          | <b>-</b>                 | <b>-</b>                   | <b>(33,050)</b>       | <b>-</b>            | <b>33,050</b>              | <b>-</b>                | <b>33,050</b>           |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services |           | 11,024               | 2,515                   | -                     | -                        | -                        | -                          | 13,539                | -                   | -                          | (13,539)                | (13,539)                |
| Employer's contributions to Essex County Council Pension Scheme  |           | (3,384)              | (772)                   | -                     | -                        | -                        | -                          | (4,156)               | -                   | -                          | 4,156                   | 4,156                   |
| <b>Pensions costs (transferred to the Pensions Reserve)</b>  | <b>40</b> | <b>7,640</b>         | <b>1,743</b>            | <b>-</b>              | <b>-</b>                 | <b>-</b>                 | <b>-</b>                   | <b>9,383</b>          | <b>-</b>            | <b>-</b>                   | <b>(9,383)</b>          | <b>(9,383)</b>          |
| Unpaid Absences (transferred to the Accumulated Absences Reserve)  |           | (26)                 | (5)                     | -                     | -                        | -                        | -                          | (31)                  | -                   | -                          | 31                      | 31                      |
| Finance costs (transferred to the Financial Instruments Adjustments Account)   |           | (27)                 | -                       | -                     | -                        | -                        | -                          | (27)                  | -                   | -                          | 27                      | 27                      |
| Council tax and business rate income (transferred to the Collection Fund Adjustment Account)                                 |           | 4,797                | -                       | -                     | -                        | -                        | -                          | 4,797                 | -                   | -                          | (4,797)                 | (4,797)                 |
| <b>Other adjustments</b>   |           | <b>4,744</b>         | <b>(5)</b>              | <b>-</b>              | <b>-</b>                 | <b>-</b>                 | <b>-</b>                   | <b>4,739</b>          | <b>-</b>            | <b>-</b>                   | <b>(4,739)</b>          | <b>(4,739)</b>          |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>  |           | <b>19,619</b>        | <b>20,117</b>           | <b>(4,889)</b>        | <b>(5,733)</b>           | <b>1,011</b>             | <b>93</b>                  | <b>30,218</b>         | <b>(7,522)</b>      | <b>(13,528)</b>            | <b>(9,168)</b>          | <b>(30,218)</b>         |

# Notes to the Core Statements

## General Notes

### 10 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments to/from General Fund and HRA to arrive at the CIES amounts:

|   | 2019/20                          |                                     |  |                   |                 |
|---|----------------------------------|-------------------------------------|--|-------------------|-----------------|
|   | Adjustments for Capital purposes | Net change for Pensions adjustments | Allocation of Other income and expenditure | Other adjustments | Net Adjustments |
|   | £000                             | £000                                | £000                                       | £000              | £000            |
| Corporate and Central   | 5,914                            | 734                                 | (1,167)                                    | (13)              | 5,468           |
| Community   | 2,292                            | 141                                 | -  | -                 | 2,433           |
| Development and Regulation  | (1,296)                          | 787                                 | 3,690                                      | -                 | 3,181           |
| Regeneration and Partnerships                                       | 3,744                            | 205                                 | -  | -                 | 3,949           |
| Environment   | (207)                            | 1,163                               | -  | -                 | 956             |
| Housing   | 2,204                            | 297                                 | -  | -                 | 2,501           |
| Leisure and Open Spaces   | (512)                            | 350                                 | -  | -                 | (162)           |
| <b>General Fund</b>   | <b>12,139</b>                    | <b>3,677</b>                        | <b>2,523</b>                               | <b>(13)</b>       | <b>18,326</b>   |
| Housing Revenue Account   | 17,335                           | 875                                 | (8,432)                                    | 6                 | 9,784           |
| <b>Cost of Services</b>   | <b>29,474</b>                    | <b>4,552</b>                        | <b>(5,909)</b>                             | <b>(7)</b>        | <b>28,110</b>   |
| Other income and expenditure  | (3,036)                          | 2,445                               | 5,909                                      | 875               | 6,193           |
| <b>Adjustments to (Surplus) or Deficit on Provision of Services</b> | <b>26,438</b>                    | <b>6,997</b>                        | <b>-</b>                                   | <b>868</b>        | <b>34,303</b>   |
| Adjustments to General Fund balances                                | 10,853                           | 5,652                               | -  | 862               | 17,367          |
| Adjustments to Housing Revenue Account balances                     | 15,585                           | 1,345                               | -  | 6                 | 16,936          |
|   | <b>26,438</b>                    | <b>6,997</b>                        | <b>-</b>                                   | <b>868</b>        | <b>34,303</b>   |

|   | 2018/19                          |                                     |  |                   |                 |
|---|----------------------------------|-------------------------------------|--|-------------------|-----------------|
|   | Adjustments for Capital purposes | Net change for Pensions adjustments | Allocation of Other income and expenditure | Other adjustments | Net Adjustments |
|   | £000                             | £000                                | £000                                       | £000              | £000            |
| Corporate and Central   | 3,917                            | 2,478                               | (2,035)                                    | (55)              | 4,305           |
| Community   | (1)                              | 140                                 | -  | -                 | 139             |
| Development and Regulation  | 373                              | 801                                 | 2,123                                      | 1                 | 3,298           |
| Regeneration and Partnerships                                       | (1,376)                          | 262                                 | -  | -                 | (1,114)         |
| Environment   | (276)                            | 1,121                               | -  | -                 | 845             |
| Housing   | 1,144                            | 253                                 | -  | -                 | 1,397           |
| Leisure and Open Spaces   | (1,177)                          | 334                                 | -  | -                 | (843)           |
| <b>General Fund</b>   | <b>2,604</b>                     | <b>5,389</b>                        | <b>88</b>                                  | <b>(54)</b>       | <b>8,027</b>    |
| Housing Revenue Account   | 21,219                           | 1,229                               | (9,248)                                    | 1,102             | 14,302          |
| <b>Cost of Services</b>   | <b>23,823</b>                    | <b>6,618</b>                        | <b>(9,160)</b>                             | <b>1,048</b>      | <b>22,329</b>   |
| Other income and expenditure  | 1,791                            | 2,766                               | 9,160                                      | 3,690             | 17,407          |
| <b>Adjustments to (Surplus) or Deficit on Provision of Services</b> | <b>25,614</b>                    | <b>9,384</b>                        | <b>-</b>                                   | <b>4,738</b>      | <b>39,736</b>   |
| Adjustments to General Fund balances                                | 7,238                            | 7,640                               | -  | 4,744             | 19,622          |
| Adjustments to Housing Revenue Account balances                     | 18,379                           | 1,743                               | -  | (5)               | 20,117          |
|   | <b>25,617</b>                    | <b>9,383</b>                        | <b>-</b>                                   | <b>4,739</b>      | <b>39,739</b>   |

#### Adjustments for Capital purposes:

- Depreciation, impairments and revaluation gains and losses are added in the service lines;
- Statutory charges for capital financing are deducted from service lines ie Minimum Revenue Provision and other revenue contributions;
- Net gains or losses on disposal of non-current assets are added to other operating expenditure;
- Capital Grants applied to capital expenditure are added to taxation and non-specific grant income.

# Notes to the Core Statements

## General Notes

### Net change for Pensions adjustments:

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19;
- Net interest on the defined benefit liability is charged to financing and investment income and expenditure.

### Allocation of other income and expenditure:

- Interest payable and receivable reported under Corporate and Central moved to financing and investment income and
- Trading operations reported under Development and Regulation moved to financing and investment income and expenditure;
- Disposals not linked to an asset are charged to the service line.

### Other adjustments:

- Timing differences for Council tax and Business rate income charged to taxation and non-specific grant income;
- Timing differences for premiums and discounts reported under Corporate and Central;
- Charge to service lines for Unpaid Absences.

The adjustments cover those set out in Note 9 and reclassifications of transactions that are managed by a particular service but are required to be reported corporately as Other Income and Expenditure in the CIES.

## 11 EXPENDITURE AND INCOME ANALYSED BY NATURE

| Expenditure  | Council          |                  | Group            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| Employee expenses                                      | 42,121           | 42,474           | 42,121           | 42,474           |
| Housing benefit  | 43,554           | 49,986           | 43,554           | 49,986           |
| Other operating expenses                               | 18,904           | 15,587           | 19,462           | 15,597           |
| Support service recharges                              | 20,036           | 19,992           | 20,036           | 19,992           |
| Business rates tariff                                  | 25,258           | 24,692           | 25,258           | 24,692           |
| Contribution to business rates pool                    | 487              | 486              | 487              | 486              |
| Depreciation, amortisation & impairment                | 46,738           | 42,210           | 46,490           | 41,631           |
| Impairment of investment in subsidiary                 | 1,131            | -                | 1,131            | -                |
| Change in the fair value of investment properties      | 2,683            | 2,240            | 2,683            | 2,240            |
| Interest payments - debt                               | 10,078           | 9,960            | 10,080           | 9,960            |
| Interest payments - pensions                           | 2,445            | 2,766            | 2,445            | 2,766            |
| Parish precepts  | 462              | 421              | 462              | 421              |
| Loss on disposal of non-current assets                 | -                | 4,883            | -                | 5,049            |
| Payments to Housing Capital Receipts Pool              | 3,049            | 2,870            | 3,049            | 2,870            |
| <b>Total expenditure</b>                               | <b>216,946</b>   | <b>218,567</b>   | <b>217,258</b>   | <b>218,164</b>   |
| <b>Income</b>  |                  |                  |                  |                  |
| Fees, charges & other service income                   | (72,517)         | (73,719)         | (72,056)         | (73,435)         |
| Gain on disposal of non-current assets                 | (1,236)          | -                | (1,833)          | -                |
| Interest & investment income                           | (1,175)          | (712)            | (503)            | (519)            |
| Income from council tax                                | (17,285)         | (16,736)         | (17,285)         | (16,736)         |
| Income from business rates                             | (30,989)         | (31,013)         | (30,989)         | (31,013)         |
| Grants & contributions                                 | (62,565)         | (67,847)         | (63,447)         | (67,837)         |
| <b>Total income</b>                                    | <b>(185,767)</b> | <b>(190,027)</b> | <b>(186,113)</b> | <b>(189,540)</b> |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>31,179</b>    | <b>28,540</b>    | <b>31,145</b>    | <b>28,624</b>    |

### 11a REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

|   | Council          |                  | Group            |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| General Fund  | 19,015           | 21,308           | 18,554           | 21,024           |
| Housing Revenue Account                               | 53,502           | 52,411           | 53,502           | 52,411           |
| <b>Revenue from contracts with service recipients</b> | <b>72,517</b>    | <b>73,719</b>    | <b>72,056</b>    | <b>73,435</b>    |
| Impairment of receivables                             | (457)            | (562)            | (465)            | (570)            |
| <b>Total</b>  | <b>72,060</b>    | <b>73,157</b>    | <b>71,591</b>    | <b>72,865</b>    |

# Notes to the Core Statements

## General Notes

Amounts included in the balance sheet for contracts with service recipients are shown in the debtors note (receivables) and creditors note (receipts in advance).

### 12 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in the year.

|                                  | 31 March<br>2018<br>£000 | Transfers<br>Out 2018/19<br>£000 | Transfers<br>In 2018/19<br>£000 | 31 March<br>2019<br>£000 | Transfers<br>Out 2019/20<br>£000 | Transfers<br>In 2019/20<br>£000 | 31 March<br>2020<br>£000 |
|----------------------------------|--------------------------|----------------------------------|---------------------------------|--------------------------|----------------------------------|---------------------------------|--------------------------|
| Pensions and Contingency Reserve | 3,545                    | -                                | 889                             | 4,434                    | -                                | 922                             | 5,356                    |
| Insurance Pool                   | 4,255                    | (100)                            | -                               | 4,155                    | (292)                            | -                               | 3,863                    |
| Development Equalisation         | -                        | -                                | 639                             | 639                      | (139)                            | -                               | 500                      |
| Sempra Equalisation              | 714                      | -                                | -                               | 714                      | (111)                            | -                               | 603                      |
| Commercial Equalisation          | 300                      | -                                | 500                             | 800                      | -                                | 200                             | 1,000                    |
| Regeneration Account             | -                        | -                                | -                               | -                        | -                                | 596                             | 596                      |
| IT Initiatives                   | 3,580                    | (1,223)                          | -                               | 2,357                    | -                                | 143                             | 2,500                    |
| Invest to Save                   | 1,695                    | (195)                            | -                               | 1,500                    | -                                | -                               | 1,500                    |
| Employment Rationalisation       | 1,242                    | (710)                            | -                               | 532                      | -                                | 468                             | 1,000                    |
| Treasury Management Reserve      | 500                      | -                                | -                               | 500                      | -                                | 500                             | 1,000                    |
| Asset Management Reserve         | 2,657                    | (1,506)                          | -                               | 1,151                    | -                                | 589                             | 1,740                    |
| Revenue Support                  | -                        | -                                | 490                             | 490                      | -                                | 430                             | 920                      |
| Business Rates Equalisation      | 4,213                    | -                                | 6,923                           | 11,136                   | -                                | 1,793                           | 12,929                   |
| <b>Total General Fund</b>        | <b>22,701</b>            | <b>(3,734)</b>                   | <b>9,441</b>                    | <b>28,408</b>            | <b>(542)</b>                     | <b>5,641</b>                    | <b>33,507</b>            |
| Asset Management Reserve         | 20,183                   | -                                | 3,710                           | 23,893                   | -                                | 522                             | 24,415                   |
| Treasury Management Reserve      | 600                      | -                                | -                               | 600                      | -                                | -                               | 600                      |
| <b>Total HRA</b>                 | <b>20,783</b>            | <b>-</b>                         | <b>3,710</b>                    | <b>24,493</b>            | <b>-</b>                         | <b>522</b>                      | <b>25,015</b>            |
| Regeneration Reserve             | 3,510                    | (344)                            | -                               | 3,166                    | (957)                            | 138                             | 2,347                    |
| Lifecycle Funds                  | 2,094                    | -                                | 437                             | 2,531                    | -                                | 166                             | 2,697                    |
| <b>Total Capital Reserves</b>    | <b>5,604</b>             | <b>(344)</b>                     | <b>437</b>                      | <b>5,697</b>             | <b>(957)</b>                     | <b>304</b>                      | <b>5,044</b>             |
| <b>Total</b>                     | <b>49,088</b>            | <b>(4,078)</b>                   | <b>13,588</b>                   | <b>58,598</b>            | <b>(1,499)</b>                   | <b>6,467</b>                    | <b>63,566</b>            |

### 13 EXTERNAL AUDIT COSTS

The Council's costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the external auditors BDO are set out below:

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| External audit services carried out under the Code of Audit Practice | 53               | 53               |
| Other services provided during the year                              | 26               | 16               |
| <b>Total External Audit Costs</b>                                    | <b>79</b>        | <b>69</b>        |

In addition to the above, the Council received £6,240 PSAA Distribution in relation to the closure of the Audit Commission during 2019/20. The Group incurred a further £17,900 (£11,500 2018/19) for the audit of the subsidiaries financial statements plus £1,750 (£1,000 2018/19) for taxation compliance services. The appointed auditor for this purpose was Rickard Luckin Limited.

# Notes to the Core Statements

## General Notes

### 14 OFFICERS' REMUNERATION <sup>1</sup>

|   |         | Salary,<br>Fees and<br>Allowances<br>£ | Performance<br>Related Pay<br>and other<br>one off<br>payments<br>£ | Expense<br>Allowance<br>£ | Benefits in<br>Kind<br>£ | Pension<br>Contribution<br>£ | Total<br>£       |
|---|---------|--|---|---------------------------|--------------------------|------------------------------|------------------|
| <b>Executive Team</b>                               |         |  |   |                           |                          |                              |                  |
| Scott Logan Chief Executive <sup>1</sup>            | 2019/20 | 180,102                                | 14,779  | 3,963                     | -                        | 31,138                       | 229,982          |
| Managing Director to 13 Jun 18 then Chief Executive | 2018/19 | 166,025                                | 21,831  | 3,963                     | -                        | 30,034                       | 221,853          |
| Corporate Director                                  | 2019/20 | 120,503                                | 10,848  | 3,435                     | 3,186                    | 16,567                       | 154,538          |
|   | 2018/19 | 138,508                                | 11,980  | 3,963                     | 3,299                    | 24,078                       | 181,828          |
| Service Director                                    | 2019/20 | 130,985                                | 9,888   | 3,963                     | 3,186                    | 22,540                       | 170,562          |
|   | 2018/19 | 127,619                                | 10,373  | 3,963                     | 3,299                    | 22,079                       | 167,332          |
| <b>Senior Leadership Team</b>                       |         |  |   |                           |                          |                              |                  |
| Assistant Director Growth                           | 2019/20 | 102,884                                | 4,981   | 2,400                     | 3,186                    | 17,258                       | 130,709          |
| Started 13 Aug 18                                   | 2018/19 | 62,638                                 | -   | 1,523                     | 1,146                    | 10,022                       | 75,329           |
| Assistant Director Public Spaces                    | 2019/20 | 100,709                                | 7,664   | 2,400                     | -                        | 17,340                       | 128,113          |
| Changed position 13 Apr 18                          | 2018/19 | 96,884                                 | 5,693   | 2,400                     | -                        | 16,393                       | 121,370          |
| Assistant Director Communities                      | 2019/20 | 100,709                                | 7,664   | 2,400                     | -                        | 17,340                       | 128,113          |
| Changed position 13 Apr 18                          | 2018/19 | 96,542                                 | 5,892   | 2,400                     | -                        | 16,390                       | 121,224          |
| Assistant Director Resources                        | 2019/20 | 100,709                                | 5,816   | 2,400                     | -                        | 17,044                       | 125,969          |
| Started 28 Jun 18                                   | 2018/19 | 73,152                                 | -   | 1,820                     | -                        | 11,704                       | 86,676           |
| Assistant Director Corporate Services               | 2019/20 | 100,411                                | 7,707   | 2,400                     | -                        | -                            | 110,518          |
| Changed position 13 Apr 18                          | 2018/19 | 96,038                                 | 6,507   | 2,400                     | -                        | -                            | 104,944          |
| Head of People & Change                             | 2019/20 | 96,333                                 | 6,721   | 2,400                     | -                        | 16,489                       | 121,943          |
| Started 1 May 18                                    | 2018/19 | 84,565                                 | -   | 2,200                     | -                        | 13,530                       | 100,295          |
| Head of Engagement                                  | 2019/20 | 89,785                                 | -   | 2,400                     | -                        | 14,366                       | 106,551          |
| Started 18 Feb 19                                   | 2018/19 | 10,217                                 | -   | 279                       | -                        | 1,635                        | 12,131           |
| <b>Total</b>  | 2019/20 | <b>1,123,130</b>                       | <b>76,070</b>   | <b>28,161</b>             | <b>9,557</b>             | <b>170,080</b>               | <b>1,406,998</b> |
| <b>Total</b>  | 2018/19 | <b>952,188</b>                         | <b>62,275</b>   | <b>24,910</b>             | <b>7,744</b>             | <b>145,865</b>               | <b>1,192,982</b> |

<sup>1</sup> In addition to the remuneration in the table above the Chief Executive received £20,667 for the year in respect of his duties as Returning Officer.

The number of other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is summarised below:

| Remuneration Band | Number of employees |           |
|-------------------|---------------------|-----------|
|                   | 2019/20             | 2018/19   |
| £50,000 - £55,000 | 11                  | 10        |
| £55,001 - £60,000 | 10                  | 12        |
| £60,001 - £65,000 | 3                   | 2         |
| £65,001 - £70,000 | 6                   | 3         |
| £70,001 - £75,000 | 5                   | 4         |
| £80,001 - £85,000 | 3                   | 2         |
| £85,001 - £90,000 | 2                   | 4         |
| £90,001 - £95,000 | -                   | 1         |
| <b>Total</b>      | <b>40</b>           | <b>38</b> |

# Notes to the Core Statements

## General Notes

### 15 TERMINATION BENEFITS (EXIT COSTS)

These figures include strain on the pension fund (curtailment costs) and payments to individuals - incurred with a view to securing future savings and efficiencies. These costs are charged to the relevant service line in the CIES. The table below does not include exit costs already disclosed in Note 14 Officers Remuneration.

| Exit costs banding<br>(including special payments) | No. of compulsory<br>redundancies | No. of other<br>departures agreed | Total<br>number of<br>exits | Total cost<br>of exits<br>£ |
|--|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Less than £20,000                                  | 2                                 | 8                                 | 10                          | 38,704                      |
| £20,001 - £40,000                                  | 1                                 | -                                 | 1                           | 33,861                      |
| £80,001 - £100,000                                 | -                                 | 1                                 | 1                           | 82,278                      |
| <b>Total 2019/20</b>                               | <b>3</b>                          | <b>9</b>                          | <b>12</b>                   | <b>154,843</b>              |
| Less than £20,000                                  | 1                                 | 12                                | 13                          | 60,341                      |
| £20,001 - £40,000                                  | 1                                 | 2                                 | 3                           | 69,199                      |
| £60,001 - £80,000                                  | 1                                 | 1                                 | 2                           | 142,614                     |
| £220,001 - £240,000                                | 1                                 | -                                 | 1                           | 236,718                     |
| <b>Total 2018/19</b>                               | <b>4</b>                          | <b>15</b>                         | <b>19</b>                   | <b>508,872</b>              |

Total cost of exits includes payments to individuals of £117,726 (£295,360 2018/19) and strain on pension fund costs of £37,117 (£213,512 2018/19) paid to the pension authority, Essex County Council.

