

# Annual Financial Report

2011-2012



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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 2011, the political composition was Conservative (29), Labour (11), Liberal Democrats (2). Councillor Mo Larkin was Mayor of the Council for the municipal year 2011/12 and the Leader of the Council was Councillor Tony Ball. 2011/12 was Basildon's second year as a Borough having been awarded Borough status in October 2010.

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 2011/12, the Cabinet consisted of 10 Members of the Council, 9 of whom were members of the majority Conservative political group and held specific areas of responsibility as indicated below:

- Leader of the Council – *Councillor Tony Ball*
- Deputy Leader – *Councillor Stephen Horgan*
- Resources – *Councillor Phil Turner*
- Housing – *Councillor Frank Tomlin*
- Leisure and Arts – *Councillor Kevin Blake*
- Community and Landlord Services – *Councillor Andrew Baggott*
- Environment – *Councillor Malcolm Buckley*
- Planning – *Councillor Richard Moore*.
- Customer Services and Audit and Risk – *Councillor Stuart Sullivan*

Sadly Councillor Horgan died in February 2012. The position of Deputy Leader remained vacant for the rest of the year.

Councillor Gordon (Labour) was a member of the Cabinet without portfolio.

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 holding the Executive to account and undertook policy review and development. The Audit and Risk Committee is a Non-Executive Committee whose role is to provide independent assurance to the Council and the Cabinet on 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](http://www.basildon.gov.uk).

## ORGANISATIONAL STRUCTURE

During the financial year 2011/12, the management team was led by the Chief Executive, Bala Mahendran, and 3 Executive Directors, Mick Nice, Doug Smith and Chris White. Doug Smith retired on 31 July 2011 and was replaced by Ian Woolford on an interim basis. There were also 7 Head of Service posts, each responsible for a range of specific service areas.

The Council's 'accounting' group used to comprise of the Council itself and St Georges Community Housing Limited, an Arms Length Management Organisation (ALMO) established by the Council to manage the Council's housing stock and Careline service. This arrangement ended on 4 July 2011 when the Landlord Services function was brought back in-house. The Statement of Accounts has been prepared on the basis that the new arrangements were in place from 1 April 2011. A local authority is required to consolidate within its own 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 other various partnering/co-working entities and no such relationships were found to be present.

At 31 March 2012, the Council had 1,010 employees in post - 757 full-time and 253 part-time. (At 31 March 2011 there were 1,145 employees in post - 845 full-time and 300 part-time). The reductions are mainly due to the outsourcing of the Grounds Maintenance Service, the last phase of Leisure outsourcing, general efficiencies and bringing the Council's Landlord Service back in house.

# Explanatory Foreword - Review of the Year 2011/12

## THE COUNCIL TAX 2011/12

The net budget requirement for Basildon Borough is the amount needed to finance Council services after allowing for planned expenditure and income. For 2011/12, this was set by the Council at £28.0 million, which included contributions of £0.78 million to reserves. The amount met by formula grant from Central Government was £11.8 million (42.0%), made up of Revenue Support Grant and redistributed National Non Domestic Rates, leaving £16.2 million (58.0%) to be raised locally from Council Tax (The Council Tax requirement). Under statute, £0.03 million was deducted from the Council Tax requirement, representing this Council's share of the estimated surplus on the Collection Fund. All figures exclude sums collectible by the Council on behalf of other precepting authorities.

On this basis, the 2011/12 Band D Council Tax for Basildon Council services was set at £252.81 (£253.44 in 2010/11). This was a decrease of £0.63 per household per annum (1.2p per household per week), or 0.25% over the Council Tax level for the previous year. The calculated amounts were based on an estimated Council Tax Base of 64,000, Band D equivalent, properties for 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 2011/12 (the Code), which defines proper accounting practices for local authorities.

Since the 2010/11 financial year, the Code now requires the core financial statements and notes 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 Code also introduced changes to the names, formats and purpose of some of the Core Financial Statements. The Balance Sheet and Cash Flow Statement were 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.

# Explanatory Foreword - Review of the Year 2011/12

## THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2011/12 financial year. The major factors affecting the outturn for the year are discussed in more detail in the section 'Major Influences on the Council's Finances for 2011/12 and the Future'. Further detail on reserves and balances is given in the 'Summary Financial Information' section.

## GENERAL FUND REVENUE

The following table shows the overall net expenditure across the main General Fund activities of the Council. The General Fund is the main revenue fund of the Council.

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£m	£m	£m	£m	£m	£m
Community	2.0	2.2	1.9	(0.3)	0.2	(0.1)
Development and Regulation	0.1	7.7	4.5	(3.2)	1.9	(1.3)
Environment	8.2	6.9	6.7	(0.2)	0.1	(0.1)
Housing	2.5	3.0	2.4	(0.6)	0.6	-
Leisure	5.7	6.3	6.2	(0.1)	0.2	0.1
Regeneration & Partnerships	0.9	1.0	0.4	(0.6)	0.5	(0.1)
Corporate & Central	7.8	10.7	4.6	(6.1)	3.5	(2.6)
<b>Total Net Expenditure</b>	<b>27.2</b>	<b>37.8</b>	<b>26.7</b>	<b>(11.1)</b>	<b>7.0</b>	<b>(4.1)</b>
<b>Funded by:</b>						
Non Specific Grant Income	11.8	12.7	12.7	-	-	-
Council Tax	16.2	16.2	16.2	-	-	-
<b>Total</b>	<b>28.0</b>	<b>28.9</b>	<b>28.9</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer from/(to) reserves	(0.8)	8.9	(2.2)	(11.1)	7.0	(4.1)
<b>Total Funding</b>	<b>27.2</b>	<b>37.8</b>	<b>26.7</b>	<b>(11.1)</b>	<b>7.0</b>	<b>(4.1)</b>

The table shows the original budget for the year as approved at Council on 28 February 2011. This budget was revised during the year to take into account budgets carried forward from 2010/11 and other approved budget changes. The result of these changes is the working budget column. The outturn variance is calculated by comparing the actual outturn plus carry forwards to the working budget.

