
Basildon Borough Council

STATEMENT OF ACCOUNTS 2010/11

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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 2010, the Conservative group had 29 seats, the Labour group had 10 seats and the Liberal Democrats had 3. Cllr Mo Larkin was made Chairman of the Council for the municipal year 2010/11 and the Leader was Cllr Tony Ball. The Council was awarded Borough status in July 2010 and received its Charter on 26th October 2010, at which time Cllr Larkin became the Council's first Mayor.

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 for ensuring that 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 2010/11, the Cabinet consisted of 10 Members of the Council, 8 of whom were members of the majority Conservative political group and held specific areas of responsibility as indicated below:

- Leader of the Council – *Cllr Tony Ball*
- Deputy Leader – *Cllr Stephen Horgan*
- Resources – *Cllr Phil Turner*
- Housing – *Cllr Frank Tomlin*
- Leisure and Arts – *Cllr Kevin Blake*
- Community – *Cllr Andrew Baggott*
- Environment – *Cllr Malcolm Buckley*
- Development Control and Customer Services – *Cllr Richard Moore*.

In addition, 3 councillors were appointed Assistant Cabinet Members to advise and assist certain Cabinet Members. These were Councillor Dadds (assisting Councillors Horgan and Turner), Councillor Mackenzie (assisting Councillors Baggott and Tomlin) and Councillor Mowe (assisting Councillors M. Buckley and K. Blake).

Councillors Gordon (Labour) and Williams (Liberal Democrat) were members of the Cabinet without portfolio, representing opposition parties. Councillor Williams succeeded Councillor Williams in June 2010.

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 Scrutiny committees played a key role in informing the decision-making process and in developing new approaches to service provision and delivery. The Audit and Risk Committee is a Non-Executive Committee whose role is to provide independent assurance to the Council and the Cabinet of the adequacy of the overall corporate governance and internal control environments. This includes scrutiny of risk management and financial reporting processes. It has a key role in challenging the Statement of Accounts during June and approving it in September following the completion of the audit process. For information on the current Council, its councillors and committee structure, please visit our website at www.basildon.gov.uk.

ORGANISATIONAL STRUCTURE

During the financial year 2010/11, the management team was led by the Chief Executive, Bala Mahendran, and 3 Executive Directors, Mick Nice, Doug Smith and Chris White. There were also 8 Head of Service posts, each responsible for a range of specific service areas.

For accounting purposes, the Council group comprised the Council itself and St Georges Community Housing Limited, 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 Limited are therefore consolidated within the Council's overall accounts in the Group Accounts.

At 31 March 2011, the Council had 900 employees in post (676 full-time and 224 part-time). St Georges Community Housing Limited had 245 employees in post (169 full-time and 76 part-time).

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THE COUNCIL TAX 2010/11

The net budget requirement for Basildon Borough is the amount needed to finance Council services after allowing for planned expenditure and income. For 2010/11, this was set by the Council at £31.74 million, which included contributions of £1.34 million to reserves. The amount met by formula grant from Central Government was £15.88 million (50.0%), made up of Revenue Support Grant and redistributed National Non Domestic Rates, leaving £15.86 million (50.0%) to be raised locally from Council Tax. In addition, £0.19 million was added to the Council Tax requirement to meet this Council's contribution to the deficit on the Collection Fund. All figures exclude sums collectible by the Council on behalf of other precepting authorities.

On this basis, the 2010/11 Band D Council Tax for Basildon Council services was set at £253.44 (£251.19 in 2009/10). This was an increase of £2.25 per household per annum (4p per household per week), or 0.9% over the Council Tax level for the previous year.

MAJOR INFLUENCES ON THE COUNCIL'S FINANCES DURING 2010/11

The Council faced a number of challenges and uncertainties during 2010/11, many of which could have medium or long-term financial implications.

The most significant influence on the finances of the Council was the impact of the economic climate. The "credit crunch", which started in the autumn of 2008, led to extremely difficult problems of liquidity for the banking sector, not just in the UK, but around the world. The Bank of England was at the forefront of policy easing, reducing interest rates progressively to an all-time low of 0.5% in March 2009, where they remained through both the 2009/10 and 2010/11 financial years. The outgoing Government's attempts to limit the impact still left the incoming Government in May 2010 with one of the most testing and difficult economic and investment environments to manage since the 1930's.

The Council's finances were affected in a number of ways:

- Among 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 while they have been eased marginally since then, the market remains very difficult. As a result of its treasury policies, Basildon Council has suffered no losses in its investments. Investment earnings have, however, been seriously hit, with deposits with approved counterparties earning 0.46% per annum on average for the year and with negligible income from this source forecast over the medium term.
- The effects of the recession continue to impact on demand-led services through reduced income from leisure, planning and building control fees. There was also the need to anticipate a potential reduction in central government grant. While these issues have adversely affected the Council's forward financial forecast, there have been offsetting revenue savings through lower pay awards and prices.
- In addition, as a community leader, the Council has been committed to supporting residents and businesses through the recession and has set aside money in its budget for both 2009/10 and 2010/11 for that purpose.

The incoming Government, when it published its Coalition Agreement in May 2010, gave the deficit reduction programme precedence over any of the other measures proposed in the Agreement for the 5 years to May 2015. The Spending Review in October 2010 showed where the reductions in public spending would fall and, as far as local government was concerned, the provisional Financial Settlement published in December 2010 (and confirmed by Parliament in February 2011) resulted in front-loaded cash reductions in grants of 16.2% for Basildon Council in 2011/12 and, provisionally, a further reduction of 11.3% on a like-for-like basis in 2012/13. This gave a combined cash reduction of 26.1% over the 2 years. The Government gave no indication of government grant levels for 2013/14 or 2014/15 (years 3 and 4 of the Spending Review), but clearly until the national deficit is removed, forward financial planning needs to continue to assume further reduction in government grants.

Other factors having a significant influence on the finances of the authority in 2010/11 are mentioned briefly below:

■ Efficiencies and service transformation

Following the economic recession caused by the banking crisis in 2008 the Council recognised the need to proactively drive and deliver a robust programme of efficiencies and savings. Prior to May 2010

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General Election, the Council had already delivered a 3 year programme of efficiencies which resulted in ongoing budget reductions of approximately £4 million per annum and allowed for the expected reductions in Government Grant in future years within its forward financial forecast. The Council also had targets in place to deliver further ongoing efficiencies as part of its business transformation programme.

While Government grant reductions increased the need for efficiencies and savings beyond pre-election forecasts, the Business Transformation Programme was nevertheless firmly established and enabled the Council to take a planned approach to meeting the financial challenges. Furthermore, it recognised that there would be ongoing pressure on the public sector to deliver further efficiencies and improvements in value for money beyond the Comprehensive Spending Review period.

The level of efficiencies achieved in 2010/11 (£1.6 million) was significantly above the target. In its budget and forward forecast for 2011/12 to 2014/15, the Council set a cumulative target of £15.4 million of new efficiencies and savings in the General Fund. A joint Member/Officer group delivers the service efficiency and transformation agenda.

■ Regeneration schemes

Construction of the Sporting Village in Gloucester Park commenced in the autumn of 2009. The funding strategy assumed a high level of temporary borrowing during the construction period, pending the receipt of asset realisation proceeds, investing internal balances to meet these costs as far as possible, thus reducing exposure to external investment losses in the current economic climate. The level of borrowing outstanding at the year end attributable to this project was £16.0 million, which should reduce to a planned £5.2 million within 12 months of the year end.

After more than 3 years of procurement through the competitive dialogue process, and despite difficult market conditions during the economic recession, the Council was successful in the autumn of 2010 in entering into a long-term agreement with a development partner, Barratt Wilson Bowden, for regeneration of Basildon Town Centre. In time, this will provide new civic facilities, new retail and leisure developments, offices and housing with associated infrastructure. The Council's procurement work was largely financed from grants. The cost of the Council's ongoing support will be shared with the developer through annual contributions and will also be partly offset by additional planning and building control fees produced from the regeneration. Potentially, the Council stands to realise significant capital receipts over the development programme period, subject to economic conditions and the performance of the development partner.

■ Single Status

Another area of significant cost and uncertainty relates to the implementation of the 'Single Status' review of employment terms and conditions and related job evaluation scheme. While this will have cost implications for the Council, budget provision has been made. Developments arising from historical case law and outstanding equal pay claims in the national arena have delayed implementation. New proposals are almost finalised (reflecting current law and practice) with a view to submitting a revised package of proposals to the unions, following endorsement by councillors. Implementation is now expected during 2011/12 and will include the need to respond to any appeals or claims based on the outcomes. In common with many other local authorities, the Secretary of State has authorised expenditure on back-pay or compensation to be capitalised, up to £2.0 million in Basildon's case as at March 2011. The Council will apply for a new capitalisation direction in 2011/12 if the opportunity arises, but otherwise it will be necessary to use reserves to meet any other un-budgeted costs.

■ Housing Stock

In 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 (HCA) confirmed a supported borrowing allocation conditional upon St Georges securing a 2-star assessment from the Audit Commission. The achievement of a 2-star rating in June 2009 gave the Council access to the approved funding, but because of changes to the Government's spending priorities, the supported borrowing programme was reduced to £5 million in 2009/10 and £10 million for 2010/11, anything more being subject to a future Spending Review. Originally, the then Government's policy was for the national Decent Homes programme to be complete by 2010. In October 2010, the new Coalition Government made provision in its Spending Review for completion of the programme over 4 years commencing 2011/12, granting Basildon Council £66.9 million over this period consisting of a mixture of supported borrowing for the first 2 years but the mechanism for providing funding in the last 2 years is unconfirmed.

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■ VAT claims

Since 2009, Basildon Council, along with many other councils, has been pursuing claims against HM Revenues & Customs (HMRC) for recovery of overpaid VAT. The VAT regime within which local authorities operate is specialised and complex, leading to legal challenges in both the UK and the European Community. In conjunction with advisers, the Council was successful in securing repayments of VAT totalling £1.6 million (net) in 2010/11, which was credited to the Contingency Reserve. The Council continues to pursue other claims, but there is no certainty any more monies will be realised.

■ Impairments to Property Values

The reduction in market values for land and property experienced in 2008/09 was partly reversed in 2009/10. The substantial impairment charge in the Comprehensive Income and Expenditure Statement in 2010/11 is due to an increase in the social housing discount applied under Government accounting rules.

While having no significant effect on the 2010/11 financial position, the following material events in 2011/12 could significantly affect the reader's judgement on the Council's future financial performance and prospects:

■ Concessionary Fares

Consistent with all other lower-tier authorities in England, Basildon Council will hand over to the County Council on 1st April 2011 responsibility for administering and financing the statutory national fare-paid scheme. The annual revenue cost in 2010/11 for this service was a net £1.7 million, which will be saved by the Council in future (though an adjustment will be made to Formula Grant in respect of this transfer).

■ Housing Management

In April 2007, the Council set up an Arms Length Management Organisation, St Georges Community Housing Limited, to manage the Council's housing landlord function. During 2010/11, having received an unconditional offer of Government support for Decent Homes and with the prospect of making efficiency savings, the Council consulted its tenants on disbanding the arms length management arrangements. As a result, management of the landlord function will return to the Council from 4 July 2011. The cost of the service to St Georges was reflected in its management fee payable by the Council. In future, all costs will be borne directly by the Council.

■ Enforcement of the Green Belt

Since 2005, the Council has been pursuing enforcement of breaches of planning control in respect of unauthorised development by travellers at Crays Hill and Wickford. In May 2009 the House of Lords turned down any further right of appeal by the travellers under UK jurisdiction relating to the Council's decision to pursue direct action to achieve compliance, and contractors were procured in December 2009 to assist the Council with this enforcement work.

In July and September 2010, twelve pitches in Hovefields Drive, Wickford were cleared. In March 2011 the Council resolved to set aside up to £8.0 million to finance the site clearance operation at Dale Farm, Cray's Hill, subject to the Essex Police Authority funding its part in the action. The Government have approved a revenue grant of £1.2 million to the Council and a successful application has been made to the Secretary of State for Communities and Local Government to capitalise the balance of the cost. The Council will meet any residual cost from the Contingency Reserve. In order to partly reinstate the Contingency Reserve, Cabinet, on the 15 June, approved to transfer the savings delivered under the new Materials Reclamation Facility (MRF) contract and Bulking of Green Waste to this reserve. In addition, efficiency savings targets in other services will need to be increased so that, overall, the balance on the Contingency Reserve is £3.5million when all costs associated with this action have been discharged. Council, on 30 June, is considering a report to contribute up to £1.2million towards the policing of the operation. The date for site clearance has been set for the week commencing 19 September 2011.

■ Golf Course

In April 2006, the Council entered into an Agreement for Lease with Basildon Golf Centre Limited ("BGCL") for the land and premises at Basildon Golf Course, Clay Hill Lane, Basildon. Planning permission for certain developments at the golf course was granted to BGCL on 15 October 2007 (the "planning decision"). Thereafter, on 17 December 2007, the Council granted BGCL a ninety-nine year lease for the land and premises at the golf course and a ninety-nine year lease for the car park and ancillary buildings. In January 2008, the Friends of Basildon Golf Course (the "Friends") sought permission to judicially review the planning decision and they were given permission to appeal in April

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2008. The application to quash the planning decision was refused by the High Court in January 2009. However, the Friends received permission to appeal the High Court's decision. After hearings on the 13th and 14 October 2009, the Court of Appeal quashed the Council's planning decision on 14 December 2010. Council officers subsequently entered into discussions with BGCL and, since 31 March, the lease has been terminated on the basis that BGCL failed to comply with the terms contained therein. New arrangements are currently being put in place regarding the future management and operation of the golf course. Appropriate allowances have been made in the accounts to reflect the current position.

■ Coalition Government

The finances of the Council could also of course be affected significantly by the Coalition Government's legislative programme. This is particularly likely to arise from the Localism Bill currently before Parliament (including the new Housing Finance Regime as discussed in the Housing Revenue Account section later in this Foreword), from the outcome of the Local Government Resource Review, and through the reductions in grant support from 2011/12.

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 2010 (the Code), which defines proper accounting practices for local authorities.

With effect from the 2010/11 financial year, the Code requires the core financial statements to be prepared consistently with International Financial Reporting Standards (IFRS) as adopted for use in local government. IFRS accounting entries are in many cases reversed out through the Movement in Reserves Statement to reconcile back to the amount to be raised from Council Tax under statute. Similar adjustments are required in respect of the Housing Revenue Account. The comparative figures shown throughout the document for the 2009/10 financial year have been restated to reflect the new IFRS basis. Note 55 to the Accounts explains and quantifies the significant areas affected by the transition to IFRS.

The Code also introduced changes to the names, formats and purpose of some of the Core Financial Statements. The Balance Sheet and Cash Flow Statement are mainly unchanged. A full description of the new Statements is given at the end of this Explanatory Foreword.

The figures in this Explanatory Foreword are based on the "statutory" amounts that impact on Council Tax levels, Housing Rents, Reserves and Balances. The pure "accounting" entries required by the Code to be shown in the Core and Supplementary Statements and reversed out through the Movement in Reserves Statement (see Movement in Reserves Statement and Note 9) are therefore ignored for the purposes of this Explanatory Foreword to aid understanding.

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 2010/11 was set.

Service Area	2010/11		Variation £m
	Budget £m	Outturn £m	
Community	3.9	3.6	(0.3)
Development and Regulation	1.2	0.2	(1.0)
Environment	8.3	8.0	(0.3)
Housing	2.9	2.5	(0.4)
Leisure	6.1	7.2	1.1
Regeneration and Partnerships	1.0	0.6	(0.4)
Corporate and Central	6.8	4.2	(2.6)
Contingency	0.2	-	(0.2)
Net cost of services	30.4	26.3	(4.1)
Transfers to reserves and balances	1.3	5.4	4.1
Budget Requirement	31.7	31.7	-

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General spending was some £4.1 million below the original Budget for the year. In large part this was due to the efficiency exercise undertaken during the year, which identified £1.6 million of savings, VAT refunds of £1.6 million (as referred to earlier) relating to prior periods and a £0.3 million increase in grant income towards Housing Benefit expenditure. A number of compensating budget pressures were also identified, particularly in Leisure service areas where resources were redirected to address a range of unforeseen costs as evidenced in the previous table. Of the underspend, however, certain items were due to delays in expenditure, for example implementation of Single Status and spending associated with the Local Development Framework. These items have been included in a schedule of budgets approved for carry forward to 2011/12. After allowing for a total of £7.7 million of budgets carried forward to 2011/12, £2.5 million net of major ongoing projects (single status, local development framework and planning enforcement) available reserves and balances at the year end stood at £12.8 million, of which £2.5 million was unallocated.

HOUSING REVENUE ACCOUNT

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

The outturn for the Council's HRA in 2010/11 was a surplus of £0.6 million, which compares with £0.3 million budgeted at the start of the year. This improvement in the financial position is accounted for by an increase in Supporting People income as the result of a client reconciliation with the commissioning body, a lower level of bad debt write offs and an underspend in the revenue management fee payable to St. Georges. The working balance at 31 March 2011 was £4.8 million. After allowing for budgets to be carried forward to 2010/11 (£0.3 million), the available working balance stood at £4.5 million at the year end, including a sum of £0.6 million earmarked to meet any shortfall in the bad debts provision.

The average rent per dwelling per week in 2010/11 was £70.04. The Government's “limit rent” for Basildon Council was £68.91, being the amount at which Government subsidy towards the average cost of rent rebates was capped. Under the national rent restructuring policy, local authority landlords have been encouraged to move the rents of their dwellings onto a common basis with other social landlords. The formula approach takes account of relative property values and relative earnings in 2000/01 and the number of bedrooms in the property and was originally intended to converge all rents progressively over the 10 years to 2011/12. Since 2007/08, however, the government has been changing the rent restructuring period in order to control actual rent levels and the date for convergence is now no longer clear. One result of this change in approach is that rent rebate subsidy limitation will continue to be a cost to the HRA until convergence is reached.

