

Basildon District Council

STATEMENT OF ACCOUNTS  
2008/09

incorporating  
Annual Governance Statement  
2008/09



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# Explanatory Foreword - The Council at a Glance

## POLITICAL STRUCTURE

The Council has 42 elected Councillors and, following the local elections in May 2008, the Conservative group had 29 seats, the Labour group ten seats and the Liberal Democrats three. Cllr Frank Tomlin was Chairman of the Council for the municipal year 2008/09 and the Leader was Cllr Malcolm Buckley.

Decisions on the Council's strategic priorities, main policies, Council Tax levels and overall budget are the responsibility of the full Council.

The Cabinet is the Council's 'Executive' and is responsible for delivering the Council's priorities within the set budget and ensuring services perform to expected levels. The Leader of the Council has delegated authority from the Council to determine the size and membership of the Cabinet. In 2008/09, the Cabinet consisted of ten Councillors, eight of whom were members of the majority Conservative political group and held specific areas of responsibility as indicated below:

- Leader of the Council, Democratic and Corporate Services – *Cllr Malcolm Buckley*
- Deputy Leader, Property and Community Safety – *Cllr Tony Ball*
- Resources – *Cllr Phil Turner*
- Regeneration and Green Issues – *Cllr Stephen Horgan*
- Leisure and Arts – *Cllr Kevin Blake*
- Community – *Cllr Andrew Baggott*
- Environment – *Cllr Terri Sargent*
- Customer Services – *Cllr Richard Moore*.

Councillors Lynda Gordon (Labour) and Ben Williams (Liberal Democrat) were members of the Cabinet without portfolio, representing opposition parties.

Other standing committees dealt with a range of non-executive and quasi-judicial matters such as planning, licensing and senior staff appointments. The Overview and Scrutiny Commission and related committees played a key role in informing the decision-making process and developing new approaches to service provision and delivery.

This was the position in 2008/09, the year of account. For information on the current Council, its Councillors and committee structure, please visit our website at [www.basildon.gov.uk](http://www.basildon.gov.uk).

## ORGANISATIONAL STRUCTURE

During the financial year 2008/09, the management team was led by the Chief Executive, Bala Mahendran, and three Executive Directors, Mick Nice and Doug Smith and, at the end of the year, Sue Philpott, an interim Executive Director. There were also eight Heads of Service, each responsible for a range of specific service areas.

For accounting purposes, the Council group comprises the Council itself and St Georges Community Housing Ltd, an Arms Length Management Organisation established by the Council to manage the Council's housing stock and Careline service.

Each local authority is required to consolidate within its accounts the accounts of other organisations over which it has significant control, influence or interest. An exercise has been undertaken analysing the relationship this Council has with its various partnering/co-working entities and St Georges was the only organisation over which any significant control, influence or interest was found to be present. The accounts of St Georges Community Housing Ltd are therefore consolidated within the Council's overall accounts in the Group Accounts on page 77.

At 31 March 2009, the Council had 991 employees in post (754 full-time and 237 part-time). St Georges Community Housing Ltd had 265 employees in post (180 full-time and 85 part-time).

# Explanatory Foreword - Review of the Year 2008/09

## THE COUNCIL TAX, 2008/09

The net budget requirement for Basildon District Council is the amount needed to finance Council services after planned expenditure and income have been accounted for. For 2008/09, this was set by the Council at £30.6 million after making contributions of £1.4 million from reserves. The amount met by formula grant from Central Government was £15.4 million (50.3%), made up of the Revenue Support Grant and redistributed National Non Domestic Rates, leaving £15.2 million (49.7%) to be raised locally from Council Tax. These figures exclude sums collected by the Council on behalf of other precepting authorities.

On this basis, the 2008/09 Band D Council Tax for Basildon District Council services was set at £242.01. This was an increase of 20p per household per week or 4.468% over the Council Tax level for 2007/08.

## MAJOR INFLUENCES ON THE COUNCIL'S FINANCES DURING 2008/09

The Council faced a number of challenges and uncertainties during 2008/09, many of which could have medium or long-term financial implications.

The most significant influence on the finances of the Council was the onset of the economic recession. The 2008/09 financial year featured one of the most testing and difficult economic and investment environments since the 1930's. The ongoing effects of the "credit crunch", which started in the autumn of 2007, led to extremely difficult problems of liquidity for the banking sector, not just in the UK but around the world. A number of local authorities had deposits with Icelandic institutions and these investments were still at risk at the financial year end. The Bank of England was at the forefront of policy easing, and led a series of cuts in interest rates down to 2% by December and an all-time low of 0.5% by March 2009. During this fourth quarter, two major UK banks needed substantial cash injections and at least one building society was rescued from bankruptcy. The problems in the financial markets spread to other parts of the economy and economic data confirmed that the UK was in deep recession, with economic activity expected to decline sharply and inflation projected to fall into negative territory.

Basildon's finances were affected in a number of ways. Amongst a range of measures introduced to limit exposure to treasury risk, the investment criteria for counterparties were tightened in March 2008 and again in March 2009, and Basildon has so far suffered no losses in its investments. Investment earnings have however been seriously hit, with deposits earning no more than 0.3% per annum at the close of the year and with significant reductions in forecast income over the medium term.

The recession also significantly impacted on capital resources. For several years the spending programme has looked to raise £0.5 million per annum in sales of surplus assets, but in 2008/09 the market for land dried up. Similarly in the field of house sales, the last right-to-buy sale was in July 2008. With the slowdown in private sector development, s106 contributions failed to materialise or were deferred, especially contributions towards affordable housing. Against this background therefore, steps were taken in the autumn to cut back capital spending. A degree of unsupported borrowing proved necessary however in order to ensure delivery of committed schemes and to meet statutory obligations.

With a reduction in market values for land and property, the values of fixed assets in our Balance Sheet were impaired by some £104 million, of which £81 million was chargeable to the Income and Expenditure Account and explains much of the steep increase in the deficit on that account this year. A similar impact was felt on the HRA Income and Expenditure Account. This does not affect the bottom line as the effect is reversed out of the accounts again in the Statement of Movement on the General Fund and HRA balances, but the loss in value is real enough.

The recession also hit demand-led services, both through reduced income from leisure, planning, building control and land charges and through increased homelessness and take-up of housing and Council Tax benefit. Whilst these issues have also adversely affected the Council's forward financial forecast, there could be compensating revenue savings if inflation stays low, through lower pay awards and prices.

As a community leader, the Council is of course also concerned to support residents and businesses through the recession. Details of the Council's active response were given in a report to Cabinet on 24 June 2009.

Other factors having a significant influence on the finances of the authority in 2008/09 are mentioned briefly below:

## Explanatory Foreword - Review of the Year 2008/09

### ■ Efficiencies and service transformation

The government's financial settlement assumed significant revenue savings would be made by local authorities from efficiencies over the three years of the current spending review period. Basildon achieved revenue savings of £1.3 million in 2008/09 and ongoing, and has set stretching targets for further efficiencies in 2009/10 and across the forward forecast to 2011/12. A joint Member/Officer group has been set up to deliver the service transformation agenda.

### ■ Concessionary Fares

The year 2008/09 saw the introduction of a new statutory national fare-paid scheme, which had a significant impact on the Council's budget requirement. Essex County Council has taken on the responsibility for paying the operators' costs for 2009/10 and 2010/11 in return for charging the District Councils a set amount. This stabilises the budgets at District level for two years, which is welcomed. The government is consulting on the arrangements that will apply nationally from 2011/12. There are, however, potential claims going back to 2007/08 from bus operators for higher reimbursement of costs; these will fall due to the Districts. See also the "Contingent Liabilities" section in the Notes to these accounts.

### ■ Planning enforcement in relation to travellers

Since 2006, the Council has been pursuing enforcement of planning conditions in respect of illegal travellers sites at Crays Hill, Wickford. In May 2009 the House of Lords turned down any further right of appeal by the travellers under UK jurisdiction. It is hoped the travellers will move on peacefully but the Council has sums set aside to finance an eviction if this becomes necessary.

### ■ Regeneration Projects

Significant progress has been made during 2008/09 on procuring major development partners for the regeneration of Basildon and Wickford town centres and for the construction of a Sporting Village in Gloucester Park. These projects will provide replacements, in due course, for our main civic offices, theatre, two swimming pools, a sports centre and much more, as well as new housing and economic development and associated infrastructure. The initial procurement work has been financed from grants, supplemented from capital receipts.

### ■ Wat Tyler Country Park

A major contract for the development of a Heritage Centre at Wat Tyler Country Park was nearing completion at the year end. Again this has been financed from a mixture of local resources and capital grants.

### ■ Single Status

Another area of significant cost and uncertainty has been the Single Status (equal pay) job evaluation scheme, to be implemented from April 2007 but with back-pay and transitional pay implications. Developments in case law have delayed implementation. New proposals are being worked on to reflect current law and practice with a view to putting a revised pay-line to the unions, but it is still too early to quantify any change from the assumptions made previously. The proposals would also of course be subject to a local ballot and possible appeals. In common with many other local authorities, the Secretary of State has authorised expenditure on back-pay to be capitalised, up to £1.4 million in Basildon's case as at March 2009. The Council will apply again for a capitalisation direction in 2009/10 but, if unsuccessful, it will use reserves to meet any unfunded cost.

### ■ Housing Stock

2008/09 marked the second year of operations for St. Georges Community Housing Limited, an Arm's Length Management Organisation set up by the Council in April 2007 to manage its Council housing and Careline services. This arrangement had significant financial implications for the General Fund from 2008/09 following renegotiation of service level agreements under which the Council continued to provide support services to the new company.

In July 2006, the Council made a bid to the government for capital resources to bring our homes up to the Decent Homes standard, and in February 2009 the new Homes and Communities Agency confirmed £142 million of supported borrowing, to be invested over the next five years. This was conditional upon St Georges securing a 2-star assessment from the Housing Inspectorate when they are inspected in June 2009.

# Explanatory Foreword - Review of the Year 2008/09

## THE PUBLISHED ACCOUNTS

The main Financial Statements within this Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice ("SORP"), which defines proper accounting practices for local authorities.

The SORP requires the core financial statements to be prepared consistently with UK Generally Accepted Accounting Practices, for example 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. Similar adjustments are required in respect of the Housing Revenue Account.

The figures in this Explanatory Foreword are based on the adjusted amounts that impact on Council Tax levels and Reserves and Balances.

## GENERAL FUND REVENUE

The following statement compares the outturn for the year for the main activities of the General Fund with the original budget made by the Council when the Council Tax for 2008/09 was set.

Service Area	2008/09		Variation £m
	Budget £m	Outturn £m	
Community	3.7	3.5	(0.2)
Development and Regulation	1.3	1.1	(0.2)
Environment	9.2	8.8	(0.4)
Housing	3.0	2.6	(0.4)
Leisure	6.1	6.6	0.5
Regeneration and Partnerships	1.1	1.4	0.3
Corporate and Central	7.1	6.2	(0.9)
Management and Administration	0.2	0.3	0.1
Contingency	0.2	-	(0.2)
Net cost of services	31.9	30.5	(1.4)
Transfers to (from) reserves and balances	(1.3)	0.1	1.4
<b>Budget Requirement</b>	<b>30.6</b>	<b>30.6</b>	<b>-</b>

General spending was some £1.4 million below the original Budget for the year. In large part, this was due to improved performance in services, particularly housing benefits, treasury management, insurances and licensing. The lower spending also reflects the delayed implementation of Single Status, for which the budget provision has now been carried forward to a later year. Against these positive outcomes, there were shortfalls in income from planning, building control and land charges, mainly due to the onset of the economic recession. After allowing for £3.2 million of budgets carried forward to 2009/10, available reserves and balances at the year-end stood at £10.3 million, of which £2.6 million was unallocated.

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records the expenditure and income arising from the provision of Council housing. Whilst technically part of the General Fund, the balance is "ring-fenced" and may not be included in the Budget Requirement to be met from Council Tax.

The outturn for the Council's HRA in 2008/09 was a surplus of £328,000, which compares with a surplus of just £10,000 budgeted at the start of the year. The working balance at 31 March 2009 was £2.9 million. After allowing for budgets to be carried forward to 2009/10 (£0.2 million), the available working balance stood at £2.7 million, including a sum of £0.53 million earmarked to meet any shortfall in the bad debts provision.

The average rent per dwelling per week in 2008/09 was £67.26. The government's "limit rent" for Basildon was £65.50, being the amount at which government subsidy towards the average cost of rent rebates was capped.

## Explanatory Foreword - Review of the Year 2008/09

This was the seventh year of the government's rent restructuring policy, under which local authority landlords are encouraged to move the rents of their dwellings onto a common basis with all other social landlords, progressively over ten years to 2011/12. The formula approach takes account of relative property values and relative earnings in 2000/01 and the number of bedrooms in the property. Under this policy, subsidy limitation was to be phased out by year ten, provided rents were set at government policy levels. Since 2007/08 however, the government has been extending the rent restructuring period for subsidy purposes and the date for convergence is no longer clear. Basildon continued to reflect the original ten-year period in its rent setting policy for 2008/09.

During 2008/09, the government commenced work on a root and branch review of the regime governing local authority housing finance, and draft proposals for change are to be consulted on during 2009/10 with a view to implementation from the beginning of the next Comprehensive Spending Review period, in April 2011. One of the most discredited aspects of the Subsidy regime is negative subsidy, by which authorities deemed to be in surplus on their annual HRA are required to pay that surplus over to the government. Basildon's negative subsidy obligation rose from £0.8 million in 2007/08 to £3.0 million in 2008/09 and is projected to rise to £7.7 million per annum by 2011/12. The Council is looking to see how the review will deal with negative subsidy.

The Council set up an Arms Length Management Organisation, St Georges Community Housing Limited, to manage the Council's landlord function from April 2007. The company made a surplus of £0.36 million in 2008/09, or £0.44 million when restated on the basis of the Council's own accounting policies. It is these latter results that are consolidated with the Council's results in the Group Accounts section of this document.

### CAPITAL EXPENDITURE

Capital spending in 2008/09 totalled £18.9 million, which was £0.2 million below the original budget for the year. Expenditure included housing stock improvement schemes £10.0 million, investment in regeneration schemes £2.0 million, work on the new Wat Tyler Heritage Centre £2.2 million, completion of the new George Hurd day centre £0.6 million, renovation of the Basildon Centre £1.1 million, replacement vehicles £0.6 million, new netball courts £0.5 million and private sector housing grants £1.2 million. The Council also used the opportunity of a direction from the Secretary of State to capitalise Single Status back-pay costs of £0.5 million.

Comment has already been made on the effects of the recession on our ability to raise resources locally. Despite this however, the Council continues to press ahead with major investments, in particular with procurement of development partners for Basildon and Wickford town centre regeneration schemes and for the proposed Sporting Village. To support its programme, the Council attracted substantial contributions from its partners, mainly through the work of the Basildon Renaissance Partnership. In appropriate cases, the Council approved a level of unsupported borrowing, for example £2 million to upgrade office accommodation in the Basildon Centre, which enabled the lease of Church Walk House to be surrendered in December 2008 with significant ongoing revenue savings to the Council.

Investment in the housing stock relies heavily on 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. The prospects are looking good for investment in our housing stock from 2009/10, with the Homes and Communities Agency offering a supported borrowing allocation to Basildon of £142 million over the next five years, subject to St. Georges Community Housing achieving 2-stars in their housing inspection in June 2009.

In summary, capital spending in 2008/09 was financed from a combination of the Major Repairs Reserve £8.0 million, capital receipts, grants and contributions £5.9 million, finance leasing £0.6 million, borrowing £4.3 million, of which £3.1 million was unsupported, and £0.1 million from revenue.

### BALANCES AND RESERVES

Local government finances are experiencing unprecedented external pressures and uncertainties as a result of the global economic recession. The economic climate within which the Council sets its budget has remained stable in recent years, and until now the Council has been content to set its level of unallocated reserves at £1 million on both the General Fund and the Housing Revenue Account. By the year-end, it was felt necessary to raise this threshold to £1.5 million, and this is now reflected in the Council's forward financial forecast.

## Explanatory Foreword - Review of the Year 2008/09

Various earmarked reserves are kept for specific purposes. Of particular importance is the Contingency Reserve, which was set up in 2006 to help meet exceptional unforeseen expenses. It is intended for use in areas of the budget where the Council's exposure is so uncertain as to be open-ended at the time the budget is set. This reserve was used during 2008/09 to underpin the cost of concessionary fares, planning enforcement in relation to travellers, Single Status back-pay and to finance debt charges on the Basildon Centre office refurbishment pending the savings arising on the giving up of Church Walk House, all of which were mentioned earlier. In May 2008, the Council approved a new policy for setting aside Minimum Revenue Provision, following the implementation of new regulations, which would lead to revenue savings of some £3.5 million over the next few years, and the Council resolved to invest these savings in the Contingency Reserve to further improve the flexibility available to deal with unforeseen budget pressures in years to come. The balance unapplied on the reserve stood at £5.8 million at the year end.

### PENSIONS RESERVE

In common with probably most if not all other local authorities, this Council carries a deficit on its Pension Reserve. This reflects Basildon's share in the Pension Fund administered by Essex County Council. The deficit decreased in 2008/09 from £60.9 million at March 2008 to £56.7 million at March 2009. The main reason for this movement was an actuarial gain of £5.6 million, which is the difference between the Fund Actuary's assumptions for the year and what actually materialised. The change was due principally to the performance of investment markets.

### FURTHER INFORMATION

Further particulars about the accounts can be obtained by writing to the Head of Financial Strategy and Services, Basildon District Council, The Basildon Centre, St Martin's Square, Basildon SS14 1DL, or by emailing: [finance@basildon.co.uk](mailto:finance@basildon.co.uk). Financial information may also be found on the Council's website, [www.basildon.gov.uk](http://www.basildon.gov.uk).

# Explanatory Foreword – Summary Financial Information

## ■ REVENUE EXPENDITURE

Gross revenue expenditure in 2008/09 amounted to £155.2 million and is summarised here across the following service headings:

	£m	%
Community	5.6	3.6
Development and Regulation		
- Benefits (including administration)	67.1	43.3
- Other Services	6.1	3.9
Environment	12.4	8.0
Housing		
- Council Housing Services	38.4	24.7
- General Fund Housing Services	3.3	2.1
Leisure	11.0	7.1
Regeneration and Partnerships	3.1	2.0
Corporate and Central	7.5	4.8
Management and Administration	0.7	0.5
<b>Total</b>	<b>155.2</b>	<b>100.0</b>

## ■ REVENUE INCOME

Revenue expenditure was financed from the following sources:

	£m	%
<i>Government Grants</i>		
Revenue Support Grant	1.9	1.2
Other General Government Grants	0.4	0.3
National Non Domestic Rates	13.6	8.8
Housing and Council Tax Benefits	67.1	43.2
Sub-total	83.0	53.5
<i>Council Tax Levy</i> (excluding Parish and Town Council precepts)	15.1	9.7
<i>Other Income</i>		
Housing Rents	42.1	27.1
Interest on Investments	0.7	0.5
Fees, charges & other income	13.9	9.0
Transfers from Reserves	0.4	0.2
<b>Total</b>	<b>155.2</b>	<b>100.0</b>

## ■ GENERAL FUND ACTIVITIES

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

	Budget £m	Outturn £m
Balance brought forward for General Fund Activities	9.4	13.0
Levy and deficit on Collection Fund	15.1	15.1
General Government Grants	1.9	2.3
National Non-Domestic Rates	13.6	13.6
Sub-total	40.0	44.0
Net cost of services	31.9	30.5
<b>Balance carried forward 31 March 2009</b>	<b>8.1</b>	<b>13.5</b>

# Explanatory Foreword – Summary Financial Information

## ■ TOTAL BALANCES AND RESERVES AT 31 MARCH 2009

	Budget £m	Outturn £m
General Fund Balance	1.5	5.3
Contingency Reserve	4.4	5.8
Insurance Pool Reserve	2.0	2.0
Other Earmarked Reserves	0.2	0.4
<b>Sub-total: General Fund</b>	<b>8.1</b>	<b>13.5</b>
Housing Revenue Account – General Balance	1.6	2.4
Housing Revenue Account – Earmarked Balance	0.6	0.5
<b>Sub-Total: Housing Revenue Account</b>	<b>2.2</b>	<b>2.9</b>
<b>Total Balances and Reserves</b>	<b>10.3</b>	<b>16.4</b>

## ■ EXTERNAL DEBT

	31 March 2009 £m	31 March 2008 £m	Change £m
Short term borrowing	5.0	5.0	0.0
Long term borrowing	124.6	126.6	(2.0)
Deferred purchase and transferred debt	0.9	1.1	(0.2)
Finance leases	1.4	1.2	0.2
<b>Sub-total</b>	<b>131.9</b>	<b>133.9</b>	<b>(2.0)</b>
Investments	(0.7)	(5.2)	4.5
<b>Net External Debt</b>	<b>131.2</b>	<b>128.7</b>	<b>2.5</b>

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

# Explanatory Foreword – Guide to the Financial Statements

## ■ **Income and Expenditure Account** ▶ Page 27

This account summarises the income and expenditure used in providing and managing all the services of the Council during the last year. It accounts for all day-to-day expenses and related income on an accruals basis. It also measures the value of fixed assets consumed in the provision of those services and includes the future value of retirement benefits earned by employees in the year.

Also reflected here are income and expenditure that is not directly service related, for example contributions made to the Council from local taxation and government grants.

Income and expenditure 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 therefore always appropriate for calculating the Council Tax requirement. Adjustments are made in the Statement of Movement on the General Fund Balance to show the real impact on the General Fund.