### 16 COUNCILLORS' ALLOWANCES

The Councillors of Basildon Borough Council were paid the following allowances during the year. These costs are included within Corporate and Central in the CIES.

|              | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--------------|------------------|------------------|
| Allowances   | 394              | 414              |
| Expenses     | 1                | 1                |
| <b>Total</b> | <b>395</b>       | <b>415</b>       |

### 17 OTHER OPERATING INCOME AND EXPENDITURE

|  | Note | Council          |                  | Group            |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| Parish council precepts                                  |      | 462              | 421              | 462              | 421              |
| Payments to the Government Housing Capital Receipts Pool |      | 1,085            | 1,030            | 1,085            | 1,030            |
| Payments to the Government 1:1 Capital Receipts          |      | 1,964            | 1,840            | 1,964            | 1,840            |
| Impairment losses on assets held for sale                |      | (11)             | 51               | (11)             | 51               |
| (Gains)/losses on the disposal of non current assets     |      | (1,236)          | 4,883            | (1,833)          | 5,049            |
| <b>Total</b>   |      | <b>2,264</b>     | <b>8,225</b>     | <b>1,667</b>     | <b>8,391</b>     |

The loss on disposal for 2018/19 includes the cost of disposing of the new market site in St Martin's Square to Basildon Town Centre Management following redevelopment. The cost of constructing the market was met from external sources of financing as part of the partnership arrangements for the forthcoming development of the new college on the former market site.



# Notes to the Core Statements

## General Notes

### 18 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

|   | Note | Council          |                  | Group            |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| Interest payable and similar charges  |      | 10,078           | 9,960            | 10,080           | 9,960            |
| Net interest on the net defined benefit liability   | 40   | 2,445            | 2,766            | 2,445            | 2,766            |
| Interest receivable and similar income  |      | (1,175)          | (712)            | (503)            | (519)            |
| Impairment loss on investment in subsidiary   | 37   | 1,131            | -                | 1,131            | -                |
| Income and expenditure in relation to investment properties and changes in their fair value | 35   | 696              | 928              | 696              | 928              |
| Surplus or deficit on trading operations  | 21   | (3,689)          | (2,123)          | (3,718)          | (2,765)          |
| <b>Total</b>  |      | <b>9,486</b>     | <b>10,819</b>    | <b>10,131</b>    | <b>10,370</b>    |

### 19 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

|  | Note | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------|------------------|------------------|
| Council tax income                               |      | (17,285)         | (16,736)         |
| Business rates income and expenditure            | 20   | (5,244)          | (5,835)          |
| Non-specific government grants                   | 22   | (5,231)          | (5,237)          |
| Capital grants, contributions and donated assets | 22   | (5,969)          | (6,013)          |
| <b>Total</b>                                     |      | <b>(33,729)</b>  | <b>(33,821)</b>  |

Further capital grants of £0.882 million (£1.088 million 2018/19) were received by the group in relation to the Shared Ownership Affordable Homes Programme.

### 20 BUSINESS RATES INCOME AND EXPENDITURE

Under the Business Rates Retention Scheme (BRRS), the Council may retain an element of any Business Rates growth above its allotted Baseline Funding level. The Council is also protected under the scheme by Safety Net funding below which level its retained income cannot fall.

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b>                     |                  |                  |
| Business rates income   | (30,989)         | (31,013)         |
| Tariff  | 25,258           | 24,692           |
| Contribution to pool  | 487              | 486              |
| <b>Business Rates Income</b>  | <b>(5,244)</b>   | <b>(5,835)</b>   |
| Business rates compensation grants included in non-specific government grants | (2,763)          | (2,072)          |
| <b>Net Retained Income relating to Business Rates</b>                         | <b>(8,007)</b>   | <b>(7,907)</b>   |

The BRRS makes provision for local authorities to form pools. Pooling is entirely voluntary and the main advantage of doing so is in the netting off of tariff with top ups and the netting off of growth in some areas with decline in others. The Council joined the Essex Region Pool on 1 April 2018 following the disbandment of the four authority pool with Thurrock, Havering, and Barking and Dagenham which the Council had been part of since 1 April 2014. Under the arrangement the levy rate on the total growth earned by the pool is 0.6% compared with 50% for Basildon on its own.

# Notes to the Core Statements

## General Notes

### 21 TRADING OPERATIONS

The Council operates industrial units, shop premises and other miscellaneous properties within the borough, let on a commercial basis.

The following items of income and expense are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

|   | Council          |                  | Group            |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| Rental income   | (4,490)          | (4,645)          | (4,786)          | (4,873)          |
| Other income  | (18)             | (45)             | (28)             | (45)             |
| Direct operating expenses arising from trading operations | 1,055            | 1,207            | 1,410            | 1,325            |
|   | <b>(3,453)</b>   | <b>(3,483)</b>   | <b>(3,404)</b>   | <b>(3,593)</b>   |
| Development costs   | -                | -                | 170              | 47               |
| Depreciation, impairment and revaluation                  | (236)            | 1,360            | (484)            | 781              |
| <b>Net (surplus)/deficit</b>                              | <b>(3,689)</b>   | <b>(2,123)</b>   | <b>(3,718)</b>   | <b>(2,765)</b>   |

Further details of the subsidiary trading operations reported in the Group accounts can be found in Note 24 below.

### 22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement during the year.

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b>       |                  |                  |
| Revenue Support Grant   | -                | (282)            |
| New Homes Bonus   | (1,599)          | (1,767)          |
| Business Rates Compensation Grants                              | (2,763)          | (2,072)          |
| Business Rates Levy Surplus                                     | (19)             | (86)             |
| Homelessness Support Grants                                     | (680)            | (798)            |
| Other non specific grants                                       | (170)            | (232)            |
| <b>Non-ringfenced government grants</b>                         | <b>(5,231)</b>   | <b>(5,237)</b>   |
|   |                  |                  |
| <b>Credited to Taxation and Non Specific Grant Income</b>       |                  |                  |
| Government contributions: Disabled Facilities Grant             | (1,268)          | (1,244)          |
| Contributions towards market relocation                         | (1,750)          | (74)             |
| Contributions towards Eversley Sports Centre                    | -                | (875)            |
| Contributions towards Wickford Community Centre                 | (875)            | -                |
| Other non Government contributions                              | (2,076)          | (1,636)          |
| Donated assets  | -                | (2,184)          |
| <b>Capital Grants and Contributions</b>                         | <b>(5,969)</b>   | <b>(6,013)</b>   |
| <b>Total credited to Taxation and Non Specific Grant Income</b> | <b>(11,200)</b>  | <b>(11,250)</b>  |

# Notes to the Core Statements

## General Notes

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Services</b>   |                  |                  |
| <b>Central Government</b>   |                  |                  |
| Department for Work and Pensions:   |                  |                  |
| Housing Benefit Subsidy   | (43,676)         | (49,892)         |
| Discretionary grants  | (620)            | (824)            |
| Ministry of Housing, Communities and Local Government                     | (1,042)          | (966)            |
| Election and referendum funding   | (47)             | (42)             |
| Other Government funding (individually below £75k)                        | (46)             | (25)             |
|   | <b>(45,431)</b>  | <b>(51,749)</b>  |
| <b>Local Authorities</b>  |                  |                  |
| Essex County Council:   |                  |                  |
| Recycling credits   | (2,484)          | (2,375)          |
| Highways maintenance  | (218)            | (217)            |
| Public realm works  | (100)            | -                |
| Collection Fund Sharing Agreement   | (910)            | (878)            |
| Other Local Authority grants and contributions (individually below £75k). | (151)            | (51)             |
|   | <b>(3,863)</b>   | <b>(3,521)</b>   |
| <b>Non-Government</b>   |                  |                  |
| Go Trade contributions  | (573)            | (471)            |
| Developer contributions   | (1,139)          | (538)            |
| Other non Government grants and contributions (individually below £80k).  | (359)            | (318)            |
|   | <b>(2,071)</b>   | <b>(1,327)</b>   |
| <b>Revenue Grants and Contributions credited to Services</b>              | <b>(51,365)</b>  | <b>(56,597)</b>  |

The Council also received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that, if not met, will require the monies or property to be returned to the giver. The balances at the year end are as follows:

|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|---|---------------------------|---------------------------|
| <b>Capital Grants &amp; Contributions</b>                   |                           |                           |
| Local Authority funding - Essex County Council              | -                         | 28                        |
| Market relocation   | -                         | 1,750                     |
| Developer contributions                                     | 643                       | 1,518                     |
| <b>Credited to Receipts in Advance in the Balance Sheet</b> | <b>643</b>                | <b>3,296</b>              |

|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|---|---------------------------|---------------------------|
| <b>Revenue Grants &amp; Contributions</b>                   |                           |                           |
| Government funding  | -                         | 12                        |
| Local Authority funding                                     | 209                       | 88                        |
| Non Government support                                      | 20                        | 53                        |
| <b>Credited to Receipts in Advance in the Balance Sheet</b> | <b>229</b>                | <b>153</b>                |

### 23 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – 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 and other Public Bodies

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and other public bodies are set out in Note 22. Debtors and creditors are set out in Notes 25 and 26 respectively. Grant receipts not yet received but related to the current year are included in Note 22.

# Notes to the Core Statements

## General Notes

### Members & Senior Officers

No Members (apart from Cllr Dadds - see below), or the Directors of the Council had declared any material direct related party transactions during the year. However some Members are also trustees of Community Associations which received services and/or minor grant funding from the Council.

Councillor D. Dadds entered into a transaction with the Council, at open market value and following due process, which is deemed to be a related party transaction. It is in respect of a lease taken out by Councillor Dadds and two business partners, for the use of shop premises on the ground floor of the Lift Tower building in the Town Square which is owned by the Council. The rentals, excluding VAT, paid under the lease during 2019/20 were £25,625 (£25,625 2018/19).

### Subsidiary Companies

Related party transactions with subsidiary companies can be found in Note 24 below. There were no related party transactions between the Council and the subsidiaries' directors.

## 24 INTERESTS IN SUBSIDIARIES

At the reporting date, the Council had [a controlling] interest in two wholly owned subsidiary companies as detailed below.

|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|---|---------------------------|---------------------------|
| <b>Investment in subsidiaries</b>       |                           |                           |
| Sempra Homes Ltd                        | 3,502                     | 3,502                     |
| Acorn House Developments (Basildon) Ltd | 6,679                     | -                         |
| <b>Total</b>                            | <b>10,181</b>             | <b>3,502</b>              |

The consolidated balance sheet at 31 March 2020 shows a balance of £927k in respect of Subsidiary Reserves. This is made up of Sempra's retained profits at start of year of £748k, plus £12k profit for the year, together with Acorn's post-acquisition loss for the year of £167k.

### Acorn House Developments (Basildon) Limited (Company No. 11314310)

Acorn House Developments (Basildon) Limited is a wholly owned subsidiary of the Council, it was acquired on 15 November 2019 from the former parent Ocea Group Limited. The sole purpose of the acquisition of the Company is to convert the existing office block, Acorn House, into residential apartments for sale as Affordable Housing. Transactions that occurred after the acquisition date have been consolidated in the Council's Group Accounts.

The financial position of the Company as at 31 March 2020 is as follows:

|   | 2019/20<br>£'000 |
|---|------------------|
| Deferred tax asset                      | 219              |
| Stock                                   | 7,051            |
| Current assets                          | 94               |
| Current liabilities                     | (68)             |
| Amounts due to parent                   | (1,158)          |
| Provisions                              | (190)            |
| <b>Net assets</b>                       | <b>5,948</b>     |
| Retained earnings (pre-acquisition)     | 5,781            |
| Retained loss (post-acquisition)        | 167              |
| <b>Shareholder's Equity at 31 March</b> | <b>5,948</b>     |

In the consolidated accounts, the Amounts due to parent have been eliminated against the Long term loan. The Shareholders equity has been eliminated against the Investment in Subsidiary which has resulted in the recognition of goodwill in the Group Accounts, further details of this can be found in Note 37 Intangible Assets on page 71.

# Notes to the Core Statements

## General Notes

### Sempra Homes Limited (Company No. 09362729)

Sempra Homes Ltd is a wholly owned subsidiary of the Council for the development of residential properties for sale and letting. The Company was incorporated on 19 December 2014, and commenced trading on 4 December 2015. The financial statements have been consolidated into the Group Financial Statements on a line by line basis, after eliminating inter-company transactions and balances, as follows:

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| <u>Long-term assets</u>                          |                  |                  |
| Investment in subsidiary (ordinary shares of £1) | 3,502            | 3,502            |
| Loan   | 11,895           | 6,249            |
| <u>Short-term debtors</u>                        |                  |                  |
| Cash management borrowings                       | 5,841            | 978              |
| Other amounts due to the Council                 | 1,725            | 1,616            |
| <u>Comprehensive Income and Expenditure</u>      |                  |                  |
| Administrative expenses                          | 345              | 181              |
| Finance costs                                    | 662              | 101              |
| Other costs                                      | 402              | 163              |

During the year non-current assets of £374k (2018/19 £4,728k) were transferred to Sempra at a cost of £391k (2018/19 £4,728k). In calculating the net profit for the period the Company provided for income tax of £74k (£22k income tax loss 2018/19) to be offset against tax losses brought forward, which has been consolidated into the Group accounts.

Basildon Council has a floating charge over the assets of Sempra Homes Ltd in the form of a debenture, issued 2 March 2016.

Further information can be obtained from the website at [www.semprahomes.co.uk](http://www.semprahomes.co.uk).

| <b>Sempra Homes Ltd</b>                           | <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2019<br/>£000</b> |
|---|-----------------------------------|-----------------------------------|
| <b>Comprehensive Expenditure Statement</b>        |                                   |                                   |
| Gain on disposal of property                      | (614)                             | (60)                              |
| Rental and other income                           | (306)                             | (228)                             |
| Cost of sales                                     | 242                               | 47                                |
| <b>Gross Profit</b>                               | <b>(678)</b>                      | <b>(241)</b>                      |
| Development costs                                 | 497                               | 208                               |
| Administrative expenses                           | 543                               | 277                               |
| Finance costs                                     | 336                               | 101                               |
| Change in fair value of investment properties     | (784)                             | (261)                             |
| <b>(Surplus)/Deficit from trading operations</b>  | <b>(86)</b>                       | <b>84</b>                         |
| Income tax (deferred)                             | 74                                | (22)                              |
| <b>Total Comprehensive (income) / expenditure</b> | <b>(12)</b>                       | <b>62</b>                         |
|   | <b>31 March<br/>2020<br/>£000</b> | <b>31 March<br/>2019<br/>£000</b> |
| <b>Statement of Shareholder's Equity</b>          |                                   |                                   |
| Share capital at 1 April                          | 3,502                             | 875                               |
| Issued share capital                              | -                                 | 2,627                             |
| Retained gains / (losses) at 1 April              | 748                               | 810                               |
| Income / (expenditure) for the year               | 12                                | (62)                              |
| <b>Shareholder's Equity at 31 March</b>           | <b>4,262</b>                      | <b>4,250</b>                      |

### St Georges Community Housing Limited

St Georges Community Housing Limited (SGCH) has remained dormant since its operations were brought back in house on 4 July 2011.

# Notes to the Core Statements

## General Notes

### 25 DEBTORS

|                                  | Council                   |                           | Group                     |                           |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                  | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
| <b>Non current debtors</b>       |                           |                           |                           |                           |
| Loans to Subsidiaries            | 13,053                    | 6,249                     | -                         | -                         |
| Other entities and individuals   | 202                       | 199                       | 202                       | 199                       |
| <b>Total non current debtors</b> | <b>13,255</b>             | <b>6,448</b>              | <b>202</b>                | <b>199</b>                |

|   | 31 March 2020        |                                  |               |               |
|---|----------------------|----------------------------------|---------------|---------------|
|   | Council              |                                  | Group         |               |
|   | Receivables<br>£'000 | Impairment<br>Allowance<br>£'000 | Net<br>£'000  | Net<br>£'000  |
| <b>Amounts falling due within one year</b>    |                      |                                  |               |               |
| Council tenants arrears                       | 4,971                | (2,482)                          | 2,489         | 2,489         |
| Housing benefit overpayments                  | 6,711                | (2,684)                          | 4,027         | 4,027         |
| Trade debtors                                 | 3,944                | (2,054)                          | 1,890         | 1,892         |
| Capital debtors                               | 4,585                | -                                | 4,585         | 5,023         |
| Amounts due from subsidiary                   | 7,567                | -                                | 7,567         | -             |
| Accrued income                                | 1,677                | -                                | 1,677         | 1,687         |
| <b>Financial assets at contract amounts</b>   | <b>29,455</b>        | <b>(7,220)</b>                   | <b>22,235</b> | <b>15,118</b> |
| Business rates and council tax payers arrears | 4,356                | (2,266)                          | 2,090         | 2,090         |
| Amounts due from government                   | 3,911                | -                                | 3,911         | 4,295         |
| Amounts due from preceptors                   | 3,473                | -                                | 3,473         | 3,473         |
| Prepayments                                   | 2,041                | -                                | 2,041         | 2,076         |
| <b>Total short term debtors</b>               | <b>43,236</b>        | <b>(9,486)</b>                   | <b>33,750</b> | <b>27,052</b> |

|   | 31 March 2019        |                                  |               |               |
|---|----------------------|----------------------------------|---------------|---------------|
|   | Council              |                                  | Group         |               |
|   | Receivables<br>£'000 | Impairment<br>Allowance<br>£'000 | Net<br>£'000  | Net<br>£'000  |
| <b>Amounts falling due within one year</b>    |                      |                                  |               |               |
| Council tenants arrears                       | 4,157                | (2,191)                          | 1,966         | 1,966         |
| Housing benefit overpayments                  | 7,627                | (3,050)                          | 4,577         | 4,577         |
| Trade debtors                                 | 4,421                | (1,888)                          | 2,533         | 2,551         |
| Capital debtors                               | 718                  | -                                | 718           | 1,142         |
| Amounts due from subsidiary                   | 2,593                | -                                | 2,593         | -             |
| Accrued income                                | 1,071                | -                                | 1,071         | 1,071         |
| <b>Financial assets at contract amounts</b>   | <b>20,587</b>        | <b>(7,129)</b>                   | <b>13,458</b> | <b>11,307</b> |
| Business rates and council tax payers arrears | 3,996                | (1,778)                          | 2,218         | 2,218         |
| Amounts due from government                   | 2,168                | -                                | 2,168         | 2,168         |
| Amounts due from preceptors                   | 2,227                | -                                | 2,227         | 2,227         |
| Prepayments                                   | 1,895                | -                                | 1,895         | 1,900         |
| <b>Total short term debtors</b>               | <b>30,873</b>        | <b>(8,907)</b>                   | <b>21,966</b> | <b>19,820</b> |

Impairment allowance is provided for expected credit losses, further details can be found in the Credit Risk section of Note 33.