The Localism Bill, currently before Parliament, provides for fundamental reform of the HRA subsidy system. 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 Council's negative subsidy obligation rose from £0.8 million in 2007/08 to £6.7 million in 2010/11 and, without reform, is projected to rise to £9.1 million by 2014/15. In return for removal of the obligation to pay negative subsidy, most local authorities will take on additional debt. Subject to Parliament approving the new proposals, the changes will take effect in April 2012. Thereafter, housing authorities will be free to operate their HRA's on a self-financing basis, which will give them considerable new freedoms, but also new responsibilities and risks. In theory, based on the financial models produced by the Government, it should be possible for the Council to redeem all its debt, including the additional debt, within thirty years.

In addition to the above, the new Government has approved a final settlement of £66.9 million in resources to support of Basildon Council's outstanding Decent Homes commitment, to be phased in over 4 years commencing 2011/12.

As mentioned earlier in this Foreword, the Council will be terminating its arm's length management arrangements with St Georges Community Housing Limited with effect from 4th July 2011. As far as these accounts are concerned, the contract was in full force throughout 2010/11 and accordingly the company's financial results for the year are incorporated in the Council's accounts. The company made a surplus of £0.9 million in 2010/11, or a deficit of just £3,000 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.

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CAPITAL EXPENDITURE

The capital strategy of the Council in recent years has been very ambitious, with a funded programme of more than £100 million of investment to be made over the 3 years to March 2012. This included the £38.1 million contract for a Sporting Village in Gloucester Park, a range of other leisure projects (significantly at Wat Tyler Park), £15 million of work to help bring the housing stock up to the Decent Homes standard, an affordable housing investment at Nevendon Road, a range of loans and grants for private sector housing, and project work to procure major development partners for the regeneration of Basildon and Wickford town centres. Much of this programme was resourced from Government grant, subsidies and supported borrowing, with contributions from other partners and more than £20 million of the Council's own capital receipts derived from the sale of its own surplus assets. In addition to these Council-led projects, the Borough was also a major partner in facilitating the Homes & Communities Agency's Craylands and Fryerns housing project.

The financial year 2010/11 was at the heart of such investment opportunities, as the projects committed mostly in 2009/10 ran their course. With the change in Government in May 2010 and the need to tackle the economic deficit, any new support from the Government during the year was very limited. By the year end, all the major projects were coming to an end, leaving only a basic programme of activity thereafter. The Sporting Village opened on time at the end of April 2011.

A major new commitment, that will occupy the Council's attention for up to the next 25 years, was the signing in November 2010 of a development agreement for regeneration of Basildon Town Centre. The capital investment required will be provided by the developer with the Council's role being that of landowner, statutory authority (for planning and use of CPO powers) and community leader. The Council's finances are protected through the master development agreement and other ancillary agreements.

The Council remains committed to the regeneration of Wickford following an abortive procurement process ending in February 2010 and is considering other avenues available for this purpose. The Council is also working with the private sector to secure regeneration initiatives at Laindon and Pitsea.

In summary, capital expenditure in 2010/11 amounted to £43.8 million, the largest elements of which were £22.9 million for the Sporting Village, £10.6 million for Decent Homes improvements and £1.6 million for improvements at Wat Tyler Country Park. These were in addition to the normal programme of housing stock improvements, £7.7 million and routine investment in General Fund assets. Spending was financed from a combination of the Major Repairs Reserve, £6.5 million, capital grants and contributions £7.7 million, capital receipts £2.7 million and borrowing £28.0 million. The total borrowing for the General Fund included £16.2 million (unsupported), the balance of £11.8 million relating to the Housing Revenue Account, made up of £11.1 million supported and £0.7 million unsupported.

ASSETS AND LIABILITIES

The only material acquisition during 2010/11 was the Sporting Village facility, referred to earlier, which was under construction but substantially completed at the year end.

The major asset disposals occurring during the year included the two tower blocks at Royal Court, which were demolished in October 2010 to make way for redevelopment. In addition, several land assets were identified for disposal at market value, including the site of Gloucester Park swimming pool and the Markhams Chase leisure centre, which will be surplus to service requirements upon the opening of the Sporting Village at the end of April. The proceeds of sale of these land assets have been earmarked to fund the Sporting Village. The market for right-to-buy housing disposals remained depressed throughout 2010/11, realising a total of 12 sales and proceeds of £1.23 million (before clawback and pooling).

Unsupported borrowing by the General Fund increased during the year largely as a result of the Sporting Village, where short term borrowing was used pending receipt of asset realisation proceeds. These proceeds will be used in 2011/12 to repay part of this debt. The additional supported borrowing of £11.1 million for the Housing Revenue Account currently falls under the protection of the Subsidy regime and will go forward into the debt settlement on which implementation of HRA reform will be based from April 2012.

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BALANCES AND RESERVES

Since 2008, local government finances have experienced unprecedented external pressures and uncertainties as a result of the global economic recession. When the Council Tax was set for 2010/11, an imminent general election added to the uncertainty with a wide range of possible outcomes in terms of policy and legislation. Having regard also to the special factors mentioned above, the Council found it necessary to increase the budgeted level of its estimated General Fund reserves from £10.0 million as at 31 March 2010 to £11.3 million as at 31 March 2011, of which £2.0 million was unallocated. The reserves for the Housing Revenue Account were also increased, by £0.3 million to £2.9 million.

Various reserves are earmarked 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. The balance unapplied on the reserve stood at £8.1 million at the year end.

A table comparing the outturn balances and reserves with budgeted levels is shown in the Summary Financial Information later in this Foreword.

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 Council's share in the Pension Fund administered by Essex County Council. The deficit decreased in 2010/11 from £77.0 million as at 31 March 2010 to £60.6 million as at 31 March 2011. The main reasons for this movement were an actuarial gain of £7.3 million, which is the difference between the Fund Actuary's assumptions for the year and what actually materialised, e.g. due to the performance of investment markets, and a Past Service gain of £10.5 million, which reflects a statutory change in the use of RPI to CPI in the calculation of pension fund liabilities.

FURTHER INFORMATION

Further particulars about the accounts can be obtained by writing to the Head of Resources, Basildon Borough Council, The Basildon Centre, St Martin's Square, Basildon SS14 1DL or by emailing finance@basildon.gov.uk. Financial information may also be found on the Council's website, www.basildon.gov.uk.

Other useful Financial Information can be found on the Council's website, including:

Prior Years' Statements of Accounts: <http://www.basildon.gov.uk/index.aspx?articleid=529>

Prior Years' Budget Forecast information: <http://www.basildon.gov.uk/index.aspx?articleid=530>

Invoices paid over £500 in value from January 2011: <http://www.basildon.gov.uk/index.aspx?articleid=3400>

Agendas and minutes for all Council Meetings. These contain useful information regarding decisions taken during the year: <http://www.basildonmeetings.info/uuCoverPage.aspx>

Contract Opportunities and Registration, past, current and future:
<http://www.basildon.gov.uk/index.aspx?articleid=302>

The Council's Constitution, the internal rules under which the Council operates:
<http://www.basildon.gov.uk/index.aspx?articleid=2084>

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■ REVENUE EXPENDITURE

Gross revenue expenditure in 2010/11 amounted to £173.1 million and is summarised here across the following service headings:

	£m	%
Community	4.9	2.8
Development and Regulation		
- Benefits (including administration)	82.1	47.5
- Other Services	6.1	3.5
Environment	11.7	6.8
Housing		
- Council Housing Services	38.8	22.4
- General Fund Housing Services	4.0	2.3
Leisure	10.0	5.7
Regeneration and Partnerships	2.7	1.6
Corporate and Central	6.4	3.6
Management and Administration	0.3	0.2
Transfers to Reserves	6.2	3.6
Total	173.2	100.0

■ REVENUE INCOME

Revenue expenditure was financed from the following sources:

	£m	%
<i>Government Grants</i>		
Revenue Support Grant	2.0	1.2
Other General Government Grants	0.2	0.1
National Non Domestic Rates	13.9	8.0
Housing and Council Tax Benefits	82.3	47.6
Sub-total	98.4	56.9
<i>Council Tax Levy</i> (excluding Parish and Town Council precepts)	15.9	9.2
<i>Other Income</i>		
Housing Rents	43.1	24.9
Fees, charges & other income	15.8	9.0
Total	173.2	100.0

Explanatory Foreword – Summary Financial Information

■ GENERAL FUND ACTIVITIES

The movement in General Fund balances, including earmarked reserves but excluding Parishes, was as follows:

	Budget £m	Outturn £m
Balance brought forward for General Fund Activities	9.9	15.0
Levy and deficit on Collection Fund	15.9	15.9
General Government Grants	2.0	2.0
National Non-Domestic Rates	13.9	13.9
Sub-total	41.7	46.8
Net cost of services	30.4	26.3
Balance carried forward 31 March 2010	11.3	20.5

■ TOTAL BALANCES AND RESERVES AT 31 MARCH 2011

	Budget £m	Outturn £m
General Fund Balance	2.0	8.9
Contingency Reserve	5.7	8.1
Insurance Pool Reserve	2.6	2.6
Other Earmarked Reserves	1.0	0.9
Sub-total: General Fund	11.3	20.5
Housing Revenue Account – General Balance	2.1	4.2
Housing Revenue Account – Earmarked Balance	0.8	0.6
Sub-Total: Housing Revenue Account	2.9	4.8
Total Balances and Reserves	14.2	25.3

■ EXTERNAL DEBT

	31 March 2011 £m	31 March 2010 £m	Change £m
Short term borrowing	51.1	20.0	31.1
Long term borrowing	104.0	114.0	(10.0)
Transferred Debt	0.7	0.7	-
Finance leases	3.1	3.7	(0.6)
Sub-total	158.9	138.4	20.5
Investments	(2.2)	(1.7)	(0.5)
Net External Debt	156.7	136.7	20.0

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

Interest payable on external debt and other liabilities for the year amounted to £8.4 million compared with an original budget of £9.6million.

Explanatory Foreword – Guide to the Financial Statements

■ Comprehensive Income and Expenditure Statement ►

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

■ Movement in Reserves Statement ►

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and Rent setting purposes. The Net Increase / Decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

■ Balance Sheet ►

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain them at a prudent level and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves relates to those that the authority is not able to use to provide services. These reserves hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide resources if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

■ Cash Flow Statement ►

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

■ Housing Revenue Account ►

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

■ Collection Fund Account ►

This is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers, distribution to local authorities and the Government of Council Tax and non-domestic rates.

■ Group Accounts ►

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

Statement of Responsibilities

Basildon Borough Council

The Council is required under local government legislation and other requirements to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this authority, that Officer is 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 delegated legal and professional responsibility for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Where necessary I have to make judgements and estimates, and these must be both reasonable and prudent. The accounts are to present a true and fair view of the financial position of the Council at 31 March and of 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 gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2011.

Signed:

M.J. Nice CPFA
Executive Director

30th June 2011.

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 28th September 2011.

Signed:

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

28th September 2011.

Auditor's Report

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

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Basildon Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Basildon Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director (s151 Officer) and auditor

As explained more fully in the Statement of the Executive Director's Responsibilities, the Executive Director is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Basildon Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Basildon Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

I certify that I have completed the audit of the Authority and Group accounts of Basildon Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Debbie Hanson
Officer of the Audit Commission

3rd Floor, Eastbrook Shaftesbury Road Cambridge, CB2 8BF

30 September 2011

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Going Concern basis is also assumed.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

3. Cash and Cash Equivalents

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

A financial instrument will be treated as a cash equivalent if it meets the definition given in IAS7; "short-term, highly liquid investments which are readily convertible to known amounts of cash without penalty and which are subject to an insignificant risk of changes in value". In this context, 'short-term' is defined as three calendar months or less, while 'insignificant' is defined as less than 1% risk of default or impairment. In the

Statement of Accounting Policies

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

4. Exceptional Items

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

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

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

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

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

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

Changes required as a result of the introduction of IFRS have been reflected retrospectively in the comparative figures for 2009/10.

6. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

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

7. Employee Benefits

Benefits Payable During Employment

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

Statement of Accounting Policies

Termination Benefits

Termination benefits are amounts payable as a result of a decision by Basildon Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate Service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

The liabilities of the Essex County Pension Fund attributable to Basildon Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

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

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or 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 – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 – debited to the Pensions Reserve
- Contributions paid to the Essex County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statement of Accounting Policies

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8. Events After the Balance Sheet Date

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

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Statement of Accounting Policies

Financial Assets

All of Basildon Council's financial assets are classified as "loans and receivables".

These are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables

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

10. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. No amounts of foreign currency were held or outstanding at the year-end.

11. Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

12. Capitalisation of Interest

The cash flow costs of schemes in the Council's annual capital programme are managed routinely within normal revenue resources. Where, however, the interval between work starting and the asset being brought into service exceeds twelve months the interest incurred on any borrowing undertaken to finance the project in respect of that period is capitalised. The capitalisation rate used is the weighted average of the borrowing costs applicable to the whole of the Council's borrowing.

Statement of Accounting Policies

13. Interests in Companies and Other Entities

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

14. Inventories

Inventories are included in the Balance Sheet at average cost.

15. Investment Property

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

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

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

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Statement of Accounting Policies

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Statement of Accounting Policies

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – e.g. accounting for pensions re past service costs, settlements and curtailments, plus any impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

18. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Statement of Accounting Policies

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, and equipment – certain vehicles, plant and equipment are procured on a “Finance Lease” basis. In accordance with accounting regulations these are therefore included as assets on the Council’s Balance Sheet. The depreciation for these assets is equal to the in-year rental charge made to the Council under the lease. Any other vehicles, plant and equipment purchased outright are depreciated on a straight line basis based on their useful economic lives.
- Infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair

Statement of Accounting Policies

value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

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

19. Provisions and Contingent Liabilities

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive

Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Unequal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Unequal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

Amounts approved by the Secretary of State to be funded from capital resources are credited to the Movement in Reserves Statement and debited to the Capital Adjustment Account. Where prudential borrowing is used to fund the expenditure the minimum charge to revenue is based on the amortisation period set out in statutory guidance.

Statement of Accounting Policies

Contingent Liabilities

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

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

20. Reserves

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

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

21. Revenue Expenditure Funded from Capital under Statute

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

22. VAT

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

23. Capital Receipts

The net proceeds of the sale of capital assets are credited to the Comprehensive Income and Expenditure Account and then to the Usable Capital Receipts Reserve via the Movement in Reserves Statement. 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 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.

24. 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:

Statement of Accounting Policies

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.

Further descriptions of methods available to the Council can be found in the Secretary of State's guidance here:

<http://www.communities.gov.uk/documents/localgovernment/pdf/1502003.pdf>

25. Deferred Capital Receipts

Where Council dwellings were sold and a Council mortgage was advanced to enable tenants to purchase the property, an amount equal to the mortgage was included as a deferred capital receipt. These are written down each year to the Capital Receipts Reserve by the amount of capital debt repaid by mortgagors in that year.

26. Agency Arrangements / Collection of Local Taxes

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. With effect from the year commencing 1 April 2009, only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from council tax payers.

The Council also acts as an agent in collecting national non-domestic rates (NNDR) on behalf of the Government. Only the income received in NNDR redistribution is recognised in the Income and Expenditure Account and only a creditor or debtor for cash collected from NNDR debtors but not paid over to the Government, or overpaid to the Government is recognised in the Balance Sheet.

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

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 Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

Core Statements

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and Rent setting purposes. The Net Increase / Decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2009	5,261	8,189	2,418	530	7	-	725	17,130	485,508	502,638
<u>Movement in reserves during 2009/10</u>										
Surplus or (deficit) on the provision of services	15,629	-	3,994	-	-	-	-	19,623	-	19,623
Revaluation gains								-	3,027	3,027
Revaluation losses (chargeable to revaluation reserve)								-	(1,536)	(1,536)
Impairment losses (chargeable to revaluation reserve)								-	-	-
Note does not equal movement in Revaluation Reserve as depreciation and disposals are not included in this section								-	902	902
Deferred purchase debt, principal repayment								-	205	205
Deferred Capital Receipts								-	(11)	(11)
Actuarial gains/(losses) on pension assets/liabilities								-	(19,062)	(19,062)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(16,475)	(16,475)
Total Comprehensive Income and Expenditure	15,629	-	3,994	-	-	-	-	19,623	(16,475)	3,148
Adjustments between accounting basis & funding basis under regulations	Note 9	(13,816)	-	(2,715)	-	191	-	1,075	(15,265)	15,265
Net Increase/(Decrease) before Transfers to Earmarked Reserves		1,813	-	1,279	-	191	-	1,075	4,358	(1,210)
Transfers to/(from) Earmarked Reserves	Note 35	(989)	989	(65)	65	-	-	-	-	-
Increase/(Decrease) in 2009/10		824	989	1,214	65	191	-	1,075	4,358	(1,210)
Balance at 31 March 2010 carried forward		6,085	9,178	3,632	595	198	-	1,800	21,488	484,298

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	6,085	9,178	3,632	595	198	-	1,800	21,488	484,298	505,786
<u>Movement in reserves during 2010/11</u>										
Surplus or (deficit) on the provision of services	20,551	-	(123,075)	-	-	-	-	(102,524)	-	(102,524)
Revaluation gains								-	(478)	(478)
Revaluation losses (chargeable to revaluation reserve)								-	-	-
Impairment losses (chargeable to revaluation reserve)								-	-	-
Note does not equal movement in Revaluation Reserve as depreciation and disposals are not included in this section								-	-	-
Deferred purchase debt, principal repayment								-	-	-
Deferred Capital Receipts								-	(1)	(1)
Actuarial gains/(losses) on pension assets/liabilities								-	7,334	7,334
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	6,855	6,855
Total Comprehensive Income and Expenditure	20,551	-	(123,075)	-	-	-	-	(102,524)	6,855	(95,669)
Adjustments between accounting basis & funding basis under regulations Note 9	(15,312)	-	123,643	-	(198)	-	1,198	109,331	(109,331)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	5,239	-	568	-	(198)	-	1,198	6,807	(102,476)	(95,669)
Transfers to/(from) Earmarked Reserves Note 35	(2,471)	2,471	3	(3)	-	-	-	-	-	-
Increase/(Decrease) in 2010/11	2,768	2,471	571	(3)	(198)	-	1,198	6,807	(102,476)	(95,669)
Balance at 31 March 2011 carried forward	8,853	11,649	4,203	592	-	-	2,998	28,295	381,822	410,117