## ■ **Statement of Movement on the General Fund Balance** ▶ Page 28

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.

## ■ **Statement of Total Recognised Gains and Losses** ▶ Page 30

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 liability of the Council for the cost of retirement benefits.

## ■ **Balance Sheet** ▶ Page 31

Whereas the other financial statements represent the activities of the Council through the whole year, the Balance Sheet shows the Council's financial position on just 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.

## ■ **Cash Flow Statement** ▶ Page 32

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.

## ■ **Housing Revenue Account** ▶ Page 67

By law, the Council must account separately for its housing provision. This account records the expenditure associated with its housing stock (e.g. management, repairs, capital financing costs and negative subsidy) and how this is paid for (e.g. through rents 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.

## ■ **Collection Fund Account** ▶ Page 74

This statement relates to the collection of Council Tax and National Non-domestic Rates and shows how such income has been distributed between the major precepting authorities (including Basildon) and central government.

## ■ **Group Accounts** ▶ Page 77

The core financial statements described above are here restated after consolidating the Single Entity accounts with those of St. Georges Community Housing Limited (SGCH), a wholly owned subsidiary. SGCH are the Council's contractor for managing its Council Housing and Careline services.



# Statement of Responsibilities

## 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 2009.

Signed:

M J NICE

**MJ 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 30th June 2009.

Signed:

MRS T SARGENT

**Councillor T Sargent**  
Chairman of the Audit and Risk Committee  
Chairman of the meeting approving the accounts

30th June 2009



# Auditor's Report

## Independent auditor's report to the Members of Basildon District Council

### Opinion on the financial statements

1. I have audited the Authority and Group accounting statements and related notes of Basildon District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statements, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.
2. This report is made solely to the Members of Basildon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Executive Director (s151 officer) and the auditor

3. The Executive Director's (s151 officer) responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.
4. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
5. I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:
  - the financial position of the Authority and its income and expenditure for the year; and
  - the financial position of the Group and its income and expenditure for the year.
6. I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.
7. I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

8. I conducted my 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.
9. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

# Auditor's Report

## Opinion

10. In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

### Authority's Responsibilities

11. 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 regularly to review the adequacy and effectiveness of these arrangements.

### Auditor's Responsibilities

12. I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Conclusion

13. I have undertaken my 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 May 2008 and updated in February 2009, and the supporting guidance, I am 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 2009.

## Certificate

I certify that I 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.

PAUL KING

### **Paul King**

Officer of the Audit Commission

Audit Commission  
Atlantic Business Centre  
Lyttleton House  
64 Broomfield Road  
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Essex  
CM1 1SW

30 September 2009

# Statement of Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP) and the Best Value Accounting Code of Practice (BVACOP) 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. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 1. BALANCES AND RESERVES

Balances are the sums left unallocated in the General Fund and the Housing Revenue Account after all other requirements have been satisfied.

Reserves are specific amounts set aside by the Council for future policy purposes or to cover contingencies. They are created by appropriating amounts in the Statement of Movement on the General Fund or HRA Balance, as the case may be. When expenditure is to be financed from a reserve, it is charged to the Income and Expenditure Account through the appropriate service revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below and included as Notes to the main Financial Statements.

## 2. PROVISIONS

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 through the appropriate service revenue account in the year in which the liability or loss arises, i.e. the year in which the authority becomes aware that an obligation arises from a past event. When expenditure is actually incurred or the loss is realised, the cost is borne directly by the provision.

The Council has made a provision for the costs of settling claims for back-pay arising from discriminatory payments incurred before the Council implements its equal pay strategy. However, statutory arrangements allow the settlement of claims to be financed from the General Fund or the HRA in the year that payments are actually made, instead of when the provision was established. The provision is therefore matched in the Balance Sheet by the balance on an Unequal Pay Back-Pay Account that will be debited to the Statement of Movement on the General Fund or HRA Balance in future financial years as payments are made.

## 3. TANGIBLE FIXED ASSETS

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

### Measurement

Fixed assets are classified into the groupings required by the SORP. They are valued on the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. In accordance with the 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.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following bases of measurement:

- Operational non-specialised assets: at existing use value
- Operational housing assets, dwellings: at existing use value for social housing
- Operational specialised assets: at depreciated replacement cost
- Non-operational assets (investment, surplus and development property): at market value
- Infrastructure and community assets, assets under construction and vehicles, plant and equipment: at historical cost.

# Statement of Accounting Policies

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve recognises revaluation gains that have occurred only since 1 April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the Capital Adjustment Account.

## Impairment

Assets are reviewed annually to assess whether there is a need for an impairment adjustment. Where impairment in the value of an asset is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account. Otherwise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess amount charged to the relevant service revenue account.

## Disposals

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Similarly, any receipts from disposal are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any accumulated revaluation gains in the Revaluation Reserve for that asset are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance. See also "Capital Receipts" below.

## Depreciation

Depreciation is charged to the General Fund and to the HRA on all material fixed assets with a finite life, except for land, investment properties, community assets and assets under construction. Depreciation is calculated using the straight-line method. It does not however apply in respect of the first (part) year.

The following useful lives are assumed for this purpose:

<b>Asset Category:</b>	<b>Estimated Useful Life</b>
Buildings other than dwellings	10 – 80 years
Council Dwellings	25 years
Vehicles, Plant & Equipment	4 – 10 years

Revaluation gains are also depreciated, the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Provision for depreciation does not affect the sums raised from the Council Tax, as each charge is reversed out again to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance. In the Housing Revenue Account, depreciation is effectively financed from the Major Repairs Reserve with any difference being taken to the Capital Adjustment Account.

## 4. INTANGIBLE FIXED ASSETS

Intangible assets are non-financial fixed assets that do not have physical substance but would be identifiable and controlled by the Council through custody or legal rights. The Council does not have any intangible assets.

## 5. CAPITAL RECEIPTS

The proceeds of the sale of capital assets are credited to the Income and Expenditure Account and then to the Usable Capital Receipts Reserve via the Statement of Movement on the General Fund Balance, or the HRA Balance as the case may be. Deductions are made for any liability arising from the disposal to the extent that these are permitted by statute – in particular expenses incurred in disposing of HRA land, including dwellings

# Statement of Accounting Policies

under the right-to-buy scheme, clawback payable to the Homes and Communities Agency (formerly English Partnerships) and any sums required to be paid into a government 'pool' out of the net proceeds of the sale of HRA land and dwellings.

Repayments to the Council of grants and loans given for capital purposes are also credited to this reserve.

The balance on this reserve may be used only to finance new capital expenditure or to repay the principal of borrowings through a reduction in the capital financing requirement.

## 6. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets is charged as expenditure to the Income and Expenditure Account through the relevant service revenue account. To the extent that the Council determines to meet the cost of such expenditure from capital resources or by borrowing, the amounts charged to the revenue account are reversed out through the Statement of Movement in the General Fund or HRA Balance, as the case may be, and debited to the Capital Adjustment Account, so that there is no impact on the level of Council Tax or on HRA rents.

## 7. VALUE ADDED TAX (VAT)

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

## 8. GRANTS AND CONTRIBUTIONS

Grants and subsidies, whether from central government or other sources, are credited directly 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 deferred and credited to the new year to match the timing of the related expenditure. Grants are only recognised as income when the Council has satisfied the conditions of entitlement to the grant.

Grants towards expenditure in general (for example, Revenue Support Grant or Area Based Grants) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure instead of to a particular service account within Net Cost of Services.

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Capital Contributions Deferred account. The unapplied balance is then written down to revenue each year to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to those assets.

## 9. REDEMPTION OF DEBT

Regulations require local authorities to make prudent provision from revenue for the repayment of debt. It is for each authority to determine how it does this, though regard must be had to statutory guidance issued by the Secretary of State for Communities and Local Government. This Council has resolved to make revenue provision in respect of General Fund capital expenditure in accordance with the methods stated below, as defined in the statutory guidance:

Category:	Revenue Provision
Supported capital expenditure	Regulatory Method
Other expenditure incurred before April 2008	Regulatory Method
Other expenditure	Asset Life Method

Debt for this purpose includes in each case the liability incurred on finance leases.

There is no statutory requirement for provision to be set aside from the HRA. Housing Revenue Account deferred purchase repayments are charged to capital in accordance with established principles.

# Statement of Accounting Policies

## 10. LEASES

### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset pass from the lessor to the Council. A finance lease is recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset.

Rentals payable are apportioned between:

- A charge made for the acquisition of the interest in the asset. The liability is written down as the rent becomes payable; and
- A finance charge, debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable.

Fixed Assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged on the asset over the lease term, being the estimated economic life at inception.

### Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. No recognition is given to them in the Balance Sheet. Rentals are not apportioned. They are charged in full to the relevant service revenue account as they become payable over the term of the lease.

The authority acts in the capacity of lessor in respect of properties such as shops, industrial units and garages. All such leases are operating leases. Consistent with the policy where the Council acts as lessee, no recognition is given to such leases in the Balance Sheet, rentals are not apportioned and rental income is credited in full to the service or trading revenue account as they become due over the term of the lease.

## 11. FINANCIAL LIABILITIES

Financial liabilities, typically borrowings and other forms of debt, are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest. In the case of fixed interest loans, the nominal interest rate is equivalent to the effective interest rate. The amount presented in the Balance Sheet in such cases is the outstanding principal together with interest accrued at the fixed rate in accordance with the accounting policy for debtors and creditors (item 14 below) and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains (and losses) on the repurchase or early settlement of borrowing are credited (or debited) to Net Operating Expenditure in the Income and Expenditure Account in the year of the repurchase or settlement. The transaction will be deemed either a modified transaction or a non-modified transaction. In the former case, any premium or discount will be adjusted in the carrying amount of the loan and amortised to the Income and Expenditure Account using the effective interest method. Non-modification will result in the premium or discount being charged or credited directly to the Income and Expenditure Account and reversed out under Regulation to the Financial Instruments Adjustment Account and amortised accordingly. Similar entries are made in the Income and Expenditure Account for the HRA and in the Statement of Movement on the HRA Balance, to the extent that the regulation requires the premium or discount to be amortised to the HRA.

## 12. FINANCIAL ASSETS

The financial assets held by local authorities can be classified into two types:

- Loans and receivables – assets that have fixed or determinable payments and are not quoted in any active market
- Available-for-sale assets - assets with a quoted market price or with payments that are not fixed or determinable.

# Statement of Accounting Policies

The financial assets of the Council, typically sums deposited with other local authorities or with financial institutions such as building societies, have fixed or determinable payments and are not quoted in any active market, and are therefore classed as loans and receivables. The Council has no “soft loans”, i.e. loans made at lower than market rates of interest to, for example, voluntary organisations.

Loans and receivables are measured at fair value and carried at their amortised cost. The Council does not have any financial assets that require an effective interest rate calculation to be made and the amount presented in the Balance Sheet is therefore the outstanding principal receivable together with accrued interest at a constant rate. The interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. In the period of account, no such impairment losses were incurred.

## 13. FOREIGN CURRENCY TRANSACTIONS

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

## 14. 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.

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

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

## 15. STOCKS

Stocks are valued on an average cost basis.

## 16. COST OF MANAGEMENT, ADMINISTRATION AND OTHER OVERHEADS

In order that the revenue accounts reflect as accurately as possible the cost of providing individual services, overheads such as 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.

## 17. RETIREMENT BENEFITS

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Essex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This assesses the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate notified by the actuary to the scheme.

# Statement of Accounting Policies

The assets of the Essex County Council pension fund attributable to this Council are included in the Balance Sheet at their fair value:

- quoted securities: at current bid price
- unquoted securities: based on a professional estimate
- unitised securities: at current bid price
- property: at market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year: charged in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years: charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid: charged to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return: credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees: charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions: credited or debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Essex County Council pension fund – amounts paid as employer's contributions to the pension fund: included in the Movement on the General Fund Balance in place of the items included in the Income and Expenditure Account listed above.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statements of Movement on the General Fund and HRA Balances this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

## Discretionary Benefits

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

## 18. GROUP ACCOUNTS

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and St. Georges Community Housing Ltd. St. Georges has been incorporated as a fully owned subsidiary using the "line by line" method.

## 19. 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 annual accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

Financial Statements  
and  
Notes to the Accounts

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## FINANCIAL STATEMENTS

All statements have been prepared in accordance with the Statement of Accounting Policies and the SORP.

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## NOTES TO THE CORE STATEMENTS

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

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



## Core Statements



## Income and Expenditure Account

This account summarises the income and expenditure used in providing and managing all the services of the Council during the last year. It accounts for all day-to-day expenses and related income on an accruals basis. It also measures the value of fixed assets consumed in the provision of those services and includes the future value of retirement benefits earned by employees in the year.

Also reflected here, below Net Cost of Services, are income and expenditure not directly related to services.

	2008/09		2007/08	
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure Restated
	£'000	£'000	£'000	£'000
<b>Expenditure on Services:</b>				
Central Services to the Public	20,389	18,020	2,369	1,538
Cultural, Environmental, Regulatory and Planning Services	32,130	8,598	23,532	21,782
Education and Children's Services	789	686	103	1,138
Highways and Transport Services	4,529	1,789	2,740	1,741
Local Authority Housing (HRA)	114,548	46,979	67,569	(6,297)
Other Housing Services	54,012	51,401	2,611	4,140
Adult Social Care	2,283	968	1,315	753
Corporate and Democratic Core	5,889	132	5,757	5,264
Non Distributed Costs	137	-	137	(962)
<b>Net Cost of Services</b>	<b>234,706</b>	<b>128,573</b>	<b>106,133</b>	<b>29,097</b>
(Gain) Loss on Disposal of Fixed Assets			1,089	(1,060)
Contribution of Housing Capital Receipts to Government Pool			226	1,565
Amounts Payable in Respect of Clawback on Disposal of Dwellings and other Land			525	2,563
Interest Receivable and Investment Income			(706)	(1,069)
Interest Payable and Similar Charges			9,810	9,959
Surplus on trading undertakings not included in Net Cost of Services			(252)	(853)
Pensions Interest Cost and Expected Return on Pensions Assets			3,215	1,074
Precepts of Local Precepting Authorities			291	281
<b>Net Operating Expenditure</b>			<b>120,331</b>	<b>41,557</b>
Demand on the Collection Fund			(15,416)	(14,586)
General Government Grants			(2,278)	(2,347)
Non-Domestic Rates Redistribution			(13,551)	(12,959)
<b>Deficit for the Year</b>			<b>89,086</b>	<b>11,665</b>

Some services, previously falling within Cultural, Environmental, Regulatory and Planning Services, have been reclassified this year as Education and Children's Services or Adult Social Care in accordance with the definitions given in the Best Value Accounting Code of Practice. The comparative figures for 2007/08 have been restated accordingly.

## Statement of Movement on the General Fund Balance

The Income and Expenditure Account reports the net cost of all revenue activities of the Council during the financial year and shows the contributions made by local taxation and grants. Income and expenditure 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 therefore always appropriate for calculating the Council Tax requirement. The purpose of the Statement of Movement on the General Fund Balance 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.

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Deficit for the year on the Income and Expenditure Account – see previous page	89,086	11,665
Reconciling Amount: Net adjustment required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(89,218)	(13,798)
Increase in the General Fund Balance for the Year	(132)	(2,133)
General Fund Balance brought forward	(5,129)	(2,996)
<b>General Fund Balance carried forward</b>	<b>(5,261)</b>	<b>(5,129)</b>

The reconciling amount shown above consists of three classes of adjustment. These are summarised below and explained in more detail on the next page:

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Amounts included in the Income and Expenditure Account that are required by statute to be excluded from the movement in the General Fund balance	(94,749)	(15,585)
Amounts not included in the Income and Expenditure Account that are required by statute to be included in the movement on the General Fund balance	4,886	1,321
Transfers to the Housing Revenue Account and Earmarked Reserves	645	466
<b>Reconciling adjustment</b>	<b>(89,218)</b>	<b>(13,798)</b>

# Statement of Movement on the General Fund Balance

The net amount required to be credited to the General Fund balance for the year is made up of the following:

<b>Analysis of Reconciling Adjustment in the Statement of Movement on the General Fund Balance</b>	<b>2008/09 Net Expenditure £'000</b>	<b>2007/08 Net Expenditure £'000</b>
<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 of General Fund fixed assets	(4,147)	(1,078)
■ Excess of depreciation charge to HRA over the Major Repairs Allowance element of Housing Revenue Account Subsidy	(1,719)	(1,374)
■ Impairment Charges	(80,574)	(8,840)
■ Amounts treated as revenue expenditure in accordance with the SORP but classified as capital expenditure by statute	(705)	(1,563)
■ Single Status Back Pay costs – funded from Unequal Pay Back-Pay Account	71	(879)
■ Net (loss) gain on the sale of fixed assets	(1,089)	1,060
■ Capital receipts not linked to the disposal of an asset	124	-
■ Contributions amortised in line with depreciation/impairment	71	-
■ Pension costs calculated in accordance with the SORP and FRS17	(6,781)	(2,911)
	<b>(94,749)</b>	<b>(15,585)</b>
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year:</b>		
■ Capital expenditure charged to the General Fund Balance	100	118
■ Transfers from Usable Capital Receipts equal to the amounts payable:		
▪ Into the government's Housing Capital Receipts Pool	(226)	(1,565)
▪ In respect of clawback on disposal of dwellings	(525)	(2,563)
■ Employer's contributions payable to Essex County Council Pension Fund	5,429	5,235
■ Transfer to Financial Instruments Adjustment Account, amortisation of deferred premiums	85	85
■ Statutory Provision for repayment of debt	10	-
■ Transferred debt repayment	13	11
	<b>4,886</b>	<b>1,321</b>
<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>		
■ Transfer of the surplus for the year on the Housing Revenue Account to the HRA balance, calculated in accordance with statute	328	529
■ Net transfer to (from) General Fund earmarked reserves	317	(63)
	<b>645</b>	<b>466</b>
<b>Net additional amount to be credited to the General Fund Balance</b>	<b>(89,218)</b>	<b>(13,798)</b>

## Statement of Total Recognised Gains and Losses

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 liability of the Council for the cost of retirement benefits.

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Deficit on the Income and Expenditure Account for the year	89,086	11,665
Deficit (surplus) arising on revaluation of fixed assets	19,789	(31,946)
Actuarial (gains) losses on pension fund assets and liabilities	(5,588)	18,051
Other (gains) losses:		
■ Collection Fund	10	(52)
■ Deferred Premiums	-	865
■ Deferred Purchase debt, principal repayment	(205)	(205)
■ Deferred Capital Receipts	12	5
<b>Total Recognised (Gains) Losses for the Year</b>	<b>103,104</b>	<b>(1,617)</b>

The cumulative effect on 2007/08 Reserves of the Prior Year Adjustment for the change in Pension Fund valuation referred to in Note 42 is a £96,000 deficit.

## Balance Sheet

The Balance Sheet summarises the Council's financial position on the last day of the year. It shows its balances and reserves, its long-term indebtedness and the value of fixed and net current assets employed.

	Notes	31-Mar-09 £'000	31-Mar-08 Restated £'000
<b>TANGIBLE FIXED ASSETS</b>			
<i>Operational assets</i>			
Council dwellings	34	614,369	715,705
Other land and buildings	34	50,181	51,577
Vehicles, plant, furniture and equipment	34	2,404	2,883
Infrastructure assets	34	205	205
Community Assets	34	4,991	4,550
		<b>672,150</b>	<b>774,920</b>
<i>Non-operational assets</i>			
Investment properties	34	16,616	15,950
Assets under construction	34	5,563	1,430
Surplus assets	34	148	2,391
		<b>22,327</b>	<b>19,771</b>
<b>Total Tangible Fixed Assets</b>	<b>34</b>	<b>694,477</b>	<b>794,691</b>
Long-term debtors	16	92	214
<b>Total Long-Term Assets</b>		<b>694,569</b>	<b>794,905</b>
<b>CURRENT ASSETS</b>			
Stocks		250	341
Debtors	16	18,794	22,972
Investments	25	700	5,241
Cash in hand		6	11
<b>Total Assets</b>		<b>714,319</b>	<b>823,470</b>
<b>CURRENT LIABILITIES</b>			
Borrowing repayable on demand or within 12 months	25	(5,000)	(5,077)
Creditors	17	(17,042)	(20,189)
Bank overdraft		(66)	(736)
<b>Total Assets less Current Liabilities</b>		<b>692,211</b>	<b>797,468</b>
<b>OTHER LIABILITIES</b>			
Borrowing repayable in more than 12 months	25	(126,186)	(128,187)
Capital Contributions Deferred	38	(5,770)	(2,109)
Deferred liabilities	14	(2,334)	(2,333)
Provisions	20	(4,172)	(3,750)
Liability related to defined benefit pension scheme	42	(56,693)	(60,929)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>497,056</b>	<b>600,160</b>
<b>FINANCED BY:</b>			
General Fund Balance	18	5,261	5,129
General Fund Earmarked Reserves	18	8,189	7,871
Collection Fund, Basildon District Council element	18	(62)	(52)
Unequal Pay Back-Pay Account	18	(808)	(879)
Housing Revenue Account Balance	18	2,948	2,620
Financial Instruments Adjustment Account	18	(695)	(780)
Revaluation Reserve	18	9,448	31,946
Deferred Capital Receipts	18	15	27
Usable Capital Receipts Reserve	18	7	144
Capital Adjustment Account	18	529,446	615,063
Pensions Reserve	18	(56,693)	(60,929)
<b>TOTAL NET WORTH</b>		<b>497,056</b>	<b>600,160</b>

# Cash Flow Statement

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.

