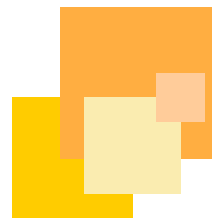


# Statement of Accounts

## 2006 - 2007







# **BASILDON DISTRICT COUNCIL**

## **STATEMENT OF ACCOUNTS 2006/07**





# **BASILDON DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2006/07**

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# EXPLANATORY FOREWORD

## 1. FORM OF PUBLICATION

The Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice ("SORP"), which defines proper accounting practices for local authorities.

The SORP requires adjustments to be made to the core financial statements to reflect the requirements of Financial Reporting Standard 17 (Retirement Benefits). Adjustments are then made via the Statement of the Movement on the General Fund Balance to reconcile back to the amount to be raised from Council Tax. However, all figures in this Explanatory Foreword exclude the FRS17 adjustments.

## 2. MAIN FINANCIAL CONSIDERATIONS

### (a) Background

The Council faced a number of challenges and uncertainties – as well as opportunities – during 2006/07, many of which could have medium to longer-term financial implications and were ongoing at the year end. Two significant examples were planning enforcement in relation to travellers and Single Status (equal pay) job evaluation to be implemented from April 2007, but with back pay and transitional pay implications. The Council also had ambitious plans for the redevelopment and regeneration of Basildon and Wickford town centres through private sector inward investment, and other capital projects being planned included a "Sporting Village" in Gloucester Park and development of Wat Tyler Country Park, using a mix of local resources and capital grants and contributions.

A bid for £143 million was made to the government in July 2006 to support investment in Decent Homes, but the outcome has yet to be announced. In the meantime, much preparatory work was done towards setting up an Arm's Length Management Organisation to manage the Council housing service from April 2007. These new arrangements could have significant financial implications for both the Housing Revenue Account and the General Fund from 2007/08.

The Council has been very conscious of the need for careful financial planning, and as part of its Medium Term Financial Strategy has established reserves to deal with unbudgeted risks.

### (b) General Fund

The following statement compares the original Budget (the budget for the main activities of the General Fund made by the Council when the Council Tax for 2006/07 was set) with the actual Outturn for the year.

Service	Budget £m	Outturn £m
Community Services	3.9	3.4
Corporate and Policy	1.6	1.8
Development and Regeneration	1.2	0.9
Environment	7.8	7.6
Housing and Community Safety	2.0	2.1
Leisure and Open Spaces	6.3	6.5
Resources	6.9	3.8
Service Improvement	0.2	0.4
Contingency	0.2	-
Net spending on services	30.1	26.5
Transfer to/(from) Reserves	(1.6)	2.0
Budget requirement	28.5	28.5

General spending was some £3.6 million below the original Budget for the year. The main reason was the repayment of £3.2 million of deferred purchase debt using capital resources instead of revenue, the saving being transferred to the Contingency Reserve, as explained below. The net underspend on services was therefore only £0.4 million.

## EXPLANATORY FOREWORD

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The "Contingency Reserve" falls within overall General Fund reserves and was set up in 2005/06 to help meet any exceptional unbudgeted costs or additional investment in services that might arise in the future. In addition to the items described in paragraph (a) Background above, areas of potential risk include the Council's plans to refurbish the Basildon Centre offices and a major upgrade to IT and communications. External risk factors include the Council's responsibilities under the Civil Contingencies Act, a new national concessionary fares scheme from April 2008 and the outcome of the government's 2007 Comprehensive Spending Review.

The resources used to create the reserve, including the additional injection in 2006/07, resulted from financing repayments of deferred purchase debt from other internal resources instead of charging them to revenue, thereby releasing an equivalent amount of revenue resources for this purpose. The balance unapplied on the reserve stood at £5.9 million at the year end.

### (c) Housing Revenue Account

The outturn for the Council's Housing Revenue Account was a surplus of £0.46 million, which compares with a budgeted surplus of £0.25 million. The working balance at 31 March 2007 was £2.09 million. After allowing for budgets to be carried forward to 2007/08 (£0.18 million), the available working balance stands at £1.91 million.

The average rent per dwelling per week in 2006/07 was £60.69 and the amount lost through rent rebate subsidy limitation was equivalent to £1.35 per dwelling per week. The government's "limit rent" for Basildon was £58.56, being the amount at which government subsidy towards the average cost of rent rebates was capped.

This was the fifth year of the government's rent policy, under which local authority landlords are encouraged to move the rents of their dwellings onto a common basis with all other social housing landlords, progressively over the ten years to 2011/12. The formula approach takes account of relative property values, relative earnings and the numbers of bedrooms only. Under this policy, subsidy limitation will be phased out by year ten, provided rents are set at government policy levels.

As mentioned in the Background at (a) above, the Council set up an Arms Length Management Organisation, St Georges Community Housing Limited, to manage the landlord function from April 2007 on behalf of the Council in respect of its housing stock.

### (d) Capital Expenditure

Total capital spending in 2006/07 was £16.8 million, which included major repair and improvement works to Council housing and General Fund assets and grants for disabled facilities and other housing improvements in the private sector. This compares with an original Budget of £16.5 million.

Investment in the housing stock is enhanced by the Major Repairs Allowance (MRA), which is retained by all local housing authorities from the HRA subsidy system to enable them to finance the replacement of building elements as they fall into disrepair. In Basildon's case the MRA for 2006/07 was £7.9 million, all of which was applied in the year.

Investment continues however to be adversely affected by clawback arrangements governing the transfer of dwellings from the Commission for the New Towns (CNT), now English Partnerships, in 1994. A total of £2.0 million was payable to English Partnerships in 2006/07 out of sale proceeds and other receipts totalling £2.6 million in respect of transferred dwellings. By comparison, receipts of £2.2 million in respect of the disposal of other dwellings and assets were unaffected by clawback arrangements. Since the transfer in 1994, a total of £26.5 million has been paid to the CNT in housing clawback out of total sales proceeds of £50.5 million, a little over 50%. A memorandum of understanding concerning clawback on assets other than transferred dwellings was agreed between the Council and English Partnerships in May 2006.

After deducting the £3.2 million deferred purchase instalment referred to in (b) above, the remaining capital spending in 2006/07 was financed from borrowing (£1.4 million, of which £0.2 million was unsupported), the Major Repairs Reserve (£7.9 million), other capital receipts, grants, contributions and Government funding (£3.3 million) and leasing (£1.0 million).



# EXPLANATORY FOREWORD



## 3. FINANCIAL STATEMENTS

The **Statement of Accounting Policies** (pages 7 to 9) explains the basis on which the accounts have been prepared. The **Core Financial Statements** (pages 17 to 20) reflect Basildon District Council's activities for the year. Notes to these statements then follow (pages 23 to 37), providing further detail. Supplementary financial statements with accompanying notes are also included for the **Housing Revenue Account** (pages 41 to 46) and the **Collection Fund** (pages 47 to 49). A brief description of the purpose of each financial statement is given below.

Where appropriate, comparative figures for 2005/06 are shown throughout the accounts, including the notes. These have been restated where necessary to reflect the new accounting requirements of the 2006 SORP. The reader's attention is drawn to Note 2 to the Core Financial Statements for the impact of these prior year adjustments on the Income and Expenditure Account.

### (a) **Income and Expenditure Account** (page 17)

This statement reports the net cost, as defined by the SORP, of all functions carried out by the Council during the financial year and shows the contributions made by local taxation and government grants. After allowing for certain adjustments described below, the surplus or deficit on the account is transferred to or from the Council's reserves.

Expenditure and income are measured for this purpose using Generally Accepted Accounting Practices (GAAP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). These measures are standardised across the public and private sectors and are not always appropriate for calculating the Council Tax implications. Adjustments are made in the **Statement of Movement on the General Fund Balance** to show the real impact on the General Fund.

### (b) **Statement of Movement on the General Fund Balance** (page 17)

This statement reconciles the **Income and Expenditure Account**, produced using GAAP measurement techniques as explained above, with the General Fund balance, upon which the Council Tax level is set.

### (c) **Statement of Total Recognised Gains and Losses** (page 18)

This statement shows the aggregate change in the Council's net worth. It brings together the surpluses and deficits for the year on all the Council's various funds and activities, including gains and losses on the revaluation of fixed assets and re-measurement of the net liability of the Council for the cost of retirement benefits.

### (d) **Balance Sheet** (page 19)

Whereas the other financial statements represent the activities of the Council through the whole year, the Balance Sheet represents the financial position of the Council on the last day of the year. This statement is fundamental to understanding a local authority's overall financial position at the year-end. It shows its balances and reserves, its long-term indebtedness and the value of fixed and net current assets employed in its operations.

### (e) **Cash Flow Statement** (page 20)

This statement summarises all the inflows and outflows of cash and bank funds arising from external transactions of the Council during the year. It ignores accruals, notional charges and other internal transactions otherwise recorded in the accounts.

### (f) **Housing Revenue Account (HRA)** (page 41)

This statement records the expenditure associated with the Council's housing stock (e.g. management, repairs and capital financing costs) and shows how this has been financed from rents and charges, government subsidy and other income. The movements on this account are also included in the **Income and Expenditure Account**. Surpluses or deficits for the year are carried forward in the HRA working balance.

# EXPLANATORY FOREWORD

## (g) Collection Fund Account (page 47)

This statement relates to the collection of Council Tax and local business rates and shows how such income has been distributed between the major precepting authorities (including Basildon) and central government.

### 4. REVENUE EXPENDITURE

Gross revenue expenditure in 2006/07 amounted to £137.6 million and related to the following services:

	£m	%
Community Services	5.5	4.0
Corporate and Policy	1.8	1.3
Development & Regeneration	3.3	2.4
Environment	11.4	8.3
Housing and Community Safety		
Council Housing Services	34.7	25.2
General Fund Housing Services	3.8	2.8
Leisure and Open Spaces	10.4	7.6
Resources		
Benefits (including administration)	59.0	42.8
Other Services	7.3	5.3
Service Improvement	0.4	0.3
<b>Total</b>	<b>137.6</b>	<b>100.0</b>

### 5. REVENUE INCOME

Expenditure was financed from the following sources:

	£m	%
Government Grants		
Revenue Support Grant	2.4	1.7
National Non Domestic (Business) Rates	12.4	9.0
Council Tax Rebates	14.3	10.4
HRA Subsidy	0.3	0.2
Housing Benefits	42.9	31.2
Sub-total	72.3	52.5
<u>Council Tax Levy</u> (excluding Parish and Town Council precepts)	13.9	10.1
Other Income		
Housing Rents	38.5	28.0
Interest on Investments	0.7	0.5
Fees, charges & other income	12.2	8.9
Sub-total	51.4	37.4
<b>Total</b>	<b>137.6</b>	<b>100.0</b>

### 6. GENERAL FUND ACTIVITIES

The movement on General Fund reserves, including earmarked reserves, was as follows:

	Budget £m	Outturn £m
Balance brought forward for General Fund Activities	4.2	8.9
Levy and deficit on Collection Fund	14.1	14.1
Revenue Support Grant	2.4	2.4
National Non-Domestic (Business) Rates	12.3	12.3
Sub-total	33.0	37.7
Net cost of services & Parish and Town Council Precepts	30.4	26.8
<b>Balance carried forward 31 March 2007</b>	<b>2.6</b>	<b>10.9</b>

# EXPLANATORY FOREWORD

## 7. RESERVES AT 31 MARCH 2007

	Budget £m	Outturn £m
General Fund Reserve	1.0	3.0
Contingency Reserve	-	5.9
Insurance Pool Reserve	1.2	1.5
Other Earmarked Reserves	0.4	0.5
Sub-total: General Fund	2.6	10.9
Housing Revenue Account	1.5	2.1
<b>Total Reserves</b>	<b>4.1</b>	<b>13.0</b>

## 8. EXTERNAL DEBT

	31 March 2007 £m	31 March 2006 £m	Change £m
Short term borrowing	5.0	0.7	4.3
Long term borrowing	125.6	130.6	(5.0)
Deferred purchase and transferred debt	1.3	4.7	(3.4)
Finance leases	1.3	0.5	0.8
Sub-total	133.2	136.5	(3.3)
Investments	(7.4)	(6.5)	(0.9)
<b>Net external debt</b>	<b>125.8</b>	<b>130.0</b>	<b>(4.2)</b>

See also Notes 22 and 23 to the Core Financial Statements for further analyses of borrowing.

## 9. EMPLOYEES

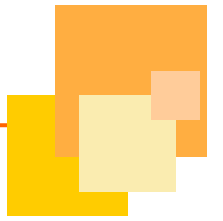
At 31 March 2007, the Council had 1,299 employees in post (926 full-time and 373 part-time).

## 10. GROUP ACCOUNTS

Each local authority is required to consolidate within its own accounts the accounts of any other organisations over which it has a significant level of control, influence or interest. An exercise has been undertaken analysing the relationship this Council has with its various partnering/co-working entities and no significant control, influence or interest was deemed present.

## 11. FURTHER INFORMATION

Further particulars about the accounts can be obtained by writing to the Head of Financial Services, Basildon District Council, The Basildon Centre, St Martin's Square, Basildon, Essex SS14 1DL, or by emailing: [finance@basildon.gov.uk](mailto:finance@basildon.gov.uk).



# STATEMENT OF ACCOUNTING POLICIES

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The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice ("SORP") and the Best Value Accounting Code of Practice and, except where indicated below, are consistent with the Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) for which the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance.

## 1. RESERVES AND PROVISIONS

Reserves resulting from revenue surpluses are set aside to meet future expenditure. Reserves of this nature can be spent at the discretion of the Council. Expenditure is not charged directly to the reserve but to the Income and Expenditure Account, which is then offset by an appropriation from reserves.

Exceptions to this are the Fixed Asset Restatement Account, which cannot be appropriated, and the Capital Financing Account, which can only be spent within the limitations of statutory controls.

The Council has established a number of "earmarked" reserves for specific General Fund purposes. Details are given in Note 26(g) to the Core Financial Statements, on page 33.

Provisions are set aside for specific liabilities or losses that are likely to be incurred, or will be incurred, where there is uncertainty as to the amounts or the dates on which they will arise. Provisions are charged to the Income and Expenditure Account in the year in which the liability or loss arises and, when expenditure is incurred or the loss is realised to which the provision relates, it is borne directly by the provision.

## 2. FIXED ASSETS

Expenditure on the acquisition or enhancement of fixed assets is capitalised on an accruals basis.