The outturn variance for the Development and Regulation service is a consequence of the receipt of £1.2 million from the Government to partly fund the costs of the site clearance at Crays Hill. The carry forward into 2012/13 is in respect of the Local Development Framework. The under-spend in Corporate and Central Services is due to the use of a capitalisation direction from the Government to capitalise £2 million of the cost of the enforcement action at Crays Hill. The carry forward for Corporate and Central Services is largely in respect of Single Status which will be implemented in 2012/13. Both of these points are discussed later in this foreword.

# Explanatory Foreword - Review of the Year 2011/12

The Council continued to deliver efficiency savings through the corporate transformation programme and the total applicable to 2011/12 was £3.7 million but this sum was offset by a number of compensating budget pressures particularly due to shortfalls in income across various services.

## 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 (on the basis of the organisation of the housing service as it was at 31 March 2011) in 2011/12 was a surplus of £2.3 million, which compares with £0.6 million budgeted at the start of the year. This improvement in the financial position is accounted for by the decision to implement Single Status in 2012/13, savings from bringing the functions of St Georges Community Housing Ltd (SGCH) back into the Council, a lower level of bad debt write offs, an insurance settlement for Bockingham Green, backdated Supporting People income and an underspend on repairs. After funding an overspend on the capital programme of £0.6 million and bringing in the balance attributable to the HRA in SGCH reserves (£0.8 million), the working balance at 31 March 2012 was £7.9 million. After allowing for budgets to be carried forward to 2012/13 (£1.3 million), the available working balance stood at £6.6 million at the year end, including a sum of £0.6 million earmarked to meet any shortfall in the bad debts provision.

The single biggest source of income to the HRA is rent from dwellings. This was £43.5 million in 2011/12 compared to £41.0 million the previous year an increase of 6.1%. 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 and the consequence of this for rents in 2011/12 was an average increase of just over 6%. The average rent per dwelling per week in 2011/12 was £74.43. There were 11,318 dwellings and 5,571 garages in the Council’s Housing stock as at 31 March 2012.

## CAPITAL EXPENDITURE

In summary, capital expenditure in 2011/12 amounted to £26.3 million, the largest elements of which were £21.9 million for Decent Homes improvements and £0.8 million for the Sporting Village. Also included is £2.1 million routine investment in General Fund assets. Spending was financed from a combination of the Major Repairs Reserve, £7.9 million, capital grants and contributions £1.5 million, capital receipts £1.1 million, revenue contributions £0.8 million and borrowing £15.0 million. The total borrowing for the General Fund included £1.6 million (unsupported), the balance of £13.4 million related to the Housing Revenue Account, all of which was supported.

## MAJOR INFLUENCES ON THE COUNCIL’S FINANCES FOR 2011/12 AND THE FUTURE

The Council faced a number of challenges and uncertainties during 2011/12, many of which could have medium or long-term financial implications.

The most significant influence on the finances of the Council was the continuing impact of the economic climate. The last few years have seen some 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:

- The effects of the double dip recession continue to impact on demand-led services through reduced income and also the need to anticipate a further 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.
- 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 affected, 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.

## Explanatory Foreword - Review of the Year 2011/12

Basildon's funding from Government via the Revenue Support Grant and Retention of National Non Domestic Rates was cut by 16% in 2011/12 with a further cut of 10% taking place in 2012/13, a reduction of 26% over the two year period or a £3.7m cash reduction. In the absence of any announcement for grant allocations for 2013/14 and 2014/15, Basildon has assumed an overall reduction of 33% by 2015/16. This has placed significant pressure on the Council's finances and makes delivery of the efficiency savings critical to ensure the Council has a sustainable medium term financial position.

The Council received £212,000 of New Homes Bonus grant in 2011/12, which included a sum of £58,000 received unconditionally in 2011/12 but in fact came out of the Government's 2012/13 allocation. It also received £405,000 of Council Tax Freeze grant following the Council's decision to cut the 2011/12 Council Tax by 0.25% compared to 2010/11. Both these grants have been transferred to reserves pending future consideration of the impact of the provisions of the Local Government Finance Bill.

Other factors having a significant influence on the finances of the authority in 2011/12 are:

### ■ 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 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 approved a revenue grant of £1.2 million to the Council in respect of the costs of the enforcement work and a successful application was made to the Secretary of State for Communities and Local Government to capitalise the balance of the cost. The Council planned to meet any residual cost from the Contingency Reserve

Council, at its meeting in June 2011, determined to contribute up to £1.2 million towards the cost of policing the site clearance operation, subject to certain conditions, including that the first £2.5 million of policing expenditure be met by Essex Police Authority.