# Notes to the Core Statements

## General Notes

### 26 CREDITORS

|   | Council                   |                           | Group                     |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
| <b>Amounts falling due within one year</b>                  |                           |                           |                           |                           |
| Trade creditors   | (6,857)                   | (6,687)                   | (6,916)                   | (6,687)                   |
| Capital creditors   | (1,778)                   | (3,415)                   | (2,338)                   | (5,366)                   |
| Accrued expenses  | (2,405)                   | (2,466)                   | (2,282)                   | (2,491)                   |
| <b>Financial liabilities at contract amounts</b>            | <b>(11,040)</b>           | <b>(12,568)</b>           | <b>(11,536)</b>           | <b>(14,544)</b>           |
| Amounts due to government and preceptors for business rates | (9,955)                   | (6,644)                   | (9,955)                   | (6,644)                   |
| Other amounts due to government and preceptors              | (1,218)                   | (3,361)                   | (1,218)                   | (3,361)                   |
| Receipts in advance   | (3,835)                   | (2,620)                   | (3,866)                   | (2,637)                   |
| <b>Total short term creditors</b>                           | <b>(26,048)</b>           | <b>(25,193)</b>           | <b>(26,575)</b>           | <b>(27,186)</b>           |

### 27 PROVISIONS

|   | Long-term                  | Short-term                            |                                      | Total<br>Short-Term<br>£'000 |
|---|----------------------------|---------------------------------------|--------------------------------------|------------------------------|
|   | Insurance<br>Pool<br>£'000 | Business<br>Rates<br>Appeals<br>£'000 | Litigation &<br>Other Costs<br>£'000 |                              |
| <b>Balance at 1 April 2019</b>            | (1,119)                    | (4,600)                               | (351)                                | (4,951)                      |
| Additional provisions                     | (550)                      | (1,656)                               | (5)                                  | (1,661)                      |
| Amounts used                              | 412                        | 182                                   | -                                    | 182                          |
| Unused amounts reversed                   | 377                        | 450                                   | -                                    | 450                          |
| <b>Balance at 31 March 2020 (Council)</b> | <b>(880)</b>               | <b>(5,624)</b>                        | <b>(356)</b>                         | <b>(5,980)</b>               |
| Additional provision for other costs      | -                          | -                                     | (189)                                | (189)                        |
| <b>Balance at 31 March 2020 (Group)</b>   | <b>(880)</b>               | <b>(5,624)</b>                        | <b>(545)</b>                         | <b>(6,169)</b>               |

#### Provision for known Insurance Claims

Provision is made for known outstanding insurance claims, excesses on self-insured risks and insured events that have not yet been reported to the Council. The Council submits the balance on the insurance provision to independent actuarial review every three years to ensure a proper reflection of the aggregate liabilities. The next actuarial review is due in 2021/22. This is separate from the Insurance Pool Reserve, which is held as a protection against future exposure to risk.

#### Provision for Business Rates Appeals

The methodology used to arrive at an appropriate provision is described in Note 4.

#### Provision for Litigation & Other Costs

Whilst not an admission of guilt, provision has been made for costs in court cases where it is felt that the likelihood of having to incur these costs is probable. The Group provision contains an amount due to either Ocea Life or HMRC in relation to underpaid Stamp Duty Land Tax.

### 28 CONTINGENT LIABILITIES

#### Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) ceased trading in September 1992 and remained liable for all claims arising from previous policy commitments. The company was continuing to settle its outstanding liabilities, however in November 2012, it was announced that the company's realisable assets had proved to be insufficient to meet its liabilities to claimants and, therefore, any deficiency would be recoverable from policyholders, which include Basildon Borough Council, under a "scheme of arrangement" (SOA) approved by the High Court in January 1994.

Since the SOA was triggered, two payments have been requested by the Scheme Administrator (Ernst & Young) from each authority, being 25% of the total potential clawback figure of £650,000 allowed for within the Insurance Pool Reserve. These two payments equated to £162,500 which have been paid. Now that this amount of clawback has been paid, each authority is still responsible for paying a percentage towards future claims and may be asked for further clawback contributions in the future. This situation is subject to regular review, but the Council has allowed within its Insurance Pool Reserves for the balance of the full potential clawback (£487,500) to be paid if necessary.

# Notes to the Core Statements

## General Notes

### Litigation and other costs

There were also a number of judicial processes and prospective challenges in progress in relation to planning, planning enforcement, land charges, contract disputes, property disputes, business rates matters and housing issues, which may give rise to costs depending on the outcomes. It is not practicable to estimate the financial effect or timing of these issues as they are too remote at this stage.

## 29 LEASES

### Council as Lessee

#### Finance Leases

The Council holds some industrial units, plant and vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

|                               | 31 March<br>2020<br>£'000 | Repaid<br>in year<br>£'000 | Additions<br>in year<br>£'000 | 31 March<br>2019<br>£'000 |
|-------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|
| Other land and buildings      | 1,817                     | -                          | -                             | 1,817                     |
| Vehicles, plant and equipment | 4,295                     | (1,069)                    | 2,881                         | 2,483                     |
|                               | <b>6,112</b>              | <b>(1,069)</b>             | <b>2,881</b>                  | <b>4,300</b>              |

Additions in year are in respect of embedded leases within existing contracts to supply vehicles and equipment to the Council.

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

|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|---|---------------------------|---------------------------|
| Finance lease liabilities (discounted - net present value of minimum lease payments): |                           |                           |
| Payable within twelve months  | 1,053                     | 714                       |
| Payable between two and five years  | 2,700                     | 1,590                     |
| Payable after five years  | 2,359                     | 1,996                     |
|   | 6,112                     | 4,300                     |
| Finance costs payable in future years (not discounted)                                | 13,341                    | 13,615                    |
| <b>Minimum lease payments</b>   | <b>19,453</b>             | <b>17,915</b>             |

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

|   | Minimum Lease Payments    |                           | Finance Lease Liabilities |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
| Not later than one year                           | 1,408                     | 1,122                     | 1,053                     | 714                       |
| Later than one year and not later than five years | 3,507                     | 2,479                     | 2,700                     | 1,590                     |
| Later than five years                             | 14,538                    | 14,314                    | 2,359                     | 1,996                     |
|   | <b>19,453</b>             | <b>17,915</b>             | <b>6,112</b>              | <b>4,300</b>              |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, £254,055 in contingent rents was payable by the Council (£232,829 2018/19). This relates to an agreement within a lease to pay to the head lessor 90% of the rents receivable through sub-letting the property concerned.

The Council has sub-let industrial units in Wickford held under a finance lease. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £905,650 (£881,963 at 31 March 2019).



# Notes to the Core Statements

## General Notes

### Council as Lessor

#### Finance Leases

In terms of Finance Leases generally, the Council will have a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

|  | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|--|---------------------------|---------------------------|
| Finance lease debtor (net present value of minimum lease payments) | 199                       | 198                       |
| Unearned finance income  | 2,230                     | 2,266                     |
| Unguaranteed residual value of property                            | 65                        | 65                        |
| <b>Gross investment in the lease</b>                               | <b>2,494</b>              | <b>2,529</b>              |

The gross investment in the lease and the minimum lease payments will be received over the following periods:

|   | Gross Investment<br>in the Lease |                           | Minimum Lease<br>Payments |                           |
|---|----------------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March<br>2020<br>£'000        | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
| Not later than one year                           | 36                               | 36                        | -                         | -                         |
| Later than one year and not later than five years | 143                              | 143                       | 1                         | -                         |
| Later than five years                             | 2,315                            | 2,350                     | 198                       | 198                       |
|   | <b>2,494</b>                     | <b>2,529</b>              | <b>199</b>                | <b>198</b>                |

As there is a possibility that lease payments will not be received by the Council, an allowance for uncollectable amounts has been made of £24,000 as at 31 March 2020 (£24,000 at 31 March 2019).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, £81,650 was receivable by the Council in respect of contingent rents (£103,162 2018/19).

#### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, community centres and neighbourhood shops;
- for economic development purposes to provide suitable affordable accommodation for local businesses

Minimum lease payments include sums that are due within existing leases to the extent that these are guaranteed within the contract e.g. up to any break clause or termination date, as follows:

|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|---|---------------------------|---------------------------|
| Not later than one year   | 4,546                     | 4,156                     |
| Later than one year and not later than five years                                     | 14,949                    | 14,009                    |
| Later than five years   | 18,816                    | 20,990                    |
| <b>Future minimum lease payments due under non-cancellable leases in future years</b> | <b>38,311</b>             | <b>39,155</b>             |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £136,945 contingent rents were receivable by the Council (£139,606 2018/19).

# Notes to the Core Statements

## Financial Instrument Notes

### 30 CATEGORIES OF FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet at amortised cost.

|                                      | 31 March 2020                    |                                      |                  |                                  |                                      |                  |
|--------------------------------------|----------------------------------|--------------------------------------|------------------|----------------------------------|--------------------------------------|------------------|
|                                      | Council                          |                                      |                  | Group                            |                                      |                  |
|                                      | Financial assets/<br>liabilities | Non-financial assets/<br>liabilities | Total            | Financial assets/<br>liabilities | Non-financial assets/<br>liabilities | Total            |
|                                      | £000                             | £000                                 | £000             | £000                             | £000                                 | £000             |
| Investment in subsidiaries           | 10,181                           | -                                    | 10,181           | -                                | -                                    | -                |
| Debtors                              | 13,255                           | -                                    | 13,255           | 202                              | -                                    | 202              |
| <b>Total non-current assets</b>      | <b>23,436</b>                    | <b>-</b>                             | <b>23,436</b>    | <b>202</b>                       | <b>-</b>                             | <b>202</b>       |
| Investments (fixed term deposits)    | 3,010                            | -                                    | 3,010            | 3,010                            | -                                    | 3,010            |
| Debtors                              | 22,235                           | 11,515                               | 33,750           | 15,118                           | 11,934                               | 27,052           |
| Cash equivalents                     | 21,264                           | 11                                   | 21,275           | 21,576                           | 11                                   | 21,587           |
| <b>Total current assets</b>          | <b>46,509</b>                    | <b>11,526</b>                        | <b>58,035</b>    | <b>39,704</b>                    | <b>11,945</b>                        | <b>51,649</b>    |
| Borrowing                            | (234,764)                        | -                                    | (234,764)        | (234,764)                        | -                                    | (234,764)        |
| Finance lease liabilities            | (5,059)                          | -                                    | (5,059)          | (5,059)                          | -                                    | (5,059)          |
| <b>Total non-current liabilities</b> | <b>(239,823)</b>                 | <b>-</b>                             | <b>(239,823)</b> | <b>(239,823)</b>                 | <b>-</b>                             | <b>(239,823)</b> |
| Borrowing                            | (3,535)                          | -                                    | (3,535)          | (3,535)                          | -                                    | (3,535)          |
| Creditors                            | (11,040)                         | (15,008)                             | (26,048)         | (11,536)                         | (15,039)                             | (26,575)         |
| <b>Total current liabilities</b>     | <b>(14,575)</b>                  | <b>(15,008)</b>                      | <b>(29,583)</b>  | <b>(15,071)</b>                  | <b>(15,039)</b>                      | <b>(30,110)</b>  |

Debtors in the table above are shown net after allowances for impairment which can be found in Note 25.

#### Soft Loans

During the year financing to the value of £3,502K was provided by the Council to Sempra Homes Limited in the form of a soft loan with no interest charged. This loan was converted to share equity in April 2020 as set out in Note 6

|                                      | 31 March 2019                          |                                       |                  |  |                                       |                  |
|--------------------------------------|--|---------------------------------------|------------------|--|---------------------------------------|------------------|
|                                      | Council                                |                                       |                  | Group                                  |                                       |                  |
|                                      | Total financial assets/<br>liabilities | Non-financial assets /<br>liabilities | Total            | Total financial assets/<br>liabilities | Non-financial assets /<br>liabilities | Total            |
|                                      | £000                                   | £000                                  | £000             | £000                                   | £000                                  | £000             |
| Investment in subsidiary             | 3,502                                  | -                                     | 3,502            | -                                      | -                                     | -                |
| Debtors                              | 6,448                                  | -                                     | 6,448            | 199                                    | -                                     | 199              |
| <b>Total non-current assets</b>      | <b>9,950</b>                           | <b>-</b>                              | <b>9,950</b>     | <b>199</b>                             | <b>-</b>                              | <b>199</b>       |
| Investments (fixed term deposits)    | 46,048                                 | -                                     | 46,048           | 46,048                                 | -                                     | 46,048           |
| Debtors                              | 13,458                                 | 8,508                                 | 21,966           | 11,307                                 | 8,513                                 | 19,820           |
| Cash equivalents                     | 21,321                                 | 13                                    | 21,334           | 21,331                                 | 13                                    | 21,344           |
| <b>Total current assets</b>          | <b>80,827</b>                          | <b>8,521</b>                          | <b>89,348</b>    | <b>78,686</b>                          | <b>8,526</b>                          | <b>87,212</b>    |
| Borrowing                            | (238,299)                              | -                                     | (238,299)        | (238,299)                              | -                                     | (238,299)        |
| Finance lease liabilities            | (3,586)                                | -                                     | (3,586)          | (3,586)                                | -                                     | (3,586)          |
| <b>Total non-current liabilities</b> | <b>(241,885)</b>                       | <b>-</b>                              | <b>(241,885)</b> | <b>(241,885)</b>                       | <b>-</b>                              | <b>(241,885)</b> |
| Borrowing                            | (3,025)                                | -                                     | (3,025)          | (3,025)                                | -                                     | (3,025)          |
| Creditors                            | (12,568)                               | (12,625)                              | (25,193)         | (14,544)                               | (12,642)                              | (27,186)         |
| <b>Total current liabilities</b>     | <b>(15,593)</b>                        | <b>(12,625)</b>                       | <b>(28,218)</b>  | <b>(17,569)</b>                        | <b>(12,642)</b>                       | <b>(30,211)</b>  |

Debtors in the table above are shown net after allowances for impairment which can be found in Note 25.

# Notes to the Core Statements

## Financial Instrument Notes

### 31 INCOME, EXPENSE, GAINS AND LOSSES

The following items are included in the Surplus or Deficit on provision of services.

|   | Council                  |                          | Group                    |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 |
| Borrowing   | 9,385                    | 9,192                    | 9,385                    | 9,192                    |
| Finance lease liabilities   | 439                      | 496                      | 439                      | 496                      |
| <b>Interest expense on financial liabilities measured at amortised cost</b> | <b>9,824</b>             | <b>9,688</b>             | <b>9,824</b>             | <b>9,688</b>             |
| Non-financial liabilities   | 254                      | 272                      | 254                      | 272                      |
| <b>Total interest expense</b>   | <b>10,078</b>            | <b>9,960</b>             | <b>10,078</b>            | <b>9,960</b>             |
| <b>Interest and similar income</b>  |                          |                          |                          |                          |
| Investments (fixed term deposits)   | (237)                    | (333)                    | (237)                    | (333)                    |
| Debtors   | (708)                    | (228)                    | (35)                     | (36)                     |
| Cash equivalents  | (230)                    | (151)                    | (229)                    | (150)                    |
| <b>Interest income on financial assets measured at amortised cost</b>       | <b>(1,175)</b>           | <b>(712)</b>             | <b>(501)</b>             | <b>(519)</b>             |
| <b>Total interest income</b>  | <b>(1,175)</b>           | <b>(712)</b>             | <b>(501)</b>             | <b>(519)</b>             |

The range of interest rates payable on PWLB borrowing at 31 March 2020 was from 2.06% to 15.25%, weighted average 3.89% (3.99% at 31 March 2019).

### 32 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Council invests in low volatility net asset value (LVNAV) money market funds, which can be withdrawn at anytime, and as such there is no significant difference between fair value and amortised cost. All financial assets and liabilities are therefore carried at amortised cost i.e. the aggregate of the principal sum and accrued interest. The valuation basis adopted in calculating the fair value of these assets and liabilities, set out in the table below, uses Level 2 inputs of the fair value hierarchy i.e. inputs other than quoted prices that are observable for the financial asset/liability, as follows:

- For borrowing (including non-PWLB borrowing) by reference to PWLB redemption rules and redemption rates prevailing at the balance sheet date as an estimate of the market rate for the purchase of the loans as assets;
- Where an instrument will mature in the next 12 months the carrying amount is assumed to be approximate to fair value;
- For all other financial assets and liabilities the carrying amount is considered to be an appropriate measure of fair value.

|   | 2019/20          |                             |                        | 2018/19          |                             |                        |
|---|------------------|-----------------------------|------------------------|------------------|-----------------------------|------------------------|
|   | Nominal<br>£'000 | Carrying<br>amount<br>£'000 | Fair<br>value<br>£'000 | Nominal<br>£'000 | Carrying<br>amount<br>£'000 | Fair<br>value<br>£'000 |
| Borrowing (PWLB)  | (235,301)        | (237,549)                   | (269,350)              | (238,301)        | (240,574)                   | (315,955)              |
| Borrowing (non-PWLB)  | (750)            | (750)                       | (778)                  | (750)            | (750)                       | (778)                  |
| Finance lease liabilities   | (6,112)          | (6,112)                     | (6,112)                | (4,300)          | (4,300)                     | (4,300)                |
| Creditors   | (10,483)         | (10,483)                    | (10,483)               | (13,830)         | (13,830)                    | (13,830)               |
| <b>Total financial liabilities held at amortised cost (Group)</b> | <b>(252,646)</b> | <b>(254,894)</b>            | <b>(286,723)</b>       | <b>(257,181)</b> | <b>(259,454)</b>            | <b>(334,863)</b>       |
| Investments   | 3,000            | 3,010                       | 3,010                  | 46,000           | 46,048                      | 46,064                 |
| Cash equivalents  | 21,576           | 21,576                      | 21,576                 | 21,331           | 21,331                      | 21,331                 |
| Debtors   | 15,320           | 15,320                      | 15,320                 | 11,506           | 11,506                      | 11,506                 |
| <b>Total financial assets held at amortised cost (Group)</b>      | <b>39,896</b>    | <b>39,906</b>               | <b>39,906</b>          | <b>78,837</b>    | <b>78,885</b>               | <b>78,901</b>          |

The fair value of PWLB Debt differs significantly from the carrying amount. This is due to the impact of committing to long-term borrowing at fixed rates of interest, with the Fair Value reflecting the cost of repayment, or exit cost at the balance sheet date.

# Notes to the Core Statements

## Financial Instrument Notes

### 33 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of risk focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Treasury management is carried out by a central team, under policies approved by the Council in the Annual Capital, Treasury and Investment Strategy Report. These strategies provide principles for overall risk management, and are supplemented by written procedure notes.

The Capital, Treasury and Investment Strategy Report for 2019/20 was approved by Full Council on 14 February 2019, and can be found on the Council's website.

#### Credit Risk

| Asset Type   | Credit Risk Management Practices  | Estimation of Impairment Loss Allowance  |
|--|---|--|
| Loans to other local authorities                     | Investments guaranteed by statute – no credit risk.   | No allowance required.   |
| Deposits with banks and other financial institutions | Deposits are restricted by the Council's investment strategy to institutions that meet minimum credit ratings from the three major credit ratings agencies, there are also restrictions on the amounts and duration of deposits that can be invested with any given financial institution. All deposits held at 31 March 2020 therefore have low credit risk. | All of the investments made by the Council are either on call (available for same day withdrawal) or for fixed durations of less than 12 months with government backed institutions (other local authorities and Debt Management Office) and as such, no credit losses are expected.   |
| Loans to subsidiaries                                | Loans are subject to internal credit rating, based on an assessment of the audited accounts. A significant increase in credit risk since initial recognition arises when a loan's categorisation changes adversely.   | To the extent that any investments with the Council's subsidiary company remain below the carrying value of the assets of the company, no credit loss is calculated. To protect its position in this regard, the Council has a floating charge over the assets of Sempra Homes Ltd in the form of a debenture. The Council does not anticipate any credit losses arising on loans to subsidiaries.   |
| Other debtors  | Debtors are not subject to internal credit rating and have been grouped for the purposes of calculating expected credit losses. The groupings used relate to the nature of the debt. Balances are written off when there is no realistic prospect of recovery.  | The Council's assessment of the credit quality of its debtors is reflected in the impairment allowance. This assessment takes into account the age of the debt, the historical experience of default and, in appropriate cases, particular knowledge of the position of the debtor. Consideration is also given to general economic conditions, therefore an additional allowance has been provided in 2019/20 for the impact of Covid-19. |

Financial assets are deemed to be in default when the Council assesses that a borrower becomes unlikely to pay any contractual amounts of principal or interest (or at the latest when payments have not been made more than 30 days after they were due).