Fixed assets 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 SORP, the Council revalues its fixed assets on a five year rolling programme. Valuations are undertaken by the Council's Principal Estates Surveyor and by Wilkes, Head & Eve, a leading firm of Chartered Surveyors. Fixed assets are classified into the groupings required by the SORP.

The closing balances at 31 March 2007 are generally stated on the following valuation bases:

- specialised operational and non-operational assets: at depreciated replacement cost;
- non-specialised operational and non-operational assets: at open market value for existing use or open market value for alternative use, according to asset type; and
- short life assets, infrastructure and community assets: at historical cost, net of depreciation.

Surpluses or deficits arising from the revaluation of fixed assets are credited or debited to the Fixed Asset Restatement Account.

The Council does not have any intangible assets.

## 3. DEFERRED CHARGES

In accordance with accounting practice detailed in the SORP, the Council charges to revenue 100% of any capital expenditure that does not result in assets controlled by the Council. To ensure there is no impact on the Council Tax, these amounts are then written out to the Capital Financing Account.

## 4. DEPRECIATION

Depreciation is charged to the General Fund and the HRA using the straight-line method on material fixed assets with a finite life. This excludes land, investment properties and community assets. Depreciation is not charged in respect of the first (part) year.

The following useful lives are assumed:

# STATEMENT OF ACCOUNTING POLICIES

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## Asset Category

## Estimated Useful Life

Buildings other than dwellings	10 – 80 years
Council Dwellings	25 years
Vehicles, Plant & Equipment	4 – 10 years

Provision for depreciation does not affect the sums raised from Council Tax or rent, as each charge is reversed out again to the Capital Financing Account in the Statement of the Movement in the General Fund Balance.

## 5. CAPITAL RECEIPTS

Subject to any deductions for clawback payable to English Partnerships, the proceeds of sales of assets are normally held in the Usable Capital Receipts account until applied to finance capital expenditure. The exception is sales of dwellings under the right-to-buy scheme where, in accordance with regulations, 75% of the sales proceeds, after deducting allowable expenses and any clawback, are paid into a government 'pool.' They are then redistributed, along with pooled receipts from other authorities, to support government housing policy.

## 6. GOVERNMENT GRANTS

Grants and subsidies are credited to the appropriate revenue and capital accounts. Accruals are made for balances known to be receivable but not yet received at the Balance Sheet date. Similarly grants received in one year that relate to expenditure to be incurred in the next are carried forward as receipts in advance and credited to the new year to match the timing of the related expenditure.

## 7. REDEMPTION OF DEBT

Regulations provide that certain minimum sums should be set-aside in the General Fund from revenue (minimum revenue provision) for the redemption of debt. The Council's policy, where unsupported borrowing is concerned, is only to borrow where the financial benefit of the investment can be met from savings or additional income over the expected life of the asset. In total therefore, the Council may make provision greater than the prescribed minimum for debt redemption. There is no requirement for a minimum revenue provision to be set aside from the HRA.

General Fund and Housing Revenue Account deferred purchase repayments are charged to capital in accordance with established principles.

## 8. LEASES

Operating lease rentals are charged to the appropriate revenue account when the payments fall due.

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being charged to revenue over the life of the lease.

## 9. FOREIGN CURRENCY TRANSACTIONS

Any transactions in foreign currency are converted to pounds sterling at the rate applicable on the date the transaction takes place.

## 10. DEBTORS AND CREDITORS

The Council's accounts are prepared on an accruals basis. This means that debtors (sums due to the Council) are accounted for when the sums become due, not when received, and creditors (sums due to be paid by the Council) are raised at the year end for the cost of goods received and services rendered but not paid for by 31 March.

# STATEMENT OF ACCOUNTING POLICIES

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

- (i) 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.
- (ii) Interest payable or receivable on loan and investment transactions has not been accrued in respect of loans raised before 1 April 1987, the interest on which is accounted for on a cash basis.

## 11. STOCKS AND WORK IN PROGRESS

Stocks are valued on an average cost basis. Work in progress on uncompleted contracts is valued at cost.

## 12. COST OF MANAGEMENT AND ADMINISTRATION

In order that the revenue accounts reflect as accurately as possible the cost of providing individual services, salaries and associated administrative, training and office expenses are fully recharged to front-line services or to the Corporate & Democratic Core, as appropriate according to the CIPFA Best Value Accounting Code of Practice.

## 13. PENSION COSTS

Pension costs are shown in the format required by Financial Reporting Standards (FRS 17).

Further detail is given in Note 30 to the Core Financial Statements.

## 14. INVESTMENTS

Investments are shown in the Balance Sheet at cost.

## 15. REPORTING REQUIREMENTS

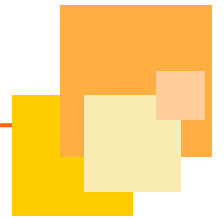
The Accounts and Audit Regulations 2003 require the accounts to be prepared and approved by the Council before 30 June following the financial year end. In order to achieve this deadline, a number of items have been included in the accounts based on estimates. The effect of these on the 2006/07 accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

## 16. VALUE ADDED TAX (VAT)

Value Added Tax (VAT) is included in the accounts only to the extent that it is irrecoverable.

# STATEMENT OF RESPONSIBILITIES

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## Basildon District 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 ensure that one of its Officers has the responsibility for the administration of those affairs. In this authority, that Officer is a named Executive Director.

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.

## Executive Director


I am the Executive Director with legal and professional responsibility for the preparation of the authority's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). Where necessary I have to make judgements and estimates, and these must be both reasonable and prudent. The accounts are to present fairly the financial position of the Council at 31 March and its income and expenditure for the year ending on that date.

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.

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Signed:

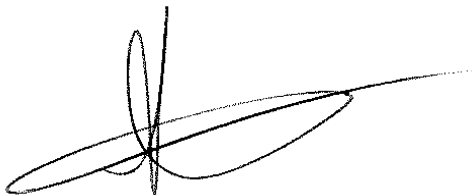


M J Nice CPFA  
Executive Director

## 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 27th September 2007.

Signed:



Councillor A Baggott  
Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

Date: 27th September 2007.





## Independent auditors' report to the Members of Basildon District Council

### Opinion on the financial statements

We have audited the financial statements of Basildon District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Basildon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Executive Director and auditors

The Executive Director's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

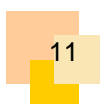
We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the content of the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



# AUDITOR'S REPORT

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## Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

**PKF (UK) LLP**  
Ipswich

27 September 2007

## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's Responsibilities

The Authority 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

# AUDITOR'S REPORT

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## Conclusion

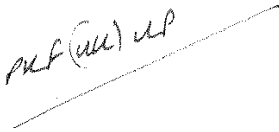
We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Basildon District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

## Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

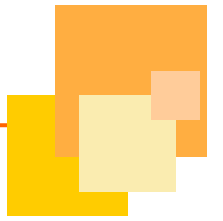
## Certificate

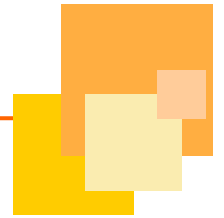
We certify that we have completed the audit of the Accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



**PKF (UK) LLP**  
**Ipswich**

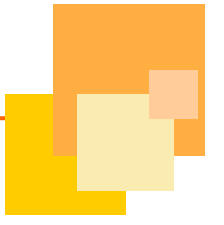
27 September 2007





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# CORE FINANCIAL STATEMENTS



## INCOME AND EXPENDITURE ACCOUNT

	Gross Expenditure £000	Gross Income £000	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000 Restated
General Fund continuing operations				
Central Services to the Public	17,279	15,831	1,448	1,032
Cultural, Environmental and Planning	28,632	10,957	17,675	15,385
Highways, Roads and Transport	2,660	1,118	1,542	1,256
Housing Services	48,018	45,332	2,686	3,951
Corporate and Democratic Core	6,407	1,445	4,962	5,097
Non Distributed costs	412	-	412	(2,098)
Housing Revenue Account	34,136	43,610	(9,474)	(9,972)
<b>Net cost of services</b>	<b>137,544</b>	<b>118,293</b>	<b>19,251</b>	<b>14,651</b>
Gain on disposal of fixed assets			(756)	(1,196)
Precepts of local precepting authorities			267	263
Interest payable			10,030	10,345
Amounts payable into the Housing Capital Receipts Pool			1,595	1,959
Amounts payable in respect of clawback on disposal of dwellings			2,016	3,161
Interest and investment income			(757)	(995)
Pensions interest cost and expected return on pension assets			1,372	2,047
<b>Net operating expenditure</b>			<b>33,018</b>	<b>30,235</b>
Income from Collection Fund for District Council purposes			(14,162)	(13,543)
Revenue Support Grant			(2,390)	(8,305)
Distribution from Non-Domestic Rate Pool			(12,352)	(4,805)
<b>Deficit for the year</b>			<b>4,114</b>	<b>3,582</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2006/07	2005/06
Deficit (or Surplus) for the year on the Income and Expenditure Account	4,114	3,582
Net adjustment required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year	(2,694)	(3,189)
Decrease in General Fund Balance for the year	1,420	393
General Fund Balance brought forward	(4,416)	(4,809)
<b>General Fund Balance carried forward</b>	<b>(2,996)</b>	<b>(4,416)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006/07 £000	2005/06 £000
Deficit on the Income and Expenditure Account	4,114	3,582
Deficit/(Surplus) arising on revaluation of fixed assets	(55,462)	87,482
Actuarial gains on pension fund assets and liabilities	(9,485)	(744)
Any other (gains) and losses	(17)	479
<b>Total recognised (gains) and losses for the year</b>	<b>(60,850)</b>	<b>90,799</b>

Due to the differences between the 2006 and 2005 SORP's, all figures relating to the 2005/06 financial year have been restated to reflect the new requirements. See Note 2 to the Core Financial Statements.

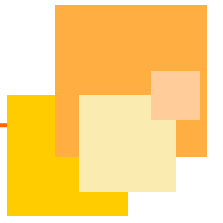


# BALANCE SHEET

	Notes	31 March 2007 £000	31 March 2006 £000 Restated
Tangible fixed assets			
Operational assets			
Council dwellings	18	698,709	651,000
Other land and buildings	18	45,725	45,989
Vehicles, plant, furniture and equipment	18	2,198	1,092
Infrastructure assets	18	112	112
Community assets	18	4,495	4,495
Sub Total Operational assets		751,239	702,688
Non-operational assets	18	21,234	17,934
Total Tangible fixed assets	18	772,473	720,622
Long-term investments		-	-
Long-term debtors		42	60
Deferred premiums on early repayment of debt		865	949
Total Long-term assets		773,380	721,631
Current assets			
Stocks and work in progress		481	429
Debtors		14,996	17,661
Investments		7,350	6,500
Cash in hand		24	12
		796,231	746,233
Current liabilities			
Borrowing repayable on demand or within 12 months	22	(5,001)	(708)
Creditors		(15,117)	(14,550)
Bank overdraft		(2,132)	(1,560)
		773,981	729,415
Borrowing repayable within a period in excess of 12 months	23	(125,575)	(130,575)
Deferred liabilities	24	(2,619)	(5,180)
Provisions	25	(1,932)	(1,669)
Liability related to defined benefit pension scheme	30	(45,106)	(53,918)
Suspense Accounts		(110)	(284)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>598,639</b>	<b>537,789</b>
Financed by:			
Fixed Asset Restatement Account	26a	467,683	421,607
Capital Financing Account	26b	162,715	159,031
Usable Capital Receipts Reserve	26c	396	569
Deferred Capital Receipts	26d	33	50
Pensions Reserve	26e	(45,106)	(53,918)
General Fund Balance	26f	2,996	4,416
General Fund Earmarked Reserves	26g	7,935	4,502
Housing Revenue Account Balance	26h	2,091	1,634
Collection Fund, Basildon District Council element	26i	(104)	(102)
<b>TOTAL NET WORTH</b>	21	<b>598,639</b>	<b>537,789</b>

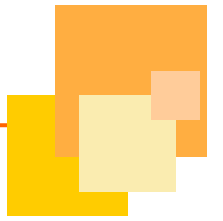
# CASH FLOW STATEMENT

	2006/07 £000	2005/06 £000
<b>REVENUE ACTIVITIES</b>		
<u>Cash Outflows</u>		
Cash paid to and on behalf of Employees	31,553	30,996
Other Operating Cash Payments	63,050	46,846
Housing Benefits paid out	21,356	19,271
Contributions to National Non Domestic Rate Pool	64,421	64,112
Precept Payments & Collection Fund Deficit	69,845	66,937
	250,225	228,162
<u>Cash Inflows</u>		
Rents (after Rebates)	(16,605)	(15,351)
Council Tax Receipts (after Benefit)	(72,056)	(68,622)
National Non Domestic Rate Receipts (from National Pool)	(68,488)	(62,749)
Government Grants	(73,857)	(68,096)
Cash received for goods and services and other operating cash receipts	(31,409)	(19,370)
	(262,415)	(234,188)
<b>Revenue Activities Net Cash Flow</b>	(12,190)	(6,026)
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
<u>Cash Outflows</u>		
Interest and Special Financing Repayments of long term liabilities	9,945	10,298
Interest element of finance lease rental payments	69	23
<u>Cash Inflows</u>		
Interest Received	(686)	(1,139)
Total Returns on Investment and Servicing of Finance	9,328	9,182
<b>Total Net Revenue Activities</b>	(2,862)	3,156
<b>CAPITAL ACTIVITIES</b>		
<u>Cash Outflows</u>		
Expenditure on Fixed Assets	10,903	15,213
Payments to DCLG in respect of pooling of capital receipts	1,747	2,111
Payments to English Partnerships in respect of Clawback	2,604	3,375
Other Capital Cash Payments	943	2,972
	16,197	23,671
<u>Cash Inflows</u>		
Sale of Fixed Assets	(4,780)	(8,831)
Capital Contributions and Grants received	(12,096)	(10,962)
Other Capital Cash Receipts	(17)	(10)
	(16,893)	(19,803)
<b>Total Net Capital Activities</b>	(696)	3,868
<b>Net Cash Outflow/(Inflow) before Financing</b>	(3,558)	7,024
<b>FINANCING &amp; LIQUID RESOURCES</b>		
Investments	850	(7,500)
Repayments of deferred purchase and transferred debt	3,410	2,930
Capital element of finance lease rental payments	127	76
Short term loans (raised)/repaid	(4,293)	(690)
Long term loans (raised)/repaid	5,000	(1,500)
New finance lease arrangements	(976)	(525)
<b>Total Financing &amp; Liquid Resources</b>	4,118	(7,209)
<b>NET DECREASE/(INCREASE) IN CASH IN HAND AND AT BANK</b>	<b>560</b>	<b>(185)</b>



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# NOTES TO THE CORE FINANCIAL STATEMENTS



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. ACQUIRED OR DISCONTINUING OPERATIONS

There were no significant acquired or discontinuing operations during 2006/07. However, with effect from 2 April 2007 the Council has set up an Arms Length Management Organisation (St Georges Community Housing Limited) to manage the landlord function on behalf of the Council in respect of its housing stock.