	2008/09 £'000	2007/08 £'000
REVENUE ACTIVITIES (see Note 43)		
<b>Revenue Activities Net Cash Inflow</b>	<b>(12,906)</b>	<b>(8,987)</b>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
<u>Cash Outflows</u>		
Interest and Special Financing Repayments of long term liabilities	10,255	9,842
Interest element of finance lease rental payments	83	68
<u>Cash Inflows</u>		
Interest Received	(747)	(1,084)
<b>Returns on Investment and Servicing of Finance Net Cash Outflow</b>	<b>9,591</b>	<b>8,826</b>
CAPITAL ACTIVITIES		
<u>Cash Outflows</u>		
Expenditure on Fixed Assets	16,394	13,081
Payments to DCLG in respect of pooling of capital receipts	534	1,497
Payments to the Homes and Communities Agency in respect of Clawback	1,077	2,385
<u>Cash Inflows</u>		
Sale of Fixed Assets	(1,776)	(5,456)
Capital Contributions and Grants received	(11,081)	(9,836)
Other Capital Cash Receipts	(30)	(30)
<b>Capital Activities Net Cash Outflow</b>	<b>5,118</b>	<b>1,641</b>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>	<b>1,803</b>	<b>1,480</b>
LIQUID RESOURCES		
Short term investments repaid (net)	(4,500)	(2,150)
FINANCING		
<u>Cash Outflows</u>		
Repayments of deferred purchase and transferred debt	218	216
Capital element of finance lease rental payments	357	266
Short term loans repaid (net)	-	1
Long term loans repaid (net)	2,000	-
<u>Cash Inflows</u>		
Long term loans raised (net)	-	(1,000)
New finance lease arrangements	(543)	(196)
<b>Financing and Liquid Resources Net Cash Inflow (see Note 45)</b>	<b>(2,468)</b>	<b>(2,863)</b>
<b>NET INCREASE IN CASH IN HAND AND AT BANK (see Note 44)</b>	<b>(665)</b>	<b>(1,383)</b>

## Notes to the Core Statements



# Notes to the Core Statements

## General Notes

### 1. CORPORATE AND DEMOCRATIC CORE

The Corporate and Democratic Core represents the direct and support costs of Council Members and of the corporate management of the Council.

### 2. NON-DISTRIBUTED COSTS

In compliance with BVACOP the following costs are not recharged to services

	2008/09			2007/08
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Pensions: past service costs	125	-	125	959
Pension curtailment/settlement costs	12	-	12	(2,106)
Costs associated with unused assets	-	-	-	185
<b>Total Non-distributed Costs</b>	<b>137</b>	<b>-</b>	<b>137</b>	<b>(962)</b>

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

There were no exceptional or extraordinary events during 2008/09.

A change in FRS17 now requires Pension Scheme assets to be valued at "bid" prices instead of "mid-market" prices and the 2008/09 figures for the Pension Fund reflect this change. A prior year adjustment of £96,000 is required to the 2007/08 comparative figures, and the Balance Sheet for 2007/08 has therefore been adjusted by restating both the overdrawn balance on the Pensions Reserve and the Liability related to the defined benefit pension scheme from £60,833,000 to £60,929,000. Had this change not been required, the 2008/09 Balance Sheet values would both have been reduced by £76,000.

### 4. 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 2008/09 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.

2008/09	Chargeable £'000	Non- Chargeable £'000	Total £'000
<i>Expenditure</i>			
Employee Expenses	266	200	466
Transport	11	8	19
Supplies & Services	28	21	49
Management & Administration	50	38	88
	<b>355</b>	<b>267</b>	<b>622</b>
<i>Income</i>			
Building Regulation fees	(385)	-	(385)
Miscellaneous income	-	(59)	(59)
	<b>(385)</b>	<b>(59)</b>	<b>(444)</b>
<b>(Surplus) Deficit for year</b>	<b>(30)</b>	<b>208</b>	<b>178</b>

# Notes to the Core Statements

## General Notes

2007/08	Chargeable £'000	Non- Chargeable £'000	Total £'000
Expenditure	391	259	650
Income	(439)	(84)	(523)
<b>(Surplus) Deficit for year</b>	<b>(48)</b>	<b>175</b>	<b>127</b>

There is an overall surplus of £49,000 arising from the "chargeable" account, calculated on a three-year rolling basis from 2006/07 to 2008/09. Although this amount is held within the General Fund balance, 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 £151,000.

### 5. OTHER TRADING OPERATIONS

In addition to the disclosure in relation to Building Control at Note 4, the Council is required to disclose which of its operations are active in a commercial environment. Trading operations aim to cover their costs by charging other parts of the Council, other organisations or members of the public. Any shortfall or surplus made through trading is accounted for in the Income and Expenditure Account as part of Net Operating Expenditure.

	2008/09		2007/08
	Gross Expenditure £'000	Gross Income £'000	Net Position £'000
<b>General Trading Accounts</b>			
Industrial and Commercial Premises	1,596	(1,848)	(252)
			(853)

There are ten trading units, 148 shop premises and other miscellaneous properties let on a commercial basis.

### 6. 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.

	2008/09 £'000	2007/08 £'000
Statutory audit of accounts	158	235
Statutory audit of grant claims	63	41
Statutory inspection fees	10	15
Other statutory services – National Fraud Initiative	3	-
<b>Total</b>	<b>234</b>	<b>291</b>

### 7. 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:

	2008/09 £'000	2007/08 £'000
Recruitment advertising	97	144
Publicity	167	113
Public information and notices	59	39
Other advertising	23	39
<b>Total</b>	<b>346</b>	<b>335</b>

# Notes to the Core Statements

## General Notes

### 8. AGENCY INCOME AND EXPENDITURE

Basildon District Council enforces the On Street Parking Regulations as an 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.

### 9. 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 and Cleansing Services valued at £486,323 were provided in 2008/09 (£320,400 in 2007/08).

### 10. MEMBERS AND EMPLOYEES

#### Member Allowances

The total value of allowances paid to the 42 Councillors of Basildon District Council in 2008/09 was £430,399 (£415,665 in 2007/08). This is included within Expenditure on Services: Central Services to Public in the Income and Expenditure Account.

#### 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. The relevant details for 2008/09 are set out below:

Remuneration Band	2008/09	2007/08
£50,000 - £59,999	18	12
£60,000 - £69,999	11	2
£70,000 - £79,999	1	7
£80,000 - £89,999	6	1
£90,000 - £99,999	1	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	2
£130,000 - £139,999	2	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1
£160,000 - £169,999	-	-
£170,000 - £179,999	1	-
<b>Total</b>	<b>40</b>	<b>25</b>

### 11. GENERAL GOVERNMENT GRANTS

	2008/09 £'000	2007/08 £'000
Revenue Support Grant	(1,886)	(2,175)
Area Based Grants	(322)	-
Local Authority Business Growth Incentive (LABGI) grant	(70)	(172)
<b>Total</b>	<b>(2,278)</b>	<b>(2,347)</b>

# Notes to the Core Statements

## General Notes

### 12. 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 2008/09 are set out in the table below:

	2008/09		2007/08	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
<b>Central Government</b>				
General Government Grants	(2,278)	-	(2,347)	-
Non-domestic Rates Income from the National Pool	(13,551)	-	(12,959)	-
Other Grants (including those received for Capital purposes)	(71,720)	-	(62,581)	-
<b>Precepting Authorities</b>				
Essex County Council	(3,903)	68,285	(4,319)	64,353
Essex Police Authority	-	7,639	-	7,192
Essex Fire Authority	-	3,893	-	3,701
Parish and Town Councils	-	291	-	281
<b>Essex County Council Pension Fund</b>				
Employer's Contributions	-	5,429	-	5,235
<b>St. Georges Community Housing Limited</b>				
Contract payments and receipts	(2,351)	30,857	(2,800)	28,097
<b>Services and Grants to Local Organisations</b>				
Citizens' Advice Bureaux (Basildon, Billericay and Wickford)	-	129	-	129
IMPACT (Advisory Service)	-	64	-	64
Basildon District Volunteer Carers	-	25	-	25
Council for Voluntary Services (Basildon, Billericay and Wickford)	-	18	-	17
Community Resource Centre	-	38	-	38
Disabled Information Action Line (DIAL)	-	10	-	10
Essex Racial Equality Council	-	-	-	2

The Council also provided financial management and meeting facilities to the Basildon Arts Trust free of charge.

No Members or Executive Directors of the Council had any material direct related party transactions during the year. However some Members were Directors of St. Georges Community Housing Limited and 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 services and/or grant funding from the Council as shown above.

### 13. 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 2009 £'000	31 March 2008 £'000
General Fund	21,430	19,101
Housing Revenue Account	475,626	581,059
<b>Total Net Worth</b>	<b>497,056</b>	<b>600,160</b>

# Notes to the Core Statements

## General Notes

### 14. DEFERRED LIABILITIES

Long-term liabilities are analysed as follows:

	31 March 2009 £'000	31 March 2008 £'000
Finance Leases	(1,416)	(1,230)
Deferred Purchase Debt	(205)	(410)
Transferred Debt	(713)	(693)
<b>Total Deferred Liabilities</b>	<b>(2,334)</b>	<b>(2,333)</b>

Information in relation to Finance Leases is given in Note 15 below. Deferred purchase debt relates to sums outstanding to a developer for the construction of the Nursery Gardens housing estate in Laindon in the late 1980's. 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, Wickford, in 1978.

### 15. LEASING

#### Finance Leases

Any lease under which substantially all of the risks and rewards relating to the leased asset pass from the lessor to the Council are deemed to be finance leases. Rental payments are apportioned between a charge for the acquisition of the interest in the asset and a finance charge. The accounting treatment of the two elements is described in the Statement of Accounting Policies, item 10.

The gross value of assets held under finance leases at 31 March 2009 was £1,769,000 (£1,564,000, March 2008). All these assets are plant, vehicles or equipment and are accounted for as Tangible Fixed Assets. The element of the rentals relating to the acquisition of the interest in these assets in 2008/09 was £357,000 (£266,000 in 2007/08). The finance charges for the year, the interest element of the rentals, amounted to £83,000 in 2008/09 (£69,000 in 2007/08).

The value of assets held under finance leases by the authority was as follows:

	Plant, vehicles & equipment £'000
Value at 1 April 2008	1,230
Additions	543
Revaluations	-
Depreciation	(357)
Disposals	-
<b>Value at 31 March 2009</b>	<b>1,416</b>

Accumulated depreciation to 1 April 2008 was £558,000. Outstanding obligations at 31 March to make payments under finance leases (excluding finance charges) were as follows:

	31 March 2009 £'000	31 March 2008 £'000
Obligations payable:		
Within the next twelve months	381	281
In the second to fifth subsequent years	1,035	949
After the fifth year	-	-
<b>Total Liabilities at 31 March</b>	<b>1,416</b>	<b>1,230</b>

# Notes to the Core Statements

## General Notes

### Operating Leases

Leases under which the risks and rewards of ownership of the asset do not substantially pass to the Council are classed as operating leases, granting the Council the right to operate but not necessarily to acquire the asset. Unlike finance leases, the rental payments for operating leases are not apportioned, but are charged to revenue in full as they arise.

Rentals paid in 2008/09 amounted to £1.08 million (£1.24 million, 2007/08), of which £0.68 million (£0.75 million, 2007/08) related to vehicles, plant and equipment and the rest to land and buildings. At 31 March 2009 the Council had commitments for 2009/10 under operating leases as set out in the following table:

	31 March 2009		31 March 2008	
	Plant, vehicles & equipment £'000	Land & buildings £'000	Plant, vehicles & equipment £'000	Land & buildings £'000
Leases which expire:				
Within the next twelve months	232	-	89	242
In the second to fifth subsequent years	406	12	483	252
After the fifth year	65	387	-	-
<b>Total commitments for 2009/10</b>	<b>703</b>	<b>399</b>	<b>572</b>	<b>494</b>

A sum of £252,000 per annum is included in respect of industrial units at the Wickford Enterprise Centre. The rental payable under the lease is equivalent to 90% of the expected rental income assuming full occupancy.

The authority acts in the capacity of lessor in respect of properties such as shops, industrial units and garages. All of these leases are operating leases. At 31 March 2009, the net book value of assets held by the authority for lease was £17.05 million with £286,000 accumulated depreciation (£17.10 million and £255,000, March 2008). Rents received on these leases in 2008/09 amounted to £1.91 million (£1.83 million 2007/08).

### 16. DEBTORS

	Value as at 31 March 2009 £'000	Value as at 31 March 2008 £'000
<b>Sums falling due within One Year (Current Debtors):</b>		
Council Tax Arrears	4,824	4,722
Non-domestic Rate Arrears	1,441	589
Council Tenants (net)	1,193	1,391
St Georges Community Housing Ltd, Intercompany Account	1,183	5,578
HM Revenue and Customs (VAT)	1,101	667
Contribution to NNDR Pool	1,403	1,701
Government Departments, other	1,739	2,445
Precepting Authorities, Collection Fund deficit	308	257
Local Authorities, other	365	482
Sundry Debts	8,145	7,391
Less: Bad Debts Provision	(2,908)	(2,251)
<b>Total Due within One Year</b>	<b>18,794</b>	<b>22,972</b>
<b>Sums falling due after One Year (Long Term Debtors):</b>		
Employee Car Loans	68	178
Sold Council houses, mortgage payments outstanding	24	36
<b>Total Due after One Year</b>	<b>92</b>	<b>214</b>

# Notes to the Core Statements

## General Notes

### 17. CREDITORS

	Value as at 31 March 2009 £'000	Value as at 31 March 2008 £'000
Council Tax Prepayments	(693)	(670)
Non-domestic Rate Prepayments	(132)	(320)
HRA Leaseholders	(686)	(649)
St Georges Community Housing Ltd, Intercompany Account	(1,687)	(5,025)
Government Departments, other	(3,959)	(2,912)
Other Local Authorities	(1,598)	(1,617)
General Creditors	(8,287)	(8,996)
<b>Total Creditors</b>	<b>(17,042)</b>	<b>(20,189)</b>

### 18. SUMMARY INTRODUCTION TO DETAIL OF MOVEMENTS ON BALANCES AND RESERVES

In addition to the balances on the General Fund and Housing Revenue Account, the Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

The following table summarises the movements on all balances and reserves, their purpose and where to find further information in the Notes to the Financial Statements.

	Balance 1 April 2008 £'000	Net Movement in Year £'000	Balance 31 March 2009 £'000	Purpose	Further Details of Movements
General Fund Balance	(5,129)	(132)	(5,261)	Resources available to meet future running costs of non-housing services	Statement of Movement on the General Fund Balance, page 28
General Fund Earmarked Reserves	(7,871)	(318)	(8,189)	Resources earmarked for particular spending plans and contingencies	Note 19
Collection Fund Balance	52	10	62	Surplus or deficit to be recovered against future Council Tax	Note 19
Unequal Pay Back-pay Account	879	(71)	808	Value of provision for Single Status back-pay not yet borne by the General Fund or HRA balance under statutory regulations.	Note 19
Housing Revenue Account Balance	(2,620)	(328)	(2,948)	Resources available to meet future running costs of the Council Housing service	Statement of Movement on the HRA Balance, page 68
Financial Instruments Adjustment Account	780	(85)	695	Unamortised premiums and discounts arising from premature redemption of debt	Note 30
Revaluation Reserve	(31,946)	22,498	(9,448)	Gains on revaluation of fixed assets not yet realised	Note 35
Deferred Capital Receipts	(27)	12	(15)	Proceeds of fixed asset sales not yet received	Note 39
Usable Capital Receipts	(144)	137	(7)	Proceeds of fixed asset sales available to finance expenditure	Note 40

# Notes to the Core Statements

## General Notes

	Balance 1 April 2008 £'000	Net Movement in Year £'000	Balance 31 March 2009 £'000	Purpose	Further Details of Movements
Capital Adjustment Account	(615,063)	85,617	(529,446)	Capital resources applied to meet past capital expenditure	Note 41
Pensions Reserve (Restated as at 1 April 2008)	60,929	(4,236)	56,693	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 42
<b>Total</b>	<b>(600,160)</b>	<b>103,104</b>	<b>(497,056)</b>		

### 19. FURTHER DETAILS OF MOVEMENTS ON RESERVES

#### General Fund Earmarked Reserves

	31 March 2008 £'000	Movements £'000	31 March 2009 £'000
Insurance Pool	(1,655)	(312)	(1,967)
Contingency Reserve	(5,813)	(3)	(5,816)
IT Initiatives	(209)	68	(141)
Basildon Town Centre	(121)	(20)	(141)
Commuted Sums	(73)	(51)	(124)
<b>Balance at 31 March</b>	<b>(7,871)</b>	<b>(318)</b>	<b>(8,189)</b>

#### Collection Fund Balance

	2008/09 £'000	2007/08 £'000
Deficit brought forward	52	104
<i>Movements:</i>		
(Surplus) Deficit for the year	10	(52)
<b>Balance at 31 March – Deficit</b>	<b>62</b>	<b>52</b>

Responsibility for the Collection Fund balance is shared by all the major authorities precepting on the Fund. The above account reflects only Basildon District Council's share of the deficit on the Fund.

#### Unequal Pay Back-pay Account

	2008/09 £'000	2007/08 £'000
Balance brought forward	879	-
<i>Movements:</i>		
Transfer from Statement of Movement on the General Fund Balance	(71)	879
<b>Balance at 31 March – Deficit</b>	<b>808</b>	<b>879</b>

# Notes to the Core Statements

## General Notes

### 20. PROVISIONS

	31 March 2008 £'000	Movement £'000	31 March 2009 £'000
Insurance Pool	(1,972)	27	(1,945)
Single Status	(1,778)	(449)	(2,227)
<b>Balance at 31 March</b>	<b>(3,750)</b>	<b>(422)</b>	<b>(4,172)</b>

#### Insurance Provision

Provision is made for known outstanding insurance claims, excesses on self-insured risks and insured events that have not yet been reported to the Council. Sums applied from provisions are claims settled during the year. The Council submits the balance on the insurance provision to independent actuarial review every two years to ensure a proper reflection of aggregate liabilities. This is separate from the Insurance Pool Reserve, which is held as a protection against future exposure to risk.

#### Single Status Back-pay Provision

Provision has been made for the estimated cost of sums due to past and present employees in respect of the Single Status equal pay scheme. The proposals were to take effect from April 2007 but developments in case-law delayed implementation. New proposals are being worked on to reflect current law and practice but, at the time of signing these accounts, it was too early to quantify any change from the assumptions made previously. The provision made in the accounts at 31 March 2009 is based on a continuation of those assumptions.

### 21. 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 2009 the scheme had not been invoked.

MMI's accounts for the year to 30 June 2008 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 a recent court case relating to asbestosis has made this position even more volatile. This situation is subject to regular review but the Council has allowed within its Insurance Pool Reserves for the full potential clawback of £643,000 to be paid if necessary.

In its Management Agreement with St Georges Community Housing Ltd, a wholly owned subsidiary, Basildon Council has undertaken to provide continuing support to the company in respect of its pension fund deficit for service accrued up to 31 March 2007 by Council staff transferring to the company on 1 April 2007.

The Council relinquished its lease of Church Walk House in December 2008 and dilapidations may be due. However, given the long experience of low demand for office accommodation in Basildon, the landlord has not been able to re-let the building. In view of this, and the reasonable expectation that the present adverse economic conditions will continue for some time, the Council takes the view that the landlord will suffer no losses due to dilapidations. Negotiations are ongoing.

The High Court has granted certain bus operators leave to lodge a judicial review of the Department for Transport's decisions in respect of Concessionary Fares. This may result in additional payments by local authorities, but the result is unlikely to be known much before the end of 2009 and could be subject to further appeals. The maximum exposure is estimated at £230,000.

There were also a number of High Court appeals in progress at this date in relation to planning enforcement, contract disputes and housing issues, which may give rise to costs depending on the outcomes.

# Notes to the Core Statements

## General Notes

### 22. SUBSIDIARY COMPANY

St Georges Community Housing Limited (SGCH), the Council's Arms Length Management Company, is a limited company wholly owned by the Council. It was established with no share capital and is limited by guarantee. The Council is liable to contribute to the debts and liabilities of the organisation if it is wound up, to the value of £1.

The Council delegated to SGCH responsibility for the management and maintenance of its housing stock, including capital works, and the management of the Careline service, all in accordance with a Management Agreement effective from 1 April 2007. The Council pays for these services through a Management Fee, which is negotiated annually.

SGCH was incorporated on 28 November 2006 and commenced trading in April 2007. Its accounts for the period to 31 March 2009 have been prepared in accordance with the Companies Act 1985 and will be presented to its Board on 23 July 2009.

The following summarised accounts for 2008/09 are based on the draft accounts of SGCH:

<b>INCOME AND EXPENDITURE ACCOUNT</b>	<b>2008/09</b> <b>£'000</b>	<b>2007/08</b> <b>£'000</b>
Expenditure on Services	31,003	28,178
Less: Turnover	(31,239)	(28,123)
	(236)	55
Interest Receivable	(124)	(125)
Pension interest cost and expected return on pension assets	361	497
<b>Deficit for the Year</b>	<b>1</b>	<b>427</b>

<b>BALANCE SHEET</b>	<b>31 March 2009</b> <b>£'000</b>	<b>31 March 2008</b> <b>£'000</b>
<b>FIXED ASSETS</b>		
Tangible Assets	100	72
<b>CURRENT ASSETS</b>		
Debtors	2,009	5,118
Investments/Cash at bank and in hand	2,509	3,148
<b>CURRENT LIABILITIES</b>		
Creditors	(3,744)	(8,046)
<b>OTHER LIABILITIES</b>		
Provisions	(444)	(222)
Liability related to defined benefit pension scheme	(2,969)	(3,118)
<b>Total Assets less liabilities</b>	<b>(2,539)</b>	<b>(3,048)</b>
Income and Expenditure Account	430	70
Pensions Reserve	(2,969)	(3,118)
<b>Reserves</b>	<b>(2,539)</b>	<b>(3,048)</b>

In its Management Agreement with St Georges Community Housing Ltd, a wholly owned subsidiary, Basildon Council has undertaken to provide continuing support to the company in respect of its pension fund deficit for service accrued up to 31 March 2007 by Council staff transferring to the company on 1 April 2007.