#### Liquidity Risk

The maturity analysis of financial liabilities is as follows:

|                                      | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|--------------------------------------|---------------------------|---------------------------|
| Less than one year                   | 3,500                     | 3,000                     |
| Between one and two years            | 5,250                     | 3,500                     |
| Between two and five years           | 9,825                     | 11,662                    |
| Between five and ten years           | 57,000                    | 50,413                    |
| Between ten and fifteen years        | 55,500                    | 47,000                    |
| Between fifteen and twenty years     | 64,051                    | 69,051                    |
| Between twenty and twenty five years | 26,000                    | 33,000                    |
| More than twenty five years          | 14,925                    | 21,425                    |
| <b>Principal amount (borrowing)</b>  | <b>236,051</b>            | <b>239,051</b>            |

# Notes to the Core Statements

## Financial Instrument Notes

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### **Market Risk**

#### Interest Rate Risk

The Council is exposed to changes in interest rates as a result of its borrowings being at long-term fixed rates and investments being short-term and, therefore, exposed to variable rates of interest. Consequently falls in interest rates will have an adverse impact on the Council's finances. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings do not have an impact on the resources available to the Council. However, changes in interest payable and receivable due to interest rate changes do have an impact on such resources. In the Council's assessment, at 31 March 2020, if interest rates had been 0.25% lower with all other variables held constant, the financial effect would not have been material due to the low value of loans and investments held on a variable basis.

#### Price Risk

The Council does not hold any financial instruments where the capital value may fluctuate as a result of market conditions.

#### Refinancing Risk

The Council has also considered the risk that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To address this risk, the Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment within a short period of time. The Council has organised its debt portfolio such that the maturity profile of long-term debt is well-balanced, and new borrowing is planned prudently to ensure that an excessive amount of debt does not fall due for repayment at the same time, or within the same financial year.

# Notes to the Core Statements

## Capital Notes

### 34 PROPERTY, PLANT AND EQUIPMENT

| Movements in 2019/20   | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Assets | Total Property, Plant & Equipment | Subsidiary Consolidation | Group Property, Plant & Equipment |
|--|-------------------|------------------------|-----------------------------|------------------|---------------------------|----------------|-----------------------------------|--------------------------|-----------------------------------|
|  | £000              | £000                   | £000                        | £000             | £000                      | £000           | £000                              | £000                     | £000                              |
| <b>Cost or Valuation:</b>  |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| At 1 April 2019  | 821,283           | 125,027                | 17,416                      | 8,421            | 8,749                     | 48             | 980,944                           | 14,745                   | 995,689                           |
| Additions  | 22,385            | 9,478                  | 4,100                       | 1                | 7,099                     | -              | 43,063                            | 16,130                   | 59,193                            |
| Disposals  | (2,071)           | (30)                   | (2,486)                     | -                | (81)                      | -              | (4,668)                           | (786)                    | (5,454)                           |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services       | (18,807)          | -                      | -                           | -                | -                         | -              | (18,807)                          | (220)                    | (19,027)                          |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 22,146            | (271)                  | -                           | -                | -                         | -              | 21,875                            | 1,400                    | 23,275                            |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,481)           | (5,931)                | -                           | -                | -                         | -              | (7,412)                           | 468                      | (6,944)                           |
| Assets reclassified (to) / from Held for Sale  | -                 | -                      | -                           | -                | -                         | -              | -                                 | (2,740)                  | (2,740)                           |
| Other movements in cost or valuation - Reclassifications   | -                 | (163)                  | 1                           | -                | (373)                     | 240            | (295)                             | -                        | (295)                             |
| <b>At 31 March 2020</b>  | <b>843,455</b>    | <b>128,110</b>         | <b>19,031</b>               | <b>8,422</b>     | <b>15,394</b>             | <b>288</b>     | <b>1,014,700</b>                  | <b>28,997</b>            | <b>1,043,697</b>                  |
| <b>Accumulated Depreciation and Impairments:</b>   |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| At 1 April 2019  | -                 | 831                    | 10,600                      | -                | -                         | 1              | 11,432                            | -                        | 11,432                            |
| Depreciation Charge for year   | 16,429            | 3,213                  | 1,688                       | 5                | 2                         | -              | 21,337                            | -                        | 21,337                            |
| Depreciation eliminated on Disposals   | (41)              | (1)                    | (2,420)                     | -                | -                         | -              | (2,462)                           | -                        | (2,462)                           |
| Depreciation written out to the Revaluation Reserve  | (16,243)          | (2,106)                | -                           | -                | -                         | -              | (18,349)                          | -                        | (18,349)                          |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                       | (145)             | (776)                  | -                           | -                | -                         | -              | (921)                             | -                        | (921)                             |
| <b>At 31 March 2020</b>  | <b>-</b>          | <b>1,161</b>           | <b>9,868</b>                | <b>5</b>         | <b>2</b>                  | <b>1</b>       | <b>11,037</b>                     | <b>-</b>                 | <b>11,037</b>                     |
| <b>Net Book Value:</b>   |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| <b>At 31 March 2020</b>  | <b>843,455</b>    | <b>126,949</b>         | <b>9,163</b>                | <b>8,417</b>     | <b>15,392</b>             | <b>287</b>     | <b>1,003,663</b>                  | <b>28,997</b>            | <b>1,032,660</b>                  |
| <b>At 1 April 2019</b>   | <b>821,283</b>    | <b>124,196</b>         | <b>6,816</b>                | <b>8,421</b>     | <b>8,749</b>              | <b>47</b>      | <b>969,512</b>                    | <b>14,745</b>            | <b>984,257</b>                    |
| <b>Group Net Book Value:</b>   |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| <b>At 31 March 2020</b>  | <b>843,455</b>    | <b>139,138</b>         | <b>9,163</b>                | <b>8,417</b>     | <b>32,200</b>             | <b>287</b>     | <b>1,032,660</b>                  |                          |                                   |
| <b>At 1 April 2019</b>   | <b>821,283</b>    | <b>130,211</b>         | <b>6,816</b>                | <b>8,421</b>     | <b>17,479</b>             | <b>47</b>      | <b>984,257</b>                    |                          |                                   |

Assets under Construction of £15.4 million includes costs incurred to date for Basildon Town Centre Regeneration.

# Notes to the Core Statements

## Capital Notes

### 34 PROPERTY, PLANT AND EQUIPMENT (cont.)

| Comparative Movements in 2018/19   | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Assets | Total Property, Plant & Equipment | Subsidiary Consolidation | Group Property, Plant & Equipment |
|--|-------------------|------------------------|-----------------------------|------------------|---------------------------|----------------|-----------------------------------|--------------------------|-----------------------------------|
|  | £000              | £000                   | £000                        | £000             | £000                      | £000           | £000                              | £000                     | £000                              |
| <b>Cost or Valuation:</b>  |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| At 1 April 2018  | 814,517           | 125,332                | 16,115                      | 8,361            | 10,781                    | 48             | 975,154                           | 3,383                    | 978,537                           |
| Additions  | 24,506            | 1,816                  | 1,470                       | 60               | 7,390                     | -              | 35,242                            | 6,156                    | 41,398                            |
| Donations  | -                 | 2,184                  | -                           | -                | -                         | -              | 2,184                             | -                        | 2,184                             |
| Disposals  | (4,116)           | (4,550)                | (169)                       | -                | (8,653)                   | -              | (17,488)                          | 4,628                    | (12,860)                          |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of                | (13,767)          | (321)                  | -                           | -                | (757)                     | -              | (14,845)                          | -                        | (14,845)                          |
| Impairment (losses)/reversals recognised in the Revaluation Reserve                                | -                 | (922)                  | -                           | -                | -                         | -              | (922)                             | -                        | (922)                             |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 6,993             | 2,092                  | -                           | -                | -                         | -              | 9,085                             | -                        | 9,085                             |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (6,862)           | (604)                  | -                           | -                | -                         | -              | (7,466)                           | 578                      | (6,888)                           |
| Other movements in cost or valuation - Reclassifications   | 12                | -                      | -                           | -                | (12)                      | -              | -                                 | -                        | -                                 |
| <b>At 31 March 2019</b>  | <b>821,283</b>    | <b>125,027</b>         | <b>17,416</b>               | <b>8,421</b>     | <b>8,749</b>              | <b>48</b>      | <b>980,944</b>                    | <b>14,745</b>            | <b>995,689</b>                    |
| <b>Accumulated Depreciation and Impairments:</b>   |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| At 1 April 2018  | -                 | 468                    | 9,439                       | -                | -                         | 1              | 9,908                             | -                        | 9,908                             |
| Depreciation Charge for year   | 16,323            | 2,999                  | 1,320                       | -                | -                         | -              | 20,642                            | -                        | 20,642                            |
| Depreciation eliminated on Disposals   | (82)              | (37)                   | (159)                       | -                | -                         | -              | (278)                             | -                        | (278)                             |
| Depreciation written out to the Revaluation Reserve  | (16,137)          | (1,795)                | -                           | -                | -                         | -              | (17,932)                          | -                        | (17,932)                          |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                       | (104)             | (804)                  | -                           | -                | -                         | -              | (908)                             | -                        | (908)                             |
| <b>At 31 March 2019</b>  | <b>-</b>          | <b>831</b>             | <b>10,600</b>               | <b>-</b>         | <b>-</b>                  | <b>1</b>       | <b>11,432</b>                     | <b>-</b>                 | <b>11,432</b>                     |
| <b>Net Book Value:</b>   |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| <b>At 31 March 2019</b>  | <b>821,283</b>    | <b>124,196</b>         | <b>6,816</b>                | <b>8,421</b>     | <b>8,749</b>              | <b>47</b>      | <b>969,512</b>                    | <b>14,745</b>            | <b>984,257</b>                    |
| <b>At 1 April 2018</b>   | <b>814,517</b>    | <b>124,864</b>         | <b>6,676</b>                | <b>8,361</b>     | <b>10,781</b>             | <b>47</b>      | <b>965,246</b>                    | <b>3,383</b>             | <b>968,629</b>                    |
| <b>Group Net Book Value:</b>   |                   |                        |                             |                  |                           |                |                                   |                          |                                   |
| <b>At 31 March 2019</b>  | <b>821,283</b>    | <b>130,211</b>         | <b>6,816</b>                | <b>8,421</b>     | <b>17,479</b>             | <b>47</b>      | <b>984,257</b>                    |                          |                                   |
| <b>At 1 April 2018</b>   | <b>814,517</b>    | <b>128,247</b>         | <b>6,676</b>                | <b>8,361</b>     | <b>10,781</b>             | <b>47</b>      | <b>968,629</b>                    |                          |                                   |

# Notes to the Core Statements

## Capital Notes

### 34 PROPERTY, PLANT AND EQUIPMENT (cont.)

#### Revaluations

The statement below shows the total of revaluations of non-current assets carried out by the Council during the financial year and the previous year. The valuations were carried out by the Council's Principal Estates Surveyor and Avison Young, a leading firm of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies, item 13.

|  | Council dwellings<br>£'000 | Other land & buildings<br>£'000 | Vehicles, plant & equipment<br>£'000 | Community assets<br>£'000 | Assets under construction<br>£'000 | Surplus assets<br>£'000 | Total<br>£'000   |
|--|----------------------------|---------------------------------|--------------------------------------|---------------------------|------------------------------------|-------------------------|------------------|
| Carried at historical cost:              | -                          | -                               | 19,031                               | 8,422                     | 15,394                             | -                       | 42,847           |
| Carried at fair value as at:             |                            |                                 |                                      |                           |                                    |                         |                  |
| 31.3.2020                                | 843,455                    | 97,393                          | -                                    | -                         | -                                  | 288                     | 941,136          |
| 31.3.2019                                | -                          | 12,645                          | -                                    | -                         | -                                  | -                       | 12,645           |
| 31.3.2018                                | -                          | 18,072                          | -                                    | -                         | -                                  | -                       | 18,072           |
| <b>Gross Book Value at 31 March 2020</b> | <b>843,455</b>             | <b>128,110</b>                  | <b>19,031</b>                        | <b>8,422</b>              | <b>15,394</b>                      | <b>288</b>              | <b>1,014,700</b> |

Assets under Construction includes some costs incurred to date for Basildon Town Centre Regeneration.

### 35 INVESTMENT PROPERTIES

The Council carries assets as investment properties when they are held solely for rental income generation or capital appreciation and for no other purpose. The table below reflects the value of commercial assets in Stevenage, Bath, Richmond and Tunbridge Wells which were purchased during 2018/19.

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| Balance at start of the year                   | 39,329           | -                |
| Additions                                      | -                | 41,569           |
| Net gains/(losses) from fair value adjustments | (2,683)          | (2,240)          |
| <b>Balance at end of the year</b>              | <b>36,646</b>    | <b>39,329</b>    |

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

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

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| Rental income                                     | (2,130)          | (1,347)          |
| Other income                                      | (3)              | (30)             |
| Direct operating expenses                         | 146              | 65               |
|   | <b>(1,987)</b>   | <b>(1,312)</b>   |
| Change in the fair value of investment properties | 2,683            | 2,240            |
| <b>Net (surplus)/deficit</b>                      | <b>696</b>       | <b>928</b>       |

#### Fair value measurement

The fair value for the commercial properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.



# Notes to the Core Statements

## Capital Notes

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

Fair values are measured annually at each reporting date. The valuations were carried out by the Council's Principal Estates Surveyor and CBRE, a leading firm of Chartered Surveyors.

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

### 36 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2020 was £17,858,793 including fees (£22,721,688 at 31 March 2019). These are due, in the main, to works to East Square, including the construction of the cinema..

In addition, Sempra Homes Ltd was committed to £1,972,617 (£5,909,960 at 31 March 2019) including sums for construction and land transfer at Bowers Terrace, and phase 5 of the New Build Housing programme. Acorn House Developments (Basildon) Ltd was committed to £7,835,111 for the conversion of the office block into residential properties. Therefore, capital commitments of the Group at 31 March were £27,666,521 (£28,631,648 2018/19).

### 37 INTANGIBLE ASSETS

#### Software

The Council has accounted for its Housing Management System as an intangible asset. It has been given a finite useful life of 10 years, based on assessment of the period that the software is expected to be of use to the Council.

The carrying amount of the intangible asset is amortised over its useful life. Amortisation for the period is charged to the Housing Revenue Account in the Cost of Services and reversed to the Capital Adjustment Account in the Movement in Reserves Statement.

#### Goodwill

On 15 November 2019 the Council acquired the net assets of Acorn House Developments (Basildon) Ltd for £7.8 million cash. In accordance with IFRS 3 Business Combinations, goodwill arose since the consideration transferred exceeded the fair value of the net assets at the acquisition date £5.8 million.

IAS 36 – Impairment of Assets has been adopted by the Code to ensure that assets are held by the Council at no higher than their recoverable amounts. In respect to its investment in Acorn House Developments (Basildon) Limited, the Council has assessed the income that could realistically be generated from the disposal of assets from within the company once construction is complete, may not be sufficient to repay all the liabilities that exist between the company and the Council. This view is based on the best information that is available at the date of these accounts and projections of future cash flows discounted to their current values. As a result, the Council has recognised an impairment in its investment at this stage, however this will be periodically reviewed and will be reversed, in part or in full, should this position change.

|   | Note | Council          |                  | Group            |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| <b>Balance outstanding at start of year</b>     |      | 914              | 1,028            | 914              | 1,028            |
| Additions                                       |      |                  |                  |                  |                  |
| - Assets acquired through business combinations |      | -                | -                | 2,029            | -                |
| Impairment of goodwill                          | 24   | -                | -                | (1,131)          | -                |
| Amortisation for the period                     | 24   | (114)            | (114)            | (114)            | (114)            |
| <b>Net carrying amount at end of year</b>       |      | <b>800</b>       | <b>914</b>       | <b>1,698</b>     | <b>914</b>       |
| Comprising:                                     |      |                  |                  |                  |                  |
| Gross carrying amount                           |      | 1,137            | 1,137            | 2,029            | 1,137            |
| Accumulated amortisation                        |      | (337)            | (223)            | (1,468)          | (223)            |
| <b>Balance outstanding at end of year</b>       |      | <b>800</b>       | <b>914</b>       | <b>561</b>       | <b>914</b>       |

# Notes to the Core Statements

## Capital Notes

### 38 ASSETS HELD FOR SALE

|  | Council          |                  | Group            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| <b>Balance outstanding at start of year</b>                              | 240              | 291              | 240              | 291              |
| Assets newly classified as held for sale - property, plant and equipment | 295              | -                | 3,035            | -                |
| Impairment losses  | 11               | (51)             | 11               | (51)             |
| Assets sold  | (295)            | -                | (295)            | -                |
| <b>Balance outstanding at end of year</b>                                | <b>251</b>       | <b>240</b>       | <b>2,991</b>     | <b>240</b>       |

### 39 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, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. It is analysed in the second part of this Note.

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Opening Capital Financing Requirement</b>                  | <b>305,679</b>   | <b>259,322</b>   |
| <u>Capital Expenditure</u>                                    |                  |                  |
| Property, Plant and Equipment and Intangible Assets:          |                  |                  |
| General Fund  | 19,586           | 11,209           |
| Housing Revenue Account                                       | 23,477           | 26,217           |
| Investment Properties   | -                | 41,569           |
|   | <b>43,063</b>    | <b>78,995</b>    |
| Investment in Subsidiary                                      | 7,810            | 2,627            |
| Loan to Subsidiary  | 6,805            | 5,345            |
| <u>Revenue expenditure funded from capital under statute:</u> |                  |                  |
| Disabled Facilities Grants                                    | 1,188            | 1,189            |
| Other   | 1,031            | -                |
| <b>Total Capital Expenditure to be Financed</b>               | <b>59,897</b>    | <b>88,156</b>    |
| <b>Sources of Finance:</b>                                    |                  |                  |
| Capital receipts  | 3,670            | 11,692           |
| Government grants and other contributions                     | 3,816            | 5,202            |
| Major Repairs Reserve   | 18,235           | 21,358           |
| Direct revenue contributions                                  | 3,586            | 2,189            |
| Sums set aside from revenue:                                  |                  |                  |
| Minimum Revenue Provision                                     | 1,690            | 1,358            |
| <b>Total Financing</b>  | <b>30,997</b>    | <b>41,799</b>    |
| <b>Closing Capital Financing Requirement</b>                  | <b>334,579</b>   | <b>305,679</b>   |
| <b>Analysis by Fund:</b>                                      |                  |                  |
| General Fund  | 129,537          | 100,651          |
| HRA   | 205,042          | 205,028          |
| <b>Closing Capital Financing Requirement</b>                  | <b>334,579</b>   | <b>305,679</b>   |
| <b>Explanation of movements in year:</b>                      |                  |                  |
| Increase/(Decrease) in underlying need for borrowing          | 26,019           | 46,139           |
| Assets acquired under leases                                  | 2,881            | 218              |
| <b>Increase/(Decrease) in Capital Financing Requirement</b>   | <b>28,900</b>    | <b>46,357</b>    |

# Notes to the Core Statements

## Pension Notes

### 40 DEFINED BENEFIT PENSION SCHEMES

#### Characteristics of the Pension Scheme

The Council offers retirement benefits to its employees as part of the terms and conditions of their employment. For this purpose, the Council participates in the Essex County Council Pension Fund (the Fund), which is administered under regulations governing the Local Government Pension Scheme and provides defined benefits related to pay and service. The Fund is reviewed on a triennial basis by the Fund actuary. The last triennial actuarial valuation was at 31 March 2019 and was effective from 1 April 2020. The next valuation at 31 March 2022 will be effective from 1 April 2023.

#### Risks associated with the Pension Scheme

##### Investment Risk

The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

##### Interest Rate Risk

The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

##### Inflation Risk

All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

##### Longevity Risk

In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the above risks may also benefit the employer e.g. higher than expected investment returns, or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

#### Assets and Liabilities in relation to Post-employment Benefits

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

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| Present value of the defined benefit obligation                  | 316,235          | 336,406          |
| Fair value of plan assets  | (217,773)        | (232,536)        |
| <b>Net liability arising from the defined benefit obligation</b> | <b>98,462</b>    | <b>103,870</b>   |

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2021 is £8.3 million (including £0.4m relating to discretionary benefits).

# Notes to the Core Statements

## Pension Notes

### Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable into the Fund in the year, so the real cost of the retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The contributions payable to the Fund by employees are as laid down in the regulations. Employer pension contribution levels are calculated by the actuary as part of the triennial review and are paid by Basildon Council into the Fund. Any surplus or deficit on the Fund has no effect on an individual's entitlement to benefits.