## 2. EXCEPTIONAL AND EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or extraordinary events worthy of note during 2006/07.

The Council has however adopted two significant new accounting policies in the 2006/07 Statement of Accounts that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts or support services
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The impact of these changes upon the comparative figures for 2005/06 is shown below, compared with those published in the 2005/06 Statement of Accounts. The table also shows the effect of other areas where the prior year's figures have been restated in order to comply fully with the new SORP.

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges £000	Recognition of gains and losses on disposal of fixed assets £000	Deferred charges written off to revenue, and other £000	Comparatives in 2005/06 Income & Expenditure Account £000
Central Services to the Public	1,032	-	-	-	1,032
Cultural, Environmental and Planning	16,984	(1,599)	-	-	15,385
Highways, Roads and Transport	1,294	(38)	-	-	1,256
Housing Services	2,097	-	-	1,854	3,951
Corporate and Democratic Core	5,808	(711)	-	-	5,097
Non Distributed costs	(2,098)	-	-	-	(2,098)
Housing Revenue Account	16,648	(26,678)	-	58	(9,972)
<b>Impact on Net Cost of Services</b>	<b>41,765</b>	<b>(29,026)</b>	<b>-</b>	<b>1,912</b>	<b>14,651</b>
Gain on disposal of fixed assets	-	-	(1,196)	-	(1,196)
Asset Management Revenue Account (Interest payable in 2006/07 accounts)	(18,681)	29,026	-	-	10,345
Amounts payable in respect of clawback on disposal of dwellings	-	-	-	3,161	3,161
Other income and expenditure items (net), unaffected by any changes	3,274	-	-	-	3,274
<b>Impact on Net Operating Expenditure</b>	<b>26,358</b>	<b>-</b>	<b>(1,196)</b>	<b>5,073</b>	<b>30,235</b>

The impact of the above changes at Net Operating Expenditure level was therefore £3,877,000, which was reversed out in the Statement of Movement on the General Fund balance. There was no net impact on the General Fund Balance carried forward at 31 March 2006.

## 3. TRADING OPERATIONS

This authority had no significant trading operations during 2006/07.

## 4. SECTION 137 EXPENDITURE

No expenditure was incurred during 2006/07 reliant upon S.137 powers.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 5. PUBLICITY EXPENDITURE

The Council is required to keep a separate account of publicity expenditure as defined in Section 5(i) of the Local Government Act 1986. Set out below is the Council's spending on publicity for the year:

	2006/07 £000	2005/06 £000
Recruitment advertising	199	143
Publicity	142	146
Public information and notices	35	61
Other advertising	19	31
<b>Total</b>	<b>395</b>	<b>381</b>

## 6. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows Building Control Services for 2006/07 analysed between those elements of activity that are chargeable and those (such as providing general advice and liaising with other statutory authorities) that are not. Some building services work is carried out for others, e.g. land charges, environmental health and applicants for disabled facilities grants, and this accounts for the Miscellaneous Income shown below.

	Chargeable £000	Non-Chargeable £000	Total £000
<b>Expenditure</b>			
Employees	289	193	482
Transport	11	7	18
Supplies & Services	27	18	45
Management & Administration	64	24	88
Total Expenditure	391	242	633
<b>Income</b>			
Building Regulation fees	362	-	362
Miscellaneous income	-	71	71
Total Income	362	71	433
<b>Deficit for year</b>	<b>29</b>	<b>171</b>	<b>200</b>

There is an overall surplus of £14,000 arising from the "chargeable" account calculated on a three-year rolling basis from 2004/05 to 2006/07. Although this amount is held within General Fund reserves, its use is restricted to supporting Building Control activities. All figures allow for adjustments in respect of FRS17. Since the inception of the Building Control Account in 2001/02 there has been a cumulative surplus of £73,000.

## 7. AGENCY INCOME AND EXPENDITURE

Basildon District Council enforces the On Street Parking Regulations as agent for Essex County Council. The arrangement mainly covers parking enforcement on yellow lines and in Resident Parking Schemes. It is run on an "acceptable deficit" basis whereby Essex pay Basildon all reasonable costs incurred (net of income received). There are no other formal agency agreements in place.

## 8. OPERATING LEASES

Rentals paid in 2006/07 on all current agreements amounted to £1.41 million (£1.66 million, 2005/06), of which £0.82 million (£1.10 million, 2005/06) related to vehicles, plant and equipment, and the rest to land and buildings. At 31 March 2007 the Council had annual commitments under operating leases as set out in the following table.

# NOTES TO THE CORE FINANCIAL STATEMENTS

Annual commitments:	2006/07 Plant, vehicles & equipment £000	2006/07 Land & buildings £000	2005/06 Plant, vehicles & equipment £000	2005/06 Land & buildings £000
Operating leases which expire:				
Within one year	104	-	187	-
In the second to fifth years inclusive	583	239	634	239
Over five years	2	390	131	480
<b>Total</b>	<b>689</b>	<b>629</b>	<b>952</b>	<b>719</b>

The total primary rentals payable in future years on current leases for plant, vehicles and equipment are estimated at £1.63 million. The equivalent figure for land and buildings is estimated to be £27.7 million. A sum of £26.2 million is included in respect of industrial units at the Wickford Enterprise Centre. The rental payable under this lease is related to the rental income the Council receives from letting the units. The £26.2 million is equivalent to 90% of the expected rental income assuming full occupancy.

## 9. SCHEMES UNDER THE TRANSPORT ACT 2000

There are no activities to report under this heading.

## 10. INCOME UNDER THE LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

The Council is empowered under this Act to supply goods and services to certain other bodies. Grounds Maintenance Services valued at £17,600 were provided in 2006/07 (£12,200 in 2005/06).

## 11. PARTNERSHIPS UNDER S.31 HEALTH ACT 1999

There are no activities using Basildon District Council funding to report under this heading.

## 12. MEMBERS ALLOWANCES

The total value of allowances paid to the 42 Councillors of Basildon District Council in 2006/07 was £403,853 (£414,065 in 2005/06).

## 13. OFFICER REMUNERATION

The Council is required to report (in bands of £10,000) the number of employees whose remuneration in the year was more than £50,000, excluding pension contributions.

Remuneration Band	2006/07	2005/06
£50,000 to £59,999	18	12
£60,000 to £69,999	4	6
£70,000 to £79,999	3	-
£80,000 to £89,999	1	-
£90,000 to £99,999	2	1
£100,000 to £109,999	-	2
£110,000 to £119,999	2	-
£120,000 to £129,999	-	1
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£150,000 to £159,999	1	-
<b>Total</b>	<b>31</b>	<b>22</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 14. RELATED PARTY TRANSACTIONS

The Council is required to disclose details of transactions with related parties. A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for another (related) party irrespective of whether a charge is made. The relevant transactions during 2006/07 are set out in the table below:

	2006/07 Receipts £000	2006/07 Payments £000	2005/06 Receipts £000	2005/06 Payments £000
<b><u>Central Government</u></b>				
Grants	73,404	-	69,332	-
<b><u>Essex County Council</u></b>				
Precept	-	59,157	-	56,675
Pension Fund	-	5,480	-	6,600
Welfare Transport	217	-	289	-
<b><u>Essex Police Authority</u></b> – Precept	-	6,836	-	6,470
<b><u>Essex Fire Authority</u></b> – Precept	-	3,586	-	3,529
<b><u>Parish and Town Councils</u></b> – Precept	-	267	-	263
<b><u>Services &amp; Grants to Local Organisations</u></b>				
Citizens' Advice Bureaux (Basildon, Billericay & Wickford)	-	129	-	124
IMPACT (Advisory Service)	-	64	-	62
Basildon District Volunteer Carers	-	25	-	24
Council for Voluntary Services (Basildon, Billericay & Wickford)	-	17	-	17
Community Resource Centre	-	9	-	13
Disabled Information Action Line (DIAL)	-	10	-	9
Essex Racial Equality Council	-	2	-	2

The Council also provided free financial management and meeting facilities for the Basildon Sports Council and the Basildon Arts Trust. The final meeting of the Sports Council was held on 28 September 2006.

No Members or Executive Directors of the Council had any material direct related party transactions during the year. However some were members of the managing committee of the Basildon Community Resource Centre, the Citizens' Advice Bureaux or the Basildon District Volunteer Carers, each of which received grant funding from the Council as shown above.

## 15. AUDIT COSTS

The SORP requires audit costs to be analysed over the different types of service offered by auditors. The purpose is to demonstrate that the auditors' fees from "other services" do not reach such a proportion as to compromise the objectivity and independence of the auditor in completing the statutory audit function.

	2006/07 £000	2005/06 £000
Statutory audit of accounts	191	144
Statutory audit of grant claims	37	29
Statutory inspection fees	13	24
Other services	6	-
<b>Total</b>	<b>247</b>	<b>197</b>

The increase in fees shown above for work on the audit of accounts reflects the introduction of detailed Use of Resources assessments and differences in timing between the audit year and the financial year in which that work was charged. Fees chargeable in respect of the 2006/07 audit year were £163,720 (2005/06, £168,965).



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 16. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

As mentioned in the Explanatory Foreword, the Income and Expenditure Account reports the net cost, as defined by the SORP, of all functions carried out by the Council during the financial year and shows the contributions made by local taxation and government grants. After allowing for certain adjustments, the surplus or deficit on the account is transferred to or from the Council's reserves. Expenditure and income are measured for this purpose using Generally Accepted Accounting Practices (GAAP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). These measures are standardised across the public and private sectors and are not always appropriate for calculating the Council Tax implications.

The purpose of the Statement of Movement on the General Fund Balance therefore is to reconcile the Income and Expenditure Account (produced using GAAP measurement techniques) with the General Fund balance (upon which the Council Tax level was set) to show the real impact on the General Fund.

## 17. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2006/07 £000	2005/06 £000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:</b>		
Depreciation and impairment of fixed assets	(1,003)	(788)
Excess of depreciation charge to HRA over the Major Repairs Allowance element of Housing Subsidy	(1,133)	(665)
Amounts treated as revenue expenditure in accordance with SORP but classified as capital expenditure by statute – Deferred Charges	(943)	(2,587)
Net gain on sale of fixed assets	756	1,196
Pension costs calculated in accordance with the SORP and FRS17	(6,153)	(3,807)
	(8,476)	(6,651)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:</b>		
Capital expenditure charged to the General Fund Balance	47	419
Transfers from Usable Capital Receipts equal to the amounts payable:		
• into the government's Housing Capital Receipts Pool	(1,595)	(1,959)
• in respect of clawback on disposal of dwellings	(2,016)	(3,161)
Employer's contributions payable to Essex County Council Pension Fund	5,480	5,427
Other minor adjustments	(24)	(13)
	1,892	713
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year:</b>		
Statutorily required transfer of the surplus or (deficit) for the year on the Housing Revenue Account to the HRA balance, calculated in accordance with statute	457	(30)
Net transfer to General Fund earmarked reserves	3,433	2,779
	3,890	2,749
<b>Net additional amount to be credited to the General Fund Balance</b>	<b>(2,694)</b>	<b>(3,189)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 18. CAPITAL EXPENDITURE AND DISPOSALS

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm-unity Assets £000	Non-Operational Assets £000	Total £000
Gross book value, 31 March 2006	651,000	46,983	3,629	112	4,495	18,142	724,361
Additions	-	-	1,452	2	-	-	1,454
Disposals	(3,650)	(80)	-	(2)	-	(37)	(3,769)
Revaluation	51,359	563	-	-	-	3,282	55,204
Reclassification	-	(197)	-	-	-	197	-
<b>Gross book value, 31 March 2007</b>	<b>698,709</b>	<b>47,269</b>	<b>5,081</b>	<b>112</b>	<b>4,495</b>	<b>21,584</b>	<b>777,250</b>
Depreciation brought forward	-	(994)	(2,537)	-	-	(208)	(3,739)
Depreciation for current year	(7,678)	(1,894)	(346)	-	-	(131)	(10,049)
Depreciation on reclassification	-	11	-	-	-	(11)	-
Depreciation on assets disposed of	-	-	-	-	-	-	-
Depreciation on revalued assets	7,678	1,333	-	-	-	-	9,011
<b>Depreciation carried forward</b>	<b>-</b>	<b>(1,544)</b>	<b>(2,883)</b>	<b>-</b>	<b>-</b>	<b>(350)</b>	<b>(4,777)</b>
Net Book Value, 31 March 2006	651,000	45,989	1,092	112	4,495	17,934	720,622
<b>Net Book Value, 31 March 2007</b>	<b>698,709</b>	<b>45,725</b>	<b>2,198</b>	<b>112</b>	<b>4,495</b>	<b>21,234</b>	<b>772,473</b>

The fixed assets at 31 March included:

	31 March 2007	31 March 2006 Restated
Council Dwellings	11,592	11,668
Garages	6,001	6,048
Welcome Centre	1	1
Sports Halls	3	3
Swimming Pools	4	4
Community Centres and Halls	52	52
Museum (Wat Tyler Country Park)	1	1
Basildon Centre	1	1
Church Walk House	1	1
Cash Collection Offices/Area Housing Offices/Repairs Centre	4	4
Towngate Theatre	1	1
Shops	148	154
Depots, Workshops and Stores	9	9
Off Street Car Parks	8	8
Cemeteries	5	5
Basildon Town Centre	1	1
Miscellaneous	49	49

### Valuation of Assets

The valuation date for assets valued in the year is 31 March 2007. The statement overleaf shows the progress on the Council's rolling programme for the revaluation of fixed assets. The valuations were carried out by the Council's Principal Estates Surveyor and Wilkes, Head & Eve, a leading firm of Chartered Surveyors. The basis for valuation is set out in note 2 to the Statement of Accounting Policies.