Comprehensive Income and Expenditure Statement

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

	Note	2010/2011			2009/2010		
		£000	£000	£000	£000	£000	£000
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		22,821	(19,790)	3,031	22,162	(18,989)	3,173
Cultural, environmental, regulatory and planning services		27,815	(10,109)	17,706	33,194	(13,575)	19,619
Education and children's services		701	(714)	(13)	774	(673)	101
Highways and transport services		4,380	(1,768)	2,612	4,622	(1,823)	2,799
Local authority housing (HRA)		70,330	(48,643)	21,687	35,579	(48,928)	(13,349)
Exceptional Item - Social Factor	6	92,800	-	92,800	-	-	-
Other housing services		66,942	(65,372)	1,570	62,285	(61,544)	741
Adult social care		1,874	(1,002)	872	1,891	(1,043)	848
Exceptional item - VAT	6	-	(1,569)	(1,569)	-	-	-
Corporate and democratic core	11	4,762	(322)	4,440	4,839	(158)	4,681
Non distributed costs	13	-	-	-	273	-	273
Exceptional Item - Past Serv	6	(10,512)	-	(10,512)	-	-	-
Cost of Services		281,913	(149,289)	132,624	165,619	(146,733)	18,886
Other Operating Expenditure	14			(1,262)			725
Financing and Investment Income and Expenditure	15			11,375			11,538
Taxation and Non-Specific Grant Income	16			(40,213)			(50,771)
(Surplus) or Deficit on Provision of Services				102,524			(19,622)
Surplus or deficit on revaluation of non-current assets	41			478			(2,394)
Actuarial (gains)/ losses on pension assets / liabilities	50			(7,334)			19,062
Deferred purchase debt				-			(205)
Deferred Capital Receipts	47			1			11
Other (gains)/Losses				1			(194)
Other Comprehensive Income and Expenditure				(6,855)			16,474
Total Comprehensive Income and Expenditure				95,669			(3,148)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain them at a prudent level and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide resources if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Property, Plant & Equipment	41	616,001	706,711	681,299
Investment Property	42	15,092	15,597	15,163
Long Term Debtors	26	243	240	285
Long Term Assets		631,336	722,548	696,747
Assets held for sale	43	-	155	120
Inventories	25	280	243	250
Short Term Debtors	26	20,653	26,210	18,086
Cash and Cash Equivalents	51	-	-	640
Current Assets		20,933	26,608	19,096
Cash and Cash Equivalents	51	(269)	(1,296)	-
Short Term Borrowing	36	(51,098)	(20,031)	(5,000)
Short Term Creditors	27	(16,393)	(21,674)	(16,334)
Provisions - Single Status	29	(2,511)	-	-
Current Liabilities		(70,271)	(43,001)	(21,334)
Provisions - Other	29	(2,590)	(4,421)	(4,172)
Long Term Borrowing	36	(103,958)	(114,006)	(126,186)
Net Pensions Liability	50	(60,639)	(76,962)	(56,693)
Deferred Liabilities	28	(3,811)	(4,378)	(4,728)
Other Long Term Liabilities		(64,450)	(81,340)	(61,421)
Capital Grants Receipts in Advance	22	(883)	(602)	(92)
Long Term Liabilities		(171,881)	(200,369)	(191,871)
Net Assets		410,117	505,786	502,638
General Fund Balance		8,853	6,085	5,261
Earmarked Reserves Balance	35	11,649	9,178	8,189
Housing Revenue Account		4,795	4,227	2,948
Capital Receipts Reserve	48	-	198	7
Capital Grants Unapplied		2,998	1,800	725
Usable reserves	33	28,295	21,488	17,130
Revaluation Reserve	46	10,534	12,770	10,633
Pensions Reserve	50	(60,639)	(76,962)	(56,693)
Capital Adjustment Account	49	432,735	549,558	532,925
Deferred Capital Receipts	47	196	197	208
Financial Instruments Adjustment Account	40	(526)	(610)	(695)
Collection Fund Adjustment Account	35	(35)	(202)	(62)
Unequal Pay Back Pay Account	35	(443)	(453)	(808)
Unusable Reserves	34	381,822	484,298	485,508
Total Reserves		410,117	505,786	502,638

These financial statements replace the unaudited financial statements certified by Mick Nice on 30 June 2011

Cash Flow Statement (Indirect Method)

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

	Note	2010/11 £000	2009/10 £000
Net (surplus) or deficit on the provision of services		102,524	(19,622)
<u>Non-Cash Movements:</u>			
Depreciation		(22,638)	(22,280)
(Impairment and downward valuation) / Reversal of		(110,443)	10,853
(Increase) / Decrease in impairment provision for bad debts		(241)	195
(Increase) / Decrease in Creditors		3,739	(2,913)
Increase / (Decrease) in Debtors		(2,374)	3,780
Increase / (Decrease) in Stock		36	(7)
Pensions liability		8,989	(1,207)
Carrying Amount of Non Current Assets Sold		(845)	(1,255)
Disposal Costs of Non Current Assets Sold		(11)	(13)
		(123,788)	(12,847)
<u>Other non-cash items charged to the net surplus or deficit on the provision of services</u>			
Increase in provisions		(680)	(249)
Movement in the value of Investment Properties		(780)	438
Grants unapplied to the financing of capital expenditure		1,198	1,075
Grants applied to the financing of capital expenditure		6,598	17,702
		6,336	18,966
Adjustments to net surplus or deficit on the provision of services for non cash movements		(117,452)	6,119
Adjusted net surplus or deficit		(14,928)	(13,503)
<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</u>			
Proceeds from the sale of property plant and equipment, investment property and intangible assets		4,965	1,811
Net cash flows from Operating Activities	52	(9,963)	(11,692)
Net cashflows from Investing Activities	53	31,441	12,250
Net cashflows from Financing Activities	54	(22,505)	1,378
Net (increase) or decrease in cash and cash equivalents		(1,027)	1,936
Cash and cash equivalents at the beginning of the reporting period		(1,296)	640
Cash and cash equivalents at the end of the reporting period	51	(269)	(1,296)

Notes to the Core Statements

Notes to the Core Statements

General Notes

1 SIGNIFICANT ACCOUNTING POLICIES

The Council's Accounting Policies are set out in the previous section.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

IAS 8 requires an entity to disclose information in relation to newly issued accounting standards which have not yet come into effect. Financial Reporting Standard 30, 'Heritage Assets', specifies the accounting treatment and disclosures relating to assets held in trust for future generations because of their cultural, environmental or historical associations. Basildon Council will adopt this standard for the first time in its 2011/12 accounts, and will recognise its heritage assets as a separate class on its Balance Sheet.

A preliminary investigation into the potential impact of this standard has identified several heritage assets. The majority of these are currently classed as community assets, with two classed as Other Land & Buildings (both categories shown under Property, Plant & Equipment). The item which has not been included in the Council's balance sheet is the Mother & Child statue, installed in 1960. This was not recognised as capital expenditure in 1960 and there has been no substantial expenditure on this statue in recent times other than repairs and maintenance.

	Value of Heritage Assets as at:	
	31 Mar 11 £'000	31 Mar 10 £'000
Included within Community Assets	308	308
Included within Other Land & Buildings	131	133
Not included within the balance sheet (value estimated)	4	4
Total	443	445

The Council does not have sufficient information at present to produce an accurate estimate of the revaluation gains and/or losses, or the changes in depreciation and impairment which may result from the introduction of this standard.

Information on the extent of public access to these assets can be found on Basildon Borough Council's website, under 'Leisure and Culture - Local Attractions'.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are deemed as "restrictions" or "conditions" and whether any conditions have been met. If conditions are met then the income must be shown in the Comprehensive Income and Expenditure account. Treatment is the same if there are no conditions or just restrictions. However if there are conditions and they have not been met they must be shown in the Balance Sheet under creditors.

It is the Council's policy to provide for Back Pay arising from Unequal Pay Claims. This is a complicated area with many court cases happening across the country. We have estimated the impact of this and made a provision for estimated payments accordingly.

Notes to the Core Statements

General Notes

4 ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Local authorities must produce their statutory accounts on an IFRS basis from 1st April 2010 onwards. IFRS 1 (*First Time Adoption of IFRS*) requires that changes in accounting treatment be made as if the entity had always produced its accounts on an IFRS basis, with certain specified exceptions. With regard to lease accounting, this has had far-reaching effects.

The estimated General Fund provision of £2 million for back pay arising from equal pay claims is based on latest assumptions. Circumstances change regularly with any new case law arising across the country.

Many assumptions about the future are made by the Pension Fund Actuary in calculating the relevant figures for the Fund as a whole and for the accounts of this Council. Note 51 sets out the main assumptions.

All leases to which the Council was a party between 1st April 2009 and 31 March 2011 have needed to be reassessed in the light of the requirements under IFRS. Twenty-six leases which were previously accounted for as operating leases have been re-classified as finance leases, with the necessary changes in accounting treatment being taken back to the inception date of the lease - in some cases, back to the 1960's or 1970's. Where data is not available, estimates have been made for the following;

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

Where information is no longer available, the Council has followed the recommendations of the Code of Practice and the transitional provisions stipulated by CIPFA to calculate reasonable estimates.

There is a degree of estimation uncertainty in the setting of Bad Debt Provisions. Historical trends are usually the best technique available to predict the future, but some account has also been made to reflect the current economic climate.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

Apart from the Exceptional Items described below in Note 6, there are some regular material items of income and expense in Basildon's account that are worthy of note, due to their size and potential impact on the Council if there are significant fluctuations. These include figures for sums collected through Council Tax - £16 million (£100 million across all preceptors). Housing Benefits, while generally break-even to the Council, involve paying out sums in the region of £82 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £8.4 million. This figure will only increase due to additional borrowing requirements under the new Housing Finance Regime and the implementation of Decent Homes programmes. The Council also relies heavily on Government Grants. The 2 main "general" grants are Revenue Support Grant (£2 million) and Redistributed Non Domestic Rates (£13.9 million). Whilst treated as a Capital item, the Sporting Village project involved income and expenditure of around £38 million.

6 EXCEPTIONAL AND EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

The following Exceptional Items are shown on the face of the Comprehensive Income and Expenditure account outside of the usual category of service that they would otherwise be included. To include them in the service category would distort the true net cost position of the service and be mis-leading to the user of the accounts.

VAT - Fleming Case Refunds. The Council, following the House of Lords judgement in respect of Michael Fleming (which prevented HM Revenue & Customs from enforcing regulations which limited VAT Reclaims to the three previous years) submitted a number of "Fleming" claims. During 2010/11 the Council received a net settlement of £1.569 million. As these claims relate to periods prior to 1 April 2010 and across different services of the Council, they have been disclosed as an Exceptional Item within Net Cost of Services.

Notes to the Core Statements

General Notes

6 EXCEPTIONAL AND EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS (cont.)

In line with Government regulation the Market Valuation of Council Housing has been affected downwards by the introduction of a new rate of Social Housing Discount Factor to reflect the use of property as social housing. The rate by which the value of a property is calculated, due to its use for social housing purposes, was changed from being 46% of its open market value to only 39% of its open market value. This has resulted in a one-off charge for the downward valuation in the Housing Revenue Account and Comprehensive Income and Expenditure Statement of £92.8 million.

In line with Government regulation the Pension Fund Actuary has re-calculated the future liabilities of the pension fund on the basis of increases calculated using the Consumer Price Index as opposed to the Retail Price Index. CPI is lower than RPI so the future liabilities are now lower than they would have been if calculated using the RPI. This has resulted in a one-off exceptional gain to the Pension Fund which, for Basildon, is £10.518 million.

7 EVENTS AFTER THE BALANCE SHEET DATE

There are no material events since 31 March 2011 requiring either, an adjustment to the accounts, or a note to the accounts.

8 DATE ACCOUNTS AUTHORISED

These accounts will be authorised by the Audit and Risk Committee for issue on 28 September 2011, which is the date to which events after the balance sheet date will continue to be considered.

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves									
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000		
Adjustments primarily involving the Capital Adjustment Account:										
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>										
Charges for Depreciation and Impairment of non-current assets	1,877	-	39,204	-	-	-	-	-	(41,081)	
Revaluation losses on Property, Plant and Equipment (charged to SDPS)	110	-	91,890	-	-	-	-	-	(92,000)	
Movement in the market value of Investment Property	780	-	-	-	-	-	-	-	(780)	
Capital Grants & Contributions applied	(6,598)	-	-	-	-	-	-	-	6,598	
Revenue expenditure funded from capital under statute	421	-	-	-	-	-	-	-	(421)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	138	-	707	-	-	-	-	-	(845)	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>										
Statutory Provision for the financing of capital investment	(229)	-	(90)	-	-	-	-	-	319	
Capital expenditure charged against the General Fund and HRA Balances	(17)	-	-	-	-	-	-	-	17	
Adjustments primarily involving the Capital Grants Unapplied Account:										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,198)	-	-	-	-	-	1,198	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-	

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (cont.)

2010/11	Usable Reserves							
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	(3,974)	-	(1,174)	-	5,148	-	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	(3,085)	-	-	3,085
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	11	-	(11)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	308	-	-	-	(308)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments in respect of clawback to the Homes and Communities Agency	1,942	-	-	-	(1,942)	-	-	-
Adjustments involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA	-	-	(6,527)	-	-	6,527	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	(6,527)	-	6,527
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(93)	-	9	-	-	-	-	84
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(4,400)	-	814	-	-	-	-	3,586
Employer's contributions to Essex County Council Pension Scheme	(4,202)	-	(1,201)	-	-	-	-	5,403

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (cont.)

2010/11	Usable Reserves							
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which Council Tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation.	(167)	-	-	-	-	-	-	167
Adjustment involving the Unequal Pay Back Pay Adjustment Account:								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(10)	-	-	-	-	-	-	10
Total Adjustments	(15,312)	-	123,643	-	(198)	-	1,198	(109,331)

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (cont.)

2009/10 comparative figures	Usable Reserves							
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>								
Charges for Depreciation and Impairment of non-current assets	1,722	-	20,558	-	-	-	-	(22,280)
Revaluation losses on Property, Plant and Equipment (charged to SDPS)	1,527	-	(12,380)	-	-	-	-	10,853
Movement in the market value of Investment Property	(438)	-	-	-	-	-	-	438
Capital Grants & Contributions applied	(17,702)	-	-	-	-	-	-	17,702
Revenue expenditure funded from capital under statute	599	-	-	-	-	-	-	(599)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	122	-	1,134	-	-	-	-	(1,255)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>								
Statutory Provision for the financing of capital investment	(305)	-	-	-	-	-	-	305
Capital expenditure charged against the General Fund and HRA Balances	(166)	-	-	-	-	-	-	166
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,075)	-	-	-	-	-	1,075	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (cont.)

2009/10 comparative figures	Usable Reserves							
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	(245)	-	(1,652)	-	1,897	-	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	-	(714)	-	-	714
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	13	-	(13)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	374	-	-	-	(374)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments in respect of clawback to the Homes and Communities Agency	605	-	-	-	(605)	-	-	-
Adjustments involving the Major Repairs Reserve:								
Reversal of Major Repairs Allowance credited to the HRA	-	-	(10,129)	-	-	10,129	-	-
Use of the major repairs reserve to finance capital expenditure	-	-	-	-	-	(10,129)	-	10,129
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(94)	-	9	-	-	-	-	85
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	5,958	-	901	-	-	-	-	(6,859)
Employer's contributions to Essex County Council Pension Scheme	(4,483)	-	(1,169)	-	-	-	-	5,652

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (cont.)

2009/10 comparative figures	Usable Reserves								
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000	
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which Council Tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	140	-	-	-	-	-	-	-	(140)
Adjustment involving the Unequal Pay Back Pay Adjustment Account:									
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(355)	-	-	-	-	-	-	-	355
Total Adjustments	(13,816)	-	(2,715)	-	191	-	1,075	15,265	

Notes to the Core Statements

General Notes

10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

2010/11	Housing & Client Services £'000	Customer Services £'000	Street Scene & Leisure Services £'000	Corporate Services £'000	Environment & Community Services £'000	Resources £'000	HRA £'000	Total £'000
Fees, charges & other service income	(2,644)	(2,341)	(9,643)	(797)	(3,493)	(36,659)	(48,643)	(104,220)
Government grants	(261)	(81,799)	(45)	(78)	(341)	(27)		(82,551)
Total income	(2,905)	(84,141)	(9,688)	(875)	(3,834)	(36,686)	(48,643)	(186,771)
Employee Expenses	2,233	2,345	7,958	669	3,713	15,068	14,611	46,597
Other operating expenses	1,946	82,654	12,280	1,300	3,026	15,200	17,311	133,717
Support service recharges	852	2,019	3,274	1,461	1,660	6,594		15,859
Total operating expenses	5,031	87,019	23,512	3,430	8,398	36,862	31,922	196,173
Cost of services	2,126	2,878	13,824	2,556	4,564	176	(16,721)	9,402

Reconciliation to Net Cost of Services in Comprehensive Income & Expenditure Statement:

	£'000
Cost of Services in Service Analysis	9,402
Add amounts not reported to management	122,310
Remove amounts reported to management not included in Cost of Services	912
Net Cost of Services in Comprehensive Income and Expenditure Statement	132,624

Notes to the Core Statements

General Notes

10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

Reconciliation to Subjective Analysis:

2010/11	Service Analysis £'000	Not Reported to Management £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(104,220)	(11,481)	15,851	(99,850)	(1,145)	(100,995)
Interest & Investment Income	-	-	-	-	(7,461)	(7,461)
Income from Council Tax	-	-	-	-	(16,384)	(16,384)
Government Grants & Contributions	(82,551)	-	-	(82,551)	(22,684)	(105,235)
Total income	(186,771)	(11,481)	15,851	(182,401)	(47,674)	(230,075)
Employee Expenses	46,597	958	(3,098)	44,457	-	44,457
Other operating expenses	133,717	(219)	(11,708)	121,790	404	122,194
Support service recharges	15,859	-	(133)	15,726	-	15,726
Depreciation, Amortisation & Impairment	-	133,052	-	133,052	-	133,052
Interest Payments	-	-	-	-	18,432	18,432
Precepts & Levies	-	-	-	-	361	361
Payments to Housing Capital Receipts Pool	-	-	-	-	308	308
Amounts Payable in respect of Clawback on Disposal of Dwellings and Other Land	-	-	-	-	2,177	2,177
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(4,108)	(4,108)
Total operating expenses	196,173	133,791	(14,939)	315,025	17,574	332,599
Surplus or Deficit on the Provision of Services	9,402	122,310	912	132,624	(30,100)	102,524