The site clearance began on 19 September 2011 but was halted by injunction proceedings. Further legal challenges were brought which concluded in the Court of Appeal on 17 October 2011 and the clearance operation recommenced on 19 October 2011. It concluded on 17 November 2011 when all residential occupation ceased and relevant developments (for example buildings and hardstandings subject to exemptions dictated by the courts) were removed. The cost of the operation to the Council charged to the 2011/12 accounts was £4.8 million, of which nearly £1.8 million was attributable to the period the operation was halted by injunction proceedings. The £1.2 million revenue grant has been received and Essex Police' costs were finalised at below £2.5 million, meaning it has not been necessary for the Council to make a contribution to their costs. £2 million of costs were capitalised using the Secretary of State's approval.

Work has commenced to recover the costs owing to the Council and the second phase to restore the land to a state in keeping with its green belt status is underway.

### ■ Efficiencies and service transformation

Following the unprecedented economic downturn it has been important for the Council to strike a balance between delivering efficiencies and providing good quality value for money services to the community. Achieving efficiencies has always played a key part in the Council's financial strategy especially with the ongoing reductions in Government grant. For 2011/12 a target of £2.4 million was set along with a cumulative total of £15.4 million through to 2014/15. In order to achieve these levels of efficiencies the Business Transformation Programme has been firmly established enabling 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 forecast period.

The level of efficiencies achieved in 2011/12 of £3.7 million was significantly above the budgeted target of £2.4 million. Although the Council has been successful in delivering these efficiencies in 2011/12, the delivery of future efficiencies will be significantly more challenging and difficult decisions may be required.

## Explanatory Foreword - Review of the Year 2011/12

### ■ Regeneration schemes

The Sporting Village opened on schedule in April 2011. The ongoing financial commitment by the Council to the construction element of the Sporting Village contract centres mainly on the funding streams from the sale of Council land, some of which have yet to be realised. The level of borrowing outstanding at the end of the year attributable to this project was £5.9m.

In October 2010, the Council approved the appointment of a strategic development partner, Barratt Wilson Bowden (BWB), to regenerate Basildon Town Centre. The Council's ongoing costs will be shared with the developer through annual contributions from the developer. They will also be partly offset by additional planning and building control fees produced from the regeneration. Following extensive negotiations, viability testing and financial appraisals, the development of Phase 1a, on the site of the former Gloucester Park swimming pool, commenced in late Autumn 2011.

### ■ 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. Whilst 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 meant that implementation is now scheduled for the 2012/13 financial year. New proposals were finalised (reflecting current law and practice) for submission to the recognised unions early in 2012/13. A detailed report was submitted to the Council's Cabinet in May 2012 which should enable implementation to be undertaken by the end of 2012/13 at the latest which 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 compensation to be capitalised, up to £2.0 million in Basildon's case as at March 2012. It will be necessary to use reserves to meet any costs which exceed the current budgeted provision.

### ■ Housing Stock

2011/12 was the first year that the Council received funding under the decent homes backlog funding arrangements. This meant that an additional £13.4 million was available for investment in the housing stock. In total the Council expects to receive £66.9 million by the end of the 2014/15 financial year.

The arrangements for the management of the housing stock changed during the year. On 4 July 2011 it was brought back in house having been managed by the Council's Arms Length Management Organisation since 1 April 2007. The key driver for this change was to make efficiency savings by eliminating duplication. Savings of £1 million per year shared equally between the HRA and GF are expected to be delivered from 2012/13.

The Localism Bill received royal assent on 15 November 2011 and under sections 167 to 175, the housing subsidy system has been abolished with effect from April 2012. From April 2012, Basildon will no longer make annual subsidy payments to the Government, retaining all its rental income. In return for removal of the obligation to pay negative subsidy, Basildon has taken on £51.5m additional debt to fund a one-off payment to the Government on the 28 March 2012. All housing authorities are now free to operate their HRAs on a self-financing basis, which will give them considerable new freedoms, but also new responsibilities and risks. A draft HRA 30 year Business Plan was presented to Cabinet on 9 February 2012 and a final version, along with an updated Housing Asset Management Strategy, approved by Council on 19 April 2012.

### ■ VAT claims

Since 2009, Basildon Council, along with many other councils, has been pursuing claims against Her Majesty's 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 £0.5 million (net) in 2011/12, which was credited to the Contingency Reserve. The Council continues to pursue other claims, but there is no certainty that any more monies will be realised.

# Explanatory Foreword - Review of the Year 2011/12

Whilst not necessarily having a significant effect on the 2011/12 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:

- Golf Course

In April 2011, action commenced against Basildon Golf Centre Limited (the Company) to terminate the lease and recover possession of the Golf Course as the Company had failed to comply with their obligations. Possession was obtained in August 2011 and an Order for Possession was granted by Basildon County Court together with a money judgement for the monies owed to the Council. Recovery action is on-going in respect of the debts. After the Council regained possession, interim arrangements were entered into with Warehouse Sports (UK) Limited, to operate the Golf Course, whilst the future provision of the Golf Course is determined. On 15 March 2011, Cabinet agreed the overall procurement approach, to adopt a single tender process with separate lots for the operation of the Golf Course and associated development option. A decision will be made on the outcome of the procurement during 2012/13. Appropriate allowances have been made in the accounts to reflect information available at this time.