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, & Equipment £000	Infra-structure Assets £000	Community Assets £000	Operational Non-Assets £000	Total £000
Net Book Values at historic cost	-	258	2,198	112	4,495	1,201	8,264
Net Book Values at current cost:							
Current year	698,709	19,235	-	-	-	14,494	732,438
Previous year	-	14,118	-	-	-	3,802	17,920
Two years ago	-	11,895	-	-	-	1,335	13,230
Three years ago	-	212	-	-	-	382	594
Four years ago	-	7	-	-	-	20	27
<b>Net Book Value at 31 March 2007</b>	<b>698,709</b>	<b>45,725</b>	<b>2,198</b>	<b>112</b>	<b>4,495</b>	<b>21,234</b>	<b>772,473</b>

Where valuations pre-date 31 March 2007 the Council is not aware of any material change in value in the assets concerned arising since their valuation date.

Capital expenditure in the year was as follows:

	2006/07 £000	2005/06 £000
Housing Revenue Account	9,639	11,779
General Fund: Housing	939	1,224
General Fund: Other Services	6,189	7,936
<b>Total</b>	<b>16,767</b>	<b>20,939</b>
<b>Financed from:</b>		
Borrowing	4,526	3,864
Capital Receipts	1,087	3,671
Capital Contributions	2,218	4,381
Direct Revenue Financing	47	419
Finance Leases	976	525
Major Repairs Reserve	7,913	8,079
<b>Total</b>	<b>16,767</b>	<b>20,939</b>

The gross value of assets held for use under operating leases at 31 March 2007 was £71,500 (£44,000 in 2006) and the related depreciation charge in 2006/07 was £1,000 (£1,000 in 2005/06).

The gross value of assets held under finance leases on that date was £1,502,000 (£525,000 in 2006). All these assets are plant, vehicles or equipment. The depreciation charge made in 2006/07 in respect of these assets was £203,000 (£77,000 in 2005/06).

## 19. DEFERRED CHARGES

Deferred charges are made in respect of capital expenditure incurred other than on fixed assets, e.g. private sector renewal grants and disabled facilities grants, and tenant compensation. The movements during the year were as follows:

	Private Sector Housing Grants £000	Other £000	Total £000
Balance brought forward	-	-	-
Expenditure	939	4	943
Amounts written off	(939)	(4)	(943)
<b>Balance at 31 March 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 20. COMMITMENTS UNDER CAPITAL CONTRACTS

The total commitment on various significant capital contracts at 31 March 2007 was £194,000 including fees (£559,000 at 31 March 2006).

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 21. ANALYSIS OF NET ASSETS EMPLOYED

The net assets employed by each of the Funds, representing the sum of local taxpayers' equity in the Authority, is as follows:

	31 March 2007 £000	31 March 2006 £000
General Fund	27,425	23,107
Housing Revenue Account	571,214	514,682
Trading Accounts	-	-
<b>Total</b>	<b>598,639</b>	<b>537,789</b>

## 22. BORROWING REPAYABLE WITHIN ONE YEAR

	31 March 2007 £000	31 March 2006 £000
Long Term Loans maturing within one year	5,000	-
Temporary borrowing	1	708
<b>Total Loans outstanding</b>	<b>5,001</b>	<b>708</b>

## 23. BORROWING REPAYABLE AFTER ONE YEAR

Source of Loan	Interest rates payable as at 31 March 2007		Total outstanding at:	
	Range %	Average %	31 March 2007 £000	31 March 2006 £000
Public Works Loans Board	4.10 – 15.25	7.31	118,325	118,325
Market Bonds and Mortgages	6.53 – 11.44	7.54	7,250	12,250
<b>Total</b>			<b>125,575</b>	<b>130,575</b>
<b>Analysis of loans by maturity</b>			<b>£000</b>	<b>£000</b>
Maturing in 1-2 years			5,000	5,000
Maturing in 2-5 years			18,500	13,500
Maturing in 5-10 years			36,000	36,500
Maturing in 10-15 years			19,250	23,500
Maturing in 15-20 years			23,325	22,075
Maturing in 20-25 years			22,000	28,500
Maturing after 25 years			1,500	1,500
<b>Total</b>			<b>125,575</b>	<b>130,575</b>

## 24. DEFERRED LIABILITIES

An analysis of long term liabilities is as follows:

	31 March 2007 £000	31 March 2006 £000
Finance Leases (see table below)	1,299	449
Deferred Purchase Debt	615	4,016
Transferred Debt	705	715
<b>Total Deferred Liabilities</b>	<b>2,619</b>	<b>5,180</b>

The amounts due to lessors in respect of finance leases are payable:

	31 March 2007 £000	31 March 2006 £000
Within one year	250	81
In the second to fifth years inclusive	770	269
After five years	279	99
<b>Total</b>	<b>1,299</b>	<b>449</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

All finance leases were in respect of plant, vehicles or equipment. The finance charges allocated for the year, being the interest element of lease rentals, amounted to £69,000 in 2006/07 (£22,000 in 2005/06).

Deferred purchase debt relates to balances outstanding to merchant banks under special arrangements for the financing of major capital projects undertaken in the mid 1980s. Transferred Debt is the sum outstanding to the London Borough of Havering in respect of the transfer of housing to this Council on the Barn Hall Estate.

## 25. PROVISIONS

### Insurance Provision

The main provision relates to the Insurance Pool, in respect of known outstanding claims and excesses on self-insured risks, and claims that have occurred in previous policy years but have not yet been reported to the Council. Sums applied from provisions are in respect of claims settled during the year. The balance on the insurance provision is subject to independent actuarial review approximately every two years to ensure proper reflection of aggregate liabilities. See also the Insurance Pool Reserve - note 26(g) below.

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(1,639)	(1,562)
Sums applied	727	861
Transfers from Revenue	(926)	(938)
<b>Balance at 31 March</b>	<b>(1,838)</b>	<b>(1,639)</b>

### Provision for Invoices in dispute with a contractor

The following provision relates to the cost of some environmental maintenance works carried out in 2005/06 where the invoices could not all be paid due to sums being in dispute. A provision was set up for the sum felt to be due and the issue was resolved during 2006/07.

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(30)	0
Sums applied	30	0
Transfers from Revenue	0	(30)
<b>Balance at 31 March</b>	<b>0</b>	<b>(30)</b>

### Concessionary Fares Provision

This relates to a claim by the bus operators that they were due additional payment for higher than anticipated take up of the concessionary fares scheme. At the date these accounts were approved, their claim was in dispute, and provision has made at the level of the interim award pending determination of the claim.

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	0	0
Sums applied	0	0
Transfers from Revenue	(94)	0
<b>Balance at 31 March</b>	<b>(94)</b>	<b>0</b>

### Total Provisions

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(1,669)	(1,562)
Sums applied	757	861
Transfers from Revenue	(1,020)	(968)
<b>Balance at 31 March</b>	<b>(1,932)</b>	<b>(1,669)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 26. ANALYSIS OF MOVEMENTS ON RESERVES

### a) Fixed Asset Restatement Account

The Fixed Asset Restatement Account represents the difference between the book value of long term assets under historical accounting and the current values of those assets as recorded in the Balance Sheet. The account is written down each year by the net book value of assets disposed of and is credited (or debited) with gains (or losses) arising from any revaluations.

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(421,607)	(523,373)
Movements:		
Value of new assets	(2)	(8)
Write out of expenditure not enhancing assets	14,372	16,941
Write out of disposals	3,769	7,385
Revaluation of assets	(55,204)	86,270
Write out of depreciation on revalued assets	(9,011)	(8,822)
<b>Balance at 31 March</b>	<b>(467,683)</b>	<b>(421,607)</b>

### b) Capital Financing Account

This account records amounts set-aside from revenue resources, capital receipts etc. to finance expenditure on fixed assets or to repay external loans and other long-term liabilities. The balances at 31 March were as follows:

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(159,031)	(152,073)
Provision made during the year for repayment of debt	(10)	(10)
	(159,041)	(152,083)
Discharge of other Deferred Liabilities	(3,401)	(2,920)
Direct Revenue Financing	(47)	(419)
Capital Receipts and Contributions applied	(2,870)	(7,658)
Major Repairs Reserve applied	(7,913)	(8,079)
Deferred Charges written off	508	2,588
Depreciation	10,049	9,540
	(3,674)	(6,948)
<b>Balance at 31 March</b>	<b>(162,715)</b>	<b>(159,031)</b>

### c) Usable Capital Receipts Reserve

The balance at 31 March relates to capital receipts that had not yet been used to finance capital expenditure.

	31 March 2007 £000	31 March 2006 £000 Restated
Balance brought forward	(569)	(779)
Received in year	(4,780)	(8,831)
Less: Paid to the government's Housing Capital Receipts Pool	1,595	1,959
Less: Expenses, Clawback and other	2,271	3,411
	(1,483)	(4,240)
Applied during the year to finance new expenditure	1,087	3,671
<b>Balance at 31 March</b>	<b>(396)</b>	<b>(569)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## d) Deferred Capital Receipts

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(50)	(60)
Movements: Principal repayments during the year	17	10
<b>Balance at 31 March</b>	<b>(33)</b>	<b>(50)</b>

## (e) Pensions Reserve

The deficit in the Pension Fund as measured by Financial Reporting Standard 17 is balanced by an overdrawn reserve called a "Pensions Reserve".

	31 March 2007 £000	31 March 2006 £000
Deficit brought forward	53,918	56,282
Movements:		
Contributions to the Fund	(5,480)	(5,427)
Current Service Cost	4,369	3,858
Past Service/Curtailment/Settlement Cost	412	(2,098)
Net Interest/Return on Assets	1,372	2,047
Actuarial (Gain)/Loss	(9,485)	(744)
<b>Balance at 31 March – Deficit</b>	<b>45,106</b>	<b>53,918</b>

## f) General Fund Balance

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(4,416)	(4,809)
Movements:		
Revenue spend for the year	26,514	23,952
Parish Precepts	267	263
Revenue Support Grant	(2,390)	(8,305)
Council Tax Receipts	(14,162)	(13,543)
NNDR Pool Receipt	(12,352)	(4,805)
Contribution towards Collection Fund Deficit	111	52
Transfers to Earmarked Reserves	3,432	2,779
<b>Balance at 31 March</b>	<b>(2,996)</b>	<b>(4,416)</b>

## g) General Fund Earmarked Reserves

	Insurance Pool £000	Contingency Reserve £000	IT Initiatives £000	Basildon Town Centre £000	Commuted Sums £000	Town- gate £000	Total £000
Balance at 1 April	(1,333)	(2,715)	(269)	(112)	(73)	-	(4,502)
Transfers to (or from) Reserves	(169)	(3,196)	(74)	11	-	(5)	(3,433)
<b>Balance at 31 March</b>	<b>(1,502)</b>	<b>(5,911)</b>	<b>(343)</b>	<b>(101)</b>	<b>(73)</b>	<b>(5)</b>	<b>(7,935)</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

## h) Statutory Housing Revenue Account Balance

	31 March 2007 £000	31 March 2006 £000
Balance brought forward	(1,634)	(1,664)
Movements: (Surplus)/Deficit for the year	(457)	30
<b>Balance at 31 March</b>	<b>(2,091)</b>	<b>(1,634)</b>

## i) Collection Fund Reserve

	31 March 2007 £000	31 March 2006 £000
Deficit brought forward	102	50
Movements: Deficit for the year	2	52
<b>Balance at 31 March – Deficit</b>	<b>104</b>	<b>102</b>

## 27. CONTINGENT LIABILITIES

Municipal Mutual Insurance (MMI) announced in September 1992 that it was to cease trading upon expiry of current policies. MMI remained liable for all claims arising from previous policy commitments and at its latest balance sheet date the company was continuing to settle its outstanding liabilities. If however, in due course the company's realisable assets prove to be insufficient to meet its liabilities to claimants, any deficiency will be recoverable from policyholders, which include Basildon District Council, under a "scheme of arrangement" approved by the High Court in January 1994. As at 31 March 2007 the scheme had not been invoked.

MMI's accounts for the year to 30 June 2006 state that the company has continued to pay agreed claims in full and that the Directors continue to foresee that a solvent run-off can be ultimately achieved. However, new notifications of claims are still being received, particularly in relation to employers' liability claims, and so the outstanding claims position remains volatile. This situation is subject to regular review.

There was a contingent liability of £88,500 at 31 March 2007 in respect of a loan guarantee made to a local organisation. There were also a number of High Court appeals in progress at this date in relation to planning enforcement and housing issues, which may give rise to costs depending on the outcomes.

The Council had a liability for back-pay arising from the Single Status equal pay review, which had yet to be agreed at the Balance Sheet date. Agreement as to terms and conditions had not been concluded with the trades union. Whilst the liability existed at 31 March 2007, no reliable estimate could be made as to amount. It is therefore disclosed here as a contingent liability.

## 28. POST BALANCE SHEET EVENTS

During 2006/07, the Council set up an Arms Length Management Organisation (St Georges Community Housing limited (SGCH)) to manage the landlord function on behalf of the Council in respect of its housing stock. On 22 March, the Council gained agreement under section 27 of the Housing Act 1985 to delegate the functions and signed the Management Agreement with SGCH on 30 March. SGCH commenced operations on 2 April 2007.

The Council will continue to have statutory responsibility for the HRA and retains the strategic housing role. The key functions delegated to SGCH will be the management and maintenance of the housing stock, including rent and service charge collection, and the management of the housing capital programme. The Council will retain ownership of the housing stock and SGCH will be a wholly owned subsidiary of the Council. As a Controlled Company, the accounts of SGCH will be consolidated into the Council's Group Accounts for the year 2007/08.

There are no other post balance sheet events requiring disclosure.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 29. DATE ACCOUNTS AUTHORISED

These accounts were authorised by the Audit and Risk Committee for issue on 27th September 2007, which is the date up to which events after the balance sheet date have been considered.

## 30. PENSION COSTS

The Council offers retirement benefits to its officers and other 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 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 2004 and was effective from 1 April 2005. The contributions payable by the Council to the Fund are based on the actuary's findings. Any surplus or deficit on the Fund has no effect on an individual's entitlement to benefits.

Although benefits are not payable until an employee retires, the Council is required to reflect its commitment to make such payments in its accounts at the time an employee earns his/her future entitlement, rather than at the time those benefits are paid. Employer pension contribution levels are calculated by the actuary as part of the triennial review and are paid by Basildon Council into the pension scheme. They are also the levels used to calculate the Council Tax requirement.