Notes to the Core Statements

General Notes

10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

2009/10	Housing & Client Services £'000	Customer Services £'000	Street Scene & Leisure £'000	Corporate Services £'000	Environment & Community £'000	Resources £'000	HRA £'000	Total £'000
Fees, charges & other service income	(3,308)	(2,585)	(9,983)	(770)	(3,481)	(19,730)	(48,928)	(88,784)
Government grants	(311)	(76,397)	(16)	-	(309)	(42)		(77,076)
Total income	(3,619)	(78,982)	(9,999)	(770)	(3,790)	(19,772)	(48,928)	(165,860)
Employee Expenses	751	2,199	9,254	766	3,777	15,777	14,932	47,455
Other operating expenses	3,371	77,861	11,436	1,337	2,929	19,605	12,784	129,323
Support service recharges	1,218	2,369	3,385	1,514	1,726	(12,166)		(1,955)
Total operating expenses	5,340	82,429	24,075	3,616	8,432	23,215	27,716	174,824
Cost of services	1,721	3,447	14,076	2,846	4,642	3,444	(21,212)	8,964

Reconciliation to Net Cost of Services in Comprehensive Income & Expenditure Statement:

	£'000
Cost of Services in Service Analysis	8,964
Add amounts not reported to management	9,135
Remove amounts reported to management not included in Cost of Services	787
Net Cost of Services in Comprehensive Income and Expenditure Statement	18,886

Notes to the Core Statements

General Notes

10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

Reconciliation to Subjective Analysis:

2009/10	Service Analysis £'000	Not Reported to Management £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(88,378)	50	13,472	(74,856)	(3,107)	(77,963)
Interest & Investment Income	-	-	-	-	(5,441)	(5,441)
Income from Council Tax	-	-	-	-	(16,071)	(16,071)
Government Grants & Contributions	(77,054)	-	-	(77,054)	(32,979)	(110,033)
Total income	(165,432)	50	13,472	(151,910)	(57,598)	(209,508)
Employee Expenses	35,739	(116)	(3,035)	32,588	-	32,588
Other operating expenses	125,681	(1,735)	(9,539)	114,407	-	114,407
Support service recharges	12,976	-	(112)	12,864	-	12,864
Depreciation, Amortisation & Impairment	-	10,936	-	10,936	-	10,936
Interest Payments	-	-	-	-	18,365	18,365
Precepts & Levies	-	-	-	-	287	287
Payments to Housing Capital Receipts Pool	-	-	-	-	375	375
Amounts Payable in respect of Clawback on Disposal of Dwellings and Other Land	-	-	-	-	605	605
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(542)	(542)
Total operating expenses	174,396	9,085	(12,686)	170,795	19,090	189,885
Surplus or Deficit on the Provision of Services	8,964	9,135	787	18,886	(38,508)	(19,622)

Notes to the Core Statements

General Notes

11 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.

12 AGENCY SERVICES

Basildon Borough 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. This arrangement ended on 31/3/11 and will be replaced by an "Essex Partnership".

	2010/11 £'000	2009/10 £'000
Expenditure incurred in enforcing the On Street Parking Regulations for Essex County Council	389	488
Income from Parking Charges and Penalties	(343)	(359)
Deficit funded by Essex County Council	(46)	(129)
Total Agency Services	-	-

13 NON-DISTRIBUTED COSTS

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

	2010/11			2009/10
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Pensions: past service costs	(10,512)	-	(10,512)	146
Pension curtailment/settlement costs	-	-	-	127
Costs associated with unused assets	-	-	-	-
Total Non-distributed Costs	(10,512)	-	(10,512)	273

14 OTHER OPERATING EXPENDITURE

	2010/11 £000	2009/10 £000
Parish council precepts	361	287
Payments to the Government Housing Capital Receipts Pool	308	375
Amounts Payable in respect of Clawback on Disposal of Dwellings and other Land	2,177	605
(Gains)/losses on the disposal of non current assets	(4,108)	(542)
Total Other Operating Expenditure	(1,262)	725

15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010/11 £'000	2009/10 £'000
Interest payable and similar charges	8,419	9,083
Pensions interest cost and expected return on pensions assets	3,663	4,358
Interest receivable and similar income	(74)	(79)
Income and expenditure in relation to investment properties and changes in their fair value	(633)	(1,824)
Total Financing and Investment Income and Expenditure	11,375	11,538

Notes to the Core Statements

General Notes

16 TAXATION AND NON-SPECIFIC GRANT INCOME

		2010/11 £'000	2009/10 £'000
Council tax income		(16,384)	(16,071)
Non domestic rates		(13,869)	(12,707)
Non-ringfenced government grants	Note 22	(2,163)	(3,216)
Capital grants and contributions	Note 22	(7,797)	(18,777)
Total Taxation and Non-specific grant income		(40,213)	(50,771)

17 TRADING OPERATIONS

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.

The Council operates 11 industrial units, 141 shop premises and other miscellaneous properties let on a commercial basis. Further detail can be found in Note 42 Investment Properties.

18 EXTERNAL AUDIT COSTS

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

		2010/11 £'000	2009/10 £'000
External audit services carried out under the Code of Audit Practice		165	138
Certification of grant claims and returns for the year		54	61
Statutory inspections		2	8
Other services provided during the year		1	-
Total External Audit Costs		222	207

19 MEMBERS' ALLOWANCES

The 42 Councillors of Basildon Borough Council were paid the following allowances during the year. This is included within Corporate and Democratic Core in the Comprehensive Income and Expenditure Statement. The figures also include payments made to seven non-elected members of the Council's Standards Committee.

		2010/11 £'000	2009/10 £'000
Salaries		396	398
Allowances		28	33
Expenses		4	2
Total		428	433

Notes to the Core Statements

General Notes

20 OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Performance Related Pay £	Expense Allowance £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive (Bala Mahendran)	2010/11	175,128	28,442	3,000	1,545	24,705	232,820
	2009/10	172,451	26,881	3,000	1,154	24,482	227,968
Executive Director	2010/11	126,440	8,962	3,000	-	17,060	155,462
	2009/10	130,585	6,578	3,000	160	16,258	156,581
Executive Director	2010/11	125,652	21,352	-	1,545	18,486	167,035
	2009/10	127,121	9,319	1,500	1,154	16,518	155,612
Executive Director (w.e.f. 1.3.10)	2010/11	109,257	-	-	1,673	13,754	124,684
	2009/10	8,781	-	-	-	1,105	9,886
Head of Corporate Services - Note 1	2010/11	87,400	1,860	912	1,545	11,201	102,918
	2009/10	85,912	2,618	912	1,154	10,726	101,322
Head of Resources	2010/11	86,911	3,918	912	1,020	11,409	104,170
	2009/10	85,344	2,618	912	758	10,670	100,302
Community Services - Note 2	2010/11	83,654	3,288	912	-	10,896	98,750
	2009/10	83,189	4,920	912	-	10,671	99,692
Head of Street Scene and Leisure Services	2010/11	83,568	4,075	912	1,545	10,930	101,030
	2009/10	82,076	3,758	836	1,099	10,345	98,114
Development Project Director - Note 3	2010/11	94,563	2,260	-	-	-	96,823
	2009/10	92,969	1,940	-	-	-	94,909
Project Director -Sporting Village	2010/11	71,486	1,079	-	2,359	9,094	84,018
	2009/10	69,602	1,450	-	1,154	8,531	80,737
Head of Housing Strategy and Client Services	2010/11	70,249	1,986	-	1,265	8,977	82,477
	2009/10	69,655	1,300	-	716	8,402	80,073
Head of Customer Services (w.e.f 26.10.09)	2010/11	71,649	3,085	912	-	9,252	84,898
	2009/10	29,527	-	-	-	3,668	33,195
Total 2010/11		1,185,957	80,307	10,560	12,497	145,764	1,435,085
Total 2009/10		1,037,212	61,382	11,072	7,349	121,376	1,238,391

There were no pay awards taken by the above individuals. Year on year differences reflect changes in, for example, attendance at committees, Performance Related Pay, expenses etc.

Note 1 and Note 2 - The figures reflect payments made to individuals though, on 17 January 2011, responsibilities were interchanged.

Note 3 - The Development Project Director's post ceased from 31 January 2011. A Compensation for Loss of Office payment of £57,572 was made in addition to the above.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of employees	
	2010/11	2009/10
£50,000 - £55,000	8	9
£55,001 - £60,000	5	4
£60,001 - £65,000	9	7
£65,001 - £70,000	3	3
Total	25	23

Notes to the Core Statements

General Notes

21 TERMINATION BENEFITS

The Council agreed to two early retirements during 2010/11 resulting in an impact of £14,862 on the pension fund. It also had to make four people redundant during the year. Three of these incurred termination costs totalling £10,551 and an impact on pension fund of £720, the fourth is mentioned in Note 20 "Officers' Remuneration". In 2009/10, nine employees were made redundant incurring termination costs of £103,962. Five of these also incurred a strain on pension fund of £45,151. There were also six employees who took early retirement and these incurred a strain on pension fund of £231,604.

22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(2,014)	(2,933)
Area Based Grants	(137)	(113)
Local Authority Business Growth Incentive (LABGI) Grant	-	(78)
Housing and Planning Delivery Grant (HPDG)	(12)	(92)
Non-ringfenced government grants	(2,163)	(3,216)
Government support for Major Regeneration Schemes:		
Basildon Town Centre	-	(956)
Environmental Improvements	(29)	(1,084)
Sporting Village	(3,885)	(12,500)
Wat Tyler Country Park	(1,607)	(1,945)
Non-Government support for Major Regeneration Schemes:		
Sporting Village	(450)	(250)
Wat Tyler Country Park	(160)	(649)
Section 106 Contributions - Developers	(172)	(752)
Other Government Contributions:		
Housing	(1,131)	(571)
Recycling Centre & Kitchen Waste Scheme (Essex County Council)	(235)	(35)
Lake Meadows funding from other Local Authorities	(78)	(5)
Other Non-Government Contributions:	(50)	(30)
Capital Grants and Contributions	(7,797)	(18,777)
Total credited to Taxation and Non Specific Grant Income	(9,960)	(21,993)

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

	2010/11 £'000	2009/10 £'000
Capital Grants & Contributions		
Government support for Major Regeneration Schemes:		
Basildon Town Centre	1	30
Eversley Changing Rooms and Pitches	137	147
Wat Tyler Country Park	147	261
	285	438
Non-Government support for Major Regeneration Schemes:	1	1
Contributions - Developers	513	55
Decent Homes (EELGA)	84	108
Credited to Receipts in Advance in the Balance Sheet	883	602

Notes to the Core Statements

General Notes

22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS (cont.)

Credited to Services	2010/11 £'000	2009/10 £'000
Central Government		
Council Tax Benefits (DWP)	(19,648)	(18,417)
Rent Rebates (DWP)	(25,142)	(24,607)
Rent Allowances (DWP)	(36,521)	(32,902)
Specific Admin Grant (DWP)	-	(22)
Housing Options (DWP)	(237)	(135)
Prospects College (HCA)	-	(3,075)
Sporting Village (HCA)	(284)	(387)
Craylands & Fryerns (HCA)	(271)	(100)
Other Regeneration Funding (HCA)	(544)	(1,495)
Homelessness (CLG)	(145)	(499)
Community Safety (HO)	(243)	(286)
Concessionary Fares (DFT)	(487)	(474)
Royal Court Affordable Housing	-	(1,000)
Private Sector Decent Homes	-	(121)
DFG (SCG)	(424)	(420)
Decent Homes Grant	(667)	(492)
DWHH - PCT	(1)	(99)
Other Government Funding	(616)	(530)
	(85,230)	(85,061)
Local Authorities		
Recycling Credits (ECC, CPBC)	(1,315)	(1,229)
Transport (recycling) grant (ECC)	(493)	-
Performance Related Grant/LSP (ECC)	(169)	(434)
Surestart (ECC)	(689)	(643)
Highways Maintenance (ECC)	(230)	(238)
Community Transport (ECC)	(121)	(121)
Empty Properties (ECC)	(155)	(130)
Other Local Authority Grants and Contributions	(381)	(529)
Non-Government		
Town Centre (BWB)	(214)	-
TGSE (RSL/LSP)	(160)	(134)
Other Non-Government Grants and Contributions	(520)	(654)
Revenue Grants and Contributions	(89,677)	(89,173)

Notes to the Core Statements

General Notes

23 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 2009/10 and 2010/11 are set out in the table below:

	2010/11		2009/10	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Central Government				
General Government Grants	(2,163)	-	(3,216)	-
Non-domestic Rates Income from the National Pool	(13,869)	-	(12,707)	-
Other Grants (including those received for Capital purposes)	(91,882)	-	(102,117)	-
Precepting Authorities				
Essex County Council	(5,481)	71,063	(12,517)	71,230
Essex Police Authority	-	8,270	-	8,138
Essex Fire Authority	-	4,157	-	4,100
Parish, Town and Village Councils	-	361	-	287
Essex County Council Pension Fund				
Employer's Contributions	-	5,403	-	5,652
St. Georges Community Housing Limited				
Contract payments and receipts	(1,309)	41,433	(1,943)	39,630
Services and Grants to Local Organisations				
Citizens' Advice Bureaux (Basildon, Billericay and Wickford)	-	130	-	129
IMPACT (Advisory Service)	-	65	-	64
Basildon Borough Volunteer Carers	121	246	121	246
Council for Voluntary Services (Basildon, Billericay and Wickford)	-	18	-	18
Community Resource Centre	-	40	-	40
Disabled Information Action Line (DIAL)	-	10	-	10

The above figures are inclusive of accrued debtors and creditors at the year end. The level of debts outstanding from major Related Parties has been reviewed and it has not been found necessary to provide for any bad debts for amounts owing.

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

No Members apart from Cllr Dadds, or the Chief Executive, 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 Borough Volunteer Carers, each of which received services and/or grant funding from the Council as shown above.

Councillor D. Dadds entered into a transaction with the Council, at open market value and following due process, which is deemed to be a related party transaction. It is in respect of a lease taken out by Councillor Dadds and two business partners, for the use of shop premises on the ground floor of the Lift Tower building in the Town Square which is owned by the Council. The rentals paid under the lease during 2010/11 were £11,233.

24 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.

Notes to the Core Statements

General Notes

24 SUBSIDIARY COMPANY (cont.)

SGCH was incorporated on 28 November 2006 and commenced trading in April 2007. Its accounts for the period to 31 March 2011 have been prepared in accordance with the Companies Act 1985 and will be presented to its Board at a date later this year.

The following summarised accounts for 2010/11 and 2009/10 are based on the draft accounts of SGCH:

INCOME AND EXPENDITURE ACCOUNT	2010/11	2009/10
	£'000	£'000
Expenditure on Services	40,252	39,507
Less: Turnover	(41,432)	(39,689)
	(1,180)	(182)
Interest Payable	270	270
Deficit for the Year	(910)	88

BALANCE SHEET	31 Mar 11	31 Mar 10
	£'000	£'000
NON CURRENT ASSETS		
Tangible Assets	104	161
CURRENT ASSETS		
Debtors	9,620	7,629
Investments/Cash at bank and in hand	224	2,831
CURRENT LIABILITIES		
Creditors	(7,868)	(9,318)
OTHER LIABILITIES		
Provisions	(1,135)	(729)
Liability related to defined benefit pension scheme	(3,396)	(6,123)
Total Assets less liabilities	(2,451)	(5,549)
Income and Expenditure Account	945	574
Pensions Reserve	(3,396)	(6,123)
Reserves	(2,451)	(5,549)

In its Management Agreement with St Georges Community Housing Ltd, a wholly owned subsidiary, Basildon Borough 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 following balances between the Company and the Council are included in the previous table:

	31 Mar 11	31 Mar 10
	£'000	£'000
Debtors	7,500	5,393
Creditors	(1,136)	(1,120)
Net Intercompany Position	6,364	4,273

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

At a meeting of the Full Council on 21 March 2011 it was decided that the Council would terminate the Management Agreement with SGCH.

A copy of the 2010/11 accounts for SGCH may be acquired from St Georges Community Housing Ltd. at Basildon Centre, St Martin's Square, Basildon SS14 1DL.