- Government Legislative Programme

The finances of the Council could also of course continue to be affected significantly by the Government's legislative programme.

The most significant area of change for local government finance is the replacement of Formula Grant from 2013/14 with a localisation scheme for Business Rates income. A consultation paper was published in July 2011, followed by eight technical papers in August, leading to a Local Government Finance Bill laid before Parliament in December. Following its Third Reading in the House of Commons on 21 May 2012, it commenced its detailed scrutiny in the House of Lords on 12 June. The Bill is little more than a framework for secondary legislation, the detail for which will not be known until much later, possibly as late as the autumn, well after the Bill receives Royal Assent. Concerns have been expressed at the complexity of the scheme and its lack of responsiveness to changes in need. Another significant concern is the volatility of Business Rates income, both nationally and locally, and the risks this would present for local authority budgets and the levels of reserves required.

A second major change in the Local Government Finance Bill is the localisation of support to council tax payers, which is currently delivered through Council Tax Benefit. Each billing authority is required to produce a local scheme to take effect in April 2013 against the background of a reduced government grant. Existing claimants of pension credit age will be protected, so any financial savings will need to be found by reducing the existing entitlement of other claimants. One area of concern is its implementation through discounts to council tax liability rather than by subsidy. This will affect the Council Tax Base and, as with Business Rate reform, could lead to significant volatility in cost from year to year. The impact will however be shared with the other precepting authorities through the Collection Fund with Basildon responsible for less than 20%. The Bill also introduces a number of technical changes to council tax to be implemented at the same time, again through changes to the Council Tax Base.

In addition to these two major changes the Council will also be addressing the consequences of the other issues that arise from the Government's legislative programme, including:

- Tax Increment Financing
- General Power of Competence
- Community Right to Challenge
- Assets of Community Value
- Reinvigorated Right to Buy Scheme
- Introduction of Universal Credit
- Abolition of the Audit Commission

# Explanatory Foreword - Review of the Year 2011/12

## ASSETS AND LIABILITIES

The only material acquisition during 2011/12 was the Sporting Village facility, which was completed and opened to the public at the end of April 2011.

During the year several land assets were disposed of at market value, including the site of Gloucester Park swimming pool and the Markhams Chase Leisure Centre. The proceeds of sale of the land assets were earmarked to fund the Sporting Village. The market for right-to-buy housing disposals remained depressed throughout 2011/12, realising a total of 20 sales and proceeds of £1.8 million (before clawback and pooling).

The additional supported borrowing of £13.4 million for the Housing Revenue Account currently falls under the protection of the Subsidy regime and was taken account of in the debt settlement figure on which implementation of HRA reform will be based from April 2012.

## BALANCES AND RESERVES

Since 2008, local government finances have experienced unprecedented external pressures and uncertainties, initially through the effect of the global economic recession on demand for public services and more recently through the Coalition Government's deficit reduction measures in its Comprehensive Spending Review. This severely reduced financial support for local government (formula grant) at the same time as introducing a heavy legislative programme of reform in areas such as social housing, welfare benefits and planning. The refocusing of public services through the "localism" agenda has also been particularly challenging. In response, Basildon has stepped up its transformation programme to maximise the financial savings that can be made through efficiencies, but these take time to develop and implement.

Taken together, these factors have presented a wide range of possible outcomes for Basildon, much of it still unknown at the year end, inevitably increasing the need for higher levels of general reserves.

The table below compares the outturn balances and reserves with budgeted levels.

	Budget £m	Outturn £m
General Fund Balance	2.0	8.7
Contingency Reserve	7.0	9.4
Insurance Pool Reserve	2.8	2.9
Other Earmarked Reserves	0.9	1.8
Sub-total: General Fund	12.7	22.8
Housing Revenue Account – General Balance	3.5	7.3
Housing Revenue Account – Earmarked Balance	0.8	0.6
Sub-Total: Housing Revenue Account	4.3	7.9
<b>Total Balances and Reserves</b>	<b>17.0</b>	<b>30.7</b>

## PENSIONS RESERVE

In common with most, if not all, other local authorities, this Council carries a deficit on its Pension Reserve. This reflects Basildon Council's share in the Pension Fund administered by Essex County Council. The deficit increased in 2011/12 from £64.0 million as at 31 March 2011 to £93.0 million as at 31 March 2012. The main reason for this increase was an actuarial loss of £28.7 million, being the difference between the Fund Actuary's assumptions for the year and what actually materialised. The main difference was in respect of the assumption of the discount rate used for discounting future fund liabilities to present values – the assumption was based on a yield rate of 5.5% on the iBoxx AA rated 15+ year corporate bond index. As at 31 March 2012 this rate was actually nearly 1% lower at 4.6%. To discount future liabilities at a lower rate actually increases the value of the future liabilities to the pension fund.