# Notes to the Core Statements

## General Notes

The following balances between the Company and the Council are included in the previous table:

	31 March 2009 £'000	31 March 2008 £'000
Debtors	1,687	5,025
Creditors	(1,183)	(5,578)
<b>Net Intercompany Position</b>	<b>504</b>	<b>(553)</b>

Further information is provided in Note 4G to the Group Accounts.

A copy of the 2008/09 accounts for SGCH may be acquired from St Georges Community Housing Ltd. at 5 - 8 Dunton Court, Aston Road Laindon, Basildon SS15 6NX or from their website, [www.sgch.org.uk](http://www.sgch.org.uk).

### 23. POST BALANCE SHEET EVENTS

There are no other post balance sheet events requiring disclosure.

### 24. DATE ACCOUNTS AUTHORISED

These accounts were authorised by the Audit and Risk Committee for issue on 30 June 2009, which is the date to which events after the balance sheet date have been considered.

# Notes to the Core Statements

## Financial Instrument Notes

### 25. FINANCIAL INSTRUMENT BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000
Financial Liabilities at amortised cost	(126,186)	(128,187)	(5,000)	(5,077)
<b>Total Borrowings</b>	<b>(126,186)</b>	<b>(128,187)</b>	<b>(5,000)</b>	<b>(5,077)</b>
Loans and receivables	-	-	700	5,241
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>5,241</b>

### 26. FINANCIAL INSTRUMENTS GAINS AND LOSSES

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities: Liabilities measured at Amortised Cost		Financial Assets: Loans and Receivables	
	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Interest expense	9,810	9,959	-	-
<b>Interest Payable and Similar Charges</b>	<b>9,810</b>	<b>9,959</b>	<b>-</b>	<b>-</b>
Interest income	-	-	(706)	(1,069)
<b>Interest and Investment Income</b>	<b>-</b>	<b>-</b>	<b>(706)</b>	<b>(1,069)</b>

### 27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost, i.e. the aggregate of principal amount and accrued interest. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the fair value is taken to be the principal outstanding
- The fair value of trade creditors and debtors is taken to be the invoiced or billed amount.

In the table below, the fair values for debt liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB long-term debt have been calculated using the same procedures and interest rates, being a reasonable approximation for fair value for these instruments. The fair value of deferred purchase debt is equivalent to the carrying amount as interest is payable at current market rates.

# Notes to the Core Statements

## Financial Instrument Notes

The fair value of debt liabilities is greater than the carrying amount because the Council's portfolio includes a high proportion of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date and the effect of these outweighs the effect of fixed rate loans taken out at a lower interest rate than was available for similar loans at that date.

	31 March 2009			31 March 2008		
	Principal Amount £'000	Carrying Amount £'000	Fair Value £'000	Principal Amount £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	119,325	120,924	155,896	124,325	126,001	154,358
Non PWLB long-term debt	7,250	7,262	9,594	7,250	7,263	9,026
Deferred Purchase debt	205	205	205	410	410	410
Money market debt <one year term	3,000	3,000	3,000	-	-	-
<b>Total Debt</b>	<b>129,780</b>	<b>131,391</b>	<b>168,695</b>	<b>131,985</b>	<b>133,674</b>	<b>163,794</b>
Trade Creditors	17,042	17,042	17,042	20,189	20,189	20,189
<b>Total Financial Liabilities</b>	<b>146,822</b>	<b>148,433</b>	<b>185,737</b>	<b>152,174</b>	<b>153,863</b>	<b>183,983</b>
Money market investments < one year term	700	700	700	5,200	5,241	5,241
Trade Debtors	18,794	18,794	18,794	22,972	22,972	22,972
<b>Total Financial Assets</b>	<b>19,494</b>	<b>19,494</b>	<b>19,494</b>	<b>28,172</b>	<b>28,213</b>	<b>28,213</b>

The range of interest rates payable on PWLB debt at 31 March 2009 was from 4.10% to 15.25% (weighted average, 7.13%), which compares with an average of 7.15% (over the same range) at 31 March 2008. The equivalent figures for non-PWLB long-term debt were a range of 6.53% to 11.44% (weighted average, 8.02%) at 31 March 2009, which was no change from 2008. Interest on deferred purchase debt is chargeable at a margin over LIBOR.

It should be noted that interest payable is not accrued on debt incurred prior to April 1987. See the Statement of Accounting Policies, item 14. The figures for Carrying Amount and Fair Value do not therefore reflect unaccrued interest of £398,000 at 31 March 2009 (£423,000, March 2008).

### 28. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing and Maturity risk – the possibility that the Council might require renewing a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

#### Overall procedures for Managing Risk

The Council's risk management procedures in relation to financial instruments focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management operate through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice for Treasury Management in the Public Services and Investment Guidance issued by the Secretary of State.

These procedures require the Council to manage risk in the following ways:

# Notes to the Core Statements

## Financial Instrument Notes

- By formally adopting and complying with the requirements of the Code of Practice
- By approving annually in advance Prudential Indicators for the following three years, limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures to the maturity structure of its debt
  - Its maximum annual exposure to investments maturing beyond a year.
- By approving annually in advance an investment strategy setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

The Prudential Indicators are approved by the Council as part of its procedures for setting the annual Council Tax, and are subject to revision by Council if appropriate during the course of the year. The annual investment strategy is considered at or before the commencement of each financial year by the Audit and Risk Committee in conjunction with an annual treasury management strategy and approved by Cabinet. Together they set the detailed approach to managing risk in relation to the Council's financial instrument exposure in the year ahead. Actual performance is reviewed annually by the Audit and Risk Committee following the financial year-end. Performance indicators relating to a range of treasury management activities are also monitored quarterly by the Cabinet Member with responsibility for Resources.

Operation of these policies is delegated to the Head of Financial Strategy and Services and to his treasury team. Officers maintain written principles covering specific risk areas, such as interest rate risk, credit risk and the investment of surplus cash, through Treasury Management Practice notes (TMP's). The use of TMP's is a requirement of the Code of Practice and they are reviewed regularly.

### Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2008/09 was £29.7 million (£28.5 million, 2007/08).

Deposits are not made unless the proposed counterparty meets at least the minimum investment criteria set by the Council. For investments placed with bodies other than UK government, local authorities and building societies, the Council determines its credit criteria by reference to ratings produced by the major credit rating agencies. The formal criteria for selecting Building Societies for investment relates to their asset base, although early in 2009/10 an informal decision was taken to exclude any building societies which did not also meet the minimum credit rating criteria in all three rating agencies.

The credit standing of the Building Society sector relies on the high degree of probity within individual societies, the quality of their assets and the regulatory system put in place by the Building Societies Act 1986 and supervised by the Financial Services Authority. The minimum approved asset base for counterparties in this category in 2008/09 was £5.0 billion and the total value of deposits with any one counterparty in this class was limited to £2.5 million at any time (£5.0 million, 2007/08).

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies. Unlike a number of local authorities and others in the present credit crisis, this Council has had no experience of default by any counterparty in at least the last five financial years and does not expect any losses from non-performance.

Deposits with banks and other financial institutions:	<b>Principal Amount at 31 March 2009</b>	<b>Historical experience of default</b>	<b>Adjusted for conditions at 31 March 2008</b>	<b>Estimated maximum exposure to default</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>
AAA rated counterparties	-	-	-	-
AA rated counterparties	700	0.06	0.06	0.4
	<b>700</b>	<b>-</b>	<b>-</b>	<b>0.4</b>

# Notes to the Core Statements

## Financial Instrument Notes

The historical experience of default shown in the above table was provided by Fitch, a leading credit-rating organisation used by the Council, and applies to the period 1990 to 2007, being the latest information available. Whilst the current credit crisis in international markets has raised the overall possibility of default, this Council maintains strict credit criteria for investment counterparties and tightened these with effect from April 2008, initially as a temporary measure, but now formally reflected in the 2009/10 Treasury Management Strategy. In the circumstances, the historical average corporate default rates continue to be used as a good indicator under current conditions.

The Council's current debtors included in the Balance Sheet are shown net of bad debt provisions, which are based on historical default experience for collections.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures mentioned above, namely the setting of Prudential Indicators and annual treasury and investment strategies, as well as cash flow management procedures required by the Code of Practice.

To meet cash flow needs on particular days, the Council's usual practice has been to call back financial assets, moneys on deposit with financial institutions, in preference to temporary borrowing. This policy however relies upon maintenance of significant deposits invested externally at call or on short notice. In the current credit crisis, external lending exposes the Council to greater risk of loss (credit risk) and, in practice, the number of institutions meeting our tighter lending criteria is now limited. To address this, the strategy for 2009/10 is to run down the level of external investments by using the surplus cash to repay debt or finance new capital expenditure, at least in the short term. An average level of investment of some £5 million will be maintained, but otherwise our liquidity needs will be met from temporary borrowing for preference in future.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and a £1 million overdraft facility is maintained with its bankers. Whilst the Public Works Loans Board (PWLB) provides access to longer-term funds, it also acts as a lender of last resort to all local authorities (although it will not provide funding to an authority whose actions are unlawful). Of course the Council is required by the Local Government Finance Act 1992 to produce a balanced budget each year, which raises sufficient funds to cover annual expenditure.

There is therefore felt to be no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments or otherwise.

### Refinancing and Maturity Risk

The Council maintains significant debt and investment portfolios. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk relates to managing exposure to the replacement of financial instruments as they mature. This applies principally to the maturing of longer-term financial liabilities.

The key parameters used to address this risk are the Prudential Indicator limits set by the Council for the maturity structure of its debt and the limits placed on investments of more than one year in duration. Within the above parameters, the Council addresses the operating risks by:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt
- Monitoring the maturity profile of investments to maintain sufficient liquidity for the Council's day to day cash flow needs
- Borrowing ahead of need where interest rates are more favourable than anticipated when existing liabilities mature. This however has to be balanced against the risks in managing the surplus cash ahead of need.
- Where appropriate, spreading investments over longer periods to provide stability of maturities and returns in relation to cash flow needs across the year ahead. Under the Treasury Management Strategy for 2009/10 however, investment periods are restricted to a maximum of one month for local authority counterparties and the Debt Management Office and only two weeks for other counterparties, so the scope is limited in the present economic conditions.

# Notes to the Core Statements

## Financial Instrument Notes

The maturity analysis of financial liabilities (the principal amount of PWLB debt, bonds, deferred purchase debt and temporary borrowing) and financial assets (investments with banks and other financial institutions) at 31 March 2009 was as follows:

	Financial Liabilities £'000	Financial Assets £'000
Less than one year	5,205	700
Between one and two years	6,500	-
Between two and seven years	36,500	-
Between seven and fifteen years	35,163	-
More than fifteen years	46,412	-
<b>Principal Amount</b>	<b>129,780</b>	<b>700</b>

### Market Risk

#### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest charged to the Income and Expenditure Account would rise
- Borrowings at fixed rates – the fair value of the borrowing liability would fall
- Investments at variable rates – the interest credited to the Income and Expenditure Account would rise
- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund or Housing Revenue Account balance. As the Council's borrowing activity is almost exclusively attributed to its Housing Revenue Account debt, any interest rate fluctuations are substantially compensated for by government subsidy. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses.

The Council has a number of strategies for managing interest rate risk. There is a lot of flexibility over the timing of new long-term borrowing at fixed rates and, in normal market conditions, short-term investments of surplus funds are spread over a range of periods to limit exposure to adverse movements in rates and to take advantage of favourable market conditions. The annual treasury management strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. One of the Prudential Indicators sets maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 0.25% higher during 2008/09 with all other variables held constant, the financial effect would have been:

	2008/09 £'000	2007/08 £'000
Increase in interest payable on variable rate borrowing	2	-
Increase in interest receivable on variable rate investments	(37)	(43)
<b>Impact on the Income and Expenditure Account</b>	<b>(35)</b>	<b>(43)</b>
Decrease in fair value of fixed rate investment assets	-	-
<b>Impact on the Statement of Recognised Gains and Losses</b>	<b>-</b>	<b>-</b>

# Notes to the Core Statements

## Financial Instrument Notes

The impact of a 0.25% fall in interest rates would be as above but with the movements reversed. In the accounts for 2007/08, the Council reported on the sensitivity of interest rate movements in terms of a 1% change, but rates fell below 1% before the end of 2008/09 making a change in comparator necessary.

The PWLB have provided fair values for the Council's existing fixed rate borrowings. However no information is available to show the impact on fair value of a change in interest rates. A change in fair value would impact on neither the Income and Expenditure Account nor the Statement of Total Recognised Gains and Losses.

### Price risk

The Council does not deal in instruments where the principal sum is open to fluctuation. It therefore has no exposure to price risk in relation to financial instruments.

### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 29. INTEREST AND INVESTMENT INCOME

The total interest and investment income relates solely to interest receivable from the temporary investment of surplus funds.

## 30. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account records the premiums paid on the refinancing of borrowings in earlier years, which are written down over the life of the replacement loans.

	2008/09 £'000	2007/08 £'000
Balance Brought Forward	780	-
Transfer from Deferred Premiums, 1 April 2007	-	865
<i>Written off:</i>		
To the Statement of Movement on the General Fund Balance	(85)	(85)
<b>Balance at 31 March – Deficit</b>	<b>695</b>	<b>780</b>

## 31. INVESTMENTS

Surplus cash balances are placed either directly with banks, building societies, the government's Debt Management Office or various Money Market Funds, or they are placed through the money market with local authorities and other approved organisations.

The analysis below shows the turnover of investments in 2008/09, for deposits of one year or less.

	2008/09 £'000	2007/08 £'000
Investments held as at 1 April	5,200	7,350
Investments made during the year	321,779	274,268
Investments recalled during the year	(326,279)	(276,418)
<b>Investments held as at 31 March, principal amount</b>	<b>700</b>	<b>5,200</b>

# Notes to the Core Statements

## Capital Notes

### 32. TANGIBLE FIXED ASSETS

The fixed assets at 31 March included:

	31 March 2009	31 March 2008
Council Dwellings	11,486	11,514
Garages	5,684	5,993
Pitsea Leisure Centre	1	1
Aged Person Day Centres	5	5
Community Centres and Halls	44	44
Sports Halls	3	3
Swimming Pools	4	4
Museum (Wat Tyler Country Park)	1	1
The Basildon Centre	1	1
Church Walk House	-	1
Cash Collection and Area Offices	2	3
Towngate Theatre	1	1
Shops	141	148
Industrial units	11	11
Depots, Workshops and Stores	10	9
Off Street Car Parks	5	5
Cemeteries	3	3
Basildon Town Centre	1	1
Miscellaneous	49	43

### 33. VALUATION OF FIXED ASSETS

The valuation date for assets valued in the year is 31 March 2009. The statement below 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 the Statement of Accounting Policies, item 3.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Non-Operational Assets £'000	Total £'000
Net Book Values at historic cost	-	-	2,404	205	4,500	5,563	<b>12,672</b>
Net Book Values at current cost:							
Current year	614,369	27,002	-	-	491	14,313	<b>656,175</b>
Previous year	-	12,141	-	-	-	1,712	<b>13,853</b>
Two years ago	-	4,199	-	-	-	661	<b>4,860</b>
Three years ago	-	6,239	-	-	-	-	<b>6,239</b>
Four years ago	-	600	-	-	-	78	<b>678</b>
<b>Net Book Value at 31 March 2009</b>	<b>614,369</b>	<b>50,181</b>	<b>2,404</b>	<b>205</b>	<b>4,991</b>	<b>22,327</b>	<b>694,477</b>

# Notes to the Core Statements

## Capital Notes

### 34. MOVEMENT ON FIXED ASSETS

Operational Assets	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equip. £'000	Infra- structure Assets £'000	Comm- unity Assets £'000	Sub Total £'000
<i>Cost or Valuation:</i>						
At 31 March 2008	715,705	53,158	3,116	205	4,550	<b>776,734</b>
Additions	9,872	1,976	578	82	471	<b>12,979</b>
Disposals	(2,091)	(990)	-	-	-	<b>(3,081)</b>
Revaluations	153	1,397	-	-	8	<b>1,558</b>
Impairments	(109,347)	(4,173)	-	(82)	(38)	<b>(113,640)</b>
Reclassifications and adjustments	77	(283)	955	-	-	<b>749</b>
<b>At 31 March 2009</b>	<b>614,369</b>	<b>51,085</b>	<b>4,649</b>	<b>205</b>	<b>4,991</b>	<b>675,299</b>
<i>Depreciation and Impairments:</i>						
At 31 March 2008	-	1,581	233	-	-	<b>1,814</b>
Adjustment to cumulative Depreciation	-	1,731	712	-	-	<b>2,443</b>
Charge for 2008/09	8,339	2,556	516	-	-	<b>11,411</b>
Depreciation eliminated on Disposals	(24)	-	-	-	-	<b>(24)</b>
Depreciation eliminated on Revaluations	(14)	(1,522)	-	-	-	<b>(1,536)</b>
Depreciation eliminated on Impairment	(8,301)	(3,330)	-	-	-	<b>(11,631)</b>
Depreciation eliminated on Reclassifications	-	(112)	784	-	-	<b>672</b>
<b>At 31 March 2009</b>	<b>-</b>	<b>904</b>	<b>2,245</b>	<b>-</b>	<b>-</b>	<b>3,149</b>
<b>Balance Sheet Amount at 31 March 2009</b>	<b>614,369</b>	<b>50,181</b>	<b>2,404</b>	<b>205</b>	<b>4,991</b>	<b>672,150</b>
<b>Balance Sheet Amount at 1 April 2008</b>	<b>715,705</b>	<b>51,577</b>	<b>2,883</b>	<b>205</b>	<b>4,550</b>	<b>774,920</b>

Non-Operational Assets	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Sub Total £'000	Total Fixed Assets £'000
<i>Cost or Valuation:</i>					
At 31 March 2008	16,034	1,430	2,436	<b>19,900</b>	<b>796,634</b>
Additions	-	4,133	-	<b>4,133</b>	<b>17,112</b>
Disposals	-	-	-	-	<b>(3,081)</b>
Revaluations	166	-	115	<b>281</b>	<b>1,839</b>
Impairments	(1,875)	-	(16)	<b>(1,891)</b>	<b>(115,531)</b>
Reclassifications and adjustments	2,310	-	(2,387)	<b>(77)</b>	<b>672</b>
<b>At 31 March 2009</b>	<b>16,635</b>	<b>5,563</b>	<b>148</b>	<b>22,346</b>	<b>697,645</b>
<i>Depreciation and Impairments:</i>					
At 31 March 2008	84	-	45	<b>129</b>	<b>1,943</b>
Adjustment to cumulative Depreciation	-	-	11	<b>11</b>	<b>2,454</b>
Charge for 2008/09	40	-	-	<b>40</b>	<b>11,451</b>
Depreciation eliminated on Disposals	-	-	-	-	<b>(24)</b>
Depreciation eliminated on Revaluations	(19)	-	-	<b>(19)</b>	<b>(1,555)</b>
Depreciation eliminated on Impairment	(142)	-	-	<b>(142)</b>	<b>(11,773)</b>
Depreciation eliminated on Reclassifications	56	-	(56)	-	<b>672</b>
<b>At 31 March 2009</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>3,168</b>
<b>Balance Sheet Amount at 31 March 2009</b>	<b>16,616</b>	<b>5,563</b>	<b>148</b>	<b>22,327</b>	<b>694,477</b>
<b>Balance Sheet Amount at 1 April 2008</b>	<b>15,950</b>	<b>1,430</b>	<b>2,391</b>	<b>19,771</b>	<b>794,691</b>

# Notes to the Core Statements

## Capital Notes

Nature of Asset Holding at 31 March 2009	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra- structure Assets	Comm- unity Assets	Sub Total
	£'000	£'000	£'000	£'000	£'000	£'000
Owned	614,369	50,181	988	205	4,991	<b>670,734</b>
Finance Lease	-	-	1,416	-	-	<b>1,416</b>
	<b>614,369</b>	<b>50,181</b>	<b>2,404</b>	<b>205</b>	<b>4,991</b>	<b>672,150</b>

	Investment Properties	Assets under Construction	Surplus Assets	Sub Total	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000
Owned	16,616	5,563	148	<b>22,327</b>	<b>693,061</b>
Finance Lease	-	-	-	-	<b>1,416</b>
	<b>16,616</b>	<b>5,563</b>	<b>148</b>	<b>22,327</b>	<b>694,477</b>

### 35. REVALUATION RESERVE

This Reserve was established with a zero balance at 31 March 2007. The closing balance on the Reserve at 31 March 2009 therefore shows only net revaluation gains occurring since 1st April 2007.