However, under Financial Reporting Standard 17 – Retirement Benefits (FRS17), the actuary also has to calculate the figures on a different basis for accounts preparation purposes. The cost to the pension fund for activity relating solely to the year of account is included in the Income and Expenditure Account within Net Operating Expenditure, with part in the Net Cost of Services. An adjustment is made within the Statement of Movement on the General Fund Balance to reconcile the FRS17 figures back to the actual amount charged in the Council Tax requirement. This is illustrated in the table below:

	2006/07 £000	2005/06 £000
Current service cost	4,369	3,858
Past Service Cost/(Gain)	382	(2,213)
Curtailment loss	30	115
<b>Net Cost of Services</b>	<b>4,781</b>	<b>1,760</b>
Interest cost	8,011	7,625
Expected return on assets in the scheme	(6,639)	(5,578)
<b>Net Operating Expenditure</b>	<b>6,153</b>	<b>3,807</b>
<b>Adjustment to Statement of Movement on the General Fund Balance</b>		
Amount by which pension costs calculated in accordance with FRS 17 differ from contributions due under the pension scheme regulations.	(673)	1,620
<b>Actual amount charged against Council Tax for pensions in the year</b>		
Employer's contributions payable to scheme	<b>5,480</b>	<b>5,427</b>

Using the projected unit method in a scheme that has a significantly rising age profile will cause the current service cost to increase as the members of the scheme approach retirement. The Past Service Gain of £2,213,000 in 2005/06 reflected a significant change in the pension scheme introduced by the Local Government Pension Scheme (Amendment) Regulations 2006. Scheme members can now opt on retirement for a higher initial lump sum in exchange for a lower annual pension entitlement. Any Cost or Gain is treated as a Non Distributed Cost, so there is no impact on the cost of individual services.

The market value of total fund assets was £2,952 million as at 31 March 2007 (£2,797 million as at 31 March 2006). The main financial assumptions adopted by the actuary as at 31 March 2007 were:

- (i) Rate of Inflation: 3.1% per annum (2.9% at beginning of year)
- (ii) Rate of increase in salaries: 4.6% per annum (4.4% at beginning of year)
- (iii) Rate of increase in pensions: 3.1% per annum (2.9% at beginning of year)
- (iv) Discount Rate: 5.4% (4.9% at beginning of year).

# NOTES TO THE CORE FINANCIAL STATEMENTS

The market values of each main class of asset held by the Fund, so far as they relate to Basildon, and the expected rates of return on them for the ensuing year, are set out in the following table:

	At 31 March 2007			At 31 March 2006		
	Market Value £000	Proportion %	Expected Return %	Market Value £000	Proportion %	Expected Return %
Equities	82,511	69.3	7.5	76,958	70.5	7.0
Government Bonds	11,787	9.9	4.7	11,353	10.4	4.3
Other Bonds	7,501	6.3	5.4	6,113	5.6	4.9
Property	14,883	12.5	6.5	12,663	11.6	6.0
Other (cash/liquidity)	2,381	2.0	5.25	2,074	1.9	4.5
<b>Total</b>	<b>119,063</b>	<b>100.0</b>		<b>109,161</b>	<b>100.0</b>	

The market value of the above assets relating to Basildon District Council as at 31 March 2007 was £119.1 million (£109.2 million at 31 March 2006). The value placed on the liabilities was £164.2 million (£163.1 million at 31 March 2006). Consequently, at 31 March 2007, the deficiency relating to Basildon was £45.1 million (£53.9 million at 31 March 2006).

Analysis of the movement in the Fund deficit during the period:

	2006/07 £000	2005/06 £000
Deficit at beginning of period	53,918	56,282
Contributions to the Fund	(5,480)	(5,427)
Current Service Cost	4,369	3,858
Past Service/Curtailment/Settlement Cost	412	(2,098)
Net Interest/Return on Assets	1,372	2,047
Actuarial Gain	(9,485)	(744)
<b>Deficit at end of period</b>	<b>45,106</b>	<b>53,918</b>

The deficit in the Fund is balanced by an overdrawn reserve called a "Pensions Reserve". The actuarial gain shown above represents the difference between the actuary's original assumptions and subsequent outcomes for the year. The figure for 2006/07 represents 5.8% of liabilities (0.5% in 2005/06).

The Pensions Reserve is a requirement of FRS17 and represents at 31 March 2007 Basildon's share of the Essex Fund's overall position. Whilst the deficit on the Pensions Reserve is a substantial figure, it reflects the recent national trend for most pension funds. The deficit is due mainly to falls in equity markets and historically low interest rates. The fact that pension funds are largely investment based means that they should be viewed over the longer term rather than just at a point in time.

## 31. RECONCILIATION BETWEEN THE NET SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT AND THE REVENUE ACTIVITIES NET CASH FLOW IN THE CASH FLOW STATEMENT

	2006/07 £000	2005/06 £000
Income and Expenditure Account (Surplus)/Deficit for year, as adjusted	1,420	393
Less: Non-revenue items included above	(492)	(813)
Add: Deficit/(Surplus) on Housing Revenue Account	(457)	30
Deficit/(Surplus) on Collection Fund	2	52
Deficit/(Surplus) on General Fund Earmarked Reserves	(3,433)	(2,779)
	(2,960)	(3,117)
Adjustment for Non Cash Transactions:		
Movement in Short Term Creditors	1,720	6,003
Movement in Suspense Items	174	174
Movement in Stocks & Works in Progress	52	120
Movement in Other Provisions	(263)	(107)
Movement in Short Term Debtors	(1,568)	92
	(2,845)	3,165

# NOTES TO THE CORE FINANCIAL STATEMENTS

(continued)	2006/07 £000	2005/06 £000
Transfers to:		
Returns on Investment and Servicing of Finance	(9,328)	(9,182)
Financing	(17)	(9)
<b>Revenue Activities Net Cash Flow</b>	<b>(12,190)</b>	<b>(6,026)</b>

## 32. RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

	2006/07 £000	2005/06 £000
Movement in Cash, Revenue and Capital activities	(3,558)	7,024
Movement in net debt:		
Borrowings, raised or repaid (net)	707	(2,190)
Deferred Purchase and Transferred Debt	3,410	2,930
Finance leases (net)	(849)	(449)
Investments	850	(7,500)
	4,118	(7,209)
<b>Net (increase)/decrease in cash in hand and at bank</b>	<b>560</b>	<b>(185)</b>

## 33. RECONCILIATION OF THE ITEMS SHOWN WITHIN THE FINANCING AND LIQUID RESOURCES SECTIONS OF THE CASH FLOW STATEMENT TO THE RELATED ITEMS IN THE OPENING AND CLOSING BALANCE SHEETS FOR THE PERIOD

	31 March 2007 £000	31 March 2006 £000	Movement £000
Liquid Resources (Investments)	7,350	6,500	850
Deferred Liabilities	(2,619)	(5,180)	2,561
Short Term Borrowing	(5,001)	(708)	(4,293)
Long Term Borrowing	(125,575)	(130,575)	5,000
<b>Net Movement</b>	<b>(125,845)</b>	<b>(129,963)</b>	<b>4,118</b>

## 34. EXPLANATION OF WHAT IS INCLUDED IN LIQUID RESOURCES

Liquid Resources include all cash deposits and loans to approved counterparties. The table above reconciles the items shown under the Financing & Liquid Resources section of the Cash Flow Statement with the corresponding figures shown in the Balance Sheet. The Council's activities in borrowing and investing to balance its cash flow requirements are operated in accordance with a Treasury Management Policy Framework and annually approved Treasury Management and Investment Strategies.

## 35. ANALYSIS OF GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT

	2006/07 £000	2005/06 £000
Department for Work and Pensions:		
Council Tax Benefit	14,313	13,177
Housing Benefit	42,803	38,579
Other Grants:		
Revenue Support Grant	2,390	8,305
National Non Domestic (Business) Rates	12,352	4,805
HRA Subsidy	313	1,280
Other Items	1,686	1,950
<b>Total</b>	<b>73,857</b>	<b>68,096</b>





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# OTHER FINANCIAL STATEMENTS



# HOUSING REVENUE ACCOUNT

## INCOME AND EXPENDITURE ACCOUNT

	2006/07 £000	2005/06 £000 Restated
<b>INCOME</b>		
Dwelling rents	36,387	35,000
Non-dwelling rents	2,137	2,077
Charges for services and facilities	4,376	4,835
General Fund contribution towards expenditure	397	213
Housing Revenue Account subsidy receivable	313	1,353
<b>Total Income</b>	<b>43,610</b>	<b>43,478</b>
<b>EXPENDITURE</b>		
Repairs and Maintenance	9,365	8,320
Supervision and Management	14,986	14,194
Rents, rates, taxes and other charges	149	195
Water and Sewerage charges, written back	(539)	-
Depreciation and impairment of fixed assets	9,046	8,744
Debt Management costs	104	113
Increase in bad debt provision	204	484
Rent rebate subsidy limitation	821	1,456
<b>Total Expenditure</b>	<b>34,136</b>	<b>33,506</b>
<b>Net Cost of HRA Services</b>	<b>(9,474)</b>	<b>(9,972)</b>
Gain on sale of HRA fixed assets	(834)	(1,821)
Interest payable and similar charges	9,668	9,630
Amortisation of premiums and discounts	43	66
Interest and investment income	(86)	(71)
Pensions interest cost and expected return on pensions assets	425	614
<b>Surplus for the year on HRA services</b>	<b>(258)</b>	<b>(1,554)</b>
<b><u>STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE</u></b>		
Surplus for the year on the HRA Income & Expenditure Account	(258)	(1,554)
Net additional amount required by statute to be debited (or credited) to the HRA Balance for the year	(199)	1,584
<b>(Increase)/Decrease in the Housing Revenue Account Balance</b>	<b>(457)</b>	<b>30</b>
Housing Revenue Account balance brought forward	(1,634)	(1,664)
<b>Housing Revenue Account balance carried forward</b>	<b>(2,091)</b>	<b>(1,634)</b>

# HOUSING REVENUE ACCOUNT

**RECONCILIATION OF THE OUTTURN ON THE HRA INCOME & EXPENDITURE ACCOUNT TO THE SURPLUS/DEFICIT FOR THE YEAR ON THE HRA BALANCE, CALCULATED IN ACCORDANCE WITH THE REQUIREMENTS OF THE LOCAL GOVERNMENT AND HOUSING ACT 1989.**

**Items included in the HRA Income and Expenditure Account but excluded from the movement in the HRA Balance for the year:**

	2006/07 £000	2005/06 £000
Gain on sale of HRA fixed assets	834	1,821
Charges made for retirement benefits in accordance with FRS17	(1,571)	(1,548)
Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with UK GAAP – Deferred Charges	(4)	(57)
	(741)	216

**Items not included in the HRA Income and Expenditure Account but included in the movement in the HRA Balance for the year:**

Transfer from Major Repairs Reserve	(1,133)	(665)
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	1,675	1,624
Capital Expenditure funded by the HRA	-	409
	542	1,368

**Net additional amount required by statute to be (credited) or debited to the HRA Balance**

	(199)	1,584
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# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. RENT INCOME

Income from rents was made up as follows:

	2006/07 £000	2005/06 £000
Dwellings	36,804	35,536
Garages, Shops & Other	2,812	2,695
<b>Gross Income</b>	<b>39,616</b>	<b>38,231</b>
Less: Void Properties	(1,092)	(1,154)
<b>Total Rent Income</b>	<b>38,524</b>	<b>37,077</b>

Rent loss due to void dwellings was 1.1% in the year (1.5% in 2005/06). The average weekly rent in 2006/07 was £60.69, which was £2.65 above the average for the previous year. This reflects the impact of rent restructuring, as well as the normal annual percentage increase prescribed by the government.

## 2. HRA SUBSIDY

HRA Subsidy is payable by central government towards local housing costs. Entitlement is calculated as the deficit on a "Notional HRA", based on determinations made by the Secretary of State for each particular year. The table below breaks down the various elements of the Notional HRA. Depending on the circumstances of the particular local authority, it is possible for the calculation to produce a notional surplus. In such cases, a sum equal to the notional surplus is chargeable to the HRA and payable to central government as a contribution towards the costs of government subsidy to deficit authorities.

	2006/07 £000	2005/06 £000
<b>NOTIONAL EXPENDITURE</b>		
Management & Maintenance	17,027	15,937
Major Repairs Allowance	7,913	8,079
Charges for Capital	10,157	10,134
Other Reckonable Expenditure	44	63
<b>Total Expenditure</b>	<b>35,141</b>	<b>34,213</b>
<b>NOTIONAL INCOME</b>		
Rents	(34,823)	(32,868)
Other	(5)	(6)
<b>Deficit for year (HRA Subsidy entitlement)</b>	<b>313</b>	<b>1,339</b>
Sums receivable from/(repayable to) Secretary of State in respect of previous years' subsidy entitlements	0	14
<b>Actual Subsidy to HRA</b>	<b>313</b>	<b>1,353</b>

## 3. REBATES

About 62% of the Council's tenants receive some assistance with their rent. Rent rebates are available under the Housing Benefit scheme for households on low income. Expenditure on rent rebates includes the discretionary element of benefit where war pensions are disregarded in assessing claimants' income.

Rent rebates are administered by the Council and charged to the General Fund. The government subsidises the cost of rebates in the General Fund only up to the amount of a prescribed average rent. Where the actual average rent is higher, as in Basildon and many other authorities, the General Fund is subsidised for the difference directly from the HRA.

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 4. DEPRECIATION

The charge for depreciation is made up as follows:

	2006/07 £000	2005/06 £000
<b>Operational Assets</b>		
Dwellings	7,678	7,412
Other land and buildings	1,333	1,300
	9,011	8,712
<b>Non-operational Assets</b>	35	32
<b>Total Depreciation</b>	<b>9,046</b>	<b>8,744</b>

## 5. IMPAIRMENT CHARGES

Impairment losses on fixed assets occur between formal revaluations where significant economic impact has affected a particular area, estate or one of the main factors taken into account in the original valuation. Examples would include physical damage to the asset, deterioration in the quality of service provided by the asset, or a significant disproportionate fall in house prices in an area, for example because of blight.

No impairment charges were applicable for the 2006/07 financial year.

## 6. DEFERRED CHARGES

The sum of £4,000 (£57,000 in 2005/06) is in respect of compensation to tenants affected by estate redevelopment.

## 7. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is a resource for financing capital expenditure on dwellings and other property within the HRA. The amount credited to the Reserve is equal to the charge made to the HRA for depreciation. A technical adjustment however returns to the HRA any amount in excess of the Major Repairs Allowance included in the calculation of HRA Subsidy (see note 2 above).