Notes to the Core Statements

General Notes

25 INVENTORIES

	2010/11			Total £'000
	Central Stores £'000	Consum- ables £'000	Recharge- able Works £'000	
Balance at start of year	193	14	36	243
Purchases	1,563	-	-	1,563
Recognised as an expense in the year	(1,495)	2	(38)	(1,531)
Written off balances	5	-	-	5
Balance outstanding at end of year	266	16	(2)	280

	2009/10			Total £'000
	Central Stores £'000	Consum- ables £'000	Recharge- able Works £'000	
Balance at start of year	201	34	15	250
Purchases	1,367	-	-	1,367
Recognised as an expense in the year	(1,379)	(20)	21	(1,378)
Written off balances	4	-	-	4
Balance outstanding at end of year	193	14	36	243

26 DEBTORS

Long Term Debtors (Amounts falling due after more than one year)

	2011 £'000	2010 £'000
Employee Car Loans	33	34
Finance Lease Debtor	191	192
Mortgage payments outstanding on Sales of Council Houses	14	14
Other Loans	5	-
Total	243	240

Notes to the Core Statements

General Notes

26 DEBTORS (cont.)

Short Term Debtors (Amounts falling due within one year)

	Central government bodies £000	Other local authorities £000	NHS bodies £000	Public corporations and trading funds £000	Other entities and individuals £000	Total £000
31 March 2011						
Council Tax Arrears	-	-	-	-	869	869
Council Tax Benefits	626	-	-	-	-	626
Council Tax (Preceptors)	-	3,337	-	-	-	3,337
Non-domestic Rates	3,724	-	-	-	-	3,724
Council Tenants	-	-	-	-	1,184	1,184
Inter-company (St George's)	-	-	-	-	1,136	1,136
HM Revenue & Customs (VAT)	1,343	-	-	-	-	1,343
Rent Allowances	179	-	-	-	-	179
Housing Benefits	-	-	-	-	3,103	3,103
Sundry Debtors	10	1,473	1	-	3,001	4,485
Accrued Income	848	432	-	-	392	1,672
Prepayments	-	-	-	-	494	494
	6,730	5,242	1	-	10,179	22,152
Less: Bad debt provision:						
Council Tax Arrears	-	-	-	-	(218)	(218)
Non-domestic Rates	-	-	-	-	(10)	(10)
Council Tenants	-	-	-	-	(236)	(236)
Housing Benefits	-	-	-	-	(684)	(684)
Sundry Debtors	-	-	-	-	(351)	(351)
	-	-	-	-	(1,499)	(1,499)
Total	6,730	5,242	1	-	8,680	20,653
31 March 2010						
Council Tax Arrears	-	-	-	-	879	879
Council Tax Benefits	-	-	-	-	-	-
Council Tax (Preceptors)	-	4,157	-	-	-	4,157
Non-domestic Rates	4,977	-	-	-	-	4,977
Council Tenants	-	-	-	-	1,161	1,161
Inter-company (St George's)	-	-	-	-	1,120	1,120
HM Revenue & Customs (VAT)	2,341	-	-	-	-	2,341
Rent Allowances	2,301	-	-	-	-	2,301
Housing Benefits	-	-	-	-	2,689	2,689
Sundry Debtors	196	145	92	-	2,423	2,856
Accrued Income	3,225	1,167	-	10	246	4,648
Prepayments	-	-	-	-	339	339
	13,040	5,469	92	10	8,857	27,468
Less: Bad debt provision:						
Council Tax Arrears	-	-	-	-	(228)	(228)
Non-domestic Rates	-	-	-	-	(10)	(10)
Council Tenants	-	-	-	-	(261)	(261)
Housing Benefits	-	-	-	-	(583)	(583)
Sundry Debtors	-	-	-	-	(176)	(176)
	0	0	0	0	(1,258)	(1,258)
Total	13,040	5,469	92	10	7,599	26,210

Notes to the Core Statements

General Notes

27 SHORT-TERM CREDITORS

31 March 2011						
	Central government bodies £000	Other local authorities £000	NHS bodies £000	Public corporations and trading funds £000	Other entities and individuals £000	Total £000
Council Tax Prepayments	-	-	-	-	(127)	(127)
Housing Subsidy	(819)	-	-	-	-	(819)
Rent Rebates	(214)	-	-	-	-	(214)
HRA Leaseholders	-	-	-	-	(769)	(769)
St Georges Community Housing Ltd,	-	-	-	-	(7,500)	(7,500)
Sundry Creditors	(1,360)	(696)	-	-	(2,642)	(4,698)
Accrued Expenses	(3)	(257)	-	(42)	(537)	(839)
Receipts in Advance	(106)	(179)	(2)	-	(1,140)	(1,427)
Total	(2,502)	(1,132)	(2)	(42)	(12,715)	(16,393)

31 March 2010						
	Central government bodies £000	Other local authorities £000	NHS bodies £000	Public corporations and trading funds £000	Other entities and individuals £000	Total £000
Council Tax Prepayments	-	-	-	-	(129)	(129)
Council Tax Benefits	(364)	-	-	-	-	(364)
Housing Subsidy	(543)	-	-	-	-	(543)
Rent Rebates	(610)	-	-	-	-	(610)
HRA Leaseholders	-	-	-	-	(705)	(705)
St Georges Community Housing Ltd,	-	-	-	-	(5,393)	(5,393)
Sundry Creditors	(1,670)	(735)	-	-	(9,069)	(11,474)
Accrued Expenses	-	(398)	(30)	(28)	(738)	(1,194)
Receipts in Advance	(315)	(500)	(96)	-	(351)	(1,262)
Total	(3,502)	(1,633)	(126)	(28)	(16,385)	(21,674)

28 DEFERRED LIABILITIES

Long-term liabilities are analysed as follows:

	31 Mar 11 £'000	31 Mar 10 £'000
Finance Leases	(3,113)	(3,665)
Transferred Debt	(698)	(713)
Total Deferred Liabilities	(3,811)	(4,378)

Information in relation to Finance Leases is given in Note 31 below. 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.

Notes to the Core Statements

General Notes

29 PROVISIONS

	Insurance Pool £'000	Litigation Costs £'000	Land Charges £'000	Total Long-Term £'000	Single Status £'000	Total Short-Term £'000
Balance at 1 April 2010	(1,900)	(70)	-	(1,970)	(2,451)	(2,451)
Additional provisions made in 2010/11	(921)	(200)	(135)	(1,256)	(60)	(60)
Amounts used in 2010/11	586	-	-	586	-	-
Unused amounts reversed in 2010/11	-	50	-	50	-	-
Balance at 31 March 2011	(2,235)	(220)	(135)	(2,590)	(2,511)	(2,511)

Provision for known Insurance Claims

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

Provision for Litigation Costs

Whilst not an admission of guilt, provision has been made for costs in court cases where it is felt that there is a "probable" chance of having to incur these costs.

Provision for Land Charges

Provision has been made to reflect the decision to remove the ability to charge for a Personal Search of the Local Land Charge register and the collection of the prescribed fee being unlawful from 1st January 2005 under European Directive. The provision has been based on the volume of searches undertaken and collected from 1st January 2005 to October 2010.

Provision for Single Status Back-pay Compensation

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 finalise figures. Figures have, however, been reassessed on latest assumptions and the provision made in the accounts at 31 March 2011 is based on these assumptions. £60,000 reflects an additional top-up to the provision.

30 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 Borough Council, under a "scheme of arrangement" approved by the High Court in January 1994. As at 31 March 2011 the scheme had not been invoked.

MMI's accounts for the year to 30 September 2010 state that the company has continued to pay agreed claims in full, however, the Finance Director has now reported that the run-off projection no longer showed a break-even position and that the Company's solvency was now dependent on a number of issues such as future investment returns and the Supreme Court judgement in the Employers Liability Policy Trigger Litigation. 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 Borough 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

30 CONTINGENT LIABILITIES (cont.)

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

31 LEASES

Authority as Lessee

Finance Leases

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

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

	31 March 2011 £'000	Repaid in year £'000	31 March 2010 £'000
Other Land and Buildings	1,817	-	1,817
Vehicles, Plant, and Equipment	1,296	(552)	1,848
	3,113	(552)	3,665

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

	31 March 2011 £'000	31 March 2010 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	462	553
Payable between two and five years	845	1,264
Payable after five years	1,806	1,848
Finance costs payable in future years (not discounted)	14,036	13,673
Minimum lease payments	17,149	17,338

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	631	742	462	553
Later than one year and not later than five years	1,382	1,827	845	1,264
Later than five years	15,136	14,769	1,806	1,848
	17,149	17,338	3,113	3,665

Notes to the Core Statements

General Notes

31 LEASES (cont.)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £113,843 in contingent rents was payable by the Council (2009/10 £113,843). This relates to an agreement within a lease to pay to the head lessor 90% of the rents receivable through sub-letting the property concerned.

The Council has sub-let a set of industrial units in Wickford held under a finance lease. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £212,719 (£309,054 at 31 March 2010).

Operating Leases

The Council has entered into operating leases to enable them to rent the use of property, plant, equipment and vehicles.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	413	635
Later than one year and not later than five years	496	909
	909	1,544

There is one property hired under an operating lease which has been sublet on a non-cancellable lease. The total of future minimum sub-lease payments expected to be received under this sublease at 31st March 2011 amounts to £13,422 (£24,922 as at 31 March 2010).

Basildon Council has sub-contracted its grounds maintenance services to English Landscapes Maintenance Ltd. As part of this agreement, the Council has sub-leased its grounds maintenance equipment to the contractor, and expects to receive £305,000 in rentals over the period of the contract.

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

	31 March 2011 £'000	31 March 2010 £'000
Minimum lease payments	635	706
Sub lease payments receivable	(13)	(25)
	622	681

Authority as Lessor

Finance Leases

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

Notes to the Core Statements

General Notes

31 LEASES (cont.)

The gross investment is made up of the following amounts:

	31 March 2011 £'000	31 March 2010 £'000
Finance lease debtor (net present value of minimum lease payments):		
· current	1	1
· non current	191	192
Unearned finance income	2,556	2,591
Unguaranteed residual value of property	65	65
Gross investment in the lease	2,813	2,849

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
	Not later than one year	36	36	2
Later than one year and not later than five years	143	143	15	11
Later than five years	2,634	2,670	175	181
	2,813	2,849	192	193

As there is a possibility that worsening financial circumstances might result in lease payments not being made, the Council has set aside an allowance for uncollectible amounts of £15,000 (£34,000 at 31 March 2010).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £64,000 in respect of contingent rents were receivable by the Council (2009/10 £64,000).

Operating Leases

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

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

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	1,399	1,538
Later than one year and not later than five years	4,521	4,835
Later than five years	10,738	11,667
	16,658	18,040

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £186,000 contingent rents were receivable by the Council (2009/10 £173,000).

Notes to the Core Statements

General Notes

32 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 Mar 11 £'000	31 Mar 10 £'000
General Fund	49,192	19,938
Housing Revenue Account	360,925	485,848
Total Net Worth	410,117	505,786

33 USABLE RESERVES

Reserve	Purpose	Note	2011 £'000	2010 £'000	2009 £'000
General Fund Balance	Resources available to meet future running costs of non-Housing Revenue Account services This is the accumulated surplus of income over expenditure after allowing for any General Fund reserves (as below). Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax levels.		8,853	6,085	5,261
Earmarked Reserves Balance	Resources earmarked for particular spending plans and contingencies	35	11,649	9,178	8,189
Housing Revenue Account	Resources available to meet future running costs of the Council Housing Landlord service This is the accumulated surplus of income over expenditure. Its strategic use is to safeguard against budget risk and adverse impact on Council rent levels. An element of this is earmarked towards potential bad debts.		4,795	4,227	2,948
Capital Receipts Reserve	Proceeds of fixed asset sales available to finance capital expenditure or repay debt.		-	198	7
Major Repairs Reserve	A resource provided from within HRA Subsidy to finance capital expenditure on dwellings and other property in the HRA.		-	-	-
Capital Grants Unapplied	These are grants received for specific purposes but remain unspent at the year end.		2,998	1,800	725
Total Usable reserves			28,295	21,488	17,130

Further details of the movements in the Council's usable reserves are shown in the Movement in Reserves Statement and Notes 9 and 35.

Notes to the Core Statements

General Notes

34 UNUSABLE RESERVES

Reserve	Purpose	Note	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Revaluation Reserve	Gains on revaluation of non-current assets not yet realised	46	10,534	12,770	10,633
Capital Adjustment Account	Capital resources applied to meet past capital expenditure	49	432,735	549,558	532,925
Financial Instruments Adjustment Account	Unamortised premiums and discounts arising from premature redemption of debt	40	(526)	(610)	(695)
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions	50	(60,639)	(76,962)	(56,693)
Deferred Capital Receipts Reserve	Proceeds from sale of non-current assets not yet received	47	201	197	208
Collection Fund Adjustment Account	Difference between the Council's share of actual council tax income for the year and the statutory amount that can be released from the General Fund	35	(35)	(202)	(62)
Unequal Pay Back-pay Account	Value of provision for Single Status back pay not yet borne by the General Fund or HRA balance under statutory regulations	35	(443)	(453)	(808)
Total Unusable Reserves			381,827	484,298	485,508

35 FURTHER DETAILS OF MOVEMENTS ON RESERVES

Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	31 March 2011 £000
General Fund:							
Contingency Reserve	5,816	(188)	728	6,356	-	1,780	8,136
Insurance Pool	1,967	(50)	263	2,180	-	444	2,624
Major Asset Refurbishment	141	-	20	161	-	370	531
IT Initiatives	141	(119)	110	132	-	12	144
Commuted Sums	124	(124)	-	-	-	85	85
IFRS Reserve	-	-	-	-	-	21	21
Revenue Grants Unspent	-	-	349	349	(349)	108	108
Total	8,189	(481)	1,470	9,178	(349)	2,820	11,649
HRA							
Earmarked reserve	530	-	65	595	(3)	-	592
Total	530	-	65	595	(3)	-	592
Balance at 31 March	8,719	(481)	1,535	9,773	(352)	2,820	12,241

Notes to the Core Statements

General Notes

35 FURTHER DETAILS OF MOVEMENTS ON RESERVES

Contingency Reserve

The Contingency Reserve is an earmarked reserve created in 2005/06 (originally totalling £5.9 million) within the General Fund. It was set up to help meet any exceptional unbudgeted costs or additional investment in services. The facility should be called upon only in circumstances where the Council consider that normal reserves, including the annual budgeted contingency provision, could not reasonably meet the need and where the financial implications, including future ongoing interest charges, are justified by the merits of the particular case at the time, such as specific investment in services.

Insurance Pool Reserve

To meet any unforeseen liabilities on the Council's self-insurance arrangements. This includes any liability for claims incurred by Municipal Mutual Insurance, who were the Council's insurer prior to 1992 and are in solvent run-off at the present time. Under the scheme of arrangement approved by the High Court, this Council's potential clawback is £643,000.

Major Asset Refurbishment Earmarked Reserve

To provide for ongoing maintenance of Basildon town centre assets.

IT Earmarked Reserve

To accumulate funds for future investment, e.g. licensing software renewal.

Commuted Sums Reserve

To accumulate sums received from developers to provide investment income to meet the cost to the Council of maintenance obligations arising under s106 agreements.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(202)	(62)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	167	(140)
Balance at 31 March	(35)	(202)

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(453)	(808)
Increase in provision for back pay in relation to Equal Pay cases	10	355
Cash settlements paid in the year	-	-
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	10	355
Balance at 31 March	(443)	(453)

Notes to the Core Statements

Financial Instrument Notes

36 CATEGORIES OF FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	-	-	2,200	1,700
Total Investments	-	-	2,200	1,700
Debtors				
Loans and receivables	243	240	8,680	7,599
Total Debtors	243	240	8,680	7,599
Total Financial Assets	243	240	10,880	9,299
Borrowings				
Financial liabilities at amortised cost	(103,958)	(114,007)	(51,098)	(20,031)
Total Borrowings	(103,958)	(114,007)	(51,098)	(20,031)
Other Long Term Liabilities				
Finance lease liabilities	(3,113)	(3,665)	-	-
Transferred Debt	(698)	(713)	-	-
Total Other Long Term Liabilities	(3,811)	(4,378)	-	-
Creditors				
Financial liabilities carried at contract amounts	-	-	(16,068)	(19,989)
Bank Overdraft (Cash & Cash Equivalents)	-	-	(2,470)	(3,002)
Capital Grants Receipts in Advance	-	-	(883)	(602)
Trade Creditors	-	-	(12,715)	(16,385)
Total Creditors	-	-	(16,068)	(19,989)
Total Financial Liabilities	(107,769)	(118,385)	(67,166)	(40,020)

It should be noted that interest payable is not accrued on debt incurred prior to April 1987, as explained in Policy 2 in the Statement of Accounting Policies. The figures for Carrying Amount and Fair Value do not therefore reflect unaccrued interest of £238,000 at 31 March 2011 (£262,00 at 31 March 2010).

37 INCOME, EXPENSE, GAINS AND LOSSES

	2009/10			2010/11		
	Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(9,083)	-	(9,083)	(8,419)	-	(8,419)
Fee expense	-	-	-	-	-	-
Premium for early redemption of debt	(74)	-	(74)	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(9,157)	-	(9,157)	(8,419)	-	(8,419)
Interest income	-	79	79	-	74	74
Fee expense	-	-	-	-	-	-
Premium for early redemption of debt	74	-	74	-	-	-
Total income in Surplus or Deficit on the Provision of Services	74	79	153	-	74	74
Net gain/(loss) for the year	(9,083)	79	(9,004)	(8,419)	74	(8,345)

Notes to the Core Statements

Financial Instrument Notes

The Council incurred premiums and discounts on the early redemption of three loans and one part-loan totalling £5,575,033 during 2009/10. This resulted in the payment of premiums totalling £74,404 and the receipt of a discount of £74,404. The net impact on the Comprehensive Income and Expenditure Statement for the year was therefore nil.

38 FAIR VALUES OF ASSETS AND LIABILITIES

Financial liabilities, financial assets represented by loans and receivables, and long-term debtors and creditors are carried in 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 term of the instruments, using the following assumptions:

- The range of interest rates payable on PWLB debt at 31 March 2011 was from 4.55% to 15.25% (weighted average, 7.26%), which compares with a range of 4.55% to 15.25% (weighted average 7.22%) at 31 March 2010. The equivalent figures for non-PWLB long-term debt ranged from 6.53% to 11.44% (weighted average, 8.02%) at 31 March 2011, which was unchanged from 31 March 2010.
- 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. Accordingly, the fair values for debt liabilities shown in the table below 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 of fair value for these instruments.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade creditors and debtors is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2010/11		2009/10	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	106,745	132,832	113,273	139,328
Non PWLB long-term debt	7,262	8,896	7,262	9,178
Money Market debt	41,050	41,050	13,503	13,503
Finance lease liabilities	3,113	3,113	3,665	3,665
Transferred Debt	698	698	713	713
Bank Overdraft	2,470	2,470	3,002	3,002
Trade Creditors	13,598	13,598	16,987	16,987
Total Financial Liabilities	174,936	202,657	158,405	186,376

	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
	Money Market Investments	2,200	2,200	1,700
Trade Debtors	8,923	8,923	7,839	7,839
Total Financial Assets	11,123	11,123	9,539	9,539

Notes to the Core Statements

Financial Instrument Notes

39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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.

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by full Council as part of the Annual Treasury Management Strategy Report. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which defines the minimum credit criteria required for a financial institution to be considered as a counterparty in the Council's investment activities and highlights the need to consider factors outside the formal credit ratings. In addition, the Annual Investment Strategy sets a maximum sum to be invested with a financial institution located within each category at any one time.

Deposits are not made with banks and other financial institutions unless the proposed counterparty meets at least the minimum investment criteria set by the Council. In 2007, with the beginning of the 'credit crunch', the Council tightened its criteria by taking a variety of temporary measures to further reduce and diversify risk exposure and similar measures remained in place throughout 2009/10. Some of these measures have been cautiously eased in 2010/11, taking into consideration the stabilisation of the UK banking sector, although strict controls remain in place.