The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund via the Movement in Reserves Statement during the year:

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| <b>Comprehensive Income and Expenditure Statement</b>  |                  |                  |
| <i>Cost of Services:</i>   |                  |                  |
| Service cost comprising:   |                  |                  |
| - Current service cost   | 8,344            | 8,016            |
| - Administration expense   | 72               | 89               |
| - Settlements  | -                | -                |
| - Past service costs, including curtailments   | 400              | 2,668            |
| <i>Financing and Investment Income and Expenditure:</i>  |                  |                  |
| Net interest on the defined liability  | 2,445            | 2,766            |
| <b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>  | <b>11,261</b>    | <b>13,539</b>    |
| <i>Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure:</i>  |                  |                  |
| Remeasurement of the net defined benefit liability comprising:   |                  |                  |
| - Return on plan assets (excluding the amount included in the net interest cost)   | 17,414           | (12,248)         |
| - Experience gain (loss)   | 6,324            | -                |
| - Actuarial gains and losses arising from changes in demographic assumptions   | (2,461)          | (18,562)         |
| - Actuarial gains and losses arising from changes in financial assumptions   | (31,102)         | 14,971           |
| - Other actuarial gains/(losses)   | (2,580)          | -                |
|  | (12,405)         | (15,839)         |
| <b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>   | <b>(1,144)</b>   | <b>(2,300)</b>   |
|  |                  |                  |
|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
| <b>Movement in Reserves Statement</b>  |                  |                  |
| Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services   | 11,261           | 13,539           |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code | (6,997)          | (9,383)          |
| <b>Actual amount charged against Council Tax for pensions in the year:</b>   |                  |                  |
| Employers' contributions payable to the scheme   | <b>4,264</b>     | <b>4,156</b>     |
|  |                  |                  |
|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
| <b>Reconciliation of the movements in the Fair Value of Scheme Assets</b>  |                  |                  |
| <b>Opening Balance at 1 April</b>  | <b>232,536</b>   | <b>218,244</b>   |
| Actual return on scheme assets (less interest)   | (17,414)         | 12,248           |
| Interest income  | 5,517            | 5,522            |
| Administration expenses  | (72)             | (89)             |
| Actuarial gains (losses)   | 2,580            | -                |
| Contributions by scheme participants   | 1,529            | 1,509            |
| Employer contributions including unfunded  | 4,264            | 4,156            |
| Settlement prices paid   | -                | -                |
| Benefits paid including unfunded   | (11,167)         | (9,054)          |
| <b>Closing Balance at 31 March</b>   | <b>217,773</b>   | <b>232,536</b>   |

# Notes to the Core Statements

## Pension Notes

|   | 2019/20        | 2018/19        |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)</b> |                |                |
| <b>Opening Balance at 1 April</b>   | <b>336,406</b> | <b>328,570</b> |
| Current service cost  | 8,344          | 8,016          |
| Interest cost   | 7,962          | 8,288          |
| Contributions from scheme participants  | 1,529          | 1,509          |
| Remeasurements of the net defined benefit liability:                                      |                |                |
| - Actuarial gains and losses arising from changes in demographic assumptions              | (2,461)        | (18,562)       |
| - Actuarial gains and losses arising from changes in financial assumptions                | (31,102)       | 14,971         |
| - Experience loss (gain)  | 6,324          | -              |
| Past service costs, including curtailments  | 400            | 2,668          |
| Liabilities extinguished on settlements   | -              | -              |
| Benefits paid   | (11,167)       | (9,054)        |
| <b>Closing Balance at 31 March</b>  | <b>316,235</b> | <b>336,406</b> |

The estimated asset allocation for the Council consists of the following categories, expressed as a proportion of total assets held by value:

| Asset Share - Bid value    | 31 March 2020  |             | 31 March 2019  |             |
|----------------------------|----------------|-------------|----------------|-------------|
|                            | £'000          | %           | £'000          | %           |
| Equity investments         | 127,471        | 59%         | 144,775        | 65%         |
| Gilts and bonds            | 22,581         | 10%         | 25,932         | 10%         |
| Property                   | 19,583         | 9%          | 20,676         | 10%         |
| Cash and other investments | 48,138         | 22%         | 41,153         | 15%         |
|                            | <b>217,773</b> | <b>100%</b> | <b>232,536</b> | <b>100%</b> |

### Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2020, the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death. The Essex Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries.

Allowance was made for the potential impact of the McCloud and Sargeant judgement, which relates to age discrimination within the New Judicial Pension Scheme, during 2018/19 and therefore is incorporated in the roll forward approach and is remeasured along with the normal pension scheme liabilities.

The principal assumptions used by the actuary are as follows:

|  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| <b>Assumed life expectancy from age 65 (years)</b> |               |               |
| Assumed longevity retiring at current date         |               |               |
| - Males  | 21.8          | 21.3          |
| - Females  | 23.7          | 23.6          |
| Assumed longevity retiring in 20 years             |               |               |
| - Males  | 23.2          | 22.9          |
| - Females  | 25.2          | 25.4          |

The mortality projections were updated in 2018/19 to use the latest version of the Continuous Mortality Investigation's model, CMI\_2018, which was released in March 2019. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure.

# Notes to the Core Statements

## Pension Notes

|  | 31 March<br>2020 | 31 March<br>2019 |
|--|------------------|------------------|
| <b>Financial assumptions:</b>  |                  |                  |
| Rate of inflation - RPI  | 2.70%            | 3.40%            |
| Rate of inflation - CPI  | 1.90%            | 2.40%            |
| Rate of increase in salaries   | 2.90%            | 3.90%            |
| Rate of increase in pensions   | 1.90%            | 2.40%            |
| Rate for discounting scheme liabilities                              | 2.35%            | 2.40%            |
| <b>Other assumptions:</b>  |                  |                  |
| Take-up of option to pay 50% of contributions for 50% of benefits    | 10.0%            | 10.0%            |
| Take-up of option to convert annual pension into retirement lump sum | 50.0%            | 50.0%            |

### Sensitivity Analysis of major assumptions

The sensitivity analysis below shows the impact on the Council's obligations given the stated changes to the major assumptions used by the actuary. The change column is the change to the estimated base projected service cost of £7.642 million. Although the impact of a change in the long-term salary increase has an impact on the present value of the obligation it is relatively minor and, therefore, would have no impact on the projected service cost.

| Adjustment to:                             |          | Present<br>value of<br>total<br>obligation<br>£'000 | Change<br>£'000 | Projected<br>service<br>cost<br>£'000 |
|--|----------|---|-----------------|---------------------------------------|
| Discount rate                              | +0.1%    | 310,199   | (193)           | 7,449                                 |
|  | -0.1%    | 322,395   | 198             | 7,840                                 |
| Long-term salary increase                  | +0.1%    | 316,754   | 4               | 7,646                                 |
|  | -0.1%    | 315,721   | (4)             | 7,638                                 |
| Pension increases and deferred revaluation | +0.1%    | 321,897   | 195             | 7,837                                 |
|  | -0.1%    | 310,681   | (190)           | 7,452                                 |
| Mortality age rating assumption            | + 1 year | 329,247   | 233             | 7,875                                 |
|  | - 1 year | 303,774   | (226)           | 7,416                                 |

### Effect on the Council's cashflows

The revised contribution rate and deficit payments that arose as a consequence of the 2019 valuation were implemented on 1 April 2020. The impact on the Council's future cashflows is as set out in the table below:

|              |       | 2020/21<br>£'000 |
|--------------|-------|------------------|
| Ongoing rate | 19.2% | 4,347            |
| <b>Total</b> |       | <b>4,347</b>     |

The cost of the ongoing rate is based on an estimated pensionable payroll of £22.641 million and will change to the extent that the actual payroll differs from this figure. A deficit payment of £7.057 million was made during 2017/18 to cover the three years to 2019/20. A payment of £3.942 million is due in September 2020 to cover the three years to 2022/23.

# Notes to the Core Statements

## Cash Flow Notes

### 41 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

|   | Council                   |                           | Group                     |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
| Cash held by the Council                | 11                        | 13                        | 11                        | 13                        |
| Short-term deposits                     | 19,010                    | 19,014                    | 19,010                    | 19,014                    |
| Bank current accounts                   | 2,177                     | (970)                     | 2,489                     | (960)                     |
| Special Interest Bearing Account (SIBA) | 77                        | 3,277                     | 77                        | 3,277                     |
| <b>Total cash and cash equivalents</b>  | <b>21,275</b>             | <b>21,334</b>             | <b>21,587</b>             | <b>21,344</b>             |

The Council does not have a bank overdraft facility. Any surplus or shortfall in the current accounts is automatically transferred to the SIBA.

### 42 CASH FLOW STATEMENT - OPERATING ACTIVITIES

Included in the cash flows for operating activities are the following items:

|  | Council          |                  | Group            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| Interest received                                    | (1,217)          | (714)            | (545)            | (521)            |
| Interest paid  | 10,103           | 9,953            | 10,103           | 9,953            |
| <b>Net interest included in operating activities</b> | <b>8,886</b>     | <b>9,239</b>     | <b>9,558</b>     | <b>9,432</b>     |

### 43 CASH FLOW STATEMENT - INVESTING ACTIVITIES

|  | Council          |                  | Group            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 |
| Purchase of property, plant and equipment, investment property and intangible assets | 46,042           | 75,631           | 65,592           | 79,918           |
| Purchase of long-term investment   | 14,614           | 7,972            | -                | -                |
| Purchase of short-term investment (loan to subsidiary)                               | 3,498            | -                | -                | -                |
| Proceeds from the sale of property, plant and equipment                              | (3,876)          | (6,824)          | (5,648)          | (6,984)          |
| Proceeds from short-term investments   | (43,000)         | (25,000)         | (43,000)         | (25,000)         |
| Capital grants received  | (2,952)          | (5,393)          | (3,822)          | (6,057)          |
| Other receipts from investing activities   | 3                | (6)              | 3                | (6)              |
| <b>Net cash flows from investing activities</b>                                      | <b>14,329</b>    | <b>46,380</b>    | <b>13,125</b>    | <b>41,871</b>    |

### 44 CASH FLOW STATEMENT - FINANCING ACTIVITIES

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| Cash receipts of short and long-term borrowing  | -                | (35,000)         |
| Other receipts from financing activities  | (142)            | -                |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 1,069            | 724              |
| Repayments of short and long-term borrowing   | 3,000            | 6,500            |
| Other payments for financing activities   | 1,246            | 4,716            |
| <b>Net cash flows from financing activities</b>   | <b>5,173</b>     | <b>(23,060)</b>  |

# Notes to the Core Statements

## Cash Flow Notes

### 44A RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

|  | 31 March<br>2019<br>£'000 | Financing<br>cashflows<br>£'000 | Non-cash<br>acquisitions<br>£'000 | Other non-<br>cash<br>changes<br>£'000 | 31 March<br>2020<br>£'000 |
|--|---------------------------|---------------------------------|-----------------------------------|--|---------------------------|
| Long-term borrowings                               | (238,299)                 | -                               | -                                 | 3,535                                  | (234,764)                 |
| Short-term borrowings                              | (3,025)                   | 3,000                           | -                                 | (3,510)                                | (3,535)                   |
| Finance lease liabilities                          | (4,082)                   | 1,069                           | (2,881)                           | -                                      | (5,894)                   |
| <b>Total liabilities from financing activities</b> | <b>(245,406)</b>          | <b>4,069</b>                    | <b>(2,881)</b>                    | <b>25</b>                              | <b>(244,193)</b>          |

|  | 31 March<br>2018<br>£'000 | Financing<br>cashflows<br>£'000 | Non-cash<br>acquisitions<br>£'000 | Other non-<br>cash<br>changes<br>£'000 | 31 March<br>2019<br>£'000 |
|--|---------------------------|---------------------------------|-----------------------------------|--|---------------------------|
| Long-term borrowings                               | (206,095)                 | (35,000)                        | -                                 | 2,796                                  | (238,299)                 |
| Short-term borrowings                              | (6,591)                   | 6,500                           | -                                 | (2,934)                                | (3,025)                   |
| Finance lease liabilities                          | (4,806)                   | 724                             | -                                 | -                                      | (4,082)                   |
| <b>Total liabilities from financing activities</b> | <b>(217,492)</b>          | <b>(27,776)</b>                 | <b>-</b>                          | <b>(138)</b>                           | <b>(245,406)</b>          |

Other non-cash changes include movements between short-term and long-term borrowings and movements in accrued interest.



# Housing Revenue Account

## HRA Income and Expenditure Statement

| Expenditure  | Note | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------|------------------|------------------|
| Repairs and maintenance  |      | 12,282           | 11,258           |
| Supervision and management   |      | 13,554           | 12,908           |
| Rents, rates, taxes and other charges  |      | 316              | 226              |
| Depreciation and impairment of non-current assets (net of revaluation gains)   | 5    | 36,746           | 37,779           |
| Debt management costs  |      | 54               | 54               |
| Movement in the allowance for bad debts  |      | 262              | 529              |
| <b>Total Expenditure</b>   |      | <b>63,214</b>    | <b>62,754</b>    |
| <b>Income</b>  |      |                  |                  |
| Dwelling rents   | 1    | (48,008)         | (47,871)         |
| Non-dwelling rents   |      | (21)             | (19)             |
| Charges for services and facilities  |      | (4,977)          | (4,024)          |
| Contributions towards expenditure  |      | (496)            | (497)            |
| <b>Total Income</b>  |      | <b>(53,502)</b>  | <b>(52,411)</b>  |
| <b>Net (Income) / Expenditure of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>    |      | <b>9,712</b>     | <b>10,343</b>    |
| HRA share of expenditure charged to Corporate and Central in the CIES  |      | 321              | 329              |
| <b>Net (Income)/Expenditure of HRA Services</b>  |      | <b>10,033</b>    | <b>10,672</b>    |
| <b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b> |      |                  |                  |
| (Gain)/Loss on sale of HRA non-current assets  |      | (1,207)          | (2,789)          |
| Interest payable and similar charges   |      | 8,111            | 7,812            |
| Net interest on the net defined benefit liability  |      | 470              | 514              |
| Capital grants, contributions and donated assets   |      | (543)            | (51)             |
| <b>(Surplus)/Deficit for the year on HRA services</b>  |      | <b>16,864</b>    | <b>16,158</b>    |

# Housing Revenue Account

## Movement on the Housing Revenue Account Statement

The purpose of the Movement on the Housing Revenue Account Statement is to reconcile the Income and Expenditure Statement surplus or deficit for the year to the Housing Revenue Account balance for the year to show the real impact on the statutory Housing Revenue Account.

| Note   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| <b>Balance on the HRA at the end of the previous year</b>                              | (8,781)          | (8,533)          |
| (Surplus) or deficit for the year on the HRA Income and Expenditure Statement          | 16,864           | 16,158           |
| Adjustments between accounting basis and funding basis under the legislative framework | (16,936)         | (20,117)         |
| <b>Net (increase)/decrease before transfers to or from reserves</b>                    | <b>(72)</b>      | <b>(3,959)</b>   |
| <b>Transfers to or from earmarked reserves:</b>  | <b>522</b>       | <b>3,711</b>     |
| <b>(Increase)/decrease in year on the HRA</b>  | <b>450</b>       | <b>(248)</b>     |
| <b>Balance on the HRA at the end of the current year</b>                               | <b>(8,331)</b>   | <b>(8,781)</b>   |

### ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The net amount required to be debited or credited to the HRA balance in the statement above is made up of the following:

| Note   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| (Gain)/loss on sale of HRA non-current assets  | 1,207            | 2,789            |
| HRA share of contributions to or from the Pensions Reserve                           | (1,345)          | (1,743)          |
| Revaluation gains and impairment losses (charged to SDPS)                            | 5                | (21,310)         |
| Provision for the repayment of debt  | 40               | 91               |
| Capital expenditure funded by the HRA  | 2,789            | -                |
| Capital grants transferred to the Capital Adjustment Account                         | 543              | 51               |
| Depreciation transferred to the Capital Adjustment Account                           | 5                | (16,469)         |
| Absences accrual transferred to the Accumulated Absences Account                     | (6)              | 5                |
| Transfer to Major Repairs Reserve  | 16,582           | 16,469           |
| <b>Net additional amount required by statute to be debited (credited) to the HRA</b> | <b>(16,936)</b>  | <b>(20,117)</b>  |

Further details of the adjustments between accounting basis and funding basis can be found in the Movement in Reserves Statement.

# Notes to the Housing Revenue Account

## 1 DWELLING RENTS

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| Dwellings                               | (48,479)         | (48,511)         |
| Less: Void properties                   | 471              | 640              |
| <b>Total income from dwelling rents</b> | <b>(48,008)</b>  | <b>(47,871)</b>  |

Rent loss due to void dwellings was 1.0% in the year (1.3% in 2018/19). The average weekly rent in 2019/20 was £86.03, which was £0.79 below the average for the previous year (£86.82).

## 2 RENT ARREARS

|   | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|---|---------------------------|---------------------------|
| Current tenants                         | 2,439                     | 2,490                     |
| Former tenants                          | 1,901                     | 1,731                     |
| <b>Total gross rent arrears</b>         | <b>4,340</b>              | <b>4,221</b>              |
| Less: Allowance for uncollectable rents | (2,482)                   | (2,100)                   |
| <b>Total net rent arrears</b>           | <b>1,858</b>              | <b>2,121</b>              |

The arrears relate to rents, heating charges, tenants' effects insurance premiums and other service charges due from tenants. Current arrears include secure and temporary tenancies and shared ownership dwellings.

All figures ignore prepayments of rent amounting to £1,359,540 at 31 March 2020 (£842,521 at 31 March 2019).

## 3 ANALYSIS OF HOUSING STOCK

The Council was responsible for 10,794 dwellings at the end of the year (10,804 at 31 March 2019) including the Council's share of shared ownership dwellings, equivalent to 107 wholly owned dwellings at 31 March 2020, (107 at 31 March 2019).

|   | 31 March<br>2020 | 31 March<br>2019 |
|---|------------------|------------------|
| <i>Analysis by type of dwelling:</i>    |                  |                  |
| Houses and bungalows                    | 6,112            | 6,120            |
| Flats and maisonettes                   | 4,682            | 4,684            |
| <b>Total dwellings</b>                  | <b>10,794</b>    | <b>10,804</b>    |
| <i>Change in stock during the year:</i> |                  |                  |
| Stock at 1 April                        | 10,804           | 10,810           |
| Purchases and donations                 | 19               | 50               |
| Sales and other disposals               | (29)             | (56)             |
| <b>Total dwellings</b>                  | <b>10,794</b>    | <b>10,804</b>    |

# Notes to the Housing Revenue Account

## 4 VALUATION OF HOUSING ASSETS

The total values of land, houses and other property within the HRA are set out below:

|                                      | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 |
|--------------------------------------|---------------------------|---------------------------|
| <i>Property, plant and equipment</i> |                           |                           |
| Dwellings                            | 843,455                   | 821,283                   |
| Other land and buildings             | 15                        | 15                        |
| Vehicles, plant and equipment        | 342                       | 371                       |
| Assets under construction            | 1,327                     | 564                       |
| <i>Intangible assets</i>             | 800                       | 914                       |
| <b>Total value of housing assets</b> | <b>845,939</b>            | <b>823,147</b>            |

All property has been valued in accordance with guidance on stock valuation published by the Secretary of State. The vacant possession value of dwellings in the HRA, valued in accordance with the guidance, was £2,219.6 million at 31 March 2020. The difference of £1,376.2 million between the vacant possession value and the Balance Sheet value shown in the table above represents the economic cost of providing council housing at less than open market rents.