The following table analyses the movements in the Major Repairs Reserve in the year of account:

	2006/07 £000	2005/06 £000
Balance on 1 April	-	-
Transfer from the Capital Financing Account equivalent to depreciation	(9,046)	(8,744)
Transfer to the HRA equivalent to any excess of depreciation over the level of the Major Repairs Allowance	1,133	665
Amount applied to Capital Expenditure	7,913	8,079
<b>Balance on 31 March</b>	<b>-</b>	<b>-</b>

## 8. NUMBER AND TYPES OF DWELLINGS

The table below shows the movement in housing stock during the year. The number of dwellings at 31 March 2007 comprised 6,616 houses and bungalows and 4,976 flats. Included in these numbers is the Council's interest in shared ownership properties, which is equivalent to 126 wholly owned dwellings.

	2006/07	2005/06
Stock at 1 April	11,668	11,816
Less: Sales and other disposals	(76)	(148)
<b>Stock at 31 March</b>	<b>11,592</b>	<b>11,668</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 9. VALUATION OF HOUSING ASSETS

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

	31 March 2007 £000	31 March 2006 £000
<b>Operational Assets</b>		
Dwellings	698,709	651,000
Other land and buildings	10,999	10,830
Vehicles, plant & equipment	24	24
	709,732	661,854
<b>Non-operational Assets</b>	1,285	1,386
<b>Total Value of Housing Assets</b>	<b>711,017</b>	<b>663,240</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 £1,519 million at 31 March 2007. The difference of £820 million between the vacant possession value and the Balance Sheet value shown in the table above represents the economic cost to the public sector of providing council housing at less than open market rents.

## 10. THE FINANCING OF CAPITAL EXPENDITURE ON HRA LAND AND PROPERTY

The total capital expenditure incurred on land, houses and other property within the HRA during 2006/07 was £9,639,000 (£11,779,000, 2005/06).

This was financed from the following sources:

	2006/07 £000	2005/06 £000
Supported Borrowing	1,149	1,149
Usable Capital Receipts	155	1,695
Capital Contributions	422	447
Revenue	-	409
Major Repairs Reserve	7,913	8,079
<b>Total Capital Resources used to finance HRA capital expenditure</b>	<b>9,639</b>	<b>11,779</b>

## 11. CAPITAL RECEIPTS FROM DISPOSALS OF HRA LAND AND PROPERTY

The sales proceeds arising from the disposal of land, houses and other property in the HRA during the year amounted to £4.6 million. After paying clawback of £2.0 million to English Partnerships in respect of dwellings transferred to the Council from the Commission for the New Towns (now called English Partnerships) in 1994 and after paying £1.6 million into a government 'pool' in accordance with regulations applying to all housing authorities, just £1.0 million (21% of sale proceeds) remained available to finance new capital expenditure and allowable expenses of sale. Receipts from the disposal of HRA assets other than dwellings sold under the right-to-buy scheme are not subject to the pooling regulations provided they are used for the provision of affordable housing or for regeneration schemes. The table below summarises the position.

	Disposal of former CNT dwellings £000	Disposal of other Council dwellings £000	Other receipts £000	Total £000
Gross receipt	2,590	1,905	69	4,564
Clawback	(2,005)	-	(11)	(2,016)
Pooled amount	(223)	(1,334)	(38)	(1,595)
<b>Usable element</b>	<b>362</b>	<b>571</b>	<b>20</b>	<b>953</b>
Usable, as a % of gross receipt	14%	30%	29%	21%

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 12. RENT ARREARS

The amount of rent arrears at 31 March was made up as follows:

	31 March 2007 £000	31 March 2006 £000
Current tenants	1,251	1,377
Former tenants	593	594
<b>Total gross rent arrears</b>	<b>1,844</b>	<b>1,971</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, garages and shared ownership dwellings. All figures ignore prepayments of rent amounting to £264,000 at 31 March 2007 (£219,000, 31 March 2006).

The provision for bad debts was £428,000 at 31 March 2007 (£500,000 at 31 March 2006).

## 13. FURTHER INFORMATION

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

# COLLECTION FUND ACCOUNT

	2006/07 £000	2005/06 £000
<b>INCOME</b>		
Income from Council Tax	70,866	67,363
Income from Business Rate Payers	66,461	59,627
Transfers from the General Fund Council Tax Benefit	13,322	12,853
	150,649	139,843
Contributions towards previous year's deficit		
Essex County Council	468	223
Essex Police Authority	53	25
Essex Fire Authority	29	14
Basildon District Council	111	52
	661	314
<b>Total Income</b>	<b>151,310</b>	<b>140,157</b>
<b>EXPENDITURE</b>		
Precepts		
Essex County Council	59,624	56,898
Essex Police Authority	6,889	6,495
Essex Fire Authority	3,615	3,543
Basildon District Council	14,163	13,543
	84,291	80,479
National Non-Domestic Rates		
Payable to National Pool	66,220	59,384
Cost of Collection	241	243
	66,461	59,627
Movement on provisions for uncollectible amounts	569	359
Deficit for year	(11)	(308)
<b>Total Expenditure</b>	<b>151,310</b>	<b>140,157</b>
<b>MOVEMENT IN FUND BALANCE</b>		
Deficit at 1 April	611	303
Deficit for the year	11	308
<b>FUND DEFICIT AT 31 MARCH</b>	<b>622</b>	<b>611</b>

# NOTES TO THE COLLECTION FUND ACCOUNT

## 1. THE COLLECTION FUND

The Collection Fund relates to transactions in respect of Council Tax and National Non Domestic Rates (NNDR).

Any surplus or deficit on the Collection Fund at the end of the year is required to be credited or debited respectively to all the major precepting authorities (i.e. Basildon, Essex County Council, Essex Police Authority and Essex Fire Authority) in a subsequent financial year.

Basildon's own precept for the year (£14.163 million) includes £267,000 (£263,000 in 2005/06) in respect of precepts from Parish and Town Councils within the District. The payments to Parish and Town Councils are met initially from the General Fund and included in Basildon's budget requirement.

The fund balance is included in the accounts of Basildon District Council, as collection authority. However, only Basildon's proportion is shown in the Reserves section of the Balance Sheet, the remainder being included in the Debtors section – being sums due from the other precepting authorities for their share of the deficit.

## 2. INCOME FROM COUNCIL TAX

For 2006/07 the Council set a Council Tax levy of £1,357.72 per Band D equivalent property, made up of precepts from authorities as follows:

	2006/07 £	2005/06 £
Basildon District Council	223.83	214.20
Parish and Town Councils in the Basildon District (average)	4.30	4.24
Essex County Council	960.39	917.73
Essex Police Authority	110.97	104.76
Essex Fire Authority	58.23	57.15
<b>Total Council Tax Band D</b>	<b>1,357.72</b>	<b>1,298.08</b>

Specific reductions in Council Tax liability are made in accordance with regulations for households on low income (Council Tax Benefit). The cost to the Council is met substantially by government grant. The amount credited to the Collection Fund is analysed as follows:

	2006/07 £000	2005/06 £000
Council Tax	84,189	80,216
Less: Council Tax Benefit	(13,322)	(12,853)
<b>Net Income to Collection Fund</b>	<b>70,867</b>	<b>67,363</b>

## 3. INCOME FROM BUSINESS RATES

The Council collects rates for non-domestic property in the District based on rateable value multiplied by a uniform national rate. The total amount, less certain reliefs and other deductions, is paid into a central pool, the National Non Domestic Rating (NNDR) Pool. The Pool is managed by Central Government, which in turn pays back to each authority's General or County Fund its share of the pool based on a standard amount per head of population.

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

	2006/07 £000	2005/06 £000
Non Domestic Rate (including voids and exemptions)	69,002	62,002
Less: Reliefs and Other Adjustments	(2,541)	(2,375)
<b>Net Income to Collection Fund</b>	<b>66,461</b>	<b>59,627</b>

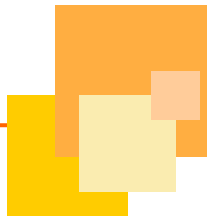
The total NNDR rateable value for the Basildon district at 31 March 2007 was £177.0 million (£177.5 million, 2006). The uniform business rate for 2006/07 was 42.6p per £ of rateable value for small businesses and 43.3p for other businesses.

# NOTES TO THE COLLECTION FUND ACCOUNT

## 4. 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 2006/07 was calculated as follows:

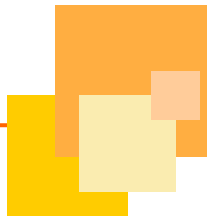
Tax Band	No. of Properties in Band	No. of Property Discounts	Net Properties	Proportion	Equivalent No. of Band D Properties
A (Disabled)	12	1	11	5/9	6
A	8,979	1,692	7,287	6/9	4,858
B	14,815	1,762	13,053	7/9	10,152
C	22,183	2,131	20,052	8/9	17,824
D	13,405	989	12,416	9/9	12,416
E	6,976	403	6,573	11/9	8,034
F	4,324	190	4,134	13/9	5,972
G	1,832	74	1,758	15/9	2,930
H	115	14	101	18/9	203
	72,641	7,256	65,385		62,395
Less: Allowance for changes to Council Tax base during 2006/07					(312)
<b>Total Council Tax Base</b>					<b>62,083</b>





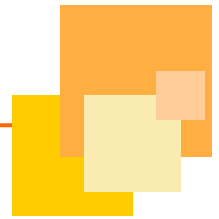


# STATEMENT ON INTERNAL CONTROL



# STATEMENT ON INTERNAL CONTROL

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## SCOPE OF RESPONSIBILITY

Basildon District Council is responsible for ensuring that its operations are conducted in accordance with the law and relevant standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to the principles of economy, efficiency and effectiveness.

In discharging these responsibilities, Members and senior officers are responsible for putting in place proper arrangements for the governance of Basildon District Council's affairs and the stewardship of the available resources.

The Council's overall Corporate Governance arrangements were formalised through a Local Code of Governance which was approved by the former Executive Board in May 2003. Updated national guidance on governance arrangements is due to be issued shortly for consultation with final definitive guidance expected later in the year, when the Council will review and update its Local Code of Governance.

In discharging this overall responsibility, the Council ensures that there is a sound system of internal control which facilitates effective governance and service delivery and which includes arrangements for the management of risk.

## PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance. It incorporates an ongoing process to identify and prioritise the risks, to assist evaluation of the likelihood and impact of those risks being realised and to help effectively manage them.

The system of internal control described within this Statement has been in place at Basildon District Council for the year ended 31 March 2007 and up to the date of approval of the annual accounts and this statement.

## THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment are summarised below:

### ~ Establishing and monitoring the Council's objectives

The Council's priorities are determined through extensive consultations with the local community and developed through our partnership working. The vision is *"to improve the quality of life for the people of the district, now and for future generations"*.

The needs of our local community evolve year on year, and the Council aims to balance effectively the short, medium and long-term priorities for the District, and ensure that they complement national priorities.

The Council's Strategic Improvement Plan (CSIP) is a rolling three-year plan that sets out the priorities for the Council and how these will be delivered. The plan is refreshed every year to ensure that it is aligned to local and national priorities, including the Community Strategy. The plan includes corporate values and key priorities with measures, targets and actions for achieving delivery, and quantifies the related resource implications and key risks.

The Council's objectives are clearly and widely communicated to the public, staff and all key stakeholders through the CSIP. This is published in the Annual Performance Plan and is made available on the Council's website. Posters summarising the CSIP are visible at key points throughout the Council's offices or facilities.

The Council's Constitution ('The Way We Work') identifies the statutory obligations of the Council and delegates specific responsibilities and decision-making powers to the Cabinet, Committees, nominated Members and officers of the Council.

The Council has procedures to identify and implement new and changing legislation and has arrangements to identify any non-compliance including internal and external audit.

# STATEMENT ON INTERNAL CONTROL

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## ~ Facilitation of policy and decision making

The Council operates a Leader and Cabinet model of local governance. The purpose of the Constitution is to detail how the Council operates, how decisions are made and the procedures to be followed to ensure that the Council acts in an efficient, transparent and accountable way to local people. The Constitution is fully reviewed on an annual basis. During 2005/06 an in depth review was carried out on the overview and scrutiny elements of the Constitution culminating in some changes that came into effect at the start of the 2006/07 municipal year. One particular innovation was the creation of short, time limited 'task and finish' groups which were designed to investigate specific policy and service areas in detail with a view to making recommendations for improvement. These groups have proved a success in helping to review significant areas of work and promote changes in policy.

A further review of the scheme of delegation was also undertaken during 2006/07 involving Members within Overview and Scrutiny. Changes to 'call in' procedures were agreed in line with the review by Council in April 2007 and the revised Scheme of Delegation will be reported to the Council in June 2007 for final approval.

A specific Audit & Risk Committee was established at the Annual Council in May 2006. The role of this Committee was to provide independent assurance to the Council and the Cabinet on the adequacy of the overall corporate governance and internal control environments, including the risk management arrangements. It also provides an independent view of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weaknesses in the control environment, as well as to oversee the financial reporting process. A summary of the work of the Committee will be included in an annual report to Full Council in June 2007.

Issues which will result in the making of a 'key decision' are required to be published in advance in the Forward Plan and will generally be made in a meeting open to the public to attend. All decisions must be in line with the Council's overall policy, framework and budget. The process of identifying key decisions formed part of the overall review of the Council's call-in arrangements.

The split between Overview and Scrutiny and Cabinet functions was enhanced during the year through the establishment of a Cabinet Office. This is primarily responsible for the administration of the business for Cabinet and this is achieved through a business planning process. This has been developed so as to enable the publication of all activity to be transacted by Cabinet instead of just Key Decisions, promoting a more open approach. Business planning for all meetings has similarly been enhanced with publication of the various business plans on the Council's website.

## ~ Compliance with and enhancements to established policies, procedures and regulations

The Council has a duty to act in accordance with the law and various regulations in the performance of its functions. In November 2003, in response to the raised profile of corporate governance, the Council agreed a Corporate Governance Framework, being the key policies and procedures that, taken together, would form the 'corporate backbone' of its governance and management control arrangements. A progress report on corporate governance generally was made to the Audit and Risk Committee on 28 March 2007. The purpose of this update was to provide Members with further information on what has been put in place to ensure that the corporate governance arrangements of the Council are mainstreamed and embedded within the organisation. It also updated Members on the various action plans related to the recommendations from the external audit and inspection regime under which the Council operates.