For investments placed with bodies other than UK government, local authorities and building societies, the Council determined its credit criteria by reference to ratings produced by the major credit rating agencies. The formal criteria for selecting building societies for investment related 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, and this restriction remained in place throughout 2010/11. Both the amounts and the length of term were also subject to limits set by the Council. The Council avoided concentrations of credit risk on its liquid assets by spreading its exposure over several financial institutions wherever practicable.

It should be noted that 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 2010/11 was £23.9 million (£21.5 million, 2009/10). During 2010/11, the Council looked increasingly to meet its new capital expenditure borrowing requirements from internal funds that would otherwise have been invested externally, thus reducing further its exposure to credit risk.

Customers for goods and services are given 28 days in which to settle their debt, after which time a succession of recovery measures are taken. 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.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £2.2m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence as at 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on financial assets other than investments, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

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Financial Instrument Notes

39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

	Amount at 31 March 2011 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £'000	Estimated maximum exposure at 31 March 2010 £'000
Debtors	8,923	4.85	6.02	537	392

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council has also considered the risk that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To address this danger, the council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment within a short period of time. The Council has organised its debt portfolio such that the maturity profile of long-term debt is well-balanced, and new borrowing is planned prudently to ensure that an excessive amount of debt does not fall due for repayment at the same time, or within the same financial year. Where it is economical to do so, the Council will also make early repayment of debt.

The maturity analysis of financial liabilities (the principal amount of PWLB debt, bonds, and temporary borrowing) and financial assets (investments with banks and other financial institutions) as at 31 March 2011 was as follows:

	31 03 11 £'000	31 03 10 £'000
Less than one year	51,796	21,917
Between one and two years	7,405	10,479
Between two and five years	20,016	17,364
Between five and ten years	23,668	33,685
Between ten and fifteen years	22,345	15,321
Between fifteen and twenty years	24,610	31,674
More than twenty years	7,741	7,741
Principal Amount	157,581	138,181

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

Borrowings at fixed rates – the fair value of the liabilities will fall

Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Notes to the Core Statements

Financial Instrument Notes

39 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)

The Council has a number of strategies for managing interest rate risk. As part of this, its policy is to aim for a maximum of 15% of its debt to be exposed to variable rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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 and adjust exposures where appropriate.

According to this assessment strategy, if interest rates had been 0.25% higher with all other variables held constant, the financial effect at 31 March 2011 would be:

	31 03 11	31 03 10
	£'000	£'000
Increase in interest payable on variable rate borrowings	49	5
Increase in interest receivable on variable rate investments	(14)	(14)
Impact on Surplus or Deficit on the Provision of Services	35	(9)
Net share of overall impact debited/(credited) to the HRA	37	(3)
Impact on Other Comprehensive Income and Expenditure	35	(9)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	2,360	2,576

The impact of a 0.25% fall in interest rates would be as above, but with the movements being reversed.

Price Risk

The Council does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

40 FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the FIAA to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement in full when they are incurred, but are transferred from the General Fund balance to the FIAA through the Movement in Reserves Statement. Over time, the expense is debited to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the case of Basildon Borough Council, this period is the unexpired term that was outstanding on the loans when they were redeemed, with a maximum limit of ten years on redemptions undertaken since 2006. The final entries to amortise the current set of premiums will take place in 2027/28.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	610	695
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(84)	(85)
Balance at 31 March	526	610

Notes to the Core Statements

Capital Notes

41 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2010/11	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra- Structure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation:								
At 1 April 2010	624,585	54,200	7,241	373	4,952	19,894	30	711,275
Additions	18,250	292	293	93	136	24,750	-	43,814
Derecognition - Disposals	(718)	(19)	-	-	-	-	-	(737)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(5,471)	299	-	-	-	5	(75)	(5,242)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(108,038)	(527)	-	-	-	-	-	(108,565)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	35	-	-	35
Other movements in cost or Valuation - Reclassifications	-	(1,311)	68	658	-	(1,901)	2,211	(275)
At 31 March 2011	528,608	52,934	7,602	1,124	5,123	42,748	2,166	640,305
Accumulated Depreciation and Impairments:								
At 1 April 2010	-	1,631	2,933	-	-	-	-	4,564
Adjustment to cumulative Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge for 2010/11	19,856	1,868	909	-	-	-	5	22,638
Depreciation eliminated on Disposals	(11)	(1)	-	-	-	-	-	(12)
Depreciation written out to the Revaluation Reserve	(3,508)	(1,250)	-	-	-	-	(6)	(4,764)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16,337)	(228)	-	-	-	-	-	(16,565)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	18,250	193	-	-	-	-	-	18,443
Other movements in cost or Valuation - Reclassifications	-	(133)	-	-	-	-	133	-
At 31 March 2011	18,250	2,080	3,842	-	-	-	132	24,304
Net Book Value:								
At 31 March 2011	510,358	50,854	3,760	1,124	5,123	42,748	2,034	616,001
At 1 April 2010	624,585	52,569	4,308	373	4,952	19,894	30	706,711

Notes to the Core Statements

Capital Notes

41 PROPERTY, PLANT AND EQUIPMENT (cont.)

Comparative Movements in 2009/10	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra- Structure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation:								
At 1 April 2009	614,283	53,356	5,968	205	4,988	5,564	28	684,392
Additions	16,175	515	1,300	-	3	17,739	-	35,732
Derecognition - Disposals	(1,120)	(153)	(57)	-	(4)	-	(28)	(1,362)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,321	(852)	-	-	-	-	22	1,491
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,038)	(1,863)	30	(53)	-	-	(19)	(8,943)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	(35)	(35)
Other movements in cost or Valuation - Reclassifications	(36)	3,197	-	221	(35)	(3,409)	62	-
At 31 March 2010	624,585	54,200	7,241	373	4,952	19,894	30	711,275
Accumulated Depreciation and Impairments:								
At 1 April 2009	-	847	2,246	-	-	-	-	3,093
Adjustment to cumulative Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge for 2009/10	19,656	1,880	744	-	-	-	-	22,280
Depreciation eliminated on Disposals	(36)	(18)	(57)	-	-	-	-	(111)
Depreciation written out to the Revaluation Reserve	-	(902)	-	-	-	-	-	(902)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(19,620)	(176)	-	-	-	-	-	(19,796)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 March 2010	-	1,631	2,933	-	-	-	-	4,564
Net Book Value:								
At 31 March 2010	624,585	52,569	4,308	373	4,952	19,894	30	706,711
At 1 April 2009	614,283	52,509	3,722	205	4,988	5,564	28	681,299

Notes to the Core Statements

Capital Notes

41 PROPERTY, PLANT AND EQUIPMENT (cont.)

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:

Buildings other than dwellings	10 – 65 years
Council Dwellings	25 years
Vehicles, Plant & Equipment	4 – 10 years

Revaluations

The valuation date for assets valued in the year is 31 December 2010. The statement below shows the progress on the Council's rolling programme for the revaluation of non-current 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 18.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Assets Under Constructio £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	-	7,602	1,124	5,123	42,748	2166	58,763
Carried at fair value as at:								
31.3.2011	528,608	(1,466)	-	-	-	-	-	527,142
31.3.2010	-	17,606	-	-	-	-	-	17,606
31.3.2009	-	29,440	-	-	-	-	-	29,440
31.3.2008	-	625	-	-	-	-	-	625
31.3.2007	-	6,729	-	-	-	-	-	6,729
Gross Book Value at 31 March 2011	528,608	52,934	7,602	1,124	5,123	42,748	2,166	640,305

42 INVESTMENT PROPERTIES

The Council holds one investment property under a lease. This was judged to be an operating lease under UK GAAP, but has been reassessed as a finance lease in accordance with the accounting requirements of IAS 17. The accounting entries relating to this change have been undertaken retrospectively.

The Council operates 11 industrial units, 141 shop premises and other miscellaneous properties let on a commercial basis. The rise in impairments for 2010/11 over the previous year's level is a real "economic" impact on the Council but statutory accounting rules do not allow this cost to be charged to the Council Tax payer, unless a property is sold and loss becomes a real loss. Note 9 details all such statutory adjustments which are "reversed out" via the Movement in Reserves Statement into the Capital Adjustment Account.

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

	2010/11 £'000	2009/10 £'000
Rental income from investment property	(1,788)	(1,898)
Other Income	(60)	(31)
Direct operating expenses arising from investment property	435	543
	(1,413)	(1,386)
Change in the fair value of Investment Properties	780	(438)
Net (gain)/loss	(633)	(1,824)

Notes to the Core Statements

Capital Notes

42 INVESTMENT PROPERTIES (cont.)

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £'000	2009/10 £'000
Balance at start of the year	15,597	15,163
Additions:		
Transfer from Other Land and Buildings	275	-
Disposals	-	(4)
Net gains/(losses) from fair value adjustments	(780)	438
Balance at end of the year	15,092	15,597

43 ASSETS HELD FOR SALE

	Current		Non-Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	155	120	-	-
Assets newly classified as held for sale:				
- Property, Plant and Equipment	-	35	-	-
Assets declassified as held for sale:				
- Property, Plant and Equipment	(35)	-	-	-
Assets sold	(120)	-	-	-
Balance outstanding at end of year	-	155	-	-

44 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2011 was £1,213,000 including fees (£23,770,704 at 31 March 2010, including £23,094,000 for The Sporting Village)

45 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2010/11 £'000	2009/10 £'000
Analysis of Expenditure and Financing		
<i>Non Current Assets :</i>		
Property, Plant and Equipment:		
General Fund	25,430	19,222
Housing Revenue Account	18,384	16,510
	43,814	35,732
<i>Revenue expenditure funded from capital under statute:</i>		
Single Status Back-pay	10	579
Private Sector Housing Grant	1,403	1,152
Affordable Homes Investment Grant	-	1,000
Wickford High Street	100	-
Prospects College	-	3,075
	1,513	5,806
Total Capital Expenditure to be Financed	45,327	41,538

Notes to the Core Statements

Capital Notes

45 CAPITAL EXPENDITURE AND CAPITAL FINANCING (cont.)

	2010/11 £'000	2009/10 £'000
Financed from:		
Major Repairs Reserve	6,527	10,129
Capital Contributions	7,690	22,910
Usable Capital Receipts	2,655	714
Borrowing – supported	11,149	6,149
Borrowing – unsupported	17,289	1,086
Finance Leases	-	384
Revenue	17	166
Total Financing	45,327	41,538
Capital Financing Requirement		
Opening Requirement	160,144	153,034
New Borrowing	28,008	7,235
New Finance Leases	-	384
Less: Provision for the redemption of debt	(303)	(290)
Principal repaid on deferred purchase debt	-	(205)
Principal repaid on transferred debt	(16)	(14)
Closing Requirement	187,833	160,144

46 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £000	2009/10 £000
Balance at 1 April	(12,770)	(10,633)
Upward revaluation of assets	(5,194)	(3,929)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,672	1,536
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	478	(2,393)
Difference between fair value depreciation and historical cost depreciation	1,758	240
Accumulated gains on assets sold or scrapped	-	16
Amount written off to the Capital Adjustment Account	1,758	256
Balance at 31 March	(10,534)	(12,770)

Notes to the Core Statements

Capital Notes

47 DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(197)	(208)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4)	11
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	(201)	(197)

48 USABLE CAPITAL RECEIPTS RESERVE

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(198)	(7)
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	(5,148)	(1,897)
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	3,085	714
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	11	13
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	308	374
Contribution from the Capital Receipts Reserve to finance the payments in respect of clawback to the Homes and Communities Agency	1,942	605
Balance at 31 March	-	(198)

49 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Notes to the Core Statements

Capital Notes

49 CAPITAL ADJUSTMENT ACCOUNT (cont.)

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(549,558)	(532,924)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	41,081	22,280
- Revaluation losses on Property, Plant and Equipment	92,000	(10,853)
- Revenue expenditure funded from capital under statute	421	599
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	845	1,255
- Adjusting amounts written out of the Revaluation Reserve	(1,758)	(256)
Net written out amount of the cost of non current assets consumed in the year	132,589	13,025
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	(3,085)	(714)
- Use of the Major Repairs Reserve to finance new capital expenditure	(6,527)	(10,129)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital financing	(6,598)	(17,702)
- Application of grants to capital financing from the Capital Grants Unapplied Account	-	-
- Statutory provision for the financing of Capital investment charged against the General Fund and HRA Balances	(303)	(291)
- Capital expenditure charged against the General Fund Balance	(17)	(166)
	(16,530)	(29,002)
Movement in Fair Value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	780	(438)
Repayment of external long-term liabilities:		
- Deferred purchase debt	-	(205)
- Transferred debt	(16)	(14)
Balance at 31 March	(432,735)	(549,558)

REVALUATION LOSSES

In January 2011, the Department for Communities and Local Government issued new guidance for the valuation of Council Housing stock in their document "Stock Valuation for Resource Accounting". One of the main changes incorporated in the report, is the introduction of a new rate of Social Housing Discount Factor to reflect the use of the property as social housing, thereby changing the amount that the market valuation needs to be reduced to. These rates are given in percentage terms and have changed from 46% in 2009/10 to 39% for 2010/11. The impact of this in the accounts relating to Council Housing is outlined below and amounts to an additional £92.8 million of impairments.

	£m
Basic valuation before Social Housing Discount is applied	1,325.7
Reduction in valuation at old rate	715.9
Reduction in valuation at new rate	808.7
Difference in charge based on change in valuation	92.8

CAPITALISATION OF BORROWING COSTS

The Council has capitalised borrowing costs of £346k associated with the construction of the Sporting Village. The interest rate used was 4.34%.

Notes to the Core Statements

Pension Notes

50 DEFINED BENEFIT PENSION SCHEMES

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 2010 and is effective from 1 April 2011.

Transactions Relating to Retirement Benefits

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

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

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

	2010/11 £'000	2009/10 £'000
<u>Comprehensive Income and Expenditure Statement</u>		
<i>Cost of Services:</i>		
Current service cost	3,263	2,228
Past Service Cost (Gain)	(10,512)	146
Curtailment/Settlement Loss (Gain)	-	127
<i>Financing and Investment Income and Expenditure:</i>		
Interest cost	10,013	9,282
Expected return on assets in the scheme	(6,350)	(4,924)
<u>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</u>	(3,586)	6,859
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial gains and losses	(7,334)	19,062
<u>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</u>	(10,920)	25,921
<i>Movement in Reserves Statement</i>		
<i>Reversal of net charges made to the Comprehensive Income and Expenditure Statement for post employment benefits in accordance with the Code</i>	16,323	(20,269)
<u>Actual amount charged against Council Tax for pensions in the year</u>	5,403	5,652

The cumulative net actuarial loss since 2005/06 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is £13,962,000 (£21,296,000 at 31 March 2010)

Notes to the Core Statements

Pension Notes

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010/11 £'000	2009/10 £'000
Opening Balance at 1 April	179,162	132,588
Current Service Cost	3,263	2,228
Interest Cost	10,013	9,282
Contributions by scheme participants	1,193	1,224
Actuarial (Gains) Losses	(8,328)	40,727
Benefits Paid	(5,183)	(7,160)
Past Service Costs	(10,512)	146
Settlements/curtailments	-	127
Closing Balance at 31 March	169,608	179,162

Reconciliation of fair value of the scheme assets:

	2010/11 £'000	2009/10 £'000
Opening Balance at 1 April	102,200	75,895
Expected Return on assets	6,350	4,924
Actuarial Gains (Losses)	(994)	21,665
Contributions by scheme participants	1,193	1,224
Employer Contributions	5,403	5,652
Benefits Paid	(5,183)	(7,160)
Closing Balance at 31 March	108,969	102,200

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 £9.9 million, which compares with £26.6 million in 2009/10.

Scheme History

	31/3/07 £'000	31/3/08 £'000	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Present value of liabilities:					
Local Government Pension Scheme	(158,877)	(150,189)	(127,161)	(172,720)	(164,268)
Discretionary Benefits	(5,292)	(6,383)	(5,427)	(6,442)	(5,340)
Fair value of assets in the Local Government Pension Scheme	118,944	95,643	75,895	102,200	108,969
Deficit in the Scheme	(45,225)	(60,929)	(56,693)	(76,962)	(60,639)
Analysed:					
Local Government Pension Scheme	(39,933)	(54,546)	(51,266)	(70,520)	(55,299)
Discretionary Benefits	(5,292)	(6,383)	(5,427)	(6,442)	(5,340)
Total	(45,225)	(60,929)	(56,693)	(76,962)	(60,639)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £60.6 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 2012 is £5.6 million (including £0.5m relating to discretionary benefits).

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 2009.

The principal assumptions used by the actuary are as follows:

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.50%
Government Bonds	4.40%	4.50%
Other Bonds	5.10%	5.20%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	0.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.6	22.1
- Women	25.2	25.0
Longevity at 65 for future pensioners:		
- Men	24.0	23.1
- Women	26.8	25.9
Rate of inflation - RPI	3.4%	3.3%
Rate of inflation - CPI	2.9%	2.8%
Rate of increase in salaries	4.4%	4.8%
Rate of increase in pensions	2.9%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%
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:

	31 March 2011 %	31 March 2010 %
Equity Investments	69.5%	67.5%
Bonds	16.2%	17.9%
Other Investments	14.3%	14.6%
	100.0%	100.0%

History of Experience Gains and Losses

The actuarial gains identified as movements in the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets – (Gain)/Loss	(1.2)	11.0	26.1	(21.2)	0.9
Experience (Gains)/Losses on liabilities	(4.6)	3.8	(18.1)	22.7	(4.9)

Notes to the Core Statements

Pension Notes

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	76,962	56,693
Actuarial gains or losses on pensions assets and liabilities	(7,334)	19,062
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,586)	6,859
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,403)	(5,652)
Balance at 31 March	60,639	76,962

Notes to the Core Statements

Cash Flow Notes

51 CASH AND CASH EQUIVALENTS

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

	31 March 2011 £'000	31 March 2010 £'000
Cash held by the Authority	1	6
Bank current accounts	(2,470)	(3,002)
Short-term deposits	2,200	1,700
Total Cash and Cash Equivalents	(269)	(1,296)

52 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2010/11 £'000	2009/10 £'000
Interest received	(74)	(79)
Interest paid	8,746	9,014
Total	8,672	8,935

53 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2010/11 £000	2009/10 £000
- P,P,E Per Note 41	43,815	35,732
- Deferred Purchase	-	(206)
- Movement in Capital Creditors	1,523	(2,353)
Purchase of property, plant and equipment and investment property	45,338	33,173
Purchase of short-term and long-term investments	-	-
Other payments for investing activities	-	-
- Disposal proceeds	(5,148)	(1,897)
- Not linked to an asset	186	114
- Expenses	11	13
- De Minimis	(4)	(27)
Proceeds from the sale of property, plant and equipment and investment property	(4,955)	(1,797)
Capital Grants Received	(8,942)	(19,126)
Net cash flows from investing activities	31,441	12,250

54 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2010/11 £000	2009/10 £000
Cash receipts of short and long-term borrowing	(27,500)	(10,884)
Other receipts from financing activities	(2,072)	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	553	529
Repayments of short and long-term borrowing	6,514	7,780
Other payments for financing activities	-	3,953
Net cash flows from financing activities	(22,505)	1,378

Notes to the Core Statements

Transitional Note - Impact of IFRS

55 NOTE ON TRANSITIONAL CHANGES FROM SORP TO IFRS

1. General Note on Miscellaneous Changes

IAS 19 (Employee Benefits) sets out the accounting treatment for employee remuneration. The main change required by the transition to IFRS in this area is that the Council is required to account for the financial effect of short-term accumulating compensated absences. This term refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. IAS 19 requires that the Council accounts for the full cost implied by additional time worked in respect of untaken annual leave or hours worked above the contractual minimum. Basildon Council has assessed the amount of accrual required under this provision to be immaterial, and no changes have been made in respect of this requirement.