	2008/09 £'000	2007/08 £'000
Balance brought forward	(31,946)	-
<i>Movements:</i>		
Revaluation of existing assets	(3,395)	(31,946)
Impairments	23,184	-
Excess of current cost over historic cost depreciation	2,454	-
Elimination of previous revaluation gains on disposal of assets	255	-
<b>Balance at 31 March</b>	<b>(9,448)</b>	<b>(31,946)</b>

### 36. CAPITAL EXPENDITURE AND FINANCING

	2008/09 £'000	2007/08 £'000
<b>Analysis of Expenditure and Financing</b>		
<i>Fixed Assets:</i>		
General Fund	7,126	4,330
Housing Revenue Account	9,986	9,313
	<b>17,112</b>	<b>13,643</b>
<i>Revenue expenditure funded from capital under statute:</i>		
Single Status Back-pay	520	899
Private Sector Housing Grant	995	1,381
Affordable Homes Investment Grant	220	-
Shotgate Community Grant	10	-
Tenant Compensation	-	64
	<b>1,745</b>	<b>2,344</b>
<b>Total Capital Expenditure to be Financed</b>	<b>18,857</b>	<b>15,987</b>

# Notes to the Core Statements

## Capital Notes

	2008/09 £'000	2007/08 £'000
<i>Financed from:</i>		
Major Repairs Reserve	8,041	8,016
Capital Contributions	4,650	2,437
Usable Capital Receipts	634	1,249
Exchange of Assets	600	-
Borrowing – supported	1,149	1,149
Borrowing – unsupported	3,140	2,822
Finance Leases	543	196
Revenue	100	118
<b>Total Financing</b>	<b>18,857</b>	<b>15,987</b>
<b>Capital Financing Requirement</b>		
Opening Requirement	146,036	142,084
New Borrowing	4,289	3,972
New Finance Leases	543	196
Less: Provision for the redemption of debt	(12)	-
Principal repaid on deferred purchase debt	(205)	(205)
Principal repaid on transferred debt	(13)	(11)
<b>Closing Requirement</b>	<b>150,638</b>	<b>146,036</b>

### 37. COMMITMENTS UNDER CAPITAL CONTRACTS

The total commitment on various significant capital contracts at 31 March 2009 was £1,350,000 including fees (£1,261,000, at 31 March 2008).

### 38. CAPITAL CONTRIBUTIONS DEFERRED

Where capital grants and contributions are received in advance of the associated expenditure, the SORP treats them as receipts in advance, or deferred, rather than as part of the Council's recognised reserves.

	2008/09 £'000	2007/08 £'000
Balance brought forward	(2,109)	(2,894)
<i>New receipts:</i>		
Government support for major regeneration schemes	(3,296)	(976)
Section 106 contributions	(452)	(350)
Other contributions	(291)	(589)
<i>Amortised to revenue</i>		
	378	2,700
<b>Balance at 31 March</b>	<b>(5,770)</b>	<b>(2,109)</b>
<i>Of which:</i>		
Applied to expenditure and awaiting amortisation to revenue	(4,954)	(1,657)
Received in advance	(816)	(452)
	<b>(5,770)</b>	<b>(2,109)</b>

# Notes to the Core Statements

## Capital Notes

### 39. DEFERRED CAPITAL RECEIPTS

These are the balances outstanding to the Council on mortgages granted for the purchase of Council housing.

	2008/09 £'000	2007/08 £'000
Balance brought forward	(27)	(33)
<i>Movements:</i>		
Principal repayments during the year	12	6
<b>Balance at 31 March</b>	<b>(15)</b>	<b>(27)</b>

### 40. USABLE CAPITAL RECEIPTS RESERVE

	2008/09 £'000	2007/08 £'000
Balance brought forward	(144)	(396)
<i>Movements:</i>		
Received in year	(1,268)	(5,486)
Clawback payable to the Homes and Communities Agency	525	2,563
Payable into the government's Housing Capital Receipts Pool	226	1,565
Expenses and other	20	361
Resources available	(641)	(1,393)
Applied during the year to finance new expenditure	634	1,249
<b>Balance at 31 March</b>	<b>(7)</b>	<b>(144)</b>

# Notes to the Core Statements

## Capital Notes

### 41. CAPITAL ADJUSTMENT ACCOUNT

	2008/09 £'000	2007/08 £'000
Balance brought forward	(615,063)	(630,398)
<i>Movements:</i>		
Financing of Capital Expenditure:		
- From Major Repairs Allowance	(8,041)	(8,016)
- From Exchange of Assets	(600)	-
- From Usable Capital Receipts Reserve	(656)	(1,249)
- From Revenue	(100)	(118)
- From Amortised Contributions	(291)	-
Expenditure written out:		
- Revenue expenditure funded from capital under statute	705	1,563
Movement on Fixed Asset Valuations:		
- Value of asset disposals	3,056	4,064
- Depreciation	13,907	10,467
- Impairment losses	80,574	8,840
- Excess of current cost over historic cost depreciation	(2,454)	-
- Elimination of previous revaluation gains on disposal of assets	(255)	-
Repayment of external long-term liabilities:		
- Deferred purchase debt	(205)	(205)
- Transferred debt	(13)	(11)
- Statutory provision for the repayment of debt	(10)	-
<b>Balance at 31 March</b>	<b>(529,446)</b>	<b>(615,063)</b>

# Notes to the Core Statements

## Pension Notes

### 42. PENSION COSTS

#### Participation in Pension Schemes

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 and provides defined benefits related to pay and service. The Fund is reviewed on a triennial basis by the Fund actuary. The last triennial actuarial valuation was at 31 March 2007 and was effective from 1 April 2008.

#### Change of accounting policy

Under the 2008 SORP the accounts now include the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £95.739m to £95.643m, a decrease of £96,000, resulting in an increase of the pension deficit of £96,000 (31 March 2007: decrease of £119,000 in value of scheme assets, and again a corresponding increase in the pension deficit). Current and prior year surpluses have been unaffected by this change.

#### Transactions Relating to Retirement Benefits

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

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

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

	2008/09 £'000	2007/08 £'000
<b><u>Income and Expenditure Account</u></b>		
Current service cost	3,429	2,984
Past Service Cost (Gain)	125	959
Curtailment/Settlement Loss (Gain)	12	(2,106)
<b>Net Cost of Services</b>	<b>3,566</b>	<b>1,837</b>
Interest cost	9,514	7,956
Expected return on assets in the scheme	(6,299)	(6,882)
<b>Net Operating Expenditure</b>	<b>6,781</b>	<b>2,911</b>
<b><u>Statement of Movement on the General Fund Balance:</u></b>		
Amount by which pension costs calculated in accordance with FRS 17 differ from contributions due under the pension scheme regulations.	(1,352)	2,324
<b>Actual amount charged against Council Tax for pensions in the year</b>	<b>5,429</b>	<b>5,235</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial gain of £5,588,000 (£18,036,000 loss in 2007/08, as restated) was included in the Statement of Total Recognised Gains and Losses. The cumulative net actuarial loss since 2004/05 recognised in the Statement of Total Recognised Gains and Losses is £21,272,000.

# Notes to the Core Statements

## Pension Notes

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09 £'000	2007/08 £'000
<b>1 April</b>	<b>156,572</b>	<b>164,169</b>
Current Service Cost	3,429	2,984
Interest Cost	9,514	7,956
Contributions by scheme participants	1,216	1,093
Actuarial (Gains) Losses	(32,441)	1,171
Benefits Paid	(5,839)	(5,954)
Past Service Costs	125	959
Settlements/curtailments	12	(15,806)
<b>31 March</b>	<b>132,588</b>	<b>156,572</b>

Reconciliation of fair value of the scheme assets:

	2008/09 £'000	2007/08 £'000
<b>1 April</b>	<b>95,643</b>	<b>118,944</b>
Expected Return on assets	6,299	6,876
Actuarial Gains (Losses)	(26,853)	(16,865)
Contributions by scheme participants	1,216	1,093
Employer Contributions	5,429	5,235
Benefits Paid	(5,839)	(5,954)
Settlements	-	(13,686)
<b>31 March</b>	<b>75,895</b>	<b>95,643</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was (£20.6 million) (adverse), which compares with (£4.4 million) (adverse) in 2007/08.

### Scheme History

	31 March 2005*	31 March 2006*	31 March 2007 Restated	31 March 2008 Restated	31 March 2009
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities in Local Government Pension Scheme	140,996	163,079	164,169	156,572	132,588
Fair value of assets in the Local Government Pension Scheme	84,714	109,161	118,944	95,643	75,895
Deficit in the Scheme	56,282	53,918	45,225	60,929	56,693

\* It has been elected not to restate fair value of the scheme assets for March 2005 and March 2006 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £56.693 million has a substantial adverse impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2010 is £5.9 million.

# Notes to the Core Statements

## Pension Notes

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2008.

The principal assumptions used by the actuary are as follows:

	2008/09	2007/08
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.5%
Government Bonds	4.0%	4.6%
Other Bonds	6.0%	6.1%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	5.25%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
- Men	22.0	22.0
- Women	24.9	24.8
Longevity at 65 for future pensioners:		
- Men	23.1	23.1
- Women	25.9	25.9
Rate of inflation	3.3%	3.6%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, expressed as a proportion of total assets held by value:

	2008/09 %	2007/08 %
Equity Investments	74.5%	70.2%
Bonds	14.0%	16.0%
Other Investments	11.5%	13.8%
	<b>100.0%</b>	<b>100.0%</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements in the Pension Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05 %	2005/06 %	2006/07 Restated %	2007/08 Restated %	2008/09 %
Differences between the expected and actual return on assets – (Gain) Loss	(4.7)	(15.5)	(1.1)	17.6	35.4
Experience (gains) and losses on liabilities	(0.1)	2.2	-	0.7	(24.5)

# Notes to the Core Statements

## Pension Notes

### Pensions Reserve

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

	2008/09 £'000	2007/08 £'000
Deficit brought forward	60,929	45,106
<i>Movements:</i>		
Contributions to the Fund	(5,429)	(5,235)
Current Service Cost	3,429	2,984
Past Service/Curtailment/Settlement Cost (Gain)	137	(1,147)
Net Interest/Return on Assets	3,215	1,074
Actuarial (Gain) Loss	(5,588)	18,051
Prior Year Adjustment	-	96
<b>Balance at 31 March – Deficit</b>	<b>56,693</b>	<b>60,929</b>

# Notes to the Core Statements

## Cash Flow Notes

### 43. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

This reconciliation identifies items included in the Income and Expenditure Account that do not result in cash flows under the revenue activities in the Cash Flow Statement.

	2008/09 £'000	2007/08 £'000
Deficit on the Income and Expenditure Account	89,086	11,665
Contributions from capital (net)	(88,170)	(15,805)
Contributions from (to) reserves (net)	(1,048)	2,007
Increase in the General Fund Balance for the year	(132)	(2,133)
Non-revenue items included above	(490)	1,722
<i>Non Cash Transactions:</i>		
Short Term Creditors	1,191	(5,977)
Stocks	(91)	(140)
Other Provisions	(422)	(1,818)
Short Term Debtors	(3,360)	8,196
<i>Transfers to:</i>		
Returns on Investment and Servicing of Finance	(9,591)	(8,826)
Financing	(11)	(11)
<b>Revenue Activities Net Cash Flow</b>	<b>(12,906)</b>	<b>(8,987)</b>

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

	2008/09 £'000	2007/08 £'000
Movement in Cash, Revenue and Capital activities	1,803	1,480
<i>Movement in net debt:</i>		
Borrowings repaid (raised) (net)	2,000	(999)
Deferred Purchase and Transferred Debt repayments	218	216
Finance leases (net)	(186)	70
Investments repaid to the Council	(4,500)	(2,150)
<b>Net increase in cash in hand and at bank</b>	<b>(665)</b>	<b>(1,383)</b>

# Notes to the Core Statements

## Cash Flow Notes

### 45. ANALYSIS OF NET DEBT

This Note reconciles items shown within the Financing and Liquid Resources section of the Cash Flow Statement to the related items in the Opening and Closing Balance Sheet entries for the period.

	31-Mar-09	31-Mar-08	Movement in Balance Sheet	Movement in Accrued Interest	Net movement in Cash Flow Statement
	£'000	£'000	£'000	£'000	£'000
Liquid Resources: Investments	700	5,241	(4,541)	41	(4,500)
Deferred Liabilities	(2,334)	(2,333)	(1)	33	32
Short Term Borrowing	(5,000)	(5,077)	77	(77)	-
Long Term Borrowing	(126,186)	(128,187)	2,001	(1)	2,000
<b>Net Movement</b>	<b>(132,820)</b>	<b>(130,356)</b>	<b>(2,464)</b>	<b>(4)</b>	<b>(2,468)</b>

### 46. 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. Further information is given in Note 28.



## Supplementary Statements



# Housing Revenue Account

This statutory account records the revenue expenditure and income relating to 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.

## HRA Income and Expenditure Account

	2008/09 £'000	2007/08 £'000
<b>Income</b>		
Dwelling rents	39,980	38,104
Non-dwelling rents	2,093	2,171
Charges for services and facilities	4,210	4,400
General Fund contribution towards expenditure	695	440
	<b>46,978</b>	<b>45,115</b>
<b>Expenditure</b>		
Repairs and Maintenance	8,747	9,621
Supervision and Management	14,642	13,711
Rents, rates, taxes and other charges	112	119
Negative Housing Revenue Account Subsidy payable	2,963	845
Depreciation and impairment of fixed assets	87,077	12,996
Debt Management Costs	65	85
Increase in bad debt provision	209	346
Rent rebate subsidy limitation	732	728
Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	-	367
	<b>114,547</b>	<b>38,818</b>
<b>Net Cost (Income), HRA Services, per Income and Expenditure Account</b>	<b>67,569</b>	<b>(6,297)</b>
HRA services' share of Corporate and Democratic Core	295	281
<b>Net Cost (Income), HRA Services</b>	<b>67,864</b>	<b>(6,016)</b>
Loss (Gain) on sale of HRA fixed assets	1,504	(783)
Interest payable	9,511	9,678
Interest and investment income	(2)	(3)
Pensions interest cost and expected return on pensions assets	702	258
<b>Deficit for the year, HRA services</b>	<b>79,579</b>	<b>3,134</b>

# Housing Revenue Account

## Statement of Movement on the Housing Revenue Account Balance:

The Income and Expenditure Account reports the net cost of all revenue activities of the Housing Revenue Account during the financial year and shows the contributions made by tenants through rents and charges. Income and expenditure 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 do not therefore reflect the requirements of statute relating to the operation of this account. The purpose of the Statement of Movement on the Housing Revenue Account Balance is to reconcile the Income and Expenditure Account (produced using GAAP measurement techniques) with the Housing Revenue Account balance to show the real impact on the statutory Housing Revenue Account.

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Deficit for the year on the Income and Expenditure Account	79,579	3,134
Reconciling Amount: Net adjustment required by statute and non-statutory proper practices to be credited to the HRA Balance for the year	(79,907)	(3,663)
Increase in Housing Revenue Account Balance for the Year	(328)	(529)
Housing Revenue Account Balance brought forward	(2,620)	(2,091)
<b>Housing Revenue Account Balance carried forward</b>	<b>(2,948)</b>	<b>(2,620)</b>

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

### Analysis of Reconciling Adjustment in the Statement of Movement on the Housing Revenue Account Balance

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
<b>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year:</b>		
<ul style="list-style-type: none"> <li>■ Net gain (loss) on sale of HRA fixed assets</li> <li>■ Impairment Charges</li> <li>■ Charges made for retirement benefits in accordance with FRS17</li> <li>■ Single Status Back-pay funded by Unequal Pay Back-pay Account</li> <li>■ Sums directed by the Secretary of State to be debited (credited) to the HRA that are not income or expenditure in accordance with UK GAAP</li> </ul>	(1,504) (77,317) (702) - 159	783 (3,606) (262) (148) (367)
	<b>(79,364)</b>	<b>(3,600)</b>
<b>Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year:</b>		
<ul style="list-style-type: none"> <li>■ Transfer from Major Repairs Reserve</li> <li>■ Transfer to Financial Instruments Adjustment Account, amortisation of deferred premiums (discounts)</li> <li>■ Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners</li> </ul>	(1,719) (9) 1,185	(1,374) 48 1,263
	(543)	(63)
<b>Net additional amount required by statute to be credited to the HRA Balance</b>	<b>(79,907)</b>	<b>(3,663)</b>

# Housing Revenue Account Notes

The management of the Council's landlord services is contracted out to St Georges Community Housing Limited (SGCH), an arm's length management organisation. The Council retains ownership of the housing assets and directs housing policy through a management agreement. Details of the activities of SGCH are given in Note 22 to the Core Statements and in the Group Accounts starting on page 77.

## 1. DWELLING RENTS

Total income from the rent of dwellings was made up as follows:

	2008/09 £'000	2007/08 £'000
Dwellings	40,347	38,426
Less: Void properties	(367)	(322)
<b>Total Income from Dwelling Rents</b>	<b>39,980</b>	<b>38,104</b>

Rent loss due to void dwellings was 0.9% in the year (0.8% in 2007/08). The average weekly rent in 2008/09 was £67.26, which was £3.69 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. RENT REBATES

About 59% 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.

## 3. NON-DWELLING RENTS

Total income was made up as follows:

	2008/09 £'000	2007/08 £'000
Garages	2,485	2,611
Less: Void properties	(735)	(796)
	1,750	1,815
Shops	147	168
Land and Other Buildings	196	188
<b>Total Income from Non-Dwelling Rents</b>	<b>2,093</b>	<b>2,171</b>

## 4. HRA SUBSIDY

HRA Subsidy is payable by central government towards local housing costs. In such cases, entitlement is calculated as the deficit on a "Notional HRA", based on determinations made by the Secretary of State for each particular year. Depending on the circumstances of the particular local authority however, 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 ("negative subsidy") and payable to central government as a contribution towards the costs of subsidy to deficit authorities. Basildon moved into negative subsidy in 2007/08. The table below breaks down the various elements of the Notional HRA.

# Housing Revenue Account Notes

HRA Subsidy	2008/09 £'000	2007/08 £'000
<i>Notional Expenditure</i>		
Management and Maintenance	17,508	17,523
Major Repairs Allowance	8,041	8,016
Charges for Capital	9,915	10,164
Rental Constraint Allowance	-	110
Other Reckonable Expenditure	22	25
	35,486	35,838
<i>Notional Income</i>		
Rents	(38,446)	(36,680)
Other	(3)	(3)
<b>Notional Surplus – Negative Housing Subsidy payable to government</b>	<b>(2,963)</b>	<b>(845)</b>

## 5. ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,514 dwellings at the start of the year. The management of the Council's housing service is delegated to St. Georges Community Housing Limited. Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2009	31 March 2008
<i>Analysis by Type of Dwelling:</i>		
Houses and Bungalows	6,573	6,578
Flats and Maisonettes	4,913	4,936
<b>Total Dwellings</b>	<b>11,486</b>	<b>11,514</b>
<i>Change in Stock during the Year:</i>		
Stock at 1 April	11,514	11,592
Sales and other Disposals	(28)	(78)
<b>Total Dwellings</b>	<b>11,486</b>	<b>11,514</b>

The number of dwellings at 31 March 2009 includes the Council's interest in shared ownership properties, which is equivalent to 124 wholly owned dwellings (125 at March 2008).

## 6. VALUATION OF HOUSING ASSETS

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

	31 March 2009 £'000	31 March 2008 £'000
<i>Operational Assets:</i>		
Dwellings	614,369	715,705
Other land and buildings	10,645	11,311
Vehicles, plant and equipment	60	60
<i>Non-operational Assets:</i>		
Investment properties	1,128	1,345
<b>Total Value of Housing Assets</b>	<b>626,202</b>	<b>728,421</b>

# Housing Revenue Account Notes

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 £1,336 million at 31 March 2009. The difference of £722 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.

## 7. DEPRECIATION

The charge for depreciation is made up as follows:

	31 March 2009 £'000	31 March 2008 £'000
<i>Operational Assets:</i>		
Dwellings	8,339	8,000
Other land and buildings	1,387	1,357
Vehicles, plant and equipment	-	-
<i>Non-operational Assets:</i>		
Investment properties	35	33
<b>Total Depreciation</b>	<b>9,761</b>	<b>9,390</b>

## 8. IMPAIRMENT CHARGES

Impairment losses on fixed assets between formal revaluations usually occur where a significant economic impact has affected a particular area, estate or one of the factors taken into account in the original valuation. Examples 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. The very severe impairment losses in 2008/09 arise principally because of the effects of the recession on asset values.

The total impairment charge to the HRA Income and Expenditure Account was £77,317,000 (£3,606,000 in 2007/08). This has been reversed out through the Statement of Movement on the HRA Balance, so there is no impact on the level of actual HRA reserves.

## 9. CAPITAL EXPENDITURE AND FINANCING

	2008/09 £'000	2007/08 £'000
<b>Analysis of Expenditure and Financing</b>		
<i>Fixed Assets:</i>		
Land	-	45
Housing	9,871	9,165
Other Property	115	103
	9,986	9,313
<i>Revenue expenditure funded from capital under statute:</i>		
Single Status Back-pay	-	303
Tenant Compensation	-	64
	-	367
<b>Total Capital Expenditure to be Financed</b>	<b>9,986</b>	<b>9,680</b>

# Housing Revenue Account Notes

	2008/09 £'000	2007/08 £'000
<i>Financed from:</i>		
Major Repairs Reserve	8,041	8,016
Capital Contributions	20	160
Usable Capital Receipts	78	52
Borrowing – supported	1,149	1,149
Borrowing – unsupported	698	303
<b>Total Financing</b>	<b>9,986</b>	<b>9,680</b>

## 10. 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 (Note 7). A technical adjustment however returns to the HRA any amount in excess of the Major Repairs Allowance included in the calculation of HRA Subsidy (Note 4).