This report identified the key documents which together comprise the Council's Corporate Backbone, so far as they relate to this Statement, including:

- The Constitution ("The Way We Work")
- Codes of Conduct for Members and Officers
- Performance Management Framework
- Financial Regulations and Financial Procedure Notes
- Treasury Management Policy, supplemented by annual Treasury Management and Investment Strategies
- Risk Management Policy & Strategy
- Contract Procedure Rules and related Procurement Framework
- Business Continuity Management Policy & Strategy
- Anti-Fraud & Corruption Policy and Procedure
- Corporate Complaints Policy and Procedure

## STATEMENT ON INTERNAL CONTROL

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- Corporate Health & Safety Policy and Strategy
- Communication Strategy
- Information Security Policy
- Freedom of Information Act Procedures
- Consultation & Engagement Strategy
- Equalities & Diversity Policy & Strategy

The new framework introduced a more formalised approach to assurance including the implementation during 2006/07 of improvements to the evidenced based supporting documentation. During the year the Corporate Governance Group of officers, led by the Assistant to the Chief Executive, developed an assurance framework around the corporate governance arrangements. This was applied during the year and sought electronic confirmation as to understanding and awareness of the overall framework from Managers to 4<sup>th</sup> tier. The framework will be further extended to ensure that staff at all appropriate levels within the Council are aware and accept elements of the corporate backbone relevant to them. In addition, 'individual service statements of internal control' are being developed to further enhance overall assurance for the 2007/08 corporate statement.

All policies are subject to a rolling programme of review to ensure they adequately reflect current legislation and best practice. Such reviews are followed by appropriate training and awareness sessions.

Overall responsibility for the governance arrangements of the Council rests with the Cabinet. With effect from May 2006 the Council established an Audit and Risk Committee with a specific remit to undertake the monitoring role in relation to the general governance, internal and external audit and risk related elements of the Council's overall internal control arrangements.

As part of the Council's reorganisation during the year, responsibility for managing the Standards Committee has been transferred to the Council's Solicitor. In addition to regular features such as monitoring declarations of interest and commenting on Government standards initiatives, the Council's Standards Committee has also developed and delivered on its own work programme that included:

- Independent Members' Forum – report
- Declarations of Interest at each meeting
- Members' support – training/intranet site
- Review role of parish councillor & guidance from Standards Board for England
- CRM – review of complaints against Members – every 6 months
- Joint working initiatives
- Review proposed changes to dealing with complaints

The Council has designated one Executive Director as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer, following consultation with the Head of Paid Service and Responsible Financial Officer, will report to full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The purpose of any such report is to ensure that prior to any decision being made or enacted all relevant matters are fully considered. There has not been an occasion during 2006/07 when such a report was required.

Risk Management forms a very important element of the internal control environment. In September 2006 the Audit and Risk Committee established a Risk Management Working Group for the purpose of providing specific training on risk management. This involved detailed reviews of the Council's key risks as part of the Committee's wider role of providing overall assurance to the Council on risk management arrangements. The Risk Management Policy and Strategy was updated in January 2007 to reflect Members' role in risk management and was followed by awareness training delivered to over 60% of Members.

The Council continues to invest resources to enhance the role and understanding of risk management throughout the organisation and this is recognised to be an ongoing process. During 2006/07 extensive risk management training was provided to Members and that also encompassed the Members' role in risk management. More detailed training was also provided to the Members of the Audit and Risk Committee particularly relating to detailed information on the corporate Risk Register, in order to develop their understanding of risk management and facilitate more effective challenge. In addition, detailed 'refresher' service risk workshops are continually undertaken with each service, resulting in improvements to the centralised risk/control register.

## STATEMENT ON INTERNAL CONTROL

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This process also provides independent validation and assurance as to the robustness and currency of the register. All major Committee reports include separate risk assessment paragraphs to support and inform the decision making process, with central advice, guidance and training available to managers and report authors. Risk assessments remain integral to the strategic and service planning processes of the Council and as part of major project management.

The Internal Audit Service works closely with the Risk Management Service to further embed risk management and awareness across the Council.

During the year the Council has continued to enhance the Council's health and safety arrangements. The health and safety management process and toolkit have also been continually reviewed and updated to include the latest updates and changes in legislation or relevant guidance from the appropriate bodies. This has included extensive training of all categories of staff and professionally extended the accredited training to almost one hundred senior managers. Centralised coordination of risk assessments has improved management information and monitoring.

The Council has continued to respond to the requirements of the Civil Contingencies Act 2004, including dedicating additional resources to ensure an effective response to these new statutory responsibilities. In this regard, the Council has refreshed the documentation and operational arrangements contained within the Council's Emergency Plan, completed and published a joint Community Risk Register (with Essex County Council), improved communication systems and emergency callout arrangements to ensure greater resilience. A programme of training and exercising of emergency plans was delivered for managers, directors, emergency duty officers and volunteers. The plan was also tested during actual emergencies during the year and worked well. Changes to procedures were identified through the actual use of the emergency plan.

### **~ Economic, effective and efficient use of resources**

In October 2004, the Cabinet endorsed an overall Financial Planning Framework, which set out the financial planning processes used to support the development and review of policy and the allocation of resources to services. Each year since 2004, the Cabinet has received mid-term reports on strategic service and financial planning. These have incorporated a review of the Capital Strategy and the Asset Management Plan, which together set out the overall objectives for optimising the Council's use of its asset base and its capital resources. In 2006, the Capital Strategy was substantially rewritten to reflect a new emphasis on regeneration.

A detailed budget exercise was undertaken, which linked service plans in support of the CSIP to financial resources. The process included reviews of service budgets by the relevant Overview and Scrutiny Committees, and a review of the overall budget process was made by the Overview and Scrutiny Commission.

Each year the budget strategy is based on a managed approach for up to four years ahead. The strategy for 2006/07 provided for a range of revenue and capital initiatives as well as service efficiencies, for example substantial additional annual investment in waste management and recycling, financed from a reassignment of an existing domestic refuse collection team and by savings in the previous newspaper collection service. Such initiatives clearly contribute to the objective of resources following priorities, the delivery of quality services and the setting of reasonable levels of Council Tax.

The service planning process has been developed over a number of years. Service planning at the strategic level is made over three years with clear links to the CSIP aims and priorities.

All local authorities have a duty of Best Value including monitoring and reviewing council functions to maintain high standards and strive for continuous improvement.

Each year Basildon District Council examines various areas of service delivery or support functions. These reviews take a challenging look at how and why the Council delivers the services it does.

In 2006/07 the Audit Commission undertook inspections of Cultural Services (1\* with promising prospects) and Regeneration, the outcome of which was expected in June 2007.

As well as inspections by the Audit Commission, which give a robust external view on the Council's approach to service delivery, the CSIP sets out a programme of improvements to be made during the year. Progress is monitored on a quarterly basis by officers and Cabinet Members.

# STATEMENT ON INTERNAL CONTROL

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The drive for greater efficiency is also fundamental to the Government's "Gershon" regime. The Council has put robust arrangements in place for the identification, monitoring and delivery of the three year financial targets set by the Government and, over the last two years, these targets have been exceeded.

## ~ Financial Management, Internal Financial Control and Financial Reporting

Responsibility for the operation and maintenance of an effective system of internal financial control rests with the Executive Director, who is the nominated Responsible Financial Officer of the Council.

The Council's Financial Regulations, as set out in the Constitution, provide the overall key control framework to enable the organisation to exercise effective financial management and control of its resources and assets. Another key purpose of the Regulations is to support and protect Members and staff in the performance of their duties where financial issues are involved.

The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control rests on a detailed framework of management information, financial regulations and administrative procedures. Examples of the control arrangements in place during 2006/07 include:

- The setting of revenue and capital budgets for 2007/08, with a forward financial forecast to 2009/10 at detailed service level and to 2010/11 at General Fund summary level;
- As part of the budget setting process, a thorough analysis and report by the responsible Financial Officer on the robustness of the budget calculations, the risk management implications and the adequacy of reserves in the light of the financial risks and uncertainties facing the Council;
- The use of regular budgetary control through the monitoring of actual income and expenditure against the working budget, at both summary level and over a range of cost centres at individual service level;
- The production of monthly budget statements to senior management including summary exception reports, projected outturn and corrective action proposed or taken;
- A system of reporting of the Council's financial position to Members. This was substantially developed during 2006/07 to include monthly budget statements for Cabinet Members and quarterly statements to each of the various Overview and Scrutiny Committees, covering the General Fund and the Housing Revenue Account and both the General Services and Housing capital programmes. These improvements significantly enhance transparency and accountability in relation to monitoring the income and expenditure of the Council;
- The identification during 2006/07 of a number of budgets for particular attention due to associated risk factors as part of the enhanced budget monitoring process to Overview & Scrutiny Committees described above;
- A system of virements and supplementary estimates to enable revenue or capital budget provision to be moved to meet the changing demands and priorities of services within the year;
- A system for identifying and freeing up unspent resources to meet changing service priorities and for projecting outturn expenditure, by continuous monitoring of a "working budget" as adjusted by approved virements and supplementary estimates;
- Having adopted the Code of Practice for Treasury Management in the Public Services, the setting of formal policies and strategies for Treasury Management and Investment, reporting performance to the Cabinet Member for Resources quarterly during the year, and an annual report to the Audit and Risk Committee on performance against the approved strategies;
- Having adopted CIPFA's Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"), the setting and monitoring of Prudential Indicators;
- Close monitoring of external grant-funded schemes to ensure only *bona fide* expenditure is incurred and claimed back;
- The recruitment during 2006/07 of an expert VAT advisory service to minimise the Council's exposure to financial losses through tax planning and advice, including a helpline facility;



# STATEMENT ON INTERNAL CONTROL

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- Approval by the Cabinet of an annual mid-term Strategic Service and Financial Planning report;
- The ready availability on the Council's intranet of detailed Financial Procedure Notes to support the Financial Regulations and their ongoing review;
- Development of procedures for the use and monitoring of electronic purchase ordering, which now accounts for the majority of the Council's creditor transactions;
- Procedures to ensure effective controls around new banking and payment initiatives, including the swipe card service for payment of Council Tax and housing rent, the use of debit and credit cards, company credit cards and changes to BACS procedures;
- The monitoring and reconciliation of interfaces between the Council's computer based financial systems;
- The launch of a new modular training programme for staff at all levels covering the main financial principles to be applied across the Council;
- The inclusion in the individual Performance Agreements of all Heads of Service of key financial accountabilities for their services;
- An adequate and effective Internal Audit service, reviewing key financial systems and reporting on identified weaknesses with appropriate advice to senior management.

The control framework was put to an extensive test during 2006/07 with the establishment of St. George's Community Housing for the arm's length management of the Council's council housing service. This involved the setting up of parallel governance arrangements for the new company, including the delegation of budgets, new banking arrangements, payroll services and the payment of creditors, a financial management and accounting system, new accounting, budgeting and client-side monitoring functions and the transfer of staff.

There are also extensive service level agreements covering support services to be provided by the Council to the new company, with corresponding financial arrangements in place to ensure appropriate costing and accounting. It was a considerable achievement to have all main facilities up and running by 1 April 2007, the first day of operation of the new arrangements.

Given all the above, the Responsible Financial Officer considers that there were no significant areas of weakness within the Council's internal financial control framework for 2006/07.

Managing financial performance is well developed, and liaison between internal and external audit is excellent. The Council's external auditors have reported that the Council has good, sound financial controls in place, and full details of their comments are available as part of the Annual Audit and Inspection Letter. This also provides greater details on their assessment of overall financial control at the Council.

## ~ Performance Management

The Council manages its performance both through national and local mechanisms (national is referred to in the external inspection section of this statement).

At a local level, performance is managed in a variety of ways. The Council's Strategic Improvement Plan (CSIP) 2006/9 set out a number of key local and national measures to enable progress to be monitored against priorities. The CSIP was supported by a comprehensive action plan. Progress against actions was captured on the Council's performance management system (Performance Plus) and reported through quarterly performance reports to Cabinet.

During the year, the Council has significantly enhanced the use of Performance Plus, ensuring that the CSIP and supporting action plans are modelled and that performance is captured directly in the system.

Both the officer Strategic Management Team and elected Members receive regular reports analysing service and financial performance. These are being kept under review to ensure clarity of reporting and to take advantage of better ways of presenting the data. Quarterly performance reports to Cabinet focus on an exception basis so that officers and Members can readily concentrate where performance is below expectation.

Overview and Scrutiny Committees receive quarterly reports on Best Value Performance Indicators, with three year historical trends and comparison with both national and Essex Council performance available. Services



# STATEMENT ON INTERNAL CONTROL

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use a number of additional local measures to monitor their performance and these are progressively being incorporated in Overview and Scrutiny quarterly performance reports.

Previous concerns by External Audit regarding the robustness of BVPI collation and validation processes have been addressed. This was recognised by both internal and external audit. Specifically, along with most Essex Councils, the Council achieved an overall score of 2 (adequate) in the Data Quality assessment and no BVPIs were reserved by our external auditors for 2005/6.

Performance is reported to key stakeholders in a variety of ways, including the Council Strategic Improvement Plan, Annual Performance Plan, Quarterly Performance Reports and service level plans.

Internal and external auditors also provide separate reports on a sample of the Council's key performance indicators.

The effectiveness of the overall arrangements to monitor performance is informed by:

- The work of managers within the Council;
- The roles performed by the Monitoring Officer and Responsible Financial Officer;
- The work of the Internal Audit Service;
- The Joint Annual Audit & Inspection Letter, issued by the Audit Commission Relationship Manager and PKF, the appointed external auditors (including this year the Use of Resources Key Lines of Enquiry element of the Comprehensive Performance Assessment);
- Reports by other review agencies and inspectorates (e.g. Audit Commission Best Value Reviews); and
- Performance Management arrangements and related regular reporting.

## ~ Risk Management

As indicated earlier in this statement, during the year the Council's Audit and Risk Committee undertook a robust review of the Council's arrangements for corporate and service risk management. The outcomes are detailed in reports to the Committee with a general conclusion that the arrangements were both appropriate and sound. The Audit and Risk Committee is monitoring the actions agreed at the working group meetings.

## ~ Internal Audit

One main responsibility of Internal Audit is to provide assurance and advice on the internal control system of the Council to Members and Senior Management, making recommendations for improvement where appropriate. It also supports management in developing systems, and providing advice on matters pertaining to risk and control.

Each year, Internal Audit undertakes a range of audit reviews which can be relied upon to provide independent assurance on varying aspects of the Internal Control environment, including all nine fundamental financial systems together with the other reviews contained within the approved annual audit plan.

Internal Audit produces an executive summary for each individual audit assignment, which provides an opinion on the adequacy and effectiveness of the Internal Controls. These are also reported to the Audit and Risk Committee as part of the Internal Audit Interim and Annual performance reports. Based on the work performed during 2006/07 and the progress being made by Management to implement the recommendations, Internal Audit is able to provide assurance on the overall adequacy and effectiveness of the Council's internal control environment for the year 2006/07.