The Code's definition of investment property, from IAS 40 (Investment Property), is stricter than that set out in SORP 2009. Basildon Council has reassessed its portfolio of investment properties from 1st April 2009 onwards, and has reclassified the shops held within the HRA and 44 General Fund properties from Investment Properties to Property, Plant & Equipment, reducing the balance on Investment Properties by £2.8m as at 1st April 2009. As both are shown under Long-Term Assets, this has made no difference in the summary shown above.

2. Leases

The guidelines for classifying leases as either finance or operating are different under the Code to those used under UK GAAP. All leases still in existence as at 1 April 2009 must be reassessed in the light of the IFRS criteria, including the requirement to treat each buildings lease as separate leases of the building itself and of the land on which it is built. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease. If any lease formerly judged to be an operating lease is newly assessed as a finance lease, or vice versa, IAS 17 (Leases) states that the accounting treatment must be changed as if the classification had been made at the outset.

The Government has issued regulations (Statutory Instrument 2010 no. 454) and statutory guidance to mitigate the effect of changing lease accounting retrospectively. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code. Basildon Council has taken advantage of the mitigation offered to minimise the effects of IFRS transition.

Twenty-six leases formerly classified as operating leases have been judged to be finance leases according to the tests within IAS 17 (Leases). Where the Council is the lessee (one property and thirteen plant leases), the underlying assets have been added to the balance sheet; where the Council is the lessor, (twelve properties), the assets have been removed from the Council's balance sheet. The majority of these changes affect Property, Plant & Equipment, with three properties removed from Investment Property.

It should be stressed that this is purely an accounting designation; the assets involved have not been legally sold or purchased, and legal ownership will remain with the lessor in each case.

Notes to the Core Statements

Transitional Note - Impact of IFRS

55 NOTE ON TRANSITIONAL CHANGES FROM SORP TO IFRS (cont.)

3. Government Grants:

Under the Code, grants and contributions are recognised as income when all conditions attached to the grant have been fulfilled. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. The effect of this change has been as follows;

* Each grant with an unspent balance which contributed towards the balance on the Government Grants Deferred account as at 1st April 2009 was examined, to determine whether there were conditions attached.

* Any unspent balances on grants which had no conditions attached, or where any remaining conditions had been fulfilled, were transferred to the Capital Grants Unapplied Reserve.

* The unspent balances on all other grants were transferred to the Grants Receipts in Advance account, which forms part of the creditors' balances in the top half of the Balance Sheet, in recognition of the fact that they may have to be returned to the grantor if the conditions are ultimately unfulfilled.

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

4. Presentational Changes

The Code requires that Assets Held for Sale (formerly listed as Surplus Assets) must be shown as part of Current Assets, in recognition of the fact that such assets are intended to be sold within twelve months of the balance sheet date.

IAS 7 (Statement of Cashflows) has introduced a new category, Cash Equivalents. The Code allows bank overdrafts to be shown as part of Cash Equivalents where the use of an overdraft facility is an integral part of the Treasury Strategy. Basildon Council makes strategic use of its overdraft facility, and the overdrawn balances as at the balance sheet dates have therefore been combined with the Council's liquid cash balances. The two elements are displayed within Current Liabilities.

5. Revaluations

Assets which have been reclassified in the light of the definitions presented under IFRS are required to be revalued in accordance with their new status, adjusting the revaluation through the Revaluation Reserve (to the extent of any balances held within the Revaluation reserve in respect of the asset concerned) and to the Capital Adjustment Account. Depreciation must be charged in accordance with the Code.

Notes to the Core Statements

Transitional Note - Impact of IFRS

55 IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some of the figures presented in these accounts are changed from the equivalent figures published in the Statement of Accounts for 2009/10. The adjustments, broken down into the major categories that have given rise to them, are set out in the following tables, and are explained in the Notes below.

RECONCILIATION OF NET WORTH REPORTED UNDER UK GAAP TO NET WORTH UNDER IFRS

	UK GAAP	Balance Sheet as at 31 March 2009				IFRS
		Effect of transition to IFRS				
		Leases	Grants	Presentation	Revaluations	
<i>Note ref.:</i>		2	3	4	5	
	£000s	£000s	£000s	£000s	£000s	£000s
Total Long-Term Assets	694,569	1,612	-	(120)	686	696,747
Total Current Assets	19,042	-	-	54	-	19,096
Total Assets	713,611	1,612	-	(66)	686	715,843
Current Liabilities	(21,400)	-	-	66	-	(21,334)
Total Assets less Current Liabilities	692,211	1,612	-	-	686	694,509
Long-Term Liabilities	(195,156)	(2,394)	5,679	-	-	(191,871)
Net Assets (Total Assets less Total Liabilities)	497,055	(782)	5,679	-	686	502,638
Reserves						
General Fund	5,261	-	-	-	-	5,261
Earmarked reserves	8,189	-	-	-	-	8,189
Housing Revenue Account	2,948	-	-	-	-	2,948
Capital Receipts Reserve	7	-	-	-	-	7
Capital Grants Unapplied	-	-	725	-	-	725
Usable reserves	16,405	-	725	-	-	17,130
Revaluation Reserve	9,448	(423)	-	-	1,608	10,633
Pensions Reserve	(56,693)	-	-	-	-	(56,693)
Capital Adjustment Account	529,446	(552)	4,954	-	(923)	532,925
Deferred Capital Receipts	15	193	-	-	-	208
Financial Instruments Adjustment Account	(695)	-	-	-	-	(695)
Collection Fund Adjustment Account	(62)	-	-	-	-	(62)
Unequal Pay Back Pay Account	(808)	-	-	-	-	(808)
Unusable Reserves	480,651	(782)	4,954	-	685	485,508
Total Reserves	497,056	(782)	5,679	-	685	502,638

Notes to the Core Statements

Transitional Note - Impact of IFRS

55 IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

RECONCILIATION OF NET WORTH REPORTED UNDER UK GAAP TO NET WORTH UNDER IFRS

	UK GAAP	Balance Sheet as at 31 March 2010				IFRS
		Effect of transition to IFRS				
		Leases	Grants	Presentation	Revaluations	
<i>Note ref.:</i>		2	3	4	5	
	£000s	£000s	£000s	£000s	£000s	£000s
Total Long-Term Assets	727,569	1,484	-	(155)	(6,350)	722,548
Total Current Assets	28,160	-	-	(1,552)	-	26,608
Total Assets	755,729	1,484	-	(1,707)	(6,350)	749,156
Current Liabilities	(45,665)	-	957	1,707	-	(43,001)
Total Assets less Current Liabilities	710,064	1,484	957	-	(6,350)	706,155
Long-Term Liabilities	(221,047)	(2,266)	22,944	-	-	(200,369)
Net Assets (Total Assets less Total Liabilities)	489,017	(782)	23,901	-	(6,350)	505,786
Reserves						
General Fund	6,085	-	-	-	-	6,085
Earmarked reserves	8,830	-	348	-	-	9,178
Housing Revenue Account	4,227	-	-	-	-	4,227
Capital Receipts Reserve	198	-	-	-	-	198
Capital Grants Unapplied	-	-	1,800	-	-	1,800
Usable reserves	19,340	-	2,148	-	-	21,488
Revaluation Reserve	20,192	(423)	-	-	(6,999)	12,770
Pensions Reserve	(76,962)	-	-	-	-	(76,962)
Capital Adjustment Account	527,708	(551)	21,752	-	649	549,558
Deferred Capital Receipts	4	193	-	-	-	197
Financial Instruments Adjustment Account	(610)	-	-	-	-	(610)
Collection Fund Adjustment Account	(202)	-	-	-	-	(202)
Unequal Pay Back Pay Account	(453)	-	-	-	-	(453)
Unusable Reserves	469,677	(781)	21,752	0	(6,350)	484,298
Total Reserves	489,017	(781)	23,900	0	(6,350)	505,786

Notes to the Core Statements

Transitional Note - Impact of IFRS

55 IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

RECONCILIATION TO TOTAL COMPREHENSIVE INCOME & EXPENDITURE UNDER IFRS FOR THE YEAR ENDED 2009/10

	UK GAAP	Income & Expenditure Account for 2009/10				IFRS
		Effect of transition to IFRS				
		Leases	Grants	Presentation	Revaluations	
<i>Note ref.:</i>		2	3	4	5	
	£000s	£000s	£000s	£000s	£000s	£000s
Cost Of Services	19,354	(3)	556	-	(1,021)	18,886
Other Operating Expenditure	725	-	-	-	-	725
Financing and Investment Income and Expenditure	11,627	3	-	-	(92)	11,538
Surplus or deficit of Discontinued Operations	-	-	-	-	-	-
Taxation and Non-Specific Grant Income	(31,994)	-	(18,777)	-	-	(50,771)
(Surplus) or Deficit on Provision of Services	(288)	-	(18,221)	-	(1,113)	(19,622)
Surplus or deficit on revaluation of non current assets	(10,541)	-	-	-	8,148	(2,393)
Surplus or deficit on revaluation of available for sale	-	-	-	-	-	-
Actuarial gains / losses on pension assets / liabilities	19,062	-	-	-	-	19,062
Other Gains / Losses	(194)	-	-	-	-	(194)
Other Comprehensive Income and Expenditure	8,327	-	-	-	8,148	16,475
Total Comprehensive Income and Expenditure	8,039	-	(18,221)	-	7,035	(3,147)

Supplementary Statements

Housing Revenue Account

HRA Income and Expenditure Statement

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

Expenditure	Note	2010/11 £'000	2009/10 £'000
Repairs and Maintenance		9,794	9,350
Supervision and Management		14,611	14,880
Rents, rates, taxes and other charges		66	81
Negative Housing Revenue Account Subsidy payable	4	6,744	2,062
Depreciation and impairment of non-current assets		38,294	8,178
Exceptional Item - Social Housing Discount Factor - see Note 6 to Core Statements		92,800	-
Debt Management Costs		83	65
Movement in the allowance for bad debts		226	184
Rent rebate subsidy limitation		512	778
Total Expenditure		163,130	35,578
Income			
Dwelling rents (gross)	1	(41,059)	(40,880)
Non-dwelling rents (gross)	3	(2,040)	(2,123)
Charges for services and facilities		(4,926)	(5,349)
Contributions towards expenditure		(618)	(576)
Total Income		(48,643)	(48,928)
Net (Income) / Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Statement		114,487	(13,350)
HRA services share of Corporate and Democratic Core		273	295
Net (Income)/Cost for HRA Services		114,760	(13,055)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/Loss on sale of HRA non-current assets		(411)	(490)
HRA share of the financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Interest payable and similar charges		7,938	8,673
HRA Interest and investment income		(26)	(24)
Pensions interest cost and expected return on pensions assets		814	901
(Surplus) or Deficit for the year on HRA services		123,075	(3,995)

Housing Revenue Account

Movement on the Housing Revenue Account Statement

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

	2010/11 £'000	2009/10 £'000
Balance on the HRA at the end of the previous year	(4,227)	(2,948)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	123,075	(3,995)
Adjustments between Accounting basis and Funding basis under regulations	(123,643)	2,716
Net increase or (decrease) before transfers to or from reserves	(568)	(1,279)
Increase or (decrease) in year on the HRA	(568)	(1,279)
Balance on the HRA at the end of the current year	(4,795)	(4,227)

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2010/11 £'000	2009/10 £'000
Reversal of items debited or credited to the HRA Income and Expenditure Account		
Gain or (loss) on sale of HRA non-current assets	(411)	(474)
Net retirement benefits per IAS19 (FRS17)	814	901
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	(1,201)	(1,169)
HRA share of contributions to or from the Pensions Reserve	(387)	(268)
Revaluation losses on Property, Plant and Equipment (charged to SDPS)	110,274	(12,380)
Statutory Provision for the repayment of debt (Minimum revenue provision)	(90)	-
Single Status Back-pay funded by Unequal Pay Back-pay Account	-	-
Capital receipts not linked to the disposal of an asset	(45)	(32)
Depreciation transferred to the Capital Adjustment Account	20,820	20,558
	130,161	7,404
Insertion of items not debited or credited to the HRA Income and Expenditure Account		
Transfer to Major Repairs Reserve	(6,527)	(10,129)
Transfer to Financial Instruments Adjustment Account, amortisation of deferred discounts	9	9
	(6,518)	(10,120)
Net additional amount required by statute to be debited (credited) to the HRA	123,643	(2,716)

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 24 to the Core Statements and in the Group Accounts.

1 DWELLING RENTS

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

	2010/11 £'000	2009/10 £'000
Dwellings	41,449	41,305
Less: Void properties	(390)	(425)
Total Income from Dwelling Rents	41,059	40,880

Rent loss due to void dwellings was 0.94% in the year (1.0% in 2009/10). The average weekly rent in 2010/11 was £70.04, which was £0.96 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 63% 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:

	2010/11 £'000	2009/10 £'000
Garages	2,571	2,561
Less: Void properties	(773)	(733)
	1,798	1,828
Shops	146	156
Land and Other Buildings	96	139
Total Income from Non-Dwelling Rents	2,040	2,123

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	Note	2010/11 £'000	2009/10 £'000
<i>Notional Expenditure</i>			
Management and Maintenance		18,475	17,980
Major Repairs Allowance	10	6,527	10,129
Charges for Capital		8,199	9,004
Other Reckonable Expenditure		-	3
		33,201	37,116
<i>Notional Income</i>			
Rents		(39,972)	(39,176)
Other		(1)	(2)
Notional Surplus		(6,772)	(2,062)
Adjustment for Previous Year's Final subsidy Settlement		28	-
Net in Year Subsidy Position - Negative Housing Subsidy payable to government		(6,744)	(2,062)

5 ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,467 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 2011	31 March 2010
<i>Analysis by Type of Dwelling :</i>		
Houses and Bungalows	6,554	6,559
Flats and Maisonettes	4,820	4,908
Total Dwellings	11,374	11,467
<i>Change in Stock during the Year :</i>		
Stock at 1 April	11,467	11,486
Sales and other Disposals	(93)	(19)
Total Dwellings	11,374	11,467

The number of dwellings at 31 March 2011 includes the Council's interest in shared ownership properties, which is equivalent to 124 wholly owned dwellings (124 at March 2010). In addition, the Council owns 5,577 Garages (5,669 at March 2010).

6 VALUATION OF HOUSING ASSETS

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

	31 March 2011 £'000	31 March 2010 £'000
<i>Operational Assets :</i>		
Dwellings	510,358	624,585
Other land and buildings	11,737	12,033
Vehicles, plant and equipment	376	485
Total Value of Housing Assets	522,471	637,103

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 £1,358 million at 31 March 2010. The difference of £733 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 2011 £'000	31 March 2010 £'000
<i>Operational Assets:</i>		
Dwellings	19,856	19,656
Other land and buildings	856	878
Vehicles, plant and equipment	108	24
Total Depreciation	20,820	20,558

8 REVALUATION LOSSES AND IMPAIRMENTS

	31 March 2011 £'000	31 March 2010 £'000
<i>Operational Assets:</i>		
Dwellings	91,701	(13,728)
Other land and buildings	189	1,348
Total Revaluation losses	91,890	(12,380)
<i>Operational Assets:</i>		
Dwellings	18,250	-
Other land and buildings	134	-
Total Impairments	18,384	-

These have 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

	Note	2010/11 £'000	2009/10 £'000
Analysis of Expenditure and Financing			
<i>Fixed Assets:</i>			
Housing		18,250	16,175
Other Property		134	335
Total Capital Expenditure to be Financed		18,384	16,510
<i>Financed from:</i>			
Major Repairs Reserve	10	6,527	10,129
Capital Contributions		2	-
Usable Capital Receipts		-	-
Borrowing – supported		11,149	6,149
Borrowing – unsupported		706	232
Total Financing		18,384	16,510

Housing Revenue Account

Notes

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:

	2010/11 £'000	2009/10 £'000
Balance on 1 April	-	-
Transfer from the HRA	(6,527)	(10,129)
Amount applied to Capital Expenditure	6,527	10,129
Balance on 31 March	-	-

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 2010/11.

	Land £'000	Disposal of former CNT dwellings £'000	Disposal of other Council dwellings £'000	Other Property £'000	Total £'000
Gross receipt	-	910	319	-	1,229
Clawback	-	(743)	-	-	(743)
Pooled amount	-	(78)	(230)	-	(308)
Usable element	-	89	89	-	178
Usable, as a % of gross receipt	0%	10%	28%	0%	14%

12 HRA SHARE OF CONTRIBUTION TO THE PENSIONS RESERVE

For the purposes of IAS19 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.

Housing Revenue Account

Notes

13 RENT ARREARS

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

	31 March 2011 £'000	31 March 2010 £'000
Current tenants	1,299	1,351
Former tenants	357	361
Total gross rent arrears	1,656	1,712

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 £599,000 at 31 March 2011 (£540,000, March 2010).

The provision for bad debts in respect of rents was £236,000 at 31 March 2011 (£261,000, March 2010).

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 £592,000 at 31 March 2011 (£595,000, March 2010).

15 FURTHER INFORMATION

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

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

	2010/11 £'000	2009/10 £'000
Income:		
Income from Council Tax	81,050	79,541
Income collectable from Non Domestic Rate Payers	71,187	74,605
Transfers from the General Fund:		
- Council Tax Benefit	17,246	16,418
	169,483	170,564
Contributions towards previous year's deficit:		
- Essex County Council	778	129
- Essex Police Authority	93	15
- Essex Fire Authority	47	8
- Basildon Borough Council	186	45
	1,104	197
Total Income	170,587	170,761
Expenditure:		
Precepts:		
- Essex County Council	68,791	67,798
- Essex Police Authority	8,363	8,153
- Essex Fire Authority	4,204	4,108
- Basildon Borough Council	16,404	16,256
	97,762	96,315
National Non-Domestic Rates:		
- Payable to National Pool	70,947	74,359
- Cost of Collection	240	246
	71,187	74,605
Bad and Doubtful Debts:		
- Write off of Council Tax	682	644
- Provision for Council Tax Bad Debts	(30)	20
(Deficit)/Surplus for the year	986	(823)
Total Expenditure	170,587	170,761
<i>Movement on Fund Balance :</i>		
Deficit at 1 April	1,193	370
Deficit for the year	(986)	823
Fund Deficit at 31 March	207	1,193

Collection Fund Account

Notes

1 THE COLLECTION FUND

Precepts

These are the amounts that local authorities providing services within the Basildon Borough require to be paid from the Collection Fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all precepts levied on 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 Borough Council

Basildon's own precept for the year 2010/11 (£16.404 million) included £361,050 (£287,289 in 2009/10) in respect of precepts from Parish, Town and Village Councils within the borough. The payments to Parish, Town and Village Councils are met initially from the General Fund and included in Basildon's budget requirement.

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 Borough 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 2010/11 the Council set an average Council Tax levy of £1,544.43 per Band D equivalent property, made up of precepts from authorities as follows:

	2010/11 £	2009/10 £
Basildon Borough Council	253.44	251.19
Parish and Town Councils in the Basildon District (average)	5.70	4.52
Essex County Council	1,086.75	1,066.50
Essex Police Authority	132.12	128.25
Essex Fire Authority	66.42	64.62
Total average Council Tax Band D	1,544.43	1,515.08

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:

	2010/11 £'000	2009/10 £'000
Council Tax	98,296	95,959
Less: Council Tax Benefit	(17,246)	(16,418)
Net Income to Collection Fund	81,050	79,541

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 2010/11 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)	8	8	5/9	4
A	9,000	7,366	6/9	4,910
B	15,080	13,297	7/9	10,342
C	22,934	20,718	8/9	18,416
D	13,671	12,649	9/9	12,649
E	7,086	6,694	11/9	8,182
F	4,378	4,204	13/9	6,072
G	1,858	1,780	15/9	2,967
H	132	118	18/9	236
	74,147	66,834		63,778
Less: Allowance for irrecoverables				(478)
Total Council Tax Base				63,300

4 INCOME FROM NON DOMESTIC RATES

The Council calculates the rates due on non-domestic property in the Borough by multiplying the rateable value of the property by a uniform national rate in the pound. The total amount, less certain reliefs and other deductions, is 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:

	2010/11 £'000	2009/10 £'000
Non Domestic Rate (including voids and exemptions)	74,608	77,476
Less: Reliefs, Bad Debts Provision and Other Adjustments	(3,421)	(2,871)
Net Income to Collection Fund	71,187	74,605

The total NNDR rateable value for the Basildon Borough at 31 March 2011 was £191 million (£174 million, 2010). The uniform business rate for 2010/11 was 40.7p per £ of rateable value for small businesses and 41.4p for other businesses (48.1p and 48.5p respectively for 2009/10).

Group Accounts

Group Accounts

Group Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and Rent setting purposes. The Net Increase / Decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	General Fund Balance £000	St Georges Community Housing Ltd Revenue Reserve £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2009	5,261	706	8,189	2,418	530	7	-	725	17,836	482,539	500,375
<u>Movement in reserves during 2009/10</u>											
Surplus or (deficit) on the provision of services	15,629	5	-	3,994	-	-	-	-	19,628	-	19,628
Revaluation gains									-	3,027	3,027
Revaluation losses (chargeable to revaluation reserve)									-	(1,536)	(1,536)
Note does not equal movement in Revaluation Reserve as depreciation and disposals are not included in this section									-	902	902
Deferred purchase debt, principal repayment									-	205	205
Deferred Capital Receipts									-	(11)	(11)
Actuarial gains/(losses) on pension assets/liabilities									-	(21,985)	(21,985)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(19,398)	(19,398)
Total Comprehensive Income and Expenditure	15,629	5	-	3,994	-	-	-	-	19,628	(19,398)	230
Adjustments between accounting basis & funding basis under regulations	(13,816)	231	-	(2,715)	-	191	-	1,075	(15,034)	15,034	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,813	236	-	1,279	-	191	-	1,075	4,594	(4,364)	230
Transfers to/(from) Earmarked Reserves	(989)		989	(65)	65	-	-	-	-	-	-
Increase/(Decrease) in 2009/10	824	236	989	1,214	65	191	-	1,075	4,594	(4,364)	230
Balance at 31 March 2010 carried forward	6,085	942	9,178	3,632	595	198	-	1,800	22,430	478,175	500,605

Group Accounts

Group Movement in Reserves Statement

	General Fund Balance £000	St Georges Community Housing Ltd Revenue Reserve £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	6,085	942	9,178	3,632	595	198	-	1,800	22,430	478,175	500,605
<u>Movement in reserves during 2010/11</u>											
Surplus or (deficit) on the provision of services	20,551	3	-	(122,337)	-	-	-	-	(101,783)	-	(101,783)
Revaluation gains	-	-	-	-	-	-	-	-	-	(478)	(478)
Revaluation losses (chargeable to revaluation reserve)	-	-	-	-	-	-	-	-	-	-	-
Impairment losses (chargeable to revaluation reserve)	-	-	-	-	-	-	-	-	-	-	-
Note does not equal movement in Revaluation Reserve as depreciation and disposals are not included in this section	-	-	-	-	-	-	-	-	-	-	-
Deferred purchase debt, principal repayment	-	-	-	-	-	-	-	-	-	(1)	(1)
Deferred Capital Receipts	-	-	-	-	-	-	-	-	-	9,522	9,522
Actuarial gains/(losses) on pension assets/liabilities	-	-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	9,043	9,043
Total Comprehensive Income and Expenditure	20,551	3	-	(122,337)	-	-	-	-	(101,783)	9,043	(92,740)
Adjustments between accounting basis & funding basis under regulations	(15,312)	-	-	123,643	-	(198)	-	1,198	109,331	(109,331)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	5,239	3	-	1,306	-	(198)	-	1,198	7,548	(100,288)	(92,740)
Transfers to/(from) Earmarked Reserves	(2,471)	-	2,471	3	(3)	-	-	-	-	-	-
Increase/(Decrease) in 2010/11	2,768	3	2,471	1,309	(3)	(198)	-	1,198	7,548	(100,288)	(92,740)
Balance at 31 March 2011 carried forward	8,853	945	11,649	4,941	592	-	-	2,998	29,978	377,887	407,865

Further analysis of the items included under 'Adjustments between accounting basis & funding basis under regulations' and 'Transfers to/(from) Earmarked Reserves' can be found in the notes to the Council's single entity accounts (Note 9 & Note 35).

Group Accounts

Group Comprehensive Income and Expenditure Statement

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

	2010/2011			2009/2010		
	£000 Gross Expenditure	£000 Gross Income	£000 Net Expenditure	£000 Gross Expenditure	£000 Gross Income	£000 Net Expenditure
Central services to the public	22,821	(19,790)	3,031	22,162	(18,989)	3,173
Cultural, environmental, regulatory and planning services	27,815	(10,109)	17,706	33,194	(13,575)	19,619
Education and children's services	701	(714)	(13)	774	(673)	101
Highways and transport services	4,380	(1,768)	2,612	4,622	(1,823)	2,799
Local authority housing (HRA)	70,363	(49,846)	20,517	35,338	(48,942)	(13,604)
Exceptional Item - Social Factor	92,800	-	92,800	-	-	-
Other housing services	66,942	(65,372)	1,570	62,285	(61,544)	741
Adult social care	2,033	(1,002)	1,031	1,871	(1,043)	828
Exceptional item VAT	-	(1,569)	(1,569)	-	-	-
Corporate and democratic core	4,762	(322)	4,440	4,839	(158)	4,681
Non distributed costs	-	-	-	273	-	273
Exceptional Item - Past Serv	(10,512)	-	(10,512)	-	-	-
Cost of Services	282,105	(150,492)	131,613	165,358	(146,747)	18,611
Other Operating Expenditure			(1,262)			725
Financing and Investment Income and Expenditure			11,645			11,808
Taxation and Non-Specific Grant Income			(40,213)			(50,771)
(Surplus) or Deficit on Provision of Services			101,783			(19,627)
Surplus or deficit on revaluation of non-current assets			478			(2,394)
Actuarial (gains)/ losses on pension assets / liabilities			(9,522)			21,985
Other (gains)/Losses			(4)			(194)
Other Comprehensive Income and Expenditure			(9,048)			19,397
Total Comprehensive Income and Expenditure			92,735			(230)

Group Accounts

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is notable to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Property, Plant & Equipment	616,105	706,872	681,399
Investment Property	15,092	15,597	15,163
Long Term Debtors	243	240	285
Long Term Assets	631,440	722,709	696,847
Assets held for sale	-	155	120
Inventories	280	243	250
Short Term Debtors	21,637	27,014	17,934
Cash and Cash Equivalents	-	-	454
Current Assets	21,917	27,412	18,758
Cash and Cash Equivalents	(1,373)	(2,303)	
Short Term Borrowing	(51,098)	(20,031)	(5,000)
Short Term Creditors	(14,098)	(19,961)	(14,945)
Provisions - Single Status	(2,511)		
Current Liabilities	(69,080)	(42,295)	(19,945)
Provisions - Other	(3,725)	(5,150)	(4,617)
Long Term Borrowing	(103,958)	(114,006)	(126,186)
Net Pensions Liability	(64,035)	(83,085)	(59,662)
Deferred Liabilities	(3,811)	(4,378)	(4,728)
Other Long Term Liabilities	(67,846)	(87,463)	(64,390)
Capital Grants Receipts in Advance	(883)	(602)	(92)
Long Term Liabilities	(176,412)	(207,221)	(195,285)
Net Assets	407,865	500,605	500,375
General Fund	8,853	6,085	5,261
St Georges Community Housing Limited Revenue Reserve	1,144	942	706
Earmarked Reserves	11,649	9,178	8,189
Housing Revenue Account	4,795	4,227	2,948
Capital Receipts Reserve	-	198	7
Capital Grants Unapplied	2,998	1,800	725
Usable reserves	29,439	22,430	17,836
Revaluation Reserve	10,534	12,770	10,633
Pensions Reserve	(64,035)	(83,085)	(59,662)
Capital Adjustment Account	432,735	549,558	532,925
Deferred Capital Receipts	201	197	208
Financial Instruments Adjustment Account	(526)	(610)	(695)
Collection Fund Adjustment Account	(35)	(202)	(62)
Unequal Pay Back Pay Account	(443)	(453)	(808)
Unusable Reserves	378,431	478,175	482,539
Total Reserves	407,870	500,605	500,375

Group Accounts

Group Cash Flow Statement (Indirect Method)

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

	2010/11 £000	2009/10 £000
Net (surplus) or deficit on the provision of services	101,783	(19,627)
<u>Non-Cash Movements:</u>		
Depreciation	(22,695)	(22,355)
(Impairment and downward valuation) / Reversal of	(110,443)	10,853
(Increase) / Decrease in impairment provision for bad debts	(241)	195
Increase / (Decrease) in Creditors	3,692	(2,589)
Creditors - Adjustment to Receipts In Advance	-	-
(Decrease) / Increase in Debtors	(1,565)	4,738
Increase/(Decrease) in Stock	36	(7)
Pensions liability	9,528	(1,438)
Carrying Amount of Non Current Assets Sold	(845)	(1,255)
Disposal Costs of Non Current Assets Sold	(11)	(13)
<u>Other non-cash items charged to the net surplus or deficit on the provision of services:</u>		
Increase in provisions	(1,086)	(533)
Movement in the value of Investment Properties	(781)	438
Grants unapplied to the financing of capital expenditure	1,198	1,075
Grants applied to the financing of capital expenditure	6,598	17,702
	5,929	18,682
Adjustments to net surplus or deficit on the provision of services for non cash movements	(116,615)	6,809
Adjusted net surplus or deficit	(14,832)	(12,818)
<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</u>		
Proceeds from the sale of property plant and equipment, investment property and intangible assets	4,965	1,811
Net cash flows from Operating Activities	(9,867)	(11,007)
Net cashflows from Investing Activities	31,441	12,386
Net cashflows from Financing Activities	(22,505)	1,378
Net (increase) or decrease in cash and cash equivalents	(931)	2,757
Cash and cash equivalents at the beginning of the reporting period	(2,304)	454
Cash and cash equivalents at the end of the reporting period	(1,373)	(2,303)

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. SGCH's accounting policy for Creditors differs from that of the Council set out in its Statement of Accounting Policies, item 2, and accordingly SGCH's accounts have been restated for the purposes of consolidation to take account of this difference. In addition, the accounting entries in the SGCH account's for pensions have been restated on the basis of the Council's policy for accounting for pensions.

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 £6,364,000 due to SGCH from the Council at 31 March 2011 on the intercompany account (£4,279,000 due to SGCH from the Council, 31 March 2010)
- A sum of £223,000 at 31 March 2011 (£2,830,000 at 31 March 2010) 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 £9,620,000 at 31 March 2010 (£6,949,000 at 31 March 2010) and creditors of £7,868,000 (£7,630,000 at 31 March 2010), 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 £1,135,000 (£679,000 at 31 March 2010) in respect of payments due under the Single Status scheme.

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 50 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:

	2010/11 £'000	2009/10 £'000
Estimated liabilities in the Scheme	(17,923)	(21,761)
Estimated Assets in the Scheme	14,527	15,638
Net Pensions Liability	(3,396)	(6,123)

8G. OFFICER REMUNERATION

The Council is required to report (in bands of £5,000) the number of employees whose rate of remuneration in the year was more than £50,000, excluding Employer's Pension Contributions. It is also now required to report the remuneration of Senior Officers on an individual basis. Where the salary element of the Senior Officer's remuneration exceeds £150,000 the individual is referred to by name as well as post title; otherwise the Senior Officer is disclosed by post title only. The Senior Officers' full remuneration has to be disclosed together with the related Employer's Pension Contributions. The Single Entity disclosure is found in Note 20 to the Core Statements, but the following relates to the relevant officers working for St Georges Community Housing:

Remuneration Band	2010/11	2009/10
£50,000 - £55,000	1	-
£55,001 - £60,000	-	-
£60,000 - £65,000	-	-
£65,001 - £70,000	1	-
£70,001 - £75,000	-	2
£75,001 - £80,000	2	1
£80,001 - £85,000	-	-
Total	4	3

Senior Officers Disclosures	Salary (Including Fees & Allowances)	Bonuses	Expense Allowance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
2010/11	£	£	£	£	£	£	£
Chief Executive	103,155	-	912	-	104,067	13,965	118,032
Total	103,155	-	912	-	104,067	13,965	118,032

Senior Officers Disclosures	Salary (Including Fees & Allowances)	Bonuses	Expense Allowance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
2009/10	£	£	£	£	£	£	£
Chief Executive	93,898	4185	-	347	98,430	12,208	110,638
Total	93,898	4185	-	347	98,430	12,208	110,638

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 or capital accounts and Reserves.

Balances

A Council's accumulated surplus of income over expenditure, after allowing for any appropriations to 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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice

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

Collection Fund

The fund into which Council Tax and Non-domestic Rates are paid and from which the 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.

Glossary

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.

Financial Regulations

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

Financial Year

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

General Fund

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

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.

IAS (International Accounting Standards)

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

IFRIC (International Financial Reporting Interpretation Committee)

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

IFRS (International Financial Reporting Standards)

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

Impairment

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

Glossary

Long Term Assets

Assets that will yield economic benefits to the Council for more than one year.

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 presenting a true and fair view. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the degree of tolerance acceptable.

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.

Glossary

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.

SIC

Interpretations issued by the Standards Interpretation Committee to clarify an existing international accountancy standard (for example, SIC 29, *Service Concession Arrangements*). This system gave way to IFRICs from May 2004 onwards; however, many SICs are still in issue, and may be quoted as having directed part of the preparation of the statutory accounts.

SORP

The Statement of Recommended Practice. This document set down in detail how accounting standards were to be applied to the preparation of the Statement of Accounts in local government up to 31st March 2010, and was based on British accountancy standards (UK GAAP). It has been superseded from 1st April 2010 by the Code of Practice, which is based on International Financial Reporting Standards.

UK GAAP

Generally accepted accounting practice in the United Kingdom. This refers to the set of accountancy standards developed in the United Kingdom which governs the production of statutory accounts. Local authority accounts were formulated according to a Statement of Recommended Practice based on UK GAAP; from 1st April 2010, this has been replaced by a Code of Practice based on international accountancy standards.

Unusable Reserves

Reserves that cannot be applied to fund expenditure. Some of these reserves contain unrealised gains or losses (such as the Revaluation Reserve), while others contain the adjustments arising from situations where income and expenditure are recognised statutorily against the General Fund or HRA balance on a different basis from that required by the accounting standards adopted by the Code of Practice (for example, the Pensions Reserve and the Capital Adjustment Account).

Usable Reserves

Reserves that can be applied to fund expenditure or reduce local taxation.

Voluntary Revenue Provision (VRP)

Local authorities must make prudent provision for the repayment of debt. The minimum amount is set annually by the Council, having regard to statutory guidance issued by the Secretary of State, and may be nil. Authorities may choose to make voluntary provision for the repayment of debt, in addition to the minimum requirements.