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

	2008/09 £'000	2007/08 £'000
<b>Balance on 1 April</b>	-	-
Transfer from the Capital Adjustment Account equivalent to depreciation	(9,760)	(9,390)
Transfer to the HRA, excess of depreciation over Major Repairs Allowance	1,719	1,374
Amount applied to Capital Expenditure	8,041	8,016
<b>Balance on 31 March</b>	-	-

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

In common with all housing authorities, a proportion of the proceeds of the sale of all HRA land, houses and other property is payable into a government 'pool' in accordance with regulations. For dwellings, this is 75% of net proceeds after deduction of any clawback and sales expenses, and for land and other property the deduction is 50%, unless the proceeds are invested in the provision of affordable housing or regeneration. Clawback is the sum payable to the Homes and Communities Agency (formerly English Partnerships) out of the proceeds of the sale of dwellings transferred to the Council from the Commission for the New Towns in 1994.

The result of these deductions is that only a small proportion of the original proceeds of sale are normally available to finance new capital expenditure. The table below summarises the position for 2008/09.

	Land £'000	Disposal of former CNT dwellings £'000	Disposal of other Council dwellings £'000	Other property £'000	Total £'000
Gross receipt	300	633	235	7	1,175
Clawback	-	(525)	-	-	(525)
Pooled amount	-	(55)	(171)	-	(226)
<b>Usable element</b>	<b>300</b>	<b>53</b>	<b>64</b>	<b>7</b>	<b>424</b>
Usable, as a % of gross receipt	100%	8%	27%	100%	36%

# Housing Revenue Account Notes

## 12. HRA SHARE OF CONTRIBUTION TO OR FROM THE PENSIONS RESERVE

For the purposes of FRS17 adjustments, the deficit on the Pensions Reserve has been apportioned between the General Fund and the Housing Revenue Account based on levels of employer contributions and Past Service Deficit. This equates to approximately 78% General Fund and 22% Housing Revenue Account.

## 13. RENT ARREARS

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

	31 March 2009 £'000	31 March 2008 £'000
Current tenants	1,271	1,298
Former tenants	449	517
<b>Total gross rent arrears</b>	<b>1,720</b>	<b>1,815</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 £538,000 at 31 March 2009 (£444,000, March 2008).

The provision for bad debts in respect of rents was £330,000 at 31 March 2009 (£378,000, March 2008).

## 14. EARMARKED BALANCE

The Council have earmarked part of the HRA balance, equivalent to the difference between the provision for bad debts at 31st March and a sum equal to 50% of gross rent arrears at that date. This brings the earmarked part of the HRA balance to £530,000 at 31 March 2009 (£529,000, March 2008).

## 15. FURTHER INFORMATION

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

## Collection Fund Account

The Council, as billing authority, is required to maintain a Collection Fund into which Council Tax and Non-domestic 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 paid. Any surplus or deficit is shared between the various authorities, other than the Parish and Town Councils, in proportion to precepted amounts.

	2008/09 £'000	2007/08 £'000
<b>Income:</b>		
Income from Council Tax	78,102	74,472
Income collectable from Non Domestic Rate Payers	73,071	68,095
Transfers from the General Fund:		
- Council Tax Benefit	14,828	13,833
	166,001	156,400
Contributions towards previous year's deficit:		
- Essex County Council	283	413
- Essex Police Authority	33	48
- Essex Fire Authority	17	25
- Basildon District Council	67	98
	400	584
<b>Total Income</b>	<b>166,401</b>	<b>156,984</b>
<b>Expenditure</b>		
Precepts:		
- Essex County Council	65,701	62,412
- Essex Police Authority	7,672	7,240
- Essex Fire Authority	3,910	3,726
- Basildon District Council	15,483	14,684
	92,766	88,062
National Non-Domestic Rates:		
- Payable to National Pool	72,828	67,853
- Cost of Collection	243	242
	73,071	68,095
Bad and Doubtful Debts:		
- Write off of Council Tax	480	447
- Provision for Council Tax Bad Debts	146	66
Surplus (Deficit) for the year	(62)	314
<b>Total Expenditure</b>	<b>166,401</b>	<b>156,984</b>
<i>Movement on Fund Balance:</i>		
Deficit at 1 April	308	622
Deficit (Surplus) for the year	62	(314)
<b>Fund Deficit at 31 March</b>	<b>370</b>	<b>308</b>

# Collection Fund Account Notes

## 1. THE COLLECTION FUND

### Precepts

These are the amounts 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 this Council as Billing Authority.

The following principal authorities issue precepts on the Collection Fund:

- Essex County Council
- Essex Police Authority
- Essex Fire Authority
- Basildon District Council

Basildon's own precept for the year 2008/09 (£15.483 million) included £291,000 (£282,000 in 2007/08) 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.

### Surplus or Deficit on the Collection Fund

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 listed above in a subsequent financial year.

### Collection Fund Balance

The fund balance is included in the accounts of Basildon District Council, as Billing 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 2008/09 the Council set an average Council Tax levy of £1,477.75 per Band D equivalent property, made up of precepts from authorities as follows:

	2008/09 £	2007/08 £
Basildon District Council	242.01	231.66
Parish and Town Councils in the Basildon District (average)	4.63	4.54
Essex County Council	1,046.61	1,003.95
Essex Police Authority	122.22	116.46
Essex Fire Authority	62.28	59.94
<b>Total average Council Tax Band D</b>	<b>£1,477.75</b>	<b>£1,416.55</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:

	2008/09 £'000	2007/08 £'000
Council Tax	92,930	88,305
Less: Council Tax Benefit	(14,828)	(13,833)
<b>Net Income to Collection Fund</b>	<b>78,102</b>	<b>74,472</b>

# Collection Fund Account Notes

## 3. 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 2008/09 was calculated as follows:

Tax Band	No. of Properties in Band	No. of Properties After Discounts	Ratio to Band D	Equivalent No. of Band D Properties
A (Disabled)	11	11	5/9	6
A	8,924	7,314	6/9	4,876
B	14,894	13,114	7/9	10,200
C	22,525	20,322	8/9	18,064
D	13,610	12,632	9/9	12,632
E	7,041	6,657	11/9	8,136
F	4,333	4,176	13/9	6,032
G	1,830	1,752	15/9	2,920
H	125	112	18/9	224
	<b>73,293</b>	<b>66,090</b>		<b>63,090</b>
Less: Allowance for changes to Council Tax base during 2008/09				(315)
<b>Total Council Tax Base</b>				<b>62,775</b>

## 4. INCOME FROM NON DOMESTIC RATES

The Council calculates the rates due on non-domestic property in the District by multiplying the rateable value of the property by a uniform national rate in the £. 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:

	2008/09 £'000	2007/08 £'000
Non Domestic Rate (including voids and exemptions)	76,342	70,322
Less: Reliefs, Bad Debts Provision and Other Adjustments	(3,271)	(2,227)
<b>Net Income to Collection Fund</b>	<b>73,071</b>	<b>68,095</b>

The total NNDR rateable value for the Basildon District at 31 March 2009 was £176 million (£174.6 million, 2008). The uniform business rate for 2008/09 was 45.8p per £ of rateable value for small businesses and 46.2p for other businesses (44.1p and 44.4p respectively for 2007/08).

## Group Accounts



## Group Accounts

The 2008 Statement of Recommended Practice (SORP) makes comprehensive provisions for Group Accounts. These require authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council is required to account for its interest in St Georges Community Housing Limited (SGCH) as a wholly owned subsidiary and accordingly prepares Group Accounts.

These statements present financial information about the parent (the Council) and the subsidiary (SGCH) by consolidating their results into a unified set of accounts. The figures have been brought together on a line-by-line basis, incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. As SGCH works solely for the Council, the bringing together of income and expenditure has only a limited effect on the service revenue account.

### Group Income and Expenditure Account

	Gross Expenditure	Gross Income	2008/09 Net Expenditure	2007/08 Net Expenditure Restated
	£'000	£'000	£'000	£'000
<b>Expenditure on Services:</b>				
Central Services to the Public	20,389	18,020	2,369	1,538
Cultural, Environmental, Regulatory and Planning Services	32,130	8,598	23,532	21,782
Education and Children's Services	789	686	103	1,138
Highways and Transport Services	4,529	1,789	2,740	1,741
Local Authority Housing (HRA)	115,059	47,419	67,640	(5,817)
Other Housing Services	54,012	51,401	2,611	4,140
Adult Social Care	2,126	968	1,158	676
Corporate and Democratic Core	5,889	132	5,757	5,264
Non Distributed Costs	137	-	137	(962)
<b>Net Cost of Services</b>	<b>235,060</b>	<b>129,013</b>	<b>106,047</b>	<b>29,500</b>
Loss/(Gain) on Disposal of Fixed Assets			1,089	(1,060)
Contribution of Housing Capital Receipts to Government Pool			226	1,565
Amounts Payable in Respect of Clawback on Disposal of Dwellings and other Land			525	2,563
Interest Receivable and Investment Income			(827)	(1,194)
Interest Payable and Similar Charges			9,810	9,959
Surplus on trading undertakings not included in Net Cost of Services			(252)	(853)
Pensions Interest Cost and Expected Return on Pension Assets			3,339	1,029
Precepts of Local Precepting Authorities			291	281
<b>Net Operating Expenditure</b>			<b>120,248</b>	<b>41,790</b>
Demand on the Collection Fund			(15,416)	(14,586)
General Government Grants			(2,278)	(2,347)
Non-Domestic Rates Redistribution			(13,551)	(12,959)
<b>Deficit for the Year</b>			<b>89,003</b>	<b>11,898</b>

### Reconciliation of the Single Entity Deficit to the Group Deficit

	2008/09 £'000	2007/08 £'000
Deficit for the year on the Council's Income and Expenditure Account (page 27)	89,086	11,665
(Surplus)/Deficit for the year in the Group Income and Expenditure Account attributable to SGCH	(83)	233
<b>Deficit for the year on the Group Income and Expenditure Account</b>	<b>89,003</b>	<b>11,898</b>

## Group Accounts

Some services, previously falling within Cultural, Environmental, Regulatory and Planning Services, have been reclassified this year as Education and Children's Services or Adult Social Care in accordance with the definitions given in the Best Value Accounting Code of Practice. The comparative figures for 2007/08 have been restated accordingly.

### Statement of Movement on the General Fund Balance

The entries on the Income and Expenditure Account, above, do not accord with the statutory provisions that specify the net expenditure the Council needs to take into account when setting the Council Tax. The deficit for the Council reported in the above reconciliation is reconciled with the statutory provisions in the Statement of Movement on the General Fund Balance (page 28).

### Group Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes the gains and losses relating to the revaluation of fixed assets and remeasurement of the net liability to cover the cost of retirement benefits.

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Deficit on the Group Income and Expenditure Account	89,003	11,898
Deficit (Surplus) arising on revaluation of fixed assets	19,789	(31,946)
Actuarial (gains) losses on pension fund assets and liabilities	(6,097)	20,673
Other (gains) losses:		
■ Collection Fund	10	(52)
■ Deferred Premiums	-	865
■ Deferred Purchase debt, principal repayment	(205)	(205)
■ Deferred Capital Receipts	12	5
<b>Total Recognised (Gains) Losses for the Year</b>	<b>102,512</b>	<b>1,238</b>

The cumulative effect on 2007/08 Reserves of the Prior Year Adjustment for the change in Pension Fund valuation referred to in Note 42 is a £96,000 deficit.

# Group Accounts

## Group Balance Sheet

	Notes	31-Mar-09 £'000	31-Mar-08 Restated £'000
<b>TANGIBLE FIXED ASSETS</b>			
<i>Operational assets</i>			
Council dwellings		614,369	715,705
Other land and buildings		50,181	51,577
Vehicles, plant, furniture and equipment		2,504	2,955
Infrastructure assets		205	205
Community Assets		4,991	4,550
		<b>672,250</b>	<b>774,992</b>
<i>Non-operational assets</i>			
Investment properties		16,616	15,950
Assets under construction		5,563	1,430
Surplus assets		148	2,391
		<b>22,327</b>	<b>19,771</b>
<b>Total Tangible Fixed Assets</b>		<b>694,577</b>	<b>794,763</b>
Long-term debtors	16	92	214
<b>Total Long-Term Assets</b>		<b>694,669</b>	<b>794,977</b>
<b>CURRENT ASSETS</b>			
Stocks		250	341
Debtors	5G	17,933	17,387
Investments	25	700	5,241
Cash in hand		7	12
<b>Total Assets</b>		<b>713,559</b>	<b>817,958</b>
<b>CURRENT LIABILITIES</b>			
Borrowing repayable on demand or within 12 months	25	(5,000)	(5,077)
Creditors	5G	(14,944)	(13,748)
Bank overdraft		(253)	(1,180)
<b>Total Assets less Current Liabilities</b>		<b>693,362</b>	<b>797,953</b>
<b>OTHER LIABILITIES</b>			
Borrowing repayable in more than 12 months	25	(126,186)	(128,187)
Capital Contributions Deferred	38	(5,770)	(2,109)
Deferred liabilities	14	(2,334)	(2,333)
Provisions	6G	(4,617)	(3,972)
Liability related to defined benefit pension scheme	42/7G	(59,662)	(64,047)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>494,793</b>	<b>597,305</b>
<b>FINANCED BY:</b>			
General Fund Balance	18	5,261	5,129
General Fund Earmarked Reserves	18	8,189	7,871
Collection Fund, Basildon District Council element	18	(62)	(52)
Unequal Pay Back-Pay Account	18	(808)	(879)
Housing Revenue Account Balance	18	2,948	2,620
Financial Instruments Adjustment Account	18	(695)	(780)
Revaluation Reserve	18	9,448	31,946
Deferred Capital Receipts	18	15	27
Usable Capital Receipts Reserve	18	7	144
Capital Adjustment Account	18	529,446	615,063
Pensions Reserve	18/7G	(59,662)	(64,047)
St Georges Community Housing Reserves	8G	706	263
<b>TOTAL NET WORTH</b>		<b>494,793</b>	<b>597,305</b>

# Group Accounts

## Group Cash Flow Statement

This statement shows the inflows and outflows of cash to and from the Council as a result of its financial transactions during the year.

	2008/09 £'000	2007/08 £'000
REVENUE ACTIVITIES (see Note 9G)		
<b>Revenue Activities Net Cash Inflow</b>	<b>(13,071)</b>	<b>(8,639)</b>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
<i>Cash Outflows</i>		
Interest and Special Financing Repayments of long term liabilities	10,255	9,842
Interest element of finance lease rental payments	83	68
<i>Cash Inflows</i>		
Interest Received	(868)	(1,084)
<b>Returns on Investment and Servicing of Finance Net Cash Outflow</b>	<b>9,470</b>	<b>8,826</b>
CAPITAL ACTIVITIES		
<i>Cash Outflows</i>		
Expenditure on Fixed Assets	16,422	13,176
Payments to DCLG in respect of pooling of capital receipts	534	1,497
Payments to the Homes and Communities Agency in respect of Clawback	1,077	2,385
<i>Cash Inflows</i>		
Sale of Fixed Assets	(1,776)	(5,456)
Capital Contributions and Grants received	(11,080)	(9,836)
Other Capital Cash Receipts	(30)	(30)
<b>Capital Activities Net Cash Outflow</b>	<b>5,147</b>	<b>1,736</b>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>	<b>1,546</b>	<b>1,923</b>
LIQUID RESOURCES		
Short term investments raised/(repaid) (net)	(4,500)	(2,150)
FINANCING		
<i>Cash Outflows</i>		
Repayments of deferred purchase and transferred debt	218	216
Capital element of finance lease rental payments	357	266
Short term loans repaid (net)	-	1
Long term loans repaid (net)	2,000	-
<i>Cash Inflows</i>		
Long term loans raised (net)	-	(1,000)
New finance lease arrangements	(543)	(196)
<b>Financing and Liquid Resources Net Cash Inflow</b>	<b>(2,468)</b>	<b>(2,863)</b>
<b>NET INCREASE IN CASH IN HAND AND AT BANK</b>	<b>(922)</b>	<b>(940)</b>

# Group Accounts Notes

Notes for the Group Accounts are provided below only where there is a material difference from the Council's own accounts.

## **1G. VOTING RIGHTS**

St. Georges Community Housing Ltd. (SGCH) is a wholly owned subsidiary of the Council. The Council has one third of the voting rights on the Board of SGCH and the Council and the Board agree together the annual delivery plan.

## **2G. CONSOLIDATION OF INCOME AND EXPENDITURE**

The operating income and expenditure of SGCH have been consolidated with the Housing Revenue Account, with the sole exception of the Careline service, which is included within Adult Social Care.

## **3G. ACCOUNTING POLICIES**

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 15 to 20. SGCH's accounting policy for Creditors differs from that of the Council set out in its Statement of Accounting Policies, item 14, and accordingly SGCH's accounts have been restated for the purposes of consolidation to take account of this difference.

## **4G. INTERCOMPANY ADJUSTMENTS**

Preparation of Group Accounts requires the elimination of intercompany balances at 31 March. The material balances eliminated on this basis were:

- A net amount of £504,000 due to SGCH from the Council at 31 March 2009 on the intercompany account (£553,000 due to the Council from SGCH, 31 March 2008)
- A sum of £2,508,000 at 31 March 2009 (£3,147,000 at 31 March 2008) representing the cash balance of SGCH invested with the Council. This was eliminated on consolidation against the equivalent investment in SGCH's accounts.

## **5G. DEBTORS AND CREDITORS**

In addition to the debtors and creditors recorded in the Council's single entity accounts, SGCH had debtors of £2,009,000 at 31 March 2009 (£5,118,000 at 31 March 2008) and creditors of £3,556,000 (£7,310,000 at 31 March 2008), inclusive of those eliminated on consolidation. The net figures upon consolidation are those shown for debtors and creditors in the Group Balance Sheet.

## **6G. PROVISIONS**

In addition to the provisions in the Council's single entity accounts, SGCH has a provision of £444,000 (£222,000 at 31 March 2008) in respect of payments due under the Single Status scheme. This brings the total provision for Single Status at 31 March 2009 to £2,671,000 (£2,000,000 at 31 March 2008).

## **7G. PENSION COSTS**

SGCH participates in the Essex County Council Pension Fund and so the actuarial assumptions used in assessing its pensions liability are the same as those outlined in Note 42 to the Core Statements.

# Group Accounts Notes

The pension liability of SGCH included in the summarised accounts above was produced by the fund actuary. This position is summarised below:

	2008/09 £'000	2007/08 £'000
Estimated liabilities in the Scheme	(14,153)	(16,763)
Estimated Assets in the Scheme	11,184	13,645
<b>Net Pensions Liability</b>	<b>(2,969)</b>	<b>(3,118)</b>

## 8G. RESTATEMENT OF SGCH RESERVES

On consolidation, adjustments have been made to the accounts provided by SGCH, with the following effect on the level of reserves attributable to SGCH as reported in the Group Accounts.

	2008/09 £'000	2007/08 £'000
<b>Reconciliation of SGCH Reserves to amount reported in the Group Balance Sheet:</b>		
SGCH reserves as reported in Note 22 to the Core Statements	(2,539)	(3,048)
<i>Adjustments:</i>		
Element relating to net pension liability transferred to Pensions Reserve	2,969	3,118
Cumulative effect of harmonising accounting policies	276	193
<b>SGCH reserves as reported in the Group Balance Sheet</b>	<b>706</b>	<b>263</b>
<b>Reconciliation of SGCH deficit to amount reported in the Group Income and Expenditure Account:</b>		
SGCH deficit as reported in Note 22 to the Core Statements	1	427
<i>Adjustments:</i>		
Effect of harmonising accounting policies	(83)	(193)
<b>SGCH (surplus) deficit as reported in the Group Income and Expenditure Account</b>	<b>(82)</b>	<b>234</b>
<b>Reconciliation of adjusted SGCH reserves to adjusted SGCH deficit (as above) in Group Income and Expenditure Account:</b>		
Adjusted SGCH reserves as reported above	(706)	(263)
<i>Adjustments:</i>		
Amount recognised as losses on pension fund assets and liabilities	361	497
SGCH reserves at 1 April	263	-
<b>SGCH deficit as reported in the Group Statement of Total Recognised Gains and Losses</b>	<b>(82)</b>	<b>234</b>

# Group Accounts Notes

## 9G. RECONCILIATION OF GROUP INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

This reconciliation identifies items included within the Group Income and Expenditure account that do not result in cash flows under the revenue activities in the Cash Flow Statement.

	2008/09 £'000	2007/08 £'000
Deficit on the Group Income and Expenditure Account	89,003	11,898
Contributions from capital (net)	(88,170)	(15,805)
Contributions from (to) reserves (net)	(965)	1,774
Increase in the General Fund Balance for the year	(132)	(2,133)
Non-revenue items included above	(490)	1,698
Surplus per St. Georges Community Housing Ltd. Reserve	(443)	(263)
<i>Non Cash Transactions:</i>		
Short Term Creditors	(3,095)	465
Stocks	(91)	(140)
Other Provisions	(645)	(2,040)
Short Term Debtors	1,306	2,611
<i>Transfers to:</i>		
Returns on Investment and Servicing of Finance	(9,470)	(8,826)
Financing	(11)	(11)
<b>Revenue Activities Net Cash Flow</b>	<b>(13,071)</b>	<b>(8,639)</b>



# Annual Governance Statement 2008/09



# Annual Governance Statement

## SCOPE OF RESPONSIBILITY

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

In discharging these overall responsibilities, Basildon District Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

This statement explains how Basildon District Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of Regulation (42) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

## PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised.

The governance framework has been in place at Basildon District Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

## THE GOVERNANCE FRAMEWORK

The Council has expressed commitment in its Local Code of Corporate Governance to the 6 Core Principles and the underpinning principles as set out in the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government: Framework,' as follows:

- 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**
  - Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.
  - Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements.
  - Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources.
- 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.**
  - Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
  - Incorporating good governance arrangements in respect of partnerships and reflecting these in the Authority's overall governance arrangements.