## 5 DEPRECIATION, IMPAIRMENT, REVALUATION GAINS AND LOSSES

|                                      | 31 March 2020         |                     |                      | 31 March 2019         |                     |                      |
|--------------------------------------|-----------------------|---------------------|----------------------|-----------------------|---------------------|----------------------|
|                                      | Depreciation<br>£'000 | Impairment<br>£'000 | Revaluation<br>£'000 | Depreciation<br>£'000 | Impairment<br>£'000 | Revaluation<br>£'000 |
| <i>Property, plant and equipment</i> |                       |                     |                      |                       |                     |                      |
| Dwellings                            | 16,429                | 18,807              | 1,336                | 16,323                | 13,767              | 6,758                |
| Shared ownership dwellings           | -                     | -                   | -                    | -                     | -                   | -                    |
| Other land and buildings             | -                     | 21                  | -                    | -                     | 28                  | -                    |
| Vehicles, plant and equipment        | 39                    | -                   | -                    | 32                    | -                   | -                    |
| Assets under construction            | -                     | -                   | -                    | -                     | 757                 | -                    |
| <i>Intangible assets</i>             | 114                   | -                   | -                    | 114                   | -                   | -                    |
| <b>Total</b>                         | <b>16,582</b>         | <b>18,828</b>       | <b>1,336</b>         | <b>16,469</b>         | <b>14,552</b>       | <b>6,758</b>         |

## 6 CAPITAL EXPENDITURE AND FINANCING

|   | Note | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------|------------------|------------------|
| <b>Analysis of expenditure and financing</b>    |      |                  |                  |
| Housing   |      | 22,385           | 24,506           |
| Other property including intangible assets      |      | 1,092            | 1,711            |
| <b>Total capital expenditure to be financed</b> |      | <b>23,477</b>    | <b>26,217</b>    |
| <i>Financed from:</i>                           |      |                  |                  |
| Major Repairs Reserve                           |      | 18,235           | 21,358           |
| Capital contributions                           |      | 543              | 51               |
| Usable capital receipts                         |      | 1,900            | 4,808            |
| Borrowing                                       |      | 10               | -                |
| Revenue contributions                           |      | 2,789            | -                |
| <b>Total financing</b>                          |      | <b>23,477</b>    | <b>26,217</b>    |

# Notes to the Housing Revenue Account

## 7 CAPITAL RECEIPTS FROM DISPOSALS OF HRA LAND AND PROPERTY

In common with all housing authorities, the Council is required to sell dwellings to tenants who meet the requirements to exercise their right to buy.

|                                      | 2019/20<br>Total<br>£'000 | 2018/19<br>Total<br>£'000 |
|--------------------------------------|---------------------------|---------------------------|
| Sale of dwellings under right to buy | 3,251                     | 6,622                     |
| Sale of shared ownership properties  | 25                        | 270                       |
| Sale of other HRA property           | -                         | 10                        |
| <b>Total capital receipts</b>        | <b>3,276</b>              | <b>6,902</b>              |

## 8 EARMARKED BALANCE

The Council has earmarked part of the HRA balance for Treasury Management Risk, and Asset Investment.

|                                     | 2019/20<br>Total<br>£'000 | 2018/19<br>Total<br>£'000 |
|-------------------------------------|---------------------------|---------------------------|
| Asset Management Reserve            | 24,415                    | 23,893                    |
| Treasury Management Reserve         | 600                       | 600                       |
| <b>Total HRA Earmarked Reserves</b> | <b>25,015</b>             | <b>24,493</b>             |

## 9 FURTHER INFORMATION

Further information about the provision of housing services can be obtained by writing to the Head of Housing, Basildon Borough Council, The Basildon Centre, St. Martin's Square, Basildon, Essex SS14 1DL.

# Collection Fund Account

|   | 2019/20                 |                            |                | 2018/19                 |                            |                 |
|---|-------------------------|----------------------------|----------------|-------------------------|----------------------------|-----------------|
|   | Council<br>Tax<br>£'000 | Business<br>Rates<br>£'000 | Total<br>£'000 | Council<br>Tax<br>£'000 | Business<br>Rates<br>£'000 | Total<br>£'000  |
| <b>Income:</b>  |                         |                            |                |                         |                            |                 |
| Amounts receivable (net of discounts and reliefs)     | 112,295                 | 81,765                     | 194,060        | 106,306                 | 83,275                     | 189,581         |
| Collection of previous year's deficit:                |                         |                            |                |                         |                            |                 |
| - Central Government                                  | -                       | 234                        | 234            | -                       | -                          | -               |
| - Essex County Council                                | -                       | 42                         | 42             | 48                      | -                          | 48              |
| - Police & Crime Commissioner for Essex               | -                       | -                          | -              | 7                       | -                          | 7               |
| - Essex Fire Authority                                | -                       | 5                          | 5              | 3                       | -                          | 3               |
| - Basildon Borough Council                            | -                       | 189                        | 189            | 11                      | -                          | 11              |
|   | -                       | 470                        | 470            | 69                      | -                          | 69              |
| <b>Total Income</b>                                   | <b>112,295</b>          | <b>82,235</b>              | <b>194,530</b> | <b>106,375</b>          | <b>83,275</b>              | <b>189,650</b>  |
| <b>Expenditure:</b>                                   |                         |                            |                |                         |                            |                 |
| Precepts and shares                                   |                         |                            |                |                         |                            |                 |
| - Central Government                                  | -                       | 39,644                     | 39,644         | -                       | 40,016                     | 40,016          |
| - Essex County Council                                | 77,400                  | 7,136                      | 84,536         | 73,470                  | 7,203                      | 80,673          |
| - Police & Crime Commissioner for Essex               | 11,756                  | -                          | 11,756         | 10,164                  | -                          | 10,164          |
| - Essex Fire Authority                                | 4,414                   | 793                        | 5,207          | 4,232                   | 800                        | 5,032           |
| - Basildon Borough Council                            | 17,454                  | 31,715                     | 49,169         | 16,708                  | 32,013                     | 48,721          |
|   | 111,024                 | 79,288                     | 190,312        | 104,574                 | 80,032                     | 184,606         |
| Transitional protection payment receivable            | -                       | 585                        | 585            | -                       | 104                        | 104             |
| Impairment of debts/appeals:                          |                         |                            |                |                         |                            |                 |
| - Write-offs of uncollectable amounts                 | -                       | -                          | -              | 571                     | 308                        | 879             |
| - Allowance for impairment                            | 2,379                   | 919                        | 3,298          | 990                     | 305                        | 1,295           |
| - Allowance for losses on appeals                     | -                       | 2,560                      | 2,560          | -                       | 4,856                      | 4,856           |
|   | 2,379                   | 3,479                      | 5,858          | 1,561                   | 5,469                      | 7,030           |
| Charge to General Fund for allowable collection costs | -                       | 228                        | 228            | -                       | 280                        | 280             |
| Distribution of previous year's estimated surplus:    |                         |                            |                |                         |                            |                 |
| - Central Government                                  | -                       | -                          | -              | -                       | 4,742                      | 4,742           |
| - Essex County Council                                | 730                     | -                          | 730            | -                       | 854                        | 854             |
| - Police & Crime Commissioner for Essex               | 101                     | -                          | 101            | -                       | -                          | -               |
| - Essex Fire Authority                                | 42                      | -                          | 42             | -                       | 95                         | 95              |
| - Basildon Borough Council                            | 166                     | -                          | 166            | -                       | 3,793                      | 3,793           |
|   | 1,039                   | -                          | 1,039          | -                       | 9,484                      | 9,484           |
| <b>Total Expenditure</b>                              | <b>114,442</b>          | <b>83,580</b>              | <b>198,022</b> | <b>106,135</b>          | <b>95,369</b>              | <b>201,504</b>  |
| <b>Movement on Fund Balance</b>                       | <b>(2,147)</b>          | <b>(1,345)</b>             | <b>(3,492)</b> | <b>240</b>              | <b>(12,094)</b>            | <b>(11,854)</b> |
| <b>Opening Fund Balance</b>                           | <b>(515)</b>            | <b>1,935</b>               | <b>1,420</b>   | <b>(275)</b>            | <b>(10,159)</b>            | <b>(10,434)</b> |
| <b>Closing Fund Balance</b>                           | <b>1,632</b>            | <b>3,280</b>               | <b>4,912</b>   | <b>(515)</b>            | <b>1,935</b>               | <b>1,420</b>    |
| <b>Movement on fund balance</b>                       | <b>(2,147)</b>          | <b>(1,345)</b>             | <b>(3,492)</b> | <b>240</b>              | <b>(12,094)</b>            | <b>(11,854)</b> |

# Collection Fund Account

## 1 COUNCIL TAX BASE

Whilst the annual Council Tax levy is expressed as a Band D equivalent, it is actually charged across nine different valuation bands. The Council Tax base for 2019/20 was calculated as follows:

| Tax Band   | No. of Properties in Band | No. of Properties after Discounts | Ratio to Band D | Equivalent No. of Band D Properties |
|--|---------------------------|-----------------------------------|-----------------|-------------------------------------|
| A (Disabled)   | 11                        | 9                                 | 5/9             | 5                                   |
| A  | 8,912                     | 7,238                             | 6/9             | 4,825                               |
| B  | 16,140                    | 14,246                            | 7/9             | 11,080                              |
| C  | 24,490                    | 22,236                            | 8/9             | 19,766                              |
| D  | 14,796                    | 13,717                            | 9/9             | 13,717                              |
| E  | 7,541                     | 7,123                             | 11/9            | 8,706                               |
| F  | 4,639                     | 4,452                             | 13/9            | 6,431                               |
| G  | 1,965                     | 1,903                             | 15/9            | 3,172                               |
| H  | 156                       | 152                               | 18/9            | 304                                 |
|  | <b>78,650</b>             | <b>71,076</b>                     |                 | <b>68,006</b>                       |
| Less: Net impact of Local Council Tax Support Scheme |                           |                                   |                 | (6,498)                             |
|  |                           |                                   |                 | <b>61,508</b>                       |
| Less: Allowance for irrecoverables                   |                           |                                   | 0.95%           | (584)                               |
| <b>Total Council Tax Base</b>                        |                           |                                   |                 | <b>60,924</b>                       |

## 2 INCOME FROM COUNCIL TAX

For 2019/20 the Council set an average Council Tax levy of £1,822.35 per Band D equivalent property, made up of precepts from authorities as follows:

|  | 2019/20<br>£    | 2018/19<br>£    |
|--|-----------------|-----------------|
| Basildon Borough Council                                   | 278.91          | 270.81          |
| Parish and Town Councils in the Basildon Borough (average) | 7.59            | 7.03            |
| Essex County Council                                       | 1,270.44        | 1,221.75        |
| Police & Crime Commissioner for Essex                      | 192.96          | 169.02          |
| Essex Fire Authority                                       | 72.45           | 70.38           |
| <b>Total average Council Tax Band D</b>                    | <b>1,822.35</b> | <b>1,738.99</b> |

The Council Tax requirement is made up of the sum of all precepts levied on this Council as Billing Authority. Basildon's own precept for the year 2019/20 (£17.45 million) included £462,408 (£421,031 in 2018/19) in respect of precepts from Parish, Town and Village Councils within the borough. The payments to Parish, Town and Village Councils are met initially from the General Fund and included in Basildon's budget requirement.

Specific reductions in Council Tax liability are made in accordance with regulations for households on low income (Council Tax Support). The amount credited to the Collection Fund is analysed as follows:

|                                      | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--------------------------------------|------------------|------------------|
| Council Tax                          | 123,615          | 117,370          |
| Less: Council Tax Support            | (11,320)         | (11,064)         |
| <b>Net Income to Collection Fund</b> | <b>112,295</b>   | <b>106,306</b>   |

# Collection Fund Account

## 3 INCOME FROM BUSINESS RATES

The Council calculates the rates due on non-domestic property in the Borough by multiplying the rateable value of the property by a uniform national rate in the pound. The total amount, less certain reliefs and other deductions, is shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority (1%), with the remainder being retained by the council (40%). Police and Crime Commissioners are not included in the scheme.

The amount credited to the Collection Fund is analysed as follows:

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| Business Rates (including voids and exemptions) | 91,186           | 89,810           |
| <i>Add: Appeals settled</i>                     | 455              | 1,180            |
| <i>Less: Reliefs, and other adjustments</i>     | (9,876)          | (7,715)          |
| <b>Net Income to Collection Fund</b>            | <b>81,765</b>    | <b>83,275</b>    |

The total rateable value for the Basildon Borough at 31 March 2020 was £193.7m (£193.8 million, 2019). The business rate for 2019/20 was 49.1p per £ of rateable value for small businesses and 50.4p for other businesses (48.0p and 49.3p respectively for 2018/19).

For further information on Business Rates Appeals see Note 4.



# Accounting Policies

## 1. Accruals of Income and Expenditure (including Revenue Recognition).

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from Grants, Contributions and Donations is recognised immediately if no conditions exist or if all conditions have been met. Otherwise they are accounted for as outlined in Section 10.
- Supplies that are held in inventories are recorded as expenditure when they are consumed, i.e. where there is a gap between the date supplies are received and when they are consumed they are carried as inventories in the Balance Sheet. Other supplies are expensed when received.
- 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 revenue 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.

The accounts depart from the accruals concept in the following ways:

- Creditors and debtors are not normally raised for sums under £1,000 or for regular payments such as gas, electricity and telephone accounts and lease rentals, provided the appropriate number of payments have been made in the particular year. Exceptions are made to the £1,000 policy where grant funding would be lost if the amounts were not accrued.
- Interest payable on borrowings is not accrued in respect of loans raised before 1 April 1987, the interest on which is accounted for on a cash basis.

Where the Council is due to receive income from contractual arrangements with its customers, it is required to consider the following 5 steps before disclosing income:

1. Identify the contract with a customer
2. Identify all the individual performance obligations within the contract
3. Determine the transaction price
4. Allocate the price to the performance obligations
5. Recognise revenue as the performance obligations are fulfilled

If these are deemed to be applicable to any existing arrangement, income will not be recognised in the financial statements until the relevant performance obligations have been met.

## 2. Cash and Cash Equivalents

Cash comprises cash in hand and deposits repayable on demand without penalty or loss of value. This includes credit balances held in any Council bank account as at 31 March which can be recalled within one working day.

A financial instrument will be treated as a cash equivalent if it meets the definition given in IAS 7; "short-term, highly liquid investments which are readily convertible to known amounts of cash without penalty and which are subject to an insignificant risk of changes in value". In this context, 'short-term' is defined as three calendar months or less, while 'insignificant' is defined as less than 1% risk of default or impairment. In the

# Accounting Policies

Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## 3. Exceptional Items

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

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

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

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

Where a change is made, it is applied retrospectively (unless stated otherwise e.g. on grounds of materiality) 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.

Should any of the above instances arise, the appropriate disclosures will be made within the accounts.

## 5. 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 property, plant and equipment 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 charged.

The Council is not required to raise council tax to fund depreciation, or revaluation and impairment losses. However, the General Fund is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Such charges are termed 'minimum revenue provision' or MRP.

It is for each authority to determine a prudent level of MRP, though regard must be had to statutory guidance issued by the Secretary of State for Communities and Local Government.

The statutory guidance can be found here

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/11297/2089512.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11297/2089512.pdf)

The Council's MRP policy for 2018/19 can be found in the 2018/19 budget report here

<http://www.basildonmeetings.info/documents/s92355/Enc.%20%20for%20General%20Fund%20Revenue%20and%20Capital%20Budget%20201819%20and%20Forecast%20to%20202122.pdf>

Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The HRA is also charged with depreciation, revaluation and impairment losses. Impairments have been reversed through the movement in reserves statement. A balance equivalent to the depreciation charged to the HRA is transferred from the Capital Adjustment Account to the Major Repairs Reserve as required by the Accounts and Audit Regulations 2015.

# Accounting Policies

## 6. Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. private health care) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, such entitlements being termed 'accumulated absences') earned by employees but not taken before the year-end and which employees can carry forward to the next financial year. The accrual is made at an average salary rate estimated to be 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, but then taken out of the General Fund through the Movement in Reserves Statement into the Unpaid Absences Account with the transaction being reversed in the following year.

### Termination Benefits

Termination benefits, are amounts payable as a result of a decision by Basildon Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept an offer of voluntary redundancy in exchange for those benefits, or in the event of compulsory redundancy. These are charged on an accruals basis to the appropriate Service in the Comprehensive Income and Expenditure Statement (CIES) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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, appropriations are required to and from the Pensions Reserve to remove the notional debits 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

The Local Government Pension Scheme is administered by Essex County Council. The Scheme is accounted for as a defined benefits scheme.

The liabilities of the Essex County Pension Fund attributable to Basildon Borough 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 and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate deemed to be appropriate for the scheme (usually based on the indicative rate of return on high quality corporate bonds).

The assets of the Essex County pension fund attributable to Basildon 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 pension liability is analysed into the following components:

- 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 (CIES) to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES to the services for which the employees worked.

## Accounting Policies

- Net Interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the CIES. This is calculated using the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – 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 Essex County Pension Fund – cash paid as 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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby 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 are 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 estimated liabilities that arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the core Pension Scheme.

## 7. 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, and,
- 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 a category of events would have a material effect, disclosure is made in the notes 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.

## 8. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to their contractual provisions and 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 (CIES) 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 most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount

# Accounting Policies

payable for the year according to the loan agreement. The only exception to this is for loans taken out prior to April 1987 the interest on which is accounted for on a cash basis.

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 CIES in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the CIES 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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### Financial Assets measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### Expected Credit Loss Model

The authority 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 authority.

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.

## 9. Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.

# Accounting Policies

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

## 10. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 11. Grants, Contributions and Donations (including Donated Assets)

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

- the Council has complied with the conditions attached to the grant, contribution or donations, and
- the grants, contributions or donations will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement (CIES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired in the form of a grant, contribution or donation are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance (creditors). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable/specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES. Donated Assets received unconditionally are debited in the Council's Balance Sheet at Fair Value and credited to the CIES.

Where capital grants and donated assets are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account. However, where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve instead. When it has been applied, it is then posted to the Capital Adjustment Account.

## 12. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment 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 ("Embedded Leases") are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (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. The Council's initial indirect costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down 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 – applied to write down the lease liability, and

# Accounting Policies

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are 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. (See policy number 5)

## Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges 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. if there is a rent-free period at the commencement of the lease). The leased assets are not recognised on the Balance Sheet of the Council.

## The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of 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 (CIES) 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 CIES 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 premiums received upon entry to a lease are treated as Capital Receipts.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## Operating Leases

Where the Council grants an operating lease over a property or an item of 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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 13. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the absorption costing principle.

# Accounting Policies

## 14. 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.

Non current assets are classified into the groupings required by the Code of Practice. They are valued on the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. In accordance with the Code of Practice, the Council revalues its non current assets once every five years as a minimum, unless evidence suggests that this would lead to a significant difference between the true valuation and the balance sheet value, in which case valuations are carried out more frequently as required. Valuations are undertaken mainly by the Council's Principal Estates Surveyor, with the support of external Chartered Surveyors as required.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (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 historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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(s) in the Comprehensive Income and Expenditure Statement.



# Accounting Policies

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.

## De Minimis

Certain assets because of their nature fall to be classed as de minimis. Assets that fall into this category are

- Areas of amenity space – mainly but not exclusively providing landscaping around the Borough
- Land under highways
- Areas of land that are undeveloped and are regarded as undevelopable due to their size, location or nature
- Areas of land that whilst owned by the authority are subject to occupation by a third party who may be able to register possessory title due to their previous long term uninterrupted occupation.

## Impairment

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

Where impairment losses are identified, they are accounted for by:

- 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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, Infrastructure Assets 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 the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset based on its capital value, with the exception of assets acquired through a Finance Lease, where they are depreciated on an annuity basis, in line with the principal repayment of the lease.
- Infrastructure, Investment Properties, Community Assets and Assets under Construction are not depreciated.

Revaluation gains are 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 historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment has major components the cost of which is significant in relation to the total cost of the item, the components are depreciated separately. If the estimated useful life of a component is the same as that of the host asset the component is not accounted for separately from the host asset as there will be no impact on depreciation calculations.

## Disposals and Non-current 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 revalued immediately before reclassification and then carried at the lower of this amount and fair 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 fair

## Accounting Policies

value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. 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; 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.

The Council has assets which have been categorised as Surplus Assets under section 4.1.2.2 of the Code. These are defined as assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties under section 4.4 of the Code or non-current assets held for sale under section 4.9 of the Code and are measured at fair value.

### Disposals and Capital Receipts

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 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 under 'Right to Buy' are payable to the Government under the pooling arrangements set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The balance of receipts (after deductions are made for any liability arising from the disposal to the extent that these are permitted by statute) are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, specifically to fund replacement social housing or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the 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 long term 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.

Repayments to the Council of grants and loans given for capital purposes are also credited to the Capital Receipts Reserve.

### Donated Assets

Where the purchase price of an asset has been reduced to nil or a nominal amount for non-commercial reasons (e.g. a property bequeathed to the Council), the property, plant or equipment is brought onto the Balance Sheet at its fair value. The difference between fair value and the price paid for the donated asset is not treated as a revaluation gain – it is credited to the Comprehensive Income and Expenditure Statement as income in the Taxation and Non-specific Grant Income and Expenditure line, unless there are conditions attached to the transfer of the asset, in which case it is credited to the Donated Assets Account until such conditions have been met at which point the difference will then be recognised in the Comprehensive Income and Expenditure Statement.