Particular issues to highlight include:

- The Internal Audit Service has completed three major special investigations within the Council. Following the completion of the investigations, Management have been notified of the weaknesses identified within the control environment and recommendations have been made to assist in preventing similar incidents occurring.
- Internal Audit are continuing to work with Housing Management in relation to the overall control environment for housing repairs, including supporting the transition to greater partnership working.

# STATEMENT ON INTERNAL CONTROL

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- Over the year the Council has continued to develop the Governance Assurance Framework, in particular introducing an evidenced based system to ensure that senior staff are aware of the Council's Corporate Backbone. There is a need, however, to ensure the next stage of developing the framework includes obtaining evidence around understanding and compliance at service department level, to enhance further the supporting information for the next Statement on Internal Control.

The work of Internal Audit is risk based and is itself independently reviewed by the Council's External Auditor each year and this is reported as part of the Annual Audit & Inspection Letter (available on the Council's website). External Audit has been able to rely upon the work of Internal Audit in each of the past 5 years.

Under the Accounts and Audit (Amendment) (England) Regulations 2006, the Council is required to undertake a review of the effectiveness of its system of Internal Audit and to refer to the results in this Statement on Internal Control.

Detailed information on the review of effectiveness of the system of Internal Audit was included within the Internal Audit Annual Performance Report reported separately to the Audit and Risk Committee on 26 June 2007.

Based on the information provided to the Audit and Risk Committee, the Committee considered that the Council's Internal Audit Service had been effective in its use of the resources available for 2006/07. The Service had concentrated on providing the Council with a core audit service focusing the resources in the key risk areas, whilst maintaining high quality work in order for the external auditor to place reliance on, whilst maintaining high customer satisfaction returns.

The Service substantially complies with the Code of Practice for Internal Audit in Local Government and has an action plan to address the small number of areas where the service is not fully compliant.

The activities and work of the risk management service and the Audit and Risk Committee have also had a contribution to the effectiveness of the system of Internal Audit.

A key area of concern for the service has been the ability to recruit to the vacancies with suitably experienced and qualified staff, to bring the team up to its full establishment.

## ~ External Inspections

The Council is covered by the national Comprehensive Performance Assessment (CPA) framework which is delivered by the Audit Commission. Much of the work is undertaken by an External Auditor appointed by the Audit Commission. The CPA framework includes a number of different components which are identified in an Annual Audit & Inspection Plan. Some of the key components are set out below. Reports from the Audit Commission and our External Auditors, notably the joint Annual Audit & Inspection Letter, are reported to the Audit and Risk Committee.

- **Cultural Services Inspection:** In 2006 the Audit Commission undertook a review of Leisure Services, which also covered areas such as Countryside, Parks, Theatre, the Motorboat Museum, Community Events and Projects, Planning, Environmental Health, Sustainable Communities and Basildon Renaissance. The Council's Cultural Services were rated as 'one star with promising prospects for improvement'. In particular the Audit Commission noted the high level of user satisfaction, the responsiveness of the services to user need and the manner in which they supported wider Council priorities. Areas for improvement were around procurement and performance management, issues that are currently being addressed corporately.
- **Regeneration Inspection:** Basildon District is being transformed by leading edge regeneration, building on previous successes of social regeneration and estate renewal. The current plans have an estimated value of in excess of £1.3 billion and the Council, with its partners, is now moving towards delivery on a number of transformational projects. Plans are in place that will see the regeneration of town centres; a revitalised business district; and a programme of estate renewal. In agreement with the inspector for the Audit Commission leading the review, Basildon demonstrated how the previous successes and lessons learnt (going back to initiatives that were undertaken up to 15 years ago) have been embedded in the ambitious plans for the physical regeneration of the District. The outcome of this inspection is still awaited.

# STATEMENT ON INTERNAL CONTROL

- **Use of Resources Assessment:** This includes an assessment on value for money. 2006/07 was the second year of this assessment and the Council's overall score improved from level '2' (adequate) to level '3' (good).
- **Direction of Travel Statement:** Again in its second year, this is a statement by the Audit Commission's Relationship Manager summarising the inspection work and assessing how well the Council is progressing. However, there is no score associated with the statement. The statement would be used as a starting point if the Council wished to apply for re-inspection under CPA.
- **Service Inspections:** The Audit Commission has an ongoing programme of 'service' inspections, which are centred around Key Lines of Enquiry and are increasingly more thematic and cross-cutting than in the past. As already indicated there were two inspections in 2006/07, Cultural Services and Regeneration.
- **Best Value Performance Indicators:** There is a national set of Best Value Performance Indicators (BVPIs) which are set by central Government. A sample of these are validated by the Council's external auditors. National comparison quartile data is published towards the end of each year together with the Direction of Travel Statement references in the Council's performance in relation to other Councils.

External assurance reports are reviewed by the relevant senior management team and reported to the appropriate Committee. Action plans are prepared and approved as appropriate and follow up reports on recommendations are reported to senior management and Members.

This Statement on Internal Control is reviewed, challenged and approved by both the Audit and Risk Committee and the Cabinet. The timetable meets the statutory deadline in order to be published with the statutory accounts.

## SIGNIFICANT INTERNAL CONTROL ISSUES/AREAS FOR IMPROVEMENT

The following significant internal control issues have been identified arising from the review of effectiveness to deliver further improvement:

No.	Issue	Action	Responsibility	Timescale
1	Improvement to the Council's Constitution	<ul style="list-style-type: none"> <li>~ Continue to review elements of the scheme of delegation in particular those relating to development control functions.</li> <li>~ Review of procedural rules in particular those relating to procurement and contracts.</li> </ul>	Head of Democratic, Legal and Executive Services	May to October 2007.
2	Corporate Governance Arrangements need to be subject to on-going review and improvement.	<ul style="list-style-type: none"> <li>~ The Local Code of Governance will be updated to reflect the new national best practice guidance.</li> <li>~ Further embed the elements of the Corporate Governance Framework throughout the Council.                             <ul style="list-style-type: none"> <li>- Develop even greater assurance through individual service mini Statements of Internal Control.</li> <li>- Develop and enhance the role of the Corporate Governance Group.</li> </ul> </li> </ul>	Head of Democratic, Legal and Executive Services	By September 2007 ) ) ) ) ) By February 2008 ) ) ) )

# STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsibility	Timescale
3	Improve overall control arrangements relating to externally funded projects and partnerships.	Continue to communicate and embed the corporate External Funding Framework across the Council and, going forward, integrate the Council's Project Management scheme and the External Funding Framework.	Head of Sustainable Development and Communities	By end of March 2008
4	The Council's procurement policies and practices need to be updated.	<ul style="list-style-type: none"> <li>~ In partnership with the Procurement Agency for Essex, develop and implement an action plan to improve the Council's procurement framework and strategy.</li> <li>~ Take steps to embed best procurement practice through-out the organisation</li> </ul>	Head of Democratic, Legal and Executive Services	By December 2007.  By end of March 2008
5	Improve overall performance against Council Strategic Improvement Plan objectives and nationally determined performance indicators.	<ul style="list-style-type: none"> <li>~ Further improve accountability and ownership of Performance Management as the key tool to deliver improved quality services</li> <li>~ Further enhance the framework for reporting performance against Council Aims and Priorities and other key plans and strategies through a new look Quarterly Performance Report and other media.</li> <li>~ Further enhance forward strategic planning arrangements to support resources following priorities.</li> </ul>	All Heads of Service  Head of Business Strategy, Policy and Performance  Head of Business Strategy, Policy and Performance	By July 2007.  By December 2007.  By September 2007.
6	ODPM – All Our Futures: Challenges for Local Governance in 2015	To give due consideration to the report and develop an appropriate detailed action plan.	Head of Democratic, Legal and Executive Services	By end of March 2008

## CERTIFICATION:

We have been advised on the key elements and supporting information in relation to the ongoing development, review and effectiveness of the system of internal control through reports considered by the Audit and Risk Committee and the Cabinet.

We are satisfied that the Council has sound foundations of Internal Control but recognise that there is a need for further improvement as set out on the final page of this Statement.

Signed



Date 27 June 2007

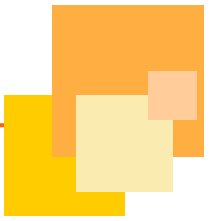
**Councillor Malcolm Buckley**  
**Leader of Basildon District Council**

Signed

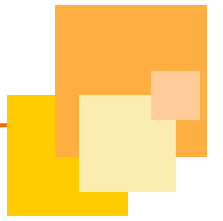


Date 27 June 2007

**Bala Mahendran**  
**Chief Executive**  
**of Basildon District Council**



# GLOSSARY



# GLOSSARY

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## **Accrual**

An amount of income or expenditure relating to the financial year for goods or services for which payment has not yet been made or received.

## **Appropriations**

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

## **Balance Sheet**

A summary of all the assets and liabilities of the Council at the end of the financial year. It represents the financial position of the Council at 31 March and brings together all of the Council's individual balance sheets. The statement shows the Council's net assets and liabilities matched by total reserves or 'equity'.

## **Benefits**

Council Tax Benefit – assistance provided to help households on low income pay their Council Tax bills. The cost is largely covered by Government subsidy.

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 service is largely covered by Government subsidy.

## **Billing Authority**

This refers to Basildon District Council as the authority responsible for the invoicing and collection of the Council Tax from all residential properties in the District. This is undertaken on behalf of Basildon District Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils.

Basildon District Council is also the authority responsible for the invoicing and collection of National Non-Domestic Rates on behalf of Central Government.

## **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 Revenue Support Grant, redistribution of National Non-Domestic Rates and any surplus or deficit on the Collection Fund.

## **Capital Charge**

A charge to a revenue service to reflect the depreciation of fixed assets used in the provision of services.

## **Capital Expenditure**

This generally relates to expenditure on the acquisition or enhancement of fixed 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.

## **Capital Financing Account (CFA)**

This account records the amounts set aside from revenue budgets or capital receipts to fund capital expenditure or to meet the repayment of external debt.

## **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.

## **Carry Forwards**

Budgets for specific items which are committed or planned for the year but not spent by 31 March and for which there is no provision in the subsequent year. Such budgets may be formally 'carried forward' to the following year.

# GLOSSARY

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

CIPFA is the leading professional accountancy body for public services.

## **Collection Fund**

The fund into which Council Tax and Business Rates are paid and from which the precepts of Basildon District Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils are met. 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.

## **Commuted 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.

## **Contingent Liability**

An amount at the balance sheet date that the Council may be liable to incur but which is dependent on some external event. Any such amount is disclosed as a note to the accounts rather than reflected in the accounts themselves.

## **Council Tax**

A local tax based on the residential properties set by local authorities to finance their Budget Requirement for the year.

## **Council Tax Base**

The equated average 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.

## **Creditors**

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

## **Debtors**

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

## **Deferred Liabilities**

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

## **Deferred Purchase Schemes**

Credit arrangements for the financing of major capital projects.

## **Depreciation**

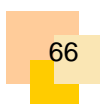
The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.

## **Fees and Charges**

Charges made to the public for the use of Council services and facilities.

## **Finance Leases**

See Leasing.





# GLOSSARY

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## **Financial Regulations**

A written code of procedures to provide a framework for the proper financial management of the authority. It is approved by the Council as part of its formal constitution.

## **Financial Year**

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

## **Fixed Assets**

Assets that the Council will have use of for more than one year.

## **Fixed Asset Restatement Account (FARA)**

This account records the surpluses or deficits arising on the revaluation of fixed assets and is written down by the net book value of assets on their disposal.

## **General Fund**

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

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

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

## **Impairment**

This is where the value of a fixed asset in the balance sheet is temporarily impaired by some significant local event.

## **Insurance Pool**

An earmarked reserve provides for all insurance cover for the Council. Premiums and excesses are charged to the revenue accounts of services and credited to the pool. The pool then reinsures some risks with external insurance companies while retaining others.

## **Leasing**

A method of acquiring the use of capital assets by which the investment is made by the leasing company and a rental is charged to the Council's revenue accounts. It can relate to land and property and to vehicles, plant and equipment. Finance Leases transfer substantially all the risks and rewards of ownership to the lessee (normally where, at inception, the present value of rentals payable under the lease is 90% or more of the fair value of the asset). Any other lease is classified as an Operating Lease.

## **Major Repairs Allowance (MRA)**

An amount assumed in the Council's entitlement to Housing Subsidy for investment in the improvement of the housing stock through the Housing Revenue Account.

## **Major Repairs Reserve (MRR)**

A capital reserve intended for the elemental replacement of building structures and components within the Housing stock. The reserve is funded from the HRA via a depreciation charge equal to the MRA element of Housing Subsidy and sums are transferred out to meet the cost of capital expenditure. 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. Their costs are recharged on an appropriate basis to services. The term also includes office accommodation and other central overheads associated with all staff directly employed by the service.

## **Minimum Revenue Provision (MRP)**

The minimum amount that must be charged to the General Fund each year and set aside for repaying external debt. The calculation is prescribed in regulations 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.

# GLOSSARY

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## **Non-Domestic Rates**

Also called National Non-Domestic Rates (NNDR), they are the means by which local businesses contribute to the cost of providing local authority services. They are levied on the rateable value of each business multiplied by a uniform amount set annually by the Government. All business rates are paid into a national pool which is then divided by the Government between all local authorities, apart from Parish/Town Councils, based on the number of residents in each authority area. Small businesses now benefit from a reduced multiplier.

## **Operating Lease**

See Leasing.

## **Post Balance Sheet Event**

Events that occur between the balance sheet and the date on which the responsible officer signs the Statement of Accounts. These are disclosed where required in the notes to the core financial statements.

## **Precept**

The amount that local authorities providing services within the Basildon District 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.

## **Provision**

An amount set aside in the accounts to provide for a liability that is likely to be incurred in the future, 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 of account.

## **Public Works Loan 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**

A Council's accumulated surplus of income over expenditure. Reserves are available at the discretion of the Council to meet items if expenditure in future years. Earmarked reserves are set aside for specific purposes e.g. Insurance Pool.

## **Responsible Officer**

The Officer responsible for the proper administration of the Council's financial affairs in accordance

## **Revenue Support Grant**

Central Government financial support towards the general expenditure of local authorities. The Entitlement of each individual authority is determined by a prescribed methodology.

## **Running Expenses**

The day to day operational costs incurred in providing services other than direct employee expenses, capital financing costs and benefits.

## **Work in Progress**

The cost of work done on a project that remains uncompleted at the end of the financial year.