# Annual Governance Statement

- 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**
  - Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.
- 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
  - Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.
  - Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
  - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
  - Receiving and investigating complaints from the public.
- 5. Developing the capacity and capability of members and officers to be effective.**
  - Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.
- 6. Engaging with local people and other stakeholders to ensure robust public accountability.**
  - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

This Annual Governance Statement provides an update against how the Council is responding to these main aspects, which comprise the Council's governance framework, Included is information on how each of the Core Principles and underpinning principles are being met. Included, as **Appendix 1** of the Statement, is where assurance on each has been obtained.

Overall, the Council can provide assurance that governance arrangements are in place across the organisation, however, areas for further improvement have been identified and documented. Assurance comes from a variety of sources including Heads of Service, via individual service based governance statements and the Section 151 and Monitoring Officers. Corporate assurance has been provided from the Business Planning and Improvement Team Manager on performance management and service planning arrangements; the Risk Resilience and Business Continuity Manager on risk management and business continuity; the Inclusion and Diversity Manager on consultation and engagement and the Customer Services Manager on corporate complaints. In addition, other important sources of assurance including the Council's Internal Audit function, External Audit and Inspections and the evidence compiled for the Use of Resources Assessment.

Through the review of effectiveness of the governance framework (set out below), a number of action points have been identified, which will further develop the governance framework and supporting assurance framework.

## **CIPFA/SOLACE Core Principle 1:**

**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

**Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users, both within the organisation and externally**

**Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements**

## **Council vision and priorities**

The vision of the Council is "to improve the quality life for the people of the district, now and for future generations".

# Annual Governance Statement

The way that the Council seeks to deliver this vision is articulated in a three-year Strategic Improvement Plan (CSIP), which is refreshed annually to ensure it remains focussed and is informed by the latest knowledge of the needs of the district. This draws on the district Sustainable Community Strategy (SCS), consultation with residents and relevant data about the district.

The Council plays a lead role in the Local Strategic Partnership in its wider place-shaping role. The vision of the SCS is "to make Basildon District a fair and inclusive place, where the community have a healthy, safe place to live and work and to improve the quality of life now and for future generations".

Copies of the CSIP are made available to the public through the Council's website and at public deposit points including the Council's main offices and libraries. A Strategic Improvement Plan poster is displayed at key locations around the Council.

To help demonstrate the 'Golden Thread' running through the various plans and strategies, the Council clearly sets out the externally focused priorities and how these relate together with its statutory obligations, the internal priorities and how the Council operates to effectively deliver these.

## Annual reporting

The Council publishes an Annual Report, which provides an overall view of the Council's performance. Feedback on the report is invited, and the report format has been changed both in response to feedback and also taking into account the needs of local residents. The report is available on the Council's website and was also printed and sent to key partners and stakeholders.

Care has been taken in the Annual Report to include a financial summary that is easy to understand. Specific financial terms are kept to a minimum, and for the sake of brevity readers are referred to the Council's website to access a full glossary of terms.

It is therefore considered that the Council has identified and communicated its vision and intended outcomes for citizens and service users. In addition, arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements.

**Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources.**

## Performance management and measurement

The key priorities and objectives of the Council are set out in the CSIP. It contains a clear statement of the desired outcomes. Key performance indicators are included where relevant. Member and Officer ownership and accountability is explicit.

The CSIP is modelled in the Council's performance management system (Performance Plus), showing the key supporting activities that are required to achieve the desired outcomes. Progress is captured on a quarterly basis on both tasks and relevant PIs and reviewed initially by Heads of Service through a quarterly Performance Monitoring Review. A Quarterly Cabinet Performance Report is collated showing progress against the CSIP and key performance indicators.

Targets for key performance indicators are drafted with Cabinet Members in October as part of the Service Planning process and then subject to challenge by the November round of Overview & Scrutiny Committees along with draft budgets. Final targets are established through Service Plans with key performance targets being incorporated in the CSIP. Overview & Scrutiny Committees receive quarterly exception reports of performance of key indicators relevant to that committee.

The CSIP is complemented by the Corporate Development Plan (CDP), which sets out the internal improvement objectives for the year. Ownership and sponsorship of the objectives is explicit. Performance is captured on a quarterly basis in an identical way to CSIP updates and progress is monitored by Heads of Service through Quarterly Performance Monitoring Reviews.

Service Plans include CSIP and CDP objectives relevant to that service as well as service objectives and performance measures and targets. Progress is reviewed with the relevant Cabinet Member at regular meetings.

# Annual Governance Statement

Basildon Renaissance Partnership (BRP) is the regeneration partnership for the district in which the Council plays a leading role. The objectives for BRP are embedded within the Council's CSIP under the regeneration priority and performance against these projects is monitored as noted above.

The objectives of the Local Strategic Partnership (LSP) are set out in the Sustainable Community Strategy and associated thematic actions plans. These have been modelled in the Council's performance management system. Data for key performance indicators will be captured during April and May for reporting to the LSP Executive in June.

St. George's Community Housing (SGCH), the arms length management organisation for the Council's housing stock are also key partners. The annual delivery plan is agreed with the Council each year and monthly progress reports are received by the Board, the Cabinet Member responsible, and key officers. Key performance indicators for SGCH are reported into the Council's performance management system, and incorporated in all the reports for Members and officers as noted above.

Data quality was assessed by the Audit Commission during 2008/09 with the results reporting that the Council's arrangements were 'consistently above minimum standards'.

## Financial management

The Council has an established overall Financial Planning Framework, which sets out financial planning processes used to support the development and review of policy and the allocation of resources to services. Each year, in addition to detailed budget reports, the Cabinet receives mid-term reports on strategic service and financial planning.

The Council has a comprehensive budget monitoring process, which involves officers and members at all levels and at different stages throughout the process. The process includes reporting on revenue, capital and the HRA. The roles and responsibilities within the process are clearly defined and laid out in the Budget Management Handbook. Under delegated authority, officers are able to use the virement process to effectively manage resources.

The budget monitoring reports are prepared on an accruals basis – goods and services shown as received on the online ordering system are included in the expenditure to date and not just invoices paid.

A number of budget monitoring and other reports are available from the Financial Management System. Reports can be written to meet individual service manager's requirements and, using the Crystal Reporting facility, can be run by managers at their own PCs.

Service/spending managers are supported by Accountancy staff in understanding and taking action arising from the information provided, and regular feedback on the appropriateness of the information provided is sought through these meetings and stakeholder forums etc.

The Internal Audit service reviews the budget monitoring process every 3-4 years. A full audit was concluded towards the end of 2005/06, the results of which informed the process detailed below. In addition, an annual managed Audit is undertaken to ensure the integrity of the Financial Management System and related processes and procedures and hence the information provided from it. In addition, as audits are undertaken of individual services, relevant budget monitoring processes will be included in the audit review.

Basildon Council has an excellent history of producing quality SORP compliant Final Accounts, free from any qualification by the Auditor. In order to meet the statutory deadlines, closure guidance notes including a detailed timetable is sent to all managers in early February. The External Auditor positively commented on the final accounts process for 2007/08, particularly mentioning early consultation with them on potentially contentious issues and also regarding the quality of working papers. The Final Accounts and the Annual Audit and Inspection Letter are presented to the Audit and Risk Committee.

## Value for money

The Council has a strong record of achieving efficiency gains, achieving more than double the required Gershon targets. Clear efficiency targets are built into budgets and the forward financial forecast to ensure that achieving them is monitored through the standard performance/financial monitoring processes.

# Annual Governance Statement

The Council uses a number of sources to benchmark its services and highlight opportunities for improvement. It uses the Audit Commissions VFM tool each year to assess its current position, and prioritise any areas for potential improvement. The 2008/9 Use of Resources self-assessment included the Benefits case study highlighting where investment was made in a high cost low performing service, initially to drive up service levels to top quartile and then to facilitate an efficiency programme which is delivering unit costs approaching best quartile.

In June 2008, Cabinet committed the Council to an ongoing programme of Service Reviews aimed at improving efficiency and effectiveness of key services. A rolling review programme has been agreed.

It is therefore considered that the Council has in place measures to ensure the quality of services for users. This also ensures that they are delivered in accordance with the Authority's objectives and that they represent the best use of resources.

## **CIPFA/SOLACE Core Principle 2:**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

### **Roles and responsibilities of the executive, members, senior officers, chief executive, section 151 and monitoring officer**

The Council has a published Constitution, which is produced in the format of the national modular Constitution. Copies of the Constitution and any revisions made are provided to all Members of the Council and made available to the public through the council's website and at public deposit points including the Council's main offices and libraries.

The Constitution clearly describes the individual roles and responsibilities of the Leader of the Council, the Cabinet and individual Members of the Cabinet, other Members of the Council including the Chairman of the Council, the overview and scrutiny function, chief executive and senior officers including the monitoring officer and section 151 officer. The Constitution also includes a scheme of delegation and reserve powers including a formal schedule of those matters specifically reserved for collective decision of the Council (set out in Article 4) taking account of relevant legislation, financial regulations and contract procedure rules and a range of codes and protocols governing the conduct of Members and officers.

The Constitution is updated on an ongoing basis as required to ensure it reflects new legislation and working practices adopted by the Council but is also reviewed on a regular basis to ensure it remains fit for purpose.

It is therefore considered that the Council has defined and documented the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. This includes the clear delegation of arrangements and protocols for effective communication.

**Incorporating good governance arrangements in respect of partnerships and reflecting these in the Authority's overall governance arrangements**

### **Partnerships**

The Council's Annual Governance Statement has, with effect from the 2009 AGS considered and assessed the governance arrangements in connection with the Council's key partnerships.

The LSP adopted a Governance Statement in March 2008, which sets out the principles under which the LSP partners will work together and the essential governance rules. Further development of this work is in progress with the more formal adoption of a shared risk register on target to be presented to the LSP Executive in June 2009.

The Sustainable Community Strategy was refreshed in March 2008 and allowed a strong input to the refreshing of the County Sustainable Community Strategy and the Local Area Agreement.

# Annual Governance Statement

With effect from the beginning of the 2009/10 municipal year, the Council's Overview and Scrutiny Committees will begin to receive regular reports regarding the performance of the Local Strategic Partnership in meeting its objectives.

The Basildon Renaissance Partnerships Business Plan 2008-2011 sets out the role and objectives of the Partnership, its structure and how it operates. The Basildon Renaissance Partnership abides by Basildon District Council's governance arrangements.

The Business Plan identified the strategic context and linkages of the work of the BRP with various priorities such as those set out in the Sustainable Community Strategy, the Council's Strategic Improvement Plan and the Basildon District Regeneration Framework 2007-2021 and how it effectively contributes to these.

The governance arrangements in connection with the partnership with SGCH are set out in the comprehensive Management Agreement. The Annual Delivery Plan underpins the partnership objectives. The Management Agreement incorporates arrangements in connection with dispute resolution.

The Council has an identified link officer with SGCH who shares and communicates information between the Council and SGCH in a timely manner. Regular meetings are held with SGCH, involving the relevant Cabinet Member to assess progress against objectives and governance related matters and ensures that the partnership is providing effective outcomes and value for money.

The Council has a Compact agreement with the Voluntary and Community Sector which clearly sets out roles and responsibilities of each partner and their contribution to delivering better outcomes for local people. This agreement is currently in the process of being reviewed to ensure it is fit for purpose and a Steering Group has been established by the Council and the VCS to undertake this work.

It is therefore considered, that the Council has incorporated good governance arrangements in respect of partnerships and that these are reflected in the Council's overall governance arrangements.

## **CIPFA/SOLACE Core Principle 3:**

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

**Developing, communicating and embedding codes of conduct and ethical standards, defining the standards of behaviour for Members and staff.**

### **Standards committee**

The Council has adopted various codes and protocols for its members and staff, which form part of its Constitution. A review of these and other codes and protocols was undertaken and updated versions presented to the Standards Committee on 17 March 2009 who endorsed the revisions and referred the matter to Council for approval at the annual Council meeting. The main changes to the document were made with a view to enhancing understanding in relation to ethical issues.

The Standards Committee is responsible for promoting high standards of conduct and this forms part of its terms of reference. The Standards Committee and its sub-committees are responsible for investigating allegations of breaches of proper standards of conduct by Members of the Council and of town and parish councils in the District.

The Standards Committee itself is responsible for promoting and maintaining high ethical standards and, in order to be effective in its role of overseeing compliance with the Members Code of Conduct, it has three sub-committees with the following functions:

- Assessment Sub-Committee – responsible for receiving and assessing complaints
- Review Sub-Committee – responsible for reviewing local assessment decisions
- Hearing Sub-Committee – responsible for conducting hearings following investigation

The Monitoring Officer reports case related information and information on the make up of the Standards Committee to the Standards Board for England on a quarterly basis and submits an annual return to the Standards Board providing information on the Council's ethical governance arrangements, as required.

# Annual Governance Statement

## Codes of conduct

All Members of the Council are required to sign up to the Members Code of Conduct and complete their register of interests within 28 days of being elected and ensure it is maintained. Members are written to on a regular basis to remind them of the need to update their register of interests.

The Register of Members Interests and gifts and hospitality received is available in public registers and details of personal and prejudicial interests declared by Members at meetings are available on the website. Reports are regularly submitted to the Council's Standards Committee providing an overview of interests declared.

The Council has an Officers Code of Conduct, which forms part of the Council's Constitution and employees contracts of employment. All new employees are required to give written assurance that they have received, understood and will abide by this Code of Conduct. Assurance was sought from all employees in early 2008 that they understood the Officers Code of Conduct and other policies through a policy acceptance exercise, which required them to answer questions to demonstrate their understanding.

The Council regarded this process as an effective means of embedding a strong ethical culture amongst members of staff and raising their awareness and understanding of the importance of the ethical agenda and their responsibilities to protect the council, its resources and reputation. The Council has recently purchased a new policy management and implementation system, which will be used as a key means of further embedding a strong ethical culture. A Register of Officers Interests has now been introduced.

The Council has in place robust arrangements for the investigation of breaches of the Code of Conduct. The Internal Audit Section has dedicated and specialist resources for investigations, with the Principal Investigator being qualified as an accredited Counter Fraud Manager and Investigator. In addition, both the Council's Chief Internal Auditor and Principal Investigator have vast experience in undertaking investigations.

During 2008/09 the Chief Internal Auditor has managed 47 investigations, of which 8 were as a result of individuals raising concerns through the Council's Whistleblowing Policy. Investigations centred around potential fraud / corruption, breaches of the code of conduct, breaches of the Council's key policies and procedures and grievances. It is important to note that the outcome of 30 of these investigations were unfounded, however, Internal Audit have a duty to consider and investigate all allegations received. As a result of the investigations 13 members of staff have been subject to internal disciplinary action. 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.

The Management Development Programme has an e-learning module on the Council's disciplinary and investigation procedure to ensure that all managers are aware of the procedures and the need to report issues to Internal Audit and Human Resources.

The People Management Procedure is further supported by the detailed Internal Audit Investigation Manual, compliance with which ensures that investigations are undertaken professionally, appropriately, consistently, in a timely manner and in compliance with the law. The investigation procedures are reviewed regularly to ensure they comply with the law and represent best practice. The Internal Audit Service has recently undertaken a complete review of the investigations manual to ensure that it is up to date with recent changes made, including the changes in legislation, which comes into effect on 6 April 2009 for Disciplinary and Grievance investigations.

It is therefore considered, that the Council has developed, communicated and embedded codes of conduct and ethical standards for Members and staff. This has included defining the standards of behaviour.

### **CIPFA/SOLACE Core Principle 4:**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.**

## Scrutiny Committees

# Annual Governance Statement

The Overview and Scrutiny Commission and Committees receive quarterly reports regarding performance and the budget position with regards to areas within their remit and fulfil the key role of holding the Cabinet to account.

The Overview and Scrutiny Commission is responsible for establishing and co-ordinating task and finish groups, to undertake in depth reviews of Council policies and services or any other issue, which affect the residents of the District.

In Overview and Scrutiny's role of holding the Executive to account, if three Members of the Council or twenty members of the public are concerned about a decision made by the Cabinet, they can call-in the decision after it has been made. This has the effect of suspending the implementation of the decision until the Overview and Scrutiny Commission have considered the matter and decided whether to ask the Cabinet to reconsider the decision.

The Overview and Scrutiny Commission and Committees regularly consider matters prior to their consideration by the Cabinet and make comments in connection with the issue for the Cabinet to take into account when reaching its decision.

The Council is taking proactive measures to involve the local community in Overview and Scrutiny task and finish group reviews.

## Financial regulations

The Council has a Financial Regulations and Financial Procedure Note database, which is reviewed on a six monthly basis. Updates are placed in the Internet and intranet and e-mail notifications are sent. The Financial Regulations are approved by the Head of Service as the deputy Section 151 Officer, and by Council where appropriate and form part of the Council's Constitution. Reactive changes are picked up at the next available review date e.g. when the constitution is refreshed.

The Council communicates the financial regulations through the Modular Financial Training Programme and Stakeholder Forum, and are included in the Budget Management Handbook.

Compliance is demonstrated through the Annual Audit and Inspection Letter, SAS 610 reports and reports from Internal Audit. The results from the Use of Resources Assessment are built into an action plan and regularly monitored. New legislation and guidance and improvements from other assessments are built in.

## Internal control

In line with Financial Regulations (Section 2) the Council has always maintained a sound system of financial control for its key systems and the Council's Internal Audit Service reviews these controls on an annual basis, to ensure they are operating effectively. There are specific audit resources allocated within the Internal Audit Annual Plan for reviewing the core financial systems.

For 2008/09 the Internal Audit Section confirmed based on the work performed during 2008/09 and the progress being made by Management to implement the recommendations made, Internal Audit is able to provide assurance on the overall adequacy and effectiveness of the Council's internal control environment for the year 2008/09. Generally, Internal Audit confirmed that the internal control framework incorporated the expected key controls, but that audit testing identified instances where such controls were not being adhered to. Within the reports issued to the responsible officers, recommendations have been made to address non-compliance and to further evidence and improve the control environment. Internal Audit has not identified any material concerns that will affect the Chief Internal Auditor's ability to provide the annual assurance on the control environment.

## Effectiveness of the system of Internal Audit

Under the Accounts and Audit (Amendment) (England) Regulations 2006, the Council is required to undertake a review of the effectiveness of its systems of Internal Audit.

A report was submitted to the Audit & Risk Committee on 23 June 2009 where it was considered that the Council has an effective system of Internal Audit and that the Internal Audit Team has been effective in its use of resources available for 2008/09. The Internal Audit Service has provided the Council with a key support

# Annual Governance Statement

service focusing resources in the key risk areas, maintaining high quality work and high customer satisfaction. The External Auditor has confirmed their ability to rely on the work of the Internal Audit Service.

The Internal Audit Service complies with the Code of Practice for Internal Audit in Local Government and this has also been confirmed by the External Auditor.

The activities and work of the Risk Management Service and the Audit & Risk Committee have also had a positive contribution to the effectiveness of the system of Internal Audit.

## Risk management and Business Continuity

The Council's strategic risks are directly linked to its strategic aims, and these are identified within the Council's Strategic Improvement Plan. The Council's risk register includes both the Council's strategic and operational risks and is updated with results from on-going review meetings (workshops) as part of a rolling programme. The Council's risk management toolkit provides managers with guidance on the basic principles of risk management and how to undertake risk profiles for their service, partnerships and projects. The Corporate Risk Management Team provides training to assist all key staff in understanding the corporate approach to Risk Management and their responsibilities as set out in the approved Risk Management Policy & Strategy.

The Audit & Risk Committee has established over the last three years a Member Risk Management Working Group, which reviews the Council's Risk Management arrangements. The Risk Management Working Group met four times during 2008-09 and has reviewed both the current red risks and a selection of risks from the corporate risk register particularly relating to the key partnerships of the Council. This year the group has reviewed 15 risks and challenged both the risk management process and the management of these risks with the accountable officer and the relevant Cabinet Member. In addition to reviewing specific risks, the Audit & Risk Committee endorsed the Corporate Risk Management Policy & Strategy, risk management training, the Strategic Diagnostic Tool, the rollout of the web based version of the Corporate Risk Register and was updated on operational risk management initiatives and the risk assessment of the CSIP. Furthermore, all committee reports include a section regarding risk management implications.

The Council has an approved BCM Policy and Strategy in line with best practice as contained within British Standard 25999-Part 1 2006. The Council's Corporate Business Continuity Plan sets out how the Council will continue to deliver a minimum level of service to its customers in the event of any disruption. During 2008 an Exercise and Review Programme was approved by SMT that included a timetable for plans to be reviewed and tested. In March 2009 the Council carried out a major exercise of its Corporate Business Continuity Plan, which also tested the Council's Pandemic Flu Plan. During 2008/09 the Council achieved a 100% review of all BCM plans and a total of 20 tabletop exercises were completed. During the year the Council supported the national "Business Continuity Awareness Week" initiative led by the Business Continuity Institute and Basildon District Council's Risk Resilience and Business Continuity Manager was appointed the Chair of the Essex Resilience Forum's Business Continuity Working Group which promotes partnership working and shares best practice and experience.