## 15. Intangible Assets

Intangible Assets are defined as expenditure on non-cash assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised when they will bring benefits to the Council for more than one financial year. Intangible assets are carried at amortised cost. The assets are amortised over their useful life with the annual charge going to the relevant service line in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal of an intangible asset is recorded as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore

# Accounting Policies

reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## 16. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued 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.

## 17. Capitalisation of Borrowing Costs

As permitted under the Code, the Council has chosen to follow IAS 23 in respect of the capitalisation of borrowing costs for qualifying assets. These costs will only be capitalised during the construction phase and once the asset becomes operational, all costs will revert to revenue expenses as defined in **Policy 1**. The rate applied to the interest cost shall be the weighted average of the borrowing costs that are outstanding during the period.

To meet the requirement of a qualifying asset, the following must be true of the project:

- The asset must take more than one financial year to complete.
- The financing of the total scheme cost must include at least 75% borrowing.
- The borrowing requirement must be at least £2m.

In all other circumstances, the borrowing costs will be expensed as outlined in **Policy 1**.

## 18. Provisions and Contingent Liabilities

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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 of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

# Accounting Policies

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation 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 an outflow 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.

## 19. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating 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 score against the Surplus or Deficit on the Provision of Services 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, council tax and business rates, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

## 20. 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 a non-current asset 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 or HRA Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## 21. 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.

## 22. Deferred Capital Receipts

Future rentals due under a Finance Lease, where the Council is the lessor, are included as a deferred capital receipt. These are written down each year to the Capital Receipts Reserve by the amount of capital debt repaid. This treatment also relates to sums due from repayments on other loans.

## 23. Agency Arrangements / Collection of Local Taxes

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. In the Council's capacity as billing authority it acts as an agent in collecting and distributing council tax income on behalf of the major preceptors and itself. Only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from council tax payers.

The Council also acts as an agent in collecting business rates on behalf of the Government, Essex County Council and Essex Fire and Rescue. Only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from business ratepayers.

Expenditure incurred and Income received by an Agent does not appear in the accounts of the Agent because it is incurred or received on behalf of someone else i.e. the Principal party to the arrangement.



# Annual Governance Statement 2019-2020

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## EXECUTIVE SUMMARY

Basildon Borough Council is committed to improving the lives of all residents and creating opportunity and prosperity for local people and businesses. This commitment is set out in the council's Corporate Plan and describes how the council will meet the challenges ahead and make the most of opportunities.

To be successful the council must have a solid foundation of good governance and sound financial management. Basildon's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code is supported by an Assurance Framework that sets out how and what the council will seek to obtain assurance on.

A copy of the Council's Local Code and Assurance Framework is available on our website at <http://www.basildon.gov.uk/governance>.

Each year the council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Local Code have been working. This Statement gives assurances on compliance for the year ending 31 March 2020 and up to the date of approval of the Statement of Accounts.

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this Statement, and to further enhance our governance arrangements.

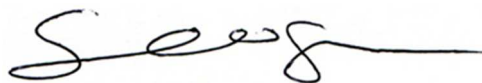
The Leader and Chief Executive confirm they have been advised of the implications of the review by Senior Management and the Audit & Risk Committee and are satisfied that the steps outlined in this document will address the areas for improvement.

Signed on behalf of Basildon Borough Council



**Leader of the Council**

**Date: 29/06/20**



**Chief Executive**

**Date: 29/06/20**

## REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

Throughout the year, the council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and into the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, External Auditors and other review agencies. In reviewing the effectiveness of the council's governance framework, the commitments detailed within Appendix A of the Local Code are assessed.

Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, shared service arrangements and arm's length bodies.

The Annual Governance Statement incorporates the continuous review of the effectiveness of our governance arrangements throughout 2019/20. It identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to improving lives of all residents and creating opportunity and prosperity for local people and businesses.

This Statement is an objective appraisal of our governance framework and shows that, we have **adequate<sup>1</sup>arrangements which continue to be regarded as fit for purpose that comply with the council's Local Code of Corporate Governance**, and shows that we have met our legal and statutory obligations to our residents. However we recognise that there are some areas for development and further improvement. The External Auditor has continued to be positive about our arrangements to secure value for money and has provided an unqualified opinion on the council's Statement of Accounts for 2018/19.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The council has good foundations in place and the 2019/20 governance review has not identified any new significant issues of concern.

However, it must be recognised that whilst the Annual Governance Statement assesses governance in place during 2019/20, the Covid 19 pandemic has impacted on governance arrangements from March 2020. An assessment is currently underway on the extent of this impact, which includes:

- Impact on business as usual in the delivery of services
- New areas of activity as part of the national response to coronavirus and any governance issues arising, such as the implementation of new policies and processes and emergency assistance
- The funding and logistical consequences of delivering the local government response, such as:
  - Changes to council meetings and decision making arrangements
  - New collaborative arrangements
  - New collaborative arrangements

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<sup>1</sup> There are areas for improvement but most key controls are in place and are operating effectively. Adequate assurance can be given that the system, process or activity should achieve its objectives.

- Funding, reserves strategy and cash flow challenges
- Longer term medium term financial strategy implications

An assessment of the longer-term disruption, consequences and recovery plan arising from the Covid 19 pandemic is also underway which is assessing:

- Existing projects and programmes that have been put on hold
- New priorities and objectives introduced
- New risks identified and existing risks which have escalated

The Council has also set up a Member working group in relation to Covid 19 recovery thus ensuring that Members are fully involved.

Despite these impacts the council has responded in an agile and effective way to continue to provide statutory services to the community and help those most in need.

Every effort has been made to maintain a business as usual approach and to maintain the delivery of key services to residents. During the required lockdown period, the Council was able to consider urgent matters and decisions through its urgent decision procedure rules and arrangements. Legislative changes have made provision for remote meetings and participating over the next year and the Council responded quickly and effectively to this with meetings recommencing immediately following the Government's announcement and all committees now taking place.

The majority of staff were required to work from home, if possible, which has been proven to have worked effectively, with no significant disruption to key services.

The Revenue and Benefits team workloads have increased as a result of Covid 19, however, despite this increase the Council has successfully:

- processed £26.6 m in Business Rates Grants
- processed £1.2m in additional discretionary Council Tax Reduction payments
- adapted more than 2,850 Council Tax payment arrangements to the customers' needs

An additional 600+ households have received £612k in Council Tax Reduction and 12,000 support/outreach letters have been sent to customers struggling to pay their Council Tax, offering numerous ways of support that the Council has to offer

The Council has continued to keep residents and other stakeholders advised of developments or assistance that is available through the website or via social media, which included partnering with community and voluntary sector organisations to set up the Basildon Community Hub, a service that supports our most vulnerable residents at this time with food, medication, befriending and general advice and support, and a Business Hub which has been established to help support businesses through the coronavirus (COVID-19) outbreak.

Covid 19 has not identified any significant weakness in the Council underlying governance arrangements, which is demonstrate through this assessment and reinforces Basildon's good governance and leadership arrangements.



The council recognises that there are areas where we wish to enhance our arrangements to ensure that we continue to do the right things, in the right way, in line with our values and to take into account significant challenges we face.

The council is currently aware of further issues that could also affect its financial position such as, but not limited to, insurance claims, planning decisions, appeals against housing/homeless decisions, business rates appeals, enforcement and other matters. Specifically in relation to Covid 19 the Council is working with political leaders and local MPs in relation to lobbying the government to minimise the impact for the borough financially and the impact to our vulnerable residents.

The council has two subsidiary companies (Sempra Homes and Acorn House) which have been set up to deliver commercial opportunities for the council, specifically relating to building and providing quality homes for local people. Both companies have governance arrangements in place and the Council has approved and monitors the business plans. Regular update reports are submitted to the Housing Development Sub Committee. The council wishes to undertake a review of company structures and governance arrangements to consider the options available to maximise the opportunities for the council whilst appropriately managing the risks which will be considered during the ensuing year. The review will also consider conflicts of interest where the council's statutory officers have a dual role as company directors.

Whilst a number of assurances have been obtained to support the conclusion that the council's governance arrangements are adequate, it is important that the following specific assurances are considered to support this Statement:

1. Head of Paid Service

The Head of Paid Service is responsible for the overall corporate and operational management of the council.

These responsibilities have been considered within the context of this Statement and the Head of Paid Service can confirm that proper arrangements have been put in place for the overall operation and management of the council.

The Head of Paid Service has no significant concerns to report and highlights that work has been undertaken around the internal management and board structure to strengthen the accountability and decision making. This work has continued into 2020/21 and is taking account of the impact of Covid 19 and will be finalised and embedded throughout the forthcoming year. In addition the Head of Paid Service is leading the authority in terms of its Financial Strategy and Commercial programme providing a critical link to Member sub committees.

2. Chief Financial, Section 151 Officer

The Chief Finance Officer (CFO) is responsible for the development and maintenance of the council's financial governance, risk and control frameworks which ensure that financial decision making is both lawful and prudent. They are also responsible, in accordance with Section 151 of the Local Government Act 1972, for the proper administration of the council's financial affairs.

These responsibilities have been considered within the context of this Statement and the CFO can confirm that the council's arrangements meet the requirement to be proper as set out in Section 151 of the Local Government Act 1972. Additionally the council complies with the

requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016).

While the council has robust financial management arrangements in place it is important to note that the council's Medium Term Financial Strategy (MTFS) identifies resource shortfalls of £1.5 million in 2021/22, £2.6 million in 2022/23 rising to £4.7 million in 2024/25. The council's Corporate Programme outlines plans to manage this deficit through a combination of service efficiencies, process reviews, digital transformation, creating new income streams and delivery of a commercial programme. It should also be noted that the impact of the Covid-19 pandemic on the council's financial position is not yet clear and it is likely that significant revisions to the MTFS will be necessary in due course. The management of the pandemic has had a significant effect on both income and expenditure and it is not apparent yet the extent to which the government will compensate councils for these effects.

### 3. Monitoring Officer

The Monitoring Officer is required to report to the council in any case where it appears that any proposal, decision or omission by the Council has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 89).

These responsibilities have been considered within the context of this Statement and the Monitoring Officer has no significant concerns to report and has had no reason to submit a report in accordance with the above. The Monitoring Officer, as the Senior Information Risk Owner (SIRO) also, had previously highlighted the need for improvements in terms of Information Governance, which had been specifically highlighted in the AGS action plan and is pleased to see that whilst further work is planned, significant progress has been made with a strong direction of travel. The Monitoring Officer is satisfied that the council has robust processes for decision making, however there remains a need to ensure that a broader range of considerations as highlighted in the council's Local Code of Corporate Governance are considered in the development of policies, projects and when making decisions.

The Monitoring Officer also has no concerns regarding Member conduct. There have been a very small number of complaints alleging a breach of the Member Code of Conduct during the past year and none have required further action/investigation. It is positive that the council has recently reviewed and approved a revised Member Code of Conduct which builds on best practice recommendations made by the Committee on Standards in Public Life in its review of Local Government Ethical Standards.

### 4. Chief Audit Executive

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Head of Governance and Assurance, who is the Chief Audit Executive for the council is required to provide independent assurance and opinion on the adequacy and effectiveness of the councils' risk management and control framework, and through the internal audit service deliver an annual programme of risk based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control.

The Chief Audit Executive is satisfied that sufficient work has been undertaken during 2019/20 to draw a reasonable conclusion on the adequacy and effectiveness of the council's arrangements. Based on the work performed during 2019/20 and other sources of assurance the Chief Audit Executive is of the opinion that adequate assurance can be taken that the council's risk management, internal control and governance processes, in operation during the year to 31 March 2020, generally accord with proper practice and are fundamentally sound, although there are opportunities to improve the arrangements to enhance the council's governance framework.

The majority of the year has been unaffected by Covid 19, and as such, the opinion reflects the normal operations. However, as laid out within this AGS, Covid-19 has impacted on the council's governance arrangements from March and further work surrounding these impacts are ongoing. It is felt that despite the challenges faced by this crisis, the council has responded in an agile and effective way, which reinforces Basildon's strong governance and leadership arrangements.


The council has in place a detailed improvement and development plan for the areas where we can and will do more to ensure that our arrangements remains fit for purpose. Although significant progress has been made regarding this, there are still a number of areas where agreed actions are yet to be fully addressed.

Full details of the assurance provided in this Statement can be found within the Internal Audit Annual Report for 2019/20, submitted to the Audit and Risk Committee on the 24 June 2020. Under the Accounts and Audit (England) Regulations 2015 and the PSIAS, the council is required to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. As in previous years, it is considered that the council has effective arrangements in place for the provision of the Internal Audit Service.


## RATIONALE FOR 'ADEQUATE ASSURANCE' OPINION

| Definition   | Description  |
|--|--|
| <p>Adequate</p>   | <p>There are sound policies and processes in place, which are working effectively across services that provide for good governance arrangements and support compliance with requirements of this Principle and the achievement of the councils' aims and objectives. There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework.</p> |
| <p>Some development or areas for improvement</p>        | <p>Whilst there are policies and processes in place, there are some areas which remain a challenge for the council or require further improvement, which may impact the effectiveness of elements of the council's Governance Arrangements, compliance with this principle and achievement of the council's aims and objectives. The council has in place an action plan to address challenges and improvement matters.</p>            |
| <p>Key development or many areas for improvement</p>  | <p>The council has significant challenges in relation to the Policies and Processes and these have a detrimental impact on the ability to compliance with this principle, which compromise the council's Governance Arrangements and the achievement of its aims and objectives. We have implemented plans for corrective actions to manage these risks.</p>   |


## What's working well and how can we improve

| Core Principles of the Framework  | Overall Assessment  | Strengths  | Challenges  |
|---|---|--|---|
| <p><b>Principle A:</b><br/>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> |  | <ul style="list-style-type: none"> <li>• Roles and responsibilities are set out for delivering council services and holding the council to account.</li> <li>• Legal framework (constitution, policy &amp; procedures) that effectively sets out the rules and procedures to be followed by members and officers, including Gifts and Hospitality and Declarations of Interests.</li> <li>• The council ensures that its values are embedded within council policies and procedures and that there is an expectation that those who work with the council will respect these.</li> <li>• Effective ethical framework built on the Seven Principles of Public Life that set out the standards of behaviour, conduct and values the council expects of its members, officers and those who work with the council.</li> </ul> | <ul style="list-style-type: none"> <li>• The council maintains a policy framework to ensure effective delivery of the council's objectives – this is under review to ensure appropriate guidance and associated templates remain fit for purpose</li> <li>• Members and officers receive training. The council is reviewing its approach to assist them in effectively executing their duties.</li> <li>• The council is completing a review of its procurement arrangements. Further work is being done to ensure it is embedded across the council to demonstrate good practice, compliance with legislation, realise value for money and public accountability.</li> </ul> |


## What's working well and how can we improve

| Core Principles of the Framework  | Overall Assessment  | Strengths   |  |  | Challenges  |
|---|---|---|--|--|---|
| <p><b>Principle B:</b><br/>Ensuring openness and comprehensive stakeholder engagement</p> |  | <ul style="list-style-type: none"> <li>• Effective whistleblowing policies and procedures</li> <li>• Detailed constitution covering the powers of committees, members and senior officers, statutory officers and decision making processes.</li> </ul> | <ul style="list-style-type: none"> <li>• The council has a Consultation and Engagement Policy in place and is currently working to develop and embed the strategy to support this.</li> <li>• Effectively recognises and values the diversity of our communities and workforce, supported by an Inclusion and Diversity Policy and Strategy.</li> <li>• Webcasting of meetings and effectively recording decisions made through Committees and publish those appropriately.</li> </ul> | <ul style="list-style-type: none"> <li>• Effective processes are in place for officer decision making. However, there is a requirement for the council to ensure that all relevant matters considered are evidenced when taking decisions.*</li> </ul> | <ul style="list-style-type: none"> <li>• To develop the council's approach to strategic partnership working, recognising the ad-hoc partnership working that has taken place during, and the lessons learned from, the response to the Covid-19 crisis.**</li> <li>• Covid 19 Response Policy Review and Development Group has been established to take forward a range of policy areas,</li> </ul> |

What's working well and how can we improve


| Core Principles of the Framework   | Overall Assessment  | Strengths |  |  | Challenges |
|--|---|-----------|--|--|------------|
|  |   |           |  | including the council's strategic partnership arrangements <ul style="list-style-type: none"> <li>Phase 1 of Our Place gave the council an unprecedented insight into residents' thoughts and feelings about the Borough. Phases 2 and 3 will work with residents and other stakeholders to develop an even better understanding and shape a brand and identity for the Borough</li> </ul> |            |
| <b>Principle C.</b><br>Defining outcomes in terms of sustainable economic, social, |  |           | <ul style="list-style-type: none"> <li>The council is continuing to review its approach to performance management enabling a clear link to outcomes and refocussing the importance of performance management across the organisation.</li> </ul> |  |            |

What's working well and how can we improve


| Core Principles of the Framework   | Overall Assessment  | Strengths  |   | Challenges |
|--|---|--|---|------------|
| and environmental benefit  |   |  | <ul style="list-style-type: none"> <li>Submission of Local Development Plan which sets overall strategic direction for the Borough for up to the next 15 years. The council is preparing for the planning inspection to obtain approval of the Basildon Borough Local Plan</li> </ul> |            |
| <p><b>Principle D.</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p> |  | <ul style="list-style-type: none"> <li>Effective complaints handling procedures.</li> <li>Effective business continuity/emergency planning processes in place to continue to provide services and respond to an emergency or event</li> <li>An approved Corporate Plan setting the priorities, values and strategic direction of the council.</li> </ul> |   |            |
| <p><b>Principle E.</b></p>   |   |  | <ul style="list-style-type: none"> <li>The council has systems and technology to support delivery of services and</li> </ul>  |            |




## What's working well and how can we improve

| Core Principles of the Framework  | Overall Assessment  | Strengths   |   | Challenges |
|---|---|---|---|------------|
| Developing the entity's capacity including the capability of its leadership and the individuals within it |  | <ul style="list-style-type: none"> <li>Roles and responsibilities are set out for delivering council services and holding the council to account.</li> <li>The council has individual performance management arrangements in place to hold staff to account for their performance and behaviour.</li> </ul> | <p>support members and officers in performing their role. We are working to implement the ICT Strategy to enhance these arrangements.</p> <ul style="list-style-type: none"> <li>The council is developing an Organisational Strategy which aims to describe a vision of Basildon 5 years into the future; to provide a set of principles that will govern our decision making towards that vision; and to map the tools and approaches that will deliver a council fit for purpose and ensuring key council strategies are aligned. This will include redefining roles of senior leadership including accountabilities and responsibilities, coaching/mentoring and a review of skills and development.</li> <li>The council is developing a workforce plan in order to better understand its workforce, plan to appropriately resource its services, grow talent and improve resilience across the organisation.</li> </ul> |            |

## What's working well and how can we improve

| Core Principles of the Framework   | Overall Assessment  | Strengths  |   |   | Challenges |
|--|---|--|---|---|------------|
| <p><b>Principle F.</b><br/>Managing risks and performance through robust internal control and strong public financial management</p> |  | <ul style="list-style-type: none"> <li>• Effective system of internal audit delivered in line with the Public Sector Internal Auditing Standards.</li> <li>• The council has effective Risk Management arrangements in place which is working well across the organisation.</li> <li>• Effective counter fraud and corruption arrangements and whistleblowing policies and procedures.</li> <li>• Effective health and safety management framework which seeks to ensure compliance with the law.</li> </ul> | <ul style="list-style-type: none"> <li>• The council has an Asset Management framework – this is under review to ensure that all of the council's assets are compliant, sustainable, fit for purpose and support the delivery of the council's strategic objectives.</li> <li>• The council is continuing to review its approach to performance management enabling a clear link to outcomes and refocussing the importance of performance management across the organisation</li> <li>• The council has robust financial management arrangements in place it is important to note that the council's Medium Term Financial Strategy (MTFS) identifies resource shortfalls. The council's Corporate Programme outlines plans to manage this deficit through a combination of service efficiencies,</li> </ul> | <ul style="list-style-type: none"> <li>• The council has undertaken a significant amount of work to develop the building blocks for effective information governance. Further work is to be undertaken to embed these across the council.</li> <li>• The council continues to review its programme and project methodology in order to define and maintain standards for project management within the</li> </ul> |            |

## What's working well and how can we improve

| Core Principles of the Framework   | Overall Assessment  | Strengths   |   | Challenges   |
|--|---|---|---|--|
|  |   | <ul style="list-style-type: none"> <li>Actively promotes safeguarding to prevent harm and reduce the risk of abuse or neglect.</li> </ul>   | <p>process reviews, digital transformation, creating new income streams and delivery of a commercial programme</p>  | <p>organisation, and to provide decision-making capacity to ensure the programme objectives are met.</p> |
| <p><b>Principle G.</b><br/>Implementing good practices in transparency reporting and audit to deliver effective accountability</p> |  | <ul style="list-style-type: none"> <li>Effective Audit &amp; Risk Committee that provides a source of assurance and complies with guidance.</li> <li>The council demonstrates its commitment to openness by producing an annual report covering the performance of the council, value for money and stewardship of resources.</li> <li>Effective arrangements in place to produce the Annual Governance Statement, with Local Code of Corporate Governance and Combined Assurance Framework reviewed and updated annually.</li> <li>The council maintains a Publication Scheme which has been reviewed and</li> </ul> | <ul style="list-style-type: none"> <li>The council is continuing to review its approach to performance management enabling a clear link to outcomes and refocussing the importance of performance management across the organisation</li> <li>The council has robust financial management arrangements in place it is important to note that the council's Medium Term Financial Strategy (MTFS) identifies resource shortfalls. The council's Corporate Programme outlines plans to manage this deficit through a combination of service efficiencies, process reviews, digital transformation,</li> </ul> |  |

## What's working well and how can we improve

| Core Principles of the Framework | Overall Assessment | Strengths  |   | Challenges |
|----------------------------------|--------------------|--|---|------------|
|                                  |                    | <p>is currently being updated to provide transparency in access to information.</p> <ul style="list-style-type: none"> <li>• The council's shared service arrangements are appropriately governed to ensure accountability in terms of achieving outcomes and managing risks</li> <li>• The council's webcasting of meetings attracts good numbers of viewers, and increases public scrutiny.</li> </ul> | <p>creating new income streams and delivery of a commercial programme</p> <ul style="list-style-type: none"> <li>• Whilst Company structures and governance arrangements are in place for council wholly owned companies, the council wishes to review these to consider the options available to maximise the opportunities whilst appropriately managing the risks and to consider any conflicts of interest where the councils statutory officers have a dual role as company directors</li> </ul> |            |

\* Detailed action plans have been developed to support those areas above where further work is being undertaken to enhance, review or embed arrangements. These action plans outline the specific tasks, due date and responsible officer and will be monitored by the Governance and Assurance Board.

\*\*Key challenges for the council have been highlighted in the AGS Action plan and will be monitored by the Audit & Risk Committee.

## THE KEY GOVERNANCE ACTIONS IDENTIFIED AS PART OF THE 2019/20 ANNUAL REVIEW ACTION PLAN

| <b>Governance Area</b>           | <b>Activity Description</b>   | <b>Target Due Date</b> | <b>Responsible Officer</b>            |
|----------------------------------|---|------------------------|---------------------------------------|
| Partnership Arrangements         | To assist in delivering its outcomes the council needs to review the effectiveness of partnership working and the associated Governance arrangements to support these.  | 31 March 2021          | Head of Engagement                    |
| <b>Governance Area</b>           | <b>Activity Description</b>   | <b>Target Due Date</b> | <b>Responsible Officer</b>            |
| Information Governance           | To embed Information Governance arrangements to underpin the council's recently approved information management policy. This includes the rollout of the corporate information governance framework, information architecture and development and implementation of a central records library.  | 31 March 2022          | Assistant Director Corporate Services |
| Programme and Project Management | To refine and embed the councils standards for project management surrounding the initiation, planning, execution, control and closure of projects to ensure they achieve the outcomes expected, thus strengthening accountability and improving transparency in decision-making to ensure the Corporate Plan and service objectives are met. | 31 March 2021          | Head of People and Change             |

## PROGRESS ON ADDRESSING GOVERNANCE IMPROVEMENT AREAS FROM PREVIOUS YEARS

| What we said we would do  | Progress  |
|---|---|
| <p><b>Partnership Arrangements</b><br/>To assist in delivering its outcomes the council needs to review the effectiveness of partnership working and the associated Governance arrangements to support these.</p>   | <p>Progress in relation to this area has been hindered due to other priorities. A comprehensive review of the council's partnership arrangements is planned, the results of which will be reported back to the External Affairs, Partnerships and Liaison Committee. This review will also build on the excellent partnership working born out of the response to Covid 19 as well as incorporating current arrangements, identification of any potential gaps, and elements that will help future partnership working, such as governance principles proportionate to different types of partnership arrangements. As such, this area remains a key action for 2020/21.</p>  |
| <p><b>Information Governance</b><br/>To embed Information Governance arrangements to underpin the council's recently approved information management policy.</p>  | <p>The council is continuing to make significant progress in development of corporate information management arrangements. Central to this has been the development of an information architecture setting out the operational framework and procedures associated with effective information management which will provide the basis for development of a central records library. This project and particularly the development of the records library links closely with the council's new ICT Strategy, which will include the development of SharePoint as the central records library. The development and plans for roll out of SharePoint are being progressed and will be implemented later in the year, which will bring the two projects together, and contribute significantly to the council's overall Digital ambitions and strategy. Alongside, these specific developments, work continues to develop other areas, particularly in connection with data protection, including planning rollout of refresher training, data protection impact assessments, data audits etc. As such, this area remains a key action for 2020/21.</p> |
| <p><b>Developing and Maintaining the Corporate Programme and Service Plans (Performance Management)</b><br/>To effectively embed and raise the importance of performance management across the organisation the council needs to review its approach to enable a clear link to outcomes and refocussing reporting arrangements.</p> | <p>During 2019/20 a significant amount of work has been undertaken in relation to the council's performance management arrangements, with a new Performance Management Framework introduced.</p> <p>There remains the need to fully embed this across the council, and as such, work will continue in this area in the upcoming year. However, this is no longer seen as one of the councils major challenges</p>   |

|  |  |
|--|--|
| <p><b>Programme and Project Management</b><br/> To define and maintain standards for project management the council needs to develop its project management methodology in order to strengthen accountability and decision-making to ensure the Corporate Plan and service objectives are met.</p> | <p>The PMO team have developed a draft framework and templates to be used to govern significant projects. The PMO have been working with project and programme managers to embed these across the council. However, these are not being consistently used. As a result, the project management framework is subject to a further review to ensure it meets the needs of the Council whilst remaining flexible and agile. This will also include a review of all draft templates to ensure they remain fit for purpose and the requirements of the Local Code of Corporate Governance have been met.</p> <p>Project guidance was established and has been shared with Programme/Project Managers through the PMO regular engagement. The guidance will be reviewed to take into account any changes in the framework.</p> <p>Following approval of the revised project management framework, templates and guidance a communications campaign will be developed to ensure that not only project managers but all managers are aware of the councils approach.</p> <p>Through our learning needs analysis project the PMO team are working with OD to establish a programme of project management training for services and specific programmes.</p> <p>As such, this area remains a key action for 2020/21.</p> |
|--|--|

# Terminology and Definitions

## **Accrual**

An amount of income or expenditure entered into the accounts for the relevant financial year in respect of goods or services which have been received or provided but for which payment has not yet been made or received.

## **Actuary**

A business professional who measures and manages risk and uncertainty.

## **Amortisation**

The action or process of gradually writing off the initial cost of an asset.

## **Annuity**

A series of equal payments made at regular intervals, usually for a fixed length of time (usually in return for an upfront lump sum).

## **Appropriations**

The transfer of resources between revenue or capital accounts and reserves.

## **Balance Sheet**

A summary of all the assets and liabilities of the Council at the end of a financial year. The statement shows the Council's assets and liabilities matched by total reserves.

## **Billing Authority**

This refers to Basildon Borough Council as the authority responsible for the invoicing and collection of the Council Tax from all residential properties and business rates from businesses in the Borough. This is undertaken on behalf of Basildon Borough Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils. In respect of business rates the billing authority also acts as an agent for the Government.

## **Bonds**

A debt investment where the investor loans money to an entity, which borrows for a defined period of time, either at a fixed or variable rate of interest.

## **Budget Requirement**

This represents net budgeted expenditure for the year adjusted for transfers to and from reserves, but allowing for sums required by Parish and Town Councils. It is used to determine the amount of Council Tax to be precepted on the Collection Fund after allowing for income from Government and any surplus or deficit on the Collection Fund.

## **Capital Charge**

A charge to a revenue service to reflect the **depreciation** of non-current assets used in the provision of services.

## **Capital Expenditure**

This generally relates to expenditure on the acquisition or enhancement of non-current assets that will be of long-term use or benefit to the authority in providing its services. It also includes grants made by the Council to other individuals, community organisations and other external bodies for similar long-term benefit.

## **Capital Financing Costs**

These are the actual costs of financing capital expenditure, including interest on loans, the interest element of finance lease rentals and contributions from revenue towards capital expenditure and towards the repayment of debt.

## **Capital Financing Requirement**

The statutory measure of a local authority's underlying need to borrow for capital purposes.

## **Capital Programme**

The Council's budget for capital expenditure and resources over the current and future years.

## **Capital Receipts**

Income from the sale of capital assets and the repayment to the Council of grants and loans given for capital purposes. Regulations govern the way capital receipts may be used.



# Terminology and Definitions

## **Carry Forwards**

Budget provision for specific items that are committed or planned for a year where the specific goods or services are not received by 31 March and for which there is no provision in the following year. Such budgets may be formally carried forward to the following year to match the committed or planned expenditure.

## **Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible to cash with an insignificant risk of changes in value. The Council has designated any financial instrument which can be recalled within 24 hours without loss of carrying value as a cash equivalent.

## **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the professional accountancy body for public services. It publishes the Code of Practice which defines how local authority accounts are prepared.

## **CLG**

Department for Communities and Local Government now **MHCLG**.

## **Code of Practice**

The Code of Practice on Local Authority Accounting in the United Kingdom, also referred to as the Code. This document is based on International Financial Reporting Standards, and states how these must be applied to the preparation of the Statement of Accounts by local authorities.

## **Collection Fund**

The fund into which Council Tax and Non-Domestic Rates are paid and from which the Council Tax precepts and shares of business rates of Basildon Borough Council, Essex County Council, Essex Police Authority, Essex Fire Authority, the Government and Parish and Town Councils are met as appropriate. Any surplus or deficit is shared between the various authorities, other than the Parish and Town Councils, in proportion to precepted amounts.

## **Community Assets**

Assets that the Council intends to hold in perpetuity that have no determinable useful life. They may also have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## **Commutated Sums**

Sums received from developers under Section 106 of the Town and Country Planning Act 1990 (as amended) for the future maintenance of assets transferred by the developer to the Council e.g. children's play areas.

## **Contingency**

Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income occurring during the year ahead. This would include changes to the inflation and interest rate assumptions made when the budget was set.

## **Consumer Price Index (CPI)**

A measure calculated by taking the price changes for each item in a predetermined 'basket' of consumer goods/services and averaging them. They are weighted according to each item's importance.

## **Contingent Liability**

These are the result of a past event which may mean that that the Council is liable to incur costs but this is dependent on the occurrence, or non-occurrence, of some future event. The potential liability is disclosed as a note to the accounts rather than reflected in the accounts themselves.

## **Council Tax**

A local tax on the occupiers of residential properties to finance the Budget Requirement of the local authority for the year.

## **Council Tax Base**

The equated number of dwellings over which the Council Tax is collected. All dwellings are valued and classified into eight bands (A to H), plus a special band A (disabled). Each band is expressed as a proportion of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D equivalent after adjusting for the local **council tax support** scheme.

# Terminology and Definitions

## **Council tax support**

Council tax support replaced council tax benefit from 1 April 2013. Each billing authority is required to have a published scheme in place setting out the entitlement to support.

## **Creditors**

Amounts due from the Council for work carried out, goods received or services rendered that have not been settled before the end of the financial year.

## **Debenture**

A long-term security issued by a company and secured against assets.

## **Debtors**

Amounts due to the Council for work carried out or services rendered that have not been settled before the end of the financial year.

## **Deferred Liabilities**

Amounts payable at some future time or to be paid off over a period of time.

## **Default**

Failure to meet the obligations on a loan or other debt, i.e. being unable to make payments due.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset, whether arising from use, passing of time or obsolescence through technical or other changes.

## **Fair Value**

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.

## **Fees and Charges**

Charges made to the public for the use of Council services and facilities. A full [schedule](#) of current fees and charges is published on the Council's website.

## **Financial Regulations**

A written framework for the proper financial management of the authority. The [Financial Regulations](#) are approved by the Council as part of its formal constitution.

## **Financial Year**

The period of twelve months covered by the accounts and beginning on 1 April.

## **General Fund**

The main revenue fund of the Council. Day to day spending and income from services are accounted for here.

## **Going Concern**

The assumption that at the balance sheet date the Council will continue to operate its services for the foreseeable future.

## **Gross Value Added (GVA)**

GVA is the measure of the value of goods and services produced in an area, industry or sector of an economy.

## **Historical Cost Convention**

A measure of value used, in which the price of an asset is based on its nominal or original cost when acquired.

**Housing Benefit** – an allowance to persons on low income to meet the whole or part of their rent. Benefit granted to Council tenants is known as rent rebate; benefit granted in respect of private sector tenants is known as rent allowance. The cost of this is largely covered by Government subsidy.

## **Housing Revenue Account (HRA)**

This statutory account records the revenue expenditure and income relating to the provision of Council housing. Whilst technically part of the General Fund, the balance is 'ring-fenced' and may not be included in the budget requirement to be met by Council Tax.

# Terminology and Definitions

## **IAS (International Accounting Standards)**

The term formerly used to describe international financial reporting standards. The final IAS was published in February 2001; however, many of these are still in use and may be quoted as having directed the preparation of the statutory accounts.

## **IFRIC (International Financial Reporting Interpretation Committee)**

Interpretations issued to clarify existing international financial reporting standards (for example, IFRIC 4, *Determining whether an Arrangement contains a Lease*).

## **IFRS (International Financial Reporting Standards)**

The collective name for the set of accountancy standards which define the accounting treatments used by listed companies in the UK and the European Union. The term also refers to the individual standards (for example, IFRS 7, *Financial Instruments; Disclosures*) issued from June 2003 onwards.

## **Impairment**

A reduction in the valuation of an asset caused by an event occurring to the asset or to the economic environment in which it operates.

## **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use.

## **Insurance Pool**

The Council acts as internal insurer for all the Council activities. Some risks are self-insured and others are reinsured through external insurance companies. Premiums and excesses are charged to the revenue accounts of services and credited to the Pool. An earmarked reserve supports the operation of the Pool.

## **Leasing - Finance and Operating**

A method of acquiring the use of assets in which the investment is made by a lessor and a rental is charged to a lessee. The Council operates both as lessor and lessee in respect of land, property, vehicles, plant and equipment. **Finance Leases** transfer substantially all the risks and rewards of ownership to the lessee, and are regarded as a debt extended to purchase the leased asset (even when ownership of the asset does not legally pass to the lessee). Any lease which does not meet the definition of a finance lease is classified as an **Operating Lease**, and is treated as an arrangement to hire an asset for a specified term.

## **Long Term Assets**

Assets that will yield economic benefits to the Council for more than one year.

## **Major Repairs Reserve (MRR)**

A capital reserve intended for the elemental replacement of building structures and components in the Housing stock. The reserve is funded from the HRA via a depreciation charge. Any balance on the reserve may be carried forward to future years. Interest earned on the MRR balance is credited directly to the HRA.

## **Management and Administration**

Services provided by central departments to front-line services. The term also includes office accommodation and other central overheads associated with staff directly employed by the service. The costs are recharged on an appropriate basis to services.

## **Materiality**

The concept of materiality derives from the premise that the financial statements often cannot be precisely accurate but that this need not distract from them presenting a true and fair view. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the degree of tolerance acceptable.

## **MHCLG**

Ministry of Housing, Communities and Local Government.

## **Minimum Revenue Provision (MRP)**

Local authorities must make prudent provision for the repayment of debt. The minimum amount is set annually by the Council having regard to statutory guidance issued by the Secretary of State, and may be nil. There is no minimum revenue provision for HRA debt. Authorities are free to make additional voluntary provision from the General Fund or the HRA, or from capital resources.

# Terminology and Definitions

## **Monitoring Officer**

Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000 requires a local authority to appoint a monitoring officer. The Monitoring Officer has three main duties:

1. To report on matters they believe are, or are likely to be, illegal or amount to maladministration.
2. To be responsible for matters relating to the conduct of Councillors and Officers.
3. To be responsible for the correct operation of the Council's Constitution.

## **National Fraud Initiative (NFI)**

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

## **Net Book Value**

The amount at which Property, Plant and Equipment are included in the balance sheet i.e. their gross value less accumulated depreciation.

## **Net Cost of Services**

The total cost of providing services after deducting any specific grant or other service-related income.

## **Non-distributed Costs**

Overheads which provide no benefit to services. They are not therefore apportioned to services. An example would be pensions arising from discretionary added years' service.

## **Non-Domestic Rates**

Non-Domestic Rates (NDR), or Business Rates, are the means by which occupiers of non-residential property contribute to the cost of providing local authority services. They are levied on the rateable value of each business property multiplied by a uniform amount set annually by the government. Business rates are collected by all Billing Authorities on behalf of other preceptors and the Government.

## **Non specific grant income**

Government grants received to fund the generality of the Council's services.

## **Post Balance Sheet Events**

Events that occur between the Balance Sheet date and the date on which the Responsible Officer signs the Statement of Accounts. These are disclosed where required in the Notes to the Core Statements.

## **Precept**

The amount that local authorities providing services within the Basildon Borough require to be paid from the Collection Fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all precepts levied on the Billing Authority.

## **Preceptor**

A body that levies a precept.

## **Provision**

An amount set-aside in the accounts to provide for a liability that is an obligation at the Balance Sheet date, but where the exact amount or the date on which it will arise is uncertain. A provision is created by making a charge to revenue in the year in which the obligation is recognised.

## **Public Works Loans Board (PWLB)**

A government agency that offers longer-term loans to local authorities at interest rates marginally above the government's own cost of borrowing. It also acts as lender of last resort.

## **Reserves**

Reserves are set aside at the discretion of the Council to meet items of expenditure in future years.

## **Reserves – earmarked**

Reserves set aside for specific purposes.

## **Reserves – usable**

Reserves that can be used to meet future expenditure e.g. the General Fund and the Housing Revenue Account.

# Terminology and Definitions

## **Reserves – unusable**

Reserves that exists for technical accounting purposes and that cannot be used for any other purpose e.g. Revaluation Reserve and Pension Reserve.

## **Responsible Officer / Section 151 Officer**

The Officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

## **Retail Price Index (RPI)**

The same as the **Consumer price index** however it includes the cost of housing.

## **Running Expenses**

The day-to-day operational costs incurred in providing services other than direct employee expenses, capital financing costs and benefits.

## **Section 151 Officer**

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint an Officer to have responsibility for those arrangements. The Officer appointed under this requirement is called the Section 151 Officer.

## **Section 31 Compensation**

Grant provided by central government. Section 31 of the Local Government Act 2003, allows ministers to grant monies to local authorities for any purpose, more information can be found at <http://www.legislation.gov.uk/ukpga/2003/26/section/31>

## **Standards Interpretation Committee (SIC)**

Interpretations issued by the Standards Interpretation Committee to clarify an existing international accountancy standard (for example, SIC 29, *Service Concession Arrangements*). This system gave way to IFRICs from May 2004 onwards; however, many SICs are still in issue, and may be quoted as having directed part of the preparation of the statutory accounts.

## **UK GAAP**

Generally accepted accounting practice in the United Kingdom. This refers to the set of accountancy standards developed in the United Kingdom which governs the production of statutory accounts. Local authority accounts were formulated according to a Statement of Recommended Practice based on UK GAAP; from 1<sup>st</sup> April 2010, this has been replaced by a Code of Practice based on international accountancy standards.

## **Voluntary Revenue Provision (VRP)**

Local authorities must make prudent provision for the repayment of debt. The minimum amount is set annually by the Council, having regard to statutory guidance issued by the Secretary of State, and may be nil. Authorities may choose to make voluntary provision for the repayment of debt, in addition to the minimum requirements.