# Explanatory Foreword – Summary Financial Information

## ■ REVENUE EXPENDITURE

Gross revenue expenditure in 2011/12 amounted to £183.9 million and is summarised here across the following service headings:

	£m	%
Community	3.3	1.8
Development and Regulation		
- Benefits (including administration)	85.0	46.2
- Other Services	10.8	5.9
Environment	12.1	6.6
Housing		
- Council Housing Services	47.5	25.8
- General Fund Housing Services	3.3	1.8
Leisure	8.5	4.6
Regeneration and Partnerships	1.7	0.9
Corporate and Central	6.2	3.4
Management and Administration	0.3	0.2
Transfers to Reserves	5.2	2.8
<b>Total</b>	<b>183.9</b>	<b>100.0</b>

## ■ REVENUE INCOME

Revenue expenditure was financed from the following sources:

	£m	%
<i>Government Grants</i>		
Revenue Support Grant	2.8	1.5
National Non Domestic Rates	9.0	4.9
Other General Government Grants	1.0	0.5
Housing and Council Tax Benefits	85.0	46.2
Sub-total	97.8	53.1
<i>Council Tax Levy</i> (excluding Parish and Town Council precepts)	16.2	8.8
<i>Other Income</i>		
Housing Rents	45.7	24.9
Fees, charges & other income	24.2	13.2
<b>Total</b>	<b>183.9</b>	<b>100.0</b>

## ■ 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	11.9	20.6
Collection Fund Requirement (excluding surpluses/deficits)	16.2	16.2
General Government Grants	2.8	3.7
National Non-Domestic Rates	9.0	9.0
Sub-total	39.9	49.5
Net cost of services	27.2	26.7
<b>Balance carried forward 31 March 2012</b>	<b>12.7</b>	<b>22.8</b>

# Explanatory Foreword – Summary Financial Information

## ■ EXTERNAL DEBT

	31 March 2012 £m	31 March 2011 £m	Change £m
Short term borrowing	9.5	51.1	(34.6)
Long term borrowing	201.1	104.0	92.1
Transferred Debt	0.6	0.7	(0.1)
Finance leases	4.6	3.1	0.8
Sub-total	215.8	158.9	58.2
Investments	(5.7)	(2.2)	(3.5)
<b>Net External Debt</b>	<b>210.1</b>	<b>156.7</b>	<b>54.7</b>

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

Interest payable on external debt and other liabilities for the year amounted to £9.16 million compared with an original budget of £8.83 million.

## 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](mailto:finance@basildon.gov.uk). Financial information may also be found on the Council's website, [www.basildon.gov.uk](http://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>

The 30 Year Housing Revenue Account Business Plan  
<http://www.basildonmeetings.info/documents/s43274/documents/s43274/Business%20Plan%20-%20Encl.%202.pdf>

# 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 would be restated here after consolidating the Council's accounts with those of other entities in which it has a controlling interest. There are currently no other such entities.



# Statement of Responsibilities

## Basildon Borough Council

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

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.

## Commissioning Director - Resourcing (Section 151)

I am the Commissioning Director - Resourcing with delegated legal and professional responsibility for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Where necessary I have to make judgements and estimates, and these must be both reasonable and prudent.

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

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

The Statement of Accounts complies with the Code and gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2012.

Signed:

**Kieran Carrigan CPFA**  
Commissioning Director - Resourcing (Section 151)

26 September 2012.

## 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 26 September 2012.

Signed:

**Councillor D Morris**  
Chairman of the Audit and Risk Committee  
Chairman of the meeting approving the accounts

26 September 2012.



# Auditor's report

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

### Opinion on the Authority financial statements

I have audited the financial statements of Basildon Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 s151 Officer and auditor

As explained more fully in the Statement of the Responsibilities, the s151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on 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 financial statements sufficient to give reasonable assurance that the financial 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the s151 officer and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Basildon Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### Opinion on other matters

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

### Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

#### **Respective responsibilities of the Authority and the auditor**

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.

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.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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 2011, 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 2012.

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 2011, 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 2012.

### **Certificate**

I certify that I have completed the audit of the 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

District Auditor

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

28 September 2012

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# Basildon Borough Council

## STATEMENT OF ACCOUNTS 2011/12



# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 (Including Revenue Recognition)

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow from the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from Grants, Contributions and Donations is recognised immediately if no conditions exist or if all conditions have been met.
- Supplies that are held in Stock (see Policy number 13) are recorded as expenditure when they are consumed, i.e. where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. Other supplies are expensed when received.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.

## 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.

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

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 and 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.

### Termination Benefits (Exit Costs)

Termination benefits, or "Exit Costs" 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. These 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

## Statement of Accounting Policies

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 4.6% (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.

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

# Statement of Accounting Policies

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.

### 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.

### Soft Loans

A soft loan is one that provides for an interest charge at less than market rates. The Code requires in these circumstances that the difference between the amount advanced and the fair value of the loan (value of the loan if interest were included at an appropriate rate) be charged to the relevant service revenue account. Statute then provides for this to be reversed out to the Financial Instruments Adjustment Account.

# Statement of Accounting Policies

The Council has made soft loans in 2011/12 but these were funded by Government grant. The cost to the Council of making the loans at a reduced rate of interest is offset by this grant. The Council has, therefore, decided that in these circumstances it is not appropriate to apply the requirements of the Code and statute as the impact on the Council's Comprehensive Income and Expenditure Account is negligible and any impact would be reversed out via the Movement in Reserves Statement meaning that there would be no impact on the General Fund Balance.

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

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement 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. Donated Assets received unconditionally are debited in the Council's Balance Sheet at Fair Value and credited to the Comprehensive Income and Expenditure Statement.

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

## 12. 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 net cost of interest otherwise incurred by the General Fund or the Housing Revenue Account in respect of that period is capitalised.

## 13. Inventories

Inventories at the Council's Central Stores are included in the Balance Sheet at average cost.

# Statement of Accounting Policies

## 14. 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.

## 15. Leases

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

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

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

### The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases 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).

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 minimum revenue provision 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.

# Statement of Accounting Policies

## 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.

## 16. 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 Service Reporting Code of Practice 2011/12 (SERCOP). 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:

- 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 SERCOP and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

# Statement of Accounting Policies

## 17. Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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 mainly by the Council's Principal Estates Surveyor, with the support, in years of heavy workloads, of 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:

- 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.

# Statement of Accounting Policies

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

## 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, furniture and equipment – straight-line allocation over the useful life of the asset based on its capital value.
- Infrastructure, Investment Properties, Community Assets, Surplus Assets and Assets under Construction are not depreciated.

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

Where an item of Property, Plant and Equipment 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 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.

# Statement of Accounting Policies

The Council has assets which have been categorised as “Surplus Assets” under section 4.1.2.2 of the Code. These are defined as assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties under section 4.4 of the Code or non-current assets held for sale under section 4.9 of the Code. These are shown separately on the face of the Balance Sheet at Fair Value.

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). The Council can be liable for repaying sums of money to the HCA in the event that ex-CNT assets are disposed of (this is called “clawback”). 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.

## 18. Provisions and Contingent Liabilities

### Provisions

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

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

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

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

### 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.

### 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

# Statement of Accounting Policies

otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

## 19. Reserves

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

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

## 20. Revenue Expenditure Funded from Capital under Statute

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

## 21. VAT

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

## 22. 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 to finance new capital expenditure, or to repay the principal of borrowings through a reduction in the capital financing requirement, or to fund pooling and clawback.

## 23. Redemption of Debt

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

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

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

# Statement of Accounting Policies

There is no statutory requirement for provision to be set aside from the HRA.

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>

## **24. 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. This method is also used to record the leasing rentals due under a Finance Lease where the Council is the lessor.

## **25. 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.

The South Essex Parking Partnership is effectively an agency arrangement on behalf of Essex County Council who have ultimate responsibility for On Street Parking Enforcement. All costs and revenues are excluded from Basildon Council's accounts, though Note 12 to the Accounts does show the figures in respect of the Basildon area.

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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## NOTES TO THE CORE STATEMENTS

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 and Collection Fund) follow immediately after the respective Financial Statement.

## Core Statements

All figures shown in the Core Statements and Notes for 2010/11 have been restated where necessary to reflect the Landlord Service Function as if it had been brought back in house. The 2010/11 figures are therefore comparable to the 2011/12 figures.



## 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.

2011/12	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
<b>Balance at 31 March 2011</b>	8,972	11,649	4,993	592	-	-	2,998	29,204	378,420	407,624
<b><u>Movement in reserves during 2011/12</u></b>										
<b>Surplus or (deficit) on the provision of services</b>	(397)	-	(54,634)	-	-	-	-	(55,031)	-	(55,031)
Revaluation gains								-	1,720	1,720
Actuarial gains/(losses) on pension assets/liabilities								-	(28,666)	(28,666)
<b>Other Comprehensive Income and Expenditure</b>	-	-	-	-	-	-	-	-	(26,946)	(26,946)
<b>Total Comprehensive Income and Expenditure</b>	(397)	-	(54,634)	-	-	-	-	(55,031)	(26,946)	(81,977)
Adjustments between accounting basis & funding basis under regulations	<b>Note 9</b> 2,626	-	56,914	-	238	-	(216)	<b>59,562</b>	(59,562)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>2,229</b>	-	<b>2,280</b>	-	<b>238</b>	-	<b>(216)</b>	<b>4,531</b>	<b>(86,508)</b>	<b>(81,977)</b>
Transfers to/(from) Earmarked Reserves	<b>Note 34</b> (2,462)	2,493	(29)	29	(31)	-	-	-	-	-
<b>Increase/(Decrease) in 2011/12</b>	<b>(233)</b>	<b>2,493</b>	<b>2,251</b>	<b>29</b>	<b>207</b>	-	<b>(216)</b>	<b>4,531</b>	<b>(86,508)</b>	<b>(81,977)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>8,739</b>	<b>14,142</b>	<b>7,244</b>	<b>621</b>	<b>207</b>	-	<b>2,782</b>	<b>33,735</b>	<b>291,912</b>	<b>325,647</b>

## Movement in Reserves Statement

2010/11	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
<b>Balance at 1 April 2010</b>	6,212	9,178	4,286	595	198	-	1,800	22,269	478,189	500,458
<b><u>Movement in reserves during 2010/11</u></b>										
<b>Surplus or (deficit) on the provision of services</b>	21,659	-	(123,537)	-	-	-	-	(101,878)	-	(101,878)
Revaluation losses (chargeable to revaluation reserve)								-	(478)	(478)
Actuarial gains/(losses) on pension assets/liabilities								-	9,522	9,522
<b>Other Comprehensive Income and Expenditure</b>	-	-	-	-	-	-	-	-	9,044	9,044
<b>Total Comprehensive Income and Expenditure</b>	21,659	-	(123,537)	-	-	-	-	(101,878)	9,044	(92,834)
Adjustments between accounting basis & funding basis under regulations	<b>Note 9</b> (16,428)	-	124,241	-	(198)	-	1,198	108,813	(108,813)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	5,231	-	704	-	(198)	-	1,198	6,935	(99,769)	(92,834)
Transfers to/(from) Earmarked Reserves	<b>Note 34</b> (2,471)	2,471	3	(3)	-	-	-	-	-	-
<b>Increase/(Decrease) in 2010/11</b>	2,760	2,471	707	(3)	(198)	-	1,198	6,935	(99,769)	(92,834)
<b>Balance at 31 March 2011 carried forward</b>	8,972	11,649	4,993	592	-	-	2,998	29,204	378,420	407,624

## 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.

	2011/12			2010/11			
		£000	£000	£000	£000	£000	
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		22,433	(20,690)	1,743	22,812	(19,790)	3,022
Cultural and Related Services		13,797	(1,998)	11,799	11,598	(3,597)	8,001
Environmental and Regulatory Services		11,494	(5,531)	5,963	11,654	(4,014)	7,640
Planning Services		9,146	(2,932)	6,214	4,532	(2,498)	2,034
Education and children's services		682	(850)	(168)	701	(714)	(13)
Highways and transport services		1,905	(693)	1,212	4,378	(1,768)	2,610
Local authority housing (HRA)		44,388	(50,549)	(6,161)	70,516	(48,643)	21,873
- Exceptional Item - HRA Self Financing	6	51,551	-	51,551	-	-	-
- Exceptional Item - Impairment	6	-	-	-	92,800	-	92,800
Other housing services		69,018	(66,501)	2,517	66,937	(65,372)	1,565
Adult social care		1,850	(997)	853	2,212	(1,336)	876
Exceptional item - VAT repayment	6	-	(537)	(537)	-	(1,569)	(1,569)
Corporate and democratic core	11	5,272	(190)	5,082	4,759	(322)	4,437
Non distributed costs	13	1,063	-	1,063	-	-	-
- Exceptional Item - Past Service Deficit	6	-	-	-	(11,575)	-	(11,575)
<b>Cost of Services</b>		<b>232,599</b>	<b>(151,468)</b>	<b>81,131</b>	<b>281,324</b>	<b>(149,623)</b>	<b>131,701</b>
Other Operating Expenditure	14			(5,404)			(1,255)
Financing and Investment Income and Expenditure	15			9,247			11,645
Taxation and Non-Specific Grant Income	16			(29,943)			(40,213)
<b>Deficit on Provision of Services</b>				<b>55,031</b>			<b>101,878</b>
Surplus or deficit on revaluation of non-current assets	45			(1,720)			478
Actuarial (gains)/ losses on pension assets / liabilities	50			28,666			(9,522)
<b>Other Comprehensive Income and Expenditure</b>				<b>26,946</b>			<b>(9,044)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>81,977</b>			<b>92,834</b>

## 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 2012 £000	31 March 2011 £000
Property, Plant & Equipment	40	615,987	616,102
Investment Property	41	15,551	15,092
Long Term Debtors	26	246	226
<b>Long Term Assets</b>		<b>631,784</b>	<b>631,420</b>
Inventories	25	233	280
Short Term Debtors	26	19,814	20,813
Cash and Cash Equivalents	51	2,720	-
<b>Current Assets</b>		<b>22,767</b>	<b>21,093</b>
Bank Overdraft (Cash and Cash Equivalents)	51	(153)	(1,370)
Short Term Borrowing	35	(16,517)	(51,098)
Short Term Creditors	27	(10,647)	(12,765)
Other Short Term Liabilities	28	(748)	(526)
Capital Grants Receipts in Advance	22	(686)	(883)
Revenue Grants Receipts in Advance	22	(249)	(733)
Short Term Provisions	29	(3,576)	(3,866)
<b>Current Liabilities</b>		<b>(32,576)</b>	<b>(71,241)</b>
Provisions - Other	29	(2,716)	(2,370)
Long Term Borrowing	35	(196,131)	(103,958)
Net Pensions Liability	50	(92,978)	(64,035)
Other Long Term Liabilities	28	(4,503)	(3,285)
<b>Long Term Liabilities</b>		<b>(296,328)</b>	<b>(173,648)</b>
<b>Net Assets</b>		<b>325,647</b>	<b>407,624</b>
General Fund Balance	32	8,739	8,972
Earmarked Reserves Balance	34	14,142	11,649
Housing Revenue Account	32	7,865	5,585
Capital Receipts Reserve	47	207	-
Capital Grants Unapplied	32	2,782	2,998
<b>Usable reserves</b>	<b>32</b>	<b>33,735</b>	<b>29,204</b>
Revaluation Reserve	45	13,654	10,535
Capital Adjustment Account	48	372,204	432,809
Financial Instruments Adjustment Account	39	(452)	(526)
Deferred Capital Receipts Reserve	46	230	196
Pensions Reserve	50	(92,978)	(64,035)
Collection Fund Adjustment Account	34	(164)	(35)
Unequal Pay Back Pay Account	34	(443)	(443)
Accumulated Absences Account	34	(139)	(81)
<b>Unusable Reserves</b>	<b>33</b>	<b>291,912</b>	<b>378,420</b>
<b>Total Reserves</b>		<b>325,647</b>	<b>407,624</b>

These financial statements replace the unaudited financial statements certified by Kieran Carrigan on 29 June 2012

## 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	2011/12 £000	2010/11 £000
<b>Net (surplus) or deficit on the provision of services</b>		<b>55,031</b>	<b>101,878</b>
<u>Non-Cash Movements:</u>			
Depreciation		(20,058)	(22,718)
(Impairment and downward valuation) / Reversal of (Increase) / Decrease in impairment provision for bad debts		(2,497)	(110,443)
(Increase) / Decrease in Creditors		1,294	4,600
Increase / (Decrease) in Debtors		997	(2,546)
Increase / (Decrease) in Stock		(47)	36
Movement in Pension liability		(277)	9,528
Carrying Amount of Non Current Assets Sold		(5,943)	(845)
Disposal Costs of Non Current Assets Sold		(12)	(11)
		(26,758)	(122,640)
<u>Other non-cash items charged to the net surplus or deficit on the provision of services</u>			
Increase in provisions		(56)	(1,086)
Movement in the value of Investment Properties		459	(781)
Grants unapplied to the financing of capital expenditure		(109)	1,198
Grants applied to the financing of capital expenditure		722	6,598
		1,016	5,929
<b>Adjustments to net surplus or deficit on the provision of services for non cash movements</b>		<b>(25,742)</b>	<b>(116,711)</b>
<b>Adjusted net surplus or deficit</b>		<b>29,289</b>	<b>(14,833)</b>
<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		13,238	4,964
HRA Settlement		(51,551)	-
<b>Net cash flows from Operating Activities</b>	<b>52</b>	<b>(9,024)</b>	<b>(9,869)</b>
Net cashflows from Investing Activities	<b>53</b>	14,396	31,441
Net cashflows from Financing Activities	<b>54</b>	(9,309)	(22,505)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(3,937)</b>	<b>(933)</b>
Cash and cash equivalents at the beginning of the reporting period		1,370	2,303
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>51</b>	<b>(2,567)</b>	<b>1,370</b>



# 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. There are no such new standards coming into effect in the 2012/13 Financial Year which would need disclosing in 2011/12. Financial Reporting Standard 30, 'Heritage Assets', is a new standard being adopted in 2011/12 which specifies the required accounting treatment and disclosures relating to assets held in trust for future generations because of their cultural, environmental or historical associations. Having completed an exercise to identify such assets the figures proved to be not material and are already included as operational assets under Community Assets or Other Land and Buildings. As such it is not felt that the users of the accounts will be at a disadvantage by not recognising heritage assets as a separate class on the Balance Sheet.

### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

Critical judgement has been applied to the assessment of leases to determine whether they are finance or operating leases. Accounting Standard IAS 17 (Leases) describes five primary and three secondary tests of the lease's characteristics, with the over-riding consideration that ownership rests with the party bearing 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. 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 Compensation arising from Unequal Pay Claims. This is a complicated area with many court cases happening across the country. The Council has estimated the impact of this and made a provision for estimated payments accordingly.

On the 4 July 2011 the housing landlord service was brought back in-house. It had previously been provided by St Georges Community Housing Ltd (SGCH), an Arms Length Management Company. The 2011/12 accounts have been prepared on the basis of the transfer taking place on 1 April 2011 as required by the principles of merger accounting. Group Accounts were therefore not prepared for the first 3 months of 2011/12 as this would not be of any material benefit to the users of these accounts. 2011/12 has therefore been prepared on a "Single Entity" basis with no individual Income and Expenditure Account or Balance Sheet prepared for SGCH Ltd. The 2010/11 figures have been re-stated on the Single Entity basis for comparison purposes. Consideration was given as to whether or not the transfer represented a business combination and should, therefore, be accounted for under International Financial Reporting Standard 3. The main accounting difference that would have arisen if this approach had been taken would have been that the amounts on the SGCH balance sheet would have been restated to fair value. The Council does not, however, consider that this would have resulted in any material difference arising.

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

The estimated General Fund provision of £2 million for compensation arising from equal pay claims is based on latest assumptions of individuals' circumstances.

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.

# Notes to the Core Statements

## General Notes

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

All leases were reassessed in 2010/11 under the requirements of IFRS. In order to continue to represent the financial impact of lease arrangements, estimates continue to be required in respect of the following;

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

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.

Assets are depreciated over their useful lives that are dependent on the level of repairs and maintenance of the assets. The current economic climate causes a degree of uncertainty over the sustainability of the current level of expenditure on repairs and maintenance, and therefore the useful lives assigned to assets. For the purpose of the 2011/12 asset valuations, it is assumed that the current level of expenditure on each asset will not be affected by 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 accounts 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 - £16.5 million for Basildon Borough Council's proportion (£98.8 million across all preceptors). Housing Benefits, whilst generally considered to be break-even to the Council, involve paying out sums in the region of £85.0 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £8.9 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 main "general" grants received from the Government totalled £3.7 while £9.0 million was received in respect of Redistributed Non Domestic Rates.

### 6 EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

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

In respect of 2011/12 there were 2 instances felt to be sufficiently exceptional in nature to be shown on a separate line in the Comprehensive Income and Expenditure Statement: 1) £51.6 million. The Localism Bill received royal assent on 15 November 2011 and under sections 167 to 175, the housing subsidy system has been abolished with effect from April 2012. From April 2012, Basildon will no longer make annual subsidy payments to the