Independent external reviews and assessments of the Council's risk management arrangements have included:

- A strategic diagnostic survey undertaken by a consultant confirmed that Basildon is stronger than the average of the other local authorities within the benchmarking group in performance in all but three areas and the consultant's confirmed that many of the other local authorities who have completed this survey are much larger than Basildon, and include Metropolitan and County Councils. As such they felt that this made Basildon's performance even more remarkable with what has been achieved so far.
- A peer review by IPF highlighted that in relation to risk management Basildon Council is performing well and as a result, a Use of Resources Level 3 score should be attainable, as in their experience, the Council is already demonstrating that it has implemented and accruing the benefits from recognised best practice.
- As part of the 2008/09 Internal Audit plan a review was undertaken of risk management where assurance was provided that the Council is well progressed in implementing comprehensive and robust risk management arrangements. In addition, as part of the review Internal Audit highlighted some areas to assist in strengthening and further embedding risk management.

It is therefore considered, that the Council has in place standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. These are reviewed and updated where appropriate.

# Annual Governance Statement

## **Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

### **Audit and Risk Committee**

The Council established a separate Audit & Risk Committee in 2006. Previously the Scrutiny, Overview and Audit Committee performed the functions of an audit committee. Separating the scrutiny and audit functions enabled a clearer focus on audit related matters and allowed Members to concentrate specifically on seeking assurance.

The membership of the Audit and Risk Committee consist of six Members of the Council, proportional to the political composition of the Council. The Members who sit on the Audit and Risk Committee are independent to the Executive and do not have Cabinet responsibilities, thus are able to provide independent assurance to the Council. The Terms of Reference for the Audit Committee has been set in line with the CIPFA Guidance.

It is considered that the Audit & Risk Committee provides effective challenge across the Council and seeks assurance on the Council's arrangements, in particular risk management, internal control and financial/other performance. The work of the Audit & Risk Committee has a positive impact on the Council and provides the Cabinet and Council with the required assurances, which are presented within the Chairman's Annual Report to full Council and assists the Leader of the Council and the Chief Executive to sign the Council's Annual Governance Statement. The agenda and minutes of the Committee meetings demonstrate the work of the Committee and the challenge the committee brings to these and other areas.

It is therefore considered, that the Council's Audit & Risk Committee undertakes the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

## **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to Members.**

### **Lawful activity**

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.

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. This was updated in January 2008 to reflect recommended changes produced in guidance from CIPFA/SOLACE.

During the year the Corporate Governance Group, consisting of key officers and chaired by the Head of Democratic, Legal and Executive Services, has further developed the assurance framework around the corporate governance arrangements. This year, Service Based Governance Statements have again been compiled with every head of service and third tier manager and Individual Statements with key officers who have specific responsibilities to further enhance the overall assurance for the 2008/09 corporate statement.

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 2008/09 when such a report was required.

All committee reports require the mandatory completion of a section detailing the legal implications of the reports and Legal Services are compulsory consultees in respect of report preparation. This allows decisions to be taken with due regard to potential legal implications.

It is therefore considered, that the Council ensures compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All committee reports consider legal issues.

# Annual Governance Statement

## Arrangements for Whistleblowing and receiving and investigating complaints from the public

### Complaints

The Complaints procedure is set out under the theme of 'Have Your Say'. The 'Have Your Say' leaflet is available on the Council's website and on the Council's Intranet. Complaints can be made using the on-line form on the Council's website, by letter or in person. The Council is currently in the process of reviewing its complaints procedure to ensure it is fit for purpose.

A report providing an overview of the levels of Stage 2 complaints and ombudsman cases received in 2008 was presented to the meeting of Council's Appeals and General Purposes Committee held on 10 February 2009. It was agreed at the meeting that annual reports would continue to be presented to the committee in order that Members can get an overview and identify and challenge lessons learned. In addition, Customer Service performance reports are circulated to Heads of Service and third tier Managers on a monthly basis providing a range of information including the level of complaints received in connection with various services in order that services can seek to learn lessons and address issues of concern.

### Whistleblowing

The Council has had for many years a robust Whistleblowing Policy, which applies to all aspects of concern and not just fraud and corruption. The policy is designed to encourage individuals to feel confident in raising concerns, provide avenues for individuals to raise their concerns, provide feedback and to provide reassurance that they will be protected from possible reprisals or victimisation. The policy identifies a number of key Contacts to whom an individual can report. In addition to this, the Council has set up an e-mail address that staff can send concerns to.

This policy is reviewed regularly to ensure that it represents best practice. As such, the Policy was last updated in February 2009, to ensure that the latest BSI Guidance was reflected appropriately. As with all Council Policies, the Whistleblowing Policy has also been Equality Impact Assessed to ensure that all necessary arrangements have been considered to allow any individual the ability to access, use and understand the policy. This policy is in line with all People Management Procedures, which are consulted with the Trade Union, before being jointly signed off.

The Council has clearly communicated the policy to all employees. The Policy is provided to each new starter within their induction packs and prior to commencing work, individuals are required to return a signed form confirming they have read and understood the Whistleblowing Policy.

It is therefore considered, that the Council has in place adequate arrangements for dealing with Whistleblowing concerns and receiving and investigating complaints from the public.

**CIPFA/SOLACE Core Principle 5:  
Developing the capacity and capability of members and officers to be effective.**

**Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training**

### Inductions

Inductions are provided for all new Members elected to the Council. The Members Induction Session has recently been reviewed to ensure it is more comprehensive in future years, however as the Council does not have elections in 2009, it will not be possible to implement this until after the district councils next elections in 2010.

With regard to inductions for senior officers specific to their roles, there are local arrangements in place at present, however the Council has recently purchased a policy management and implementation system which integrates with the Council's e-learning systems and it is intended that this system will be utilised to provide formal training and awareness regarding relevant policies/procedures and other matters specific to officers taking up various senior officer positions. It is also intended to explore the same principle being used for all new staff to supplement the existing induction session by providing co-ordinated awareness and acceptance of key policies by all staff.

# Annual Governance Statement

## Skills and training

The Council continues to provide a range of development opportunities for Members and has delivered a wide range of training and information sessions throughout the year and Members have attended various external training. Many of these are identified by Members and delivered as a result of their requests. Feedback is collected following all training provided to Members to assess its effectiveness.

The Council is aware of the increasingly challenging role of being a Councillor including the increasing emphasis of their Community Leadership role and the many varying roles which individual Councillors fulfil in the Council's decision making process i.e. membership of different committees and different roles on those committees alongside the differing backgrounds and levels experience of individual Members. Therefore the development of a comprehensive Member Development Programme built around the formulation of personal development plans for Members is something that the Council will be addressing in 2009/10.

In conjunction with the implementation of a new Member Development Programme, a review will be undertaken of the Members role profiles to ensure they are interlinked.

It is therefore considered, that the Council has identified the development needs of Members and senior officers in relations to their strategic roles, but more formal arrangements will be developed during 2009/10 to improve the process.

### **CIPFA/SOLACE Core Principle 6:**

**Engaging with local people and other stakeholders to ensure robust public accountability.**

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

## Community engagement

The Council has a range of ways of engaging with stakeholders and service users to gain an understanding of the diverse needs of the local community, including those who are difficult to engage with. This information is then used to inform services and priorities. Engagement mechanisms include the citizens panel, focus groups/forums, the place survey, the status survey, the Council's call centre, through ward/parish Councillors, Overview and Scrutiny and tenant participation.

The Council is committed to working with partners including the Local Strategic Partnership to achieve outcomes, and recognises the importance of the emerging partnerships agenda, reflected by the move towards Comprehensive Area Assessment. The Council undertook work to assess the implications of the community engagement and empowerment agenda, which has ensured it is aware of the emerging issues and can respond effectively.

Examples of recent consultations include budget consultation, fear of crime and open spaces. Results from community involvement and consultation are used to set the Council and partner's priorities and objectives. Individual services undertake specific consultation e.g. Cultural services user surveys, Customer Services reception visitor surveys, call centre surveys and website user surveys. These are used to inform service development and are outlined in Service Plans where appropriate.

## Inclusion and diversity

Information from focus groups has been used recently to develop the Opportunities for All Scheme (OAS). The Council monitors equalities through all contact with the public/service users e.g. through the call centre, which helps to demographically identify those accessing our services. The Council also involves the local community in the design of services, with the most recent example being a customer services consultation asking service users and the public if they would like specific services to have longer opening hours. Specific ways of targeting those that are hard to engage include organising cohesion conferences/events to build networks and relationships with representatives of these communities and holding community forums

# Annual Governance Statement

The Council hosts a number of community forums. The purpose of all meetings is to ensure that the Council:

- Meets legislative requirements under the Equalities legislation, consultation and engagement requirements, and our Duty to Involve
- Empowers the community by involving them in the Council's decision making process, and
- Designs its services to meet the needs of our community.

These forums are community led and act as scrutiny mechanisms to ensure that the Council is meeting its objectives and targets in the Opportunities for All Scheme. Prior to the groups being formally established, the existing members of the groups were involved in the development of the OAS.

Working in partnership with Essex County Council, the Council has recently established a Traveller Forum. Hosted at the traveller's site, the first meeting took place on 9th March 2009 and will be held monthly.

The first community cohesion conference organised by Basildon Council was held on 23 October 2008. It will run every 3 years. It brings together organisations and community leaders across the private, public and voluntary sectors to discuss the positive promotion of good community relations. It aims to help create a community where there is a common sense of belonging and where the diversity of peoples' backgrounds and circumstances is appreciated and positively valued.

The conference in October kick-started the process of developing a district community cohesion strategy that is owned by the LSP. The conference identified key objectives, which are currently being used to develop the strategy. Follow up workshops have been held to give those who did not attend the conference the opportunity to engage. The strategy will be finalised and launched by a sub group of the LSP in October this year.

It is therefore considered, that the Council has established clear channels of communication with all sections of the community and other stakeholders, thus ensuring accountability and encouraging open consultation.

## REVIEW OF EFFECTIVENESS

Basildon District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group (who have responsibility for the development and maintenance of the governance environment), the annual report of the head of Internal Audit and also by comments made by the external auditors and other review agencies and inspectorates.

The processes for maintaining and reviewing the effectiveness of the system of internal control within Basildon District Council are:

- Annual reviews by Internal Audit of the authority's key financial systems and the internal controls in operation within each service area against known and emerging risks.
- Annual service planning to align service developments against strategic objectives.
- Ongoing review of the business of, and decisions taken by the Monitoring Officer, which include an assurance that the Council has acted lawfully and that agreed standards have been met.
- Ongoing review and action identified by the Corporate Governance Group and officers assigned with responsibility for coordinating corporate governance.
- Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services.
- Meetings of the Audit & Risk Committee to consider the work of, and recommendations made by the Internal and External Auditors and other review bodies.
- Annual reviews of the Council's financial accounts and supporting systems by the External Auditors leading to their opinion as published in the year-end statements.
- Annual reviews and updates of the Council's financial instructions.
- Ongoing review of the strategic, operational and project risks and the actions required to mitigate them.
- Review of the Local Code of Corporate Governance and evaluation of performance against its principles.
- Service based governance statements, incorporating service based corporate governance actions.

# Annual Governance Statement

In relation to the Council's Governance arrangements and Annual Governance Statement, Internal Audit have undertaken a review to assess the controls in place to ensure that the Council has an appropriate and robust procedure in place that allows the Council's Corporate Governance Statement to be produced, in line with best practices as detailed by CIPFA/Solace. The audit review confirmed that the Council has developed the Annual Governance Statement in line with advice and guidance provided by CIPFA/Solace, and that a good process has been developed to produce and support the Statement. As with any process adopted, however, the audit review has identified areas that could be improved to ensure that the process is further enhanced, evidenced and greater consideration and challenge of assurances is received.

Following the review by Internal Audit a detailed report and action plan has been developed to address the issues identified and ensure continuous improvement of the process in place.

## SIGNIFICANT GOVERNANCE ISSUES FOR IMPROVEMENT

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

<b>Risk Area / Control weakness</b>	<b>Planned Action</b>	<b>Responsible Officer</b>	<b>Timescales</b>
Undertake a review of the Corporate Complaints Procedure	<ul style="list-style-type: none"> <li>Undertake review of current arrangements</li> <li>Formal approval of new arrangements</li> <li>Communicate new arrangements as appropriate</li> </ul>	Lee Washbrook, Customer Services Manager	PID – Mid July 2009  Full Review – October 2009
Identification and delivery of development needs of Members	<ul style="list-style-type: none"> <li>Develop arrangements for a formal Member Development Programme</li> </ul>	Caroline Nugent, Human Resources and Organisational Development Manager/ Paul Burkinshaw, Democratic Services Manager	December 2009
Review and monitoring of actions arising from production of Annual Governance Statement and Local Code of Governance	<ul style="list-style-type: none"> <li>Develop a programme for regular monitoring of progress against actions within Services individual governance statements and actions set out in the AGS</li> </ul>	Paul Burkinshaw, Democratic Services Manager	July 2009 and then ongoing
Level of awareness of Corporate Governance amongst staff, the public and other stakeholders.	<ul style="list-style-type: none"> <li>Raise general awareness of governance amongst staff, the public and stakeholders using a range of appropriate means, i.e. article in district diary, staff newsletter etc.</li> </ul>	Paul Burkinshaw, Democratic Services Manager	December 2009
Monitor compliance with Council policies	<ul style="list-style-type: none"> <li>Introduction of the new policy acceptance software</li> <li>Provide regular output reports to Corporate Governance Group</li> </ul>	Paul Burkinshaw, Democratic Services Manager	June 2009  September 2009
Implementation of actions arising from internal audit reviews	<ul style="list-style-type: none"> <li>Managers to action audit recommendations in line with agreed timescales.</li> </ul>	Various Officers across the Council	Immediate and ongoing
Procurement Training	<ul style="list-style-type: none"> <li>Procurement Team to continue providing training for relevant staff.</li> </ul>	Lisa Hamilton, Legal Services Manager	On-going

# Annual Governance Statement

Risk Area / Control weakness	Planned Action	Responsible Officer	Timescales
There are no regular reports regarding the Council's risks provided to ET/SMT.	<ul style="list-style-type: none"> <li>To report red risks and other key risks of Council to Heads of Services and Executive Team on a monthly basis.</li> </ul>	Angela Clarke, Risk, Resilience and Business Continuity Manager	July 2009
No formal monitoring reports are produced on progress against delivering actions on the risk register.	<ul style="list-style-type: none"> <li>Regular exception reporting system to be established.</li> </ul>	Angela Clarke, Risk, Resilience and Business Continuity Manager	October 2009
Further clarity of the Council's Constitution arrangements	<ul style="list-style-type: none"> <li>Complete a review of the Council's Constitution and Scheme of Delegation.</li> </ul>	Lisa Hamilton, Legal Services Manager/ Paul Burkinshaw, Democratic Services Manager	End October 2009

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

<p>Signed            <b>A J BALL</b></p> <p>Date                25 June 2009</p> <p>                          Councillor Tony Ball                           Leader of the Council</p>	<p>Signed            <b>B MAHENDRAN</b></p> <p>Date                25 June 2009</p> <p>                          Bala Mahendran                           Chief Executive of                           Basildon District Council</p>
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# Annual Governance Statement

## Appendix 1

### SOURCES OF ASSURANCE

#### **CIPFA/SOLACE Core Principle 1:**

**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

**Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users, both within the organisation and externally**

**Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements**

Sources of Assurance:

- Corporate Governance Group
- Business Planning and Improvement Team Manager
- Head of Communications
- Inclusion and Diversity Manager

**Measuring the quality of service for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources.**

Sources of Assurance:

- Section 151 Officer
- Head of Financial Services
- Business Planning and Improvement Team Manager
- External Audit
- External Inspections

#### **CIPFA/SOLACE Core Principle 2:**

**Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

Sources of Assurance:

- Monitoring Officer
- Head of Democratic, Legal and Executive Services
- Democratic Services Manager

**Incorporating good governance arrangements in respect of partnerships and reflecting these in the Authority's overall governance arrangements.**

Sources of Assurance:

- Democratic Services Manager
- Business Planning and Improvement Team Manager

# Annual Governance Statement

## Appendix 1

### **CIPFA/SOLACE Core Principle 3:**

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

**Developing, communicating and embedding codes of conduct and ethical standards, defining the standards of behaviour for Members and staff.**

Sources of Assurance:

- Chairman of Standards Committee
- Monitoring Officer
- Legal Services Manager
- Human Resources Manager

### **CIPFA/SOLACE Core Principle 4:**

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.**

Sources of Assurance:

- Section 151 Officer
- Monitoring Officer
- Head of Financial Services
- Chief Internal Auditor
- Risk, Resilience and Business Continuity Manager
- Legal Services Manager
- Democratic Services Manager
- Manager – Environmental Health
- External Audit

**Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.**

Sources of Assurance:

- Chairman of Audit and Risk Committee
- Democratic Services Manager

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

Sources of Assurance:

- Section 151 Officer
- Monitoring Officer
- Head of Financial Services
- Legal Services Manager

**Receiving and investigating complaints from the public.**

Sources of Assurance:

- Customer Services Manager
- Chief Internal Auditor

# Annual Governance Statement

## Appendix 1

### **CIPFA/SOLACE Core Principle 5:**

**Developing the capacity and capability of members and officers to be effective.**

**Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training**

Sources of Assurance:

- Democratic Services Manager
- Human Resources Manager

### **CIPFA/SOLACE Core Principle 6:**

**Engaging with local people and other stakeholders to ensure robust public accountability.**

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

Sources of Assurance:

- Inclusion and Diversity Manager
- Business Planning and Improvement Team Manager

# Glossary



# Glossary

## 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.

## Balances

A Council's accumulated surplus of income over expenditure, after allowing for any Reserves.

## Balance Sheet

A summary of all the assets and liabilities of the Council at the end of a 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 'Net Worth'.

## 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. The Billing Authority 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 Requirement

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

## Capital Programme

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

## Capital Receipts

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

## Carry Forwards

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

# Glossary

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

CIPFA is the leading professional accountancy body for public services. It publishes the Statement of Recommended Practice (SORP) on which local authority accounts are prepared.

## **Collection Fund**

The fund into which Council Tax and Non-domestic 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 the occurrence, or non-occurrence, of some future event. The potential liability is disclosed as a Note to the accounts rather than reflected in the accounts themselves.

## **Council Tax**

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

## **Council Tax Base**

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

## **Creditors**

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

## **Debtors**

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

## **Deferred Liabilities**

Amounts payable at some future time or to be paid off 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.

## **Fair Value**

The amount for which an asset could be exchanged, or a liability settled, in an open market.

## **Fees and Charges**

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

# Glossary

## **Financial Regulations**

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

## **Financial Year**

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

## **Fixed Assets**

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

## **General Fund**

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

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

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

## **Impairment**

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

## **Insurance Pool**

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

## **Intangible Assets**

Fixed assets that have no physical substance but are identifiable and controlled through custody or legal rights. These could include, for example, software licences.

## **Leasing - Finance and Operating**

A method of acquiring the use of capital assets by which the investment is made by a lessor and a rental is charged to a lessee. The Council operates both as lessor and lessee in respect of land and property and as lessee in respect of vehicles, plant and equipment and certain other land and property. 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.

## **Liquid Resources**

Cash in hand, money at bank and readily realisable short-term investments.

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

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

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

A capital reserve intended for the elemental replacement of building structures and components in the Housing stock. The reserve is funded from the HRA via a depreciation charge 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. The term also includes office accommodation and other central overheads associated with staff directly employed by the service. The costs are recharged on an appropriate basis to services.

## **Materiality**

The concept of materiality derives from the premise that the financial statements often cannot be precisely accurate but that this need not distract from them being fairly stated. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the degree of tolerance acceptable.

# Glossary

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

Local authorities must make prudent provision for the repayment of debt. The minimum amount is set annually by the Council having regard to statutory guidance issued by the Secretary of State, and may be nil. There is no minimum revenue provision for HRA debt. Authorities are free to make additional voluntary provision from the General Fund or the HRA, or from capital resources.

## **Net Cost of Services**

The total cost of providing services after deducting any specific grant or other service-related income.

## **Non-distributed Costs**

Overheads which provide no benefit to services. They are not therefore apportioned to services. An example would be pensions arising from discretionary added years service.

## **Non-Domestic Rates**

National Non-Domestic Rates (NNDR), or Business Rates, are the means by which occupiers of non-residential property contribute to the cost of providing local authority services. They are levied on the rateable value of each business property multiplied by a uniform amount set annually by the government. Business rates collected by all Billing Authorities are paid into a national pool, which is then divided by the government between authorities, apart from Parish/Town Councils, based on the number of residents in each authority area. Small businesses benefit from a reduced multiplier.

## **Post Balance Sheet Events**

Events that occur between the Balance Sheet date and the date on which the Responsible Officer signs the Statement of Accounts. These are disclosed where required in the Notes to the Core Statements.

## **Precept**

The amount that local authorities providing services within the Basildon 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 an obligation at the Balance Sheet date, but where the exact amount or the date on which it will arise is uncertain. A provision is created by making a charge to revenue in the year in which the obligation is recognised.

## **Public Works Loans Board (PWLB)**

A government agency that offers longer-term loans to local authorities at interest rates marginally above the government's own cost of borrowing. It also acts as lender of last resort.

## **Reserves**

Reserves are set aside at the discretion of the Council to meet items of expenditure in future years.

## **Responsible Officer**

The Officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

## **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.

## **SORP**

The Statement of Recommended Practice which sets down in detail how accounting standards are to be applied to the preparation of the Statement of Accounts in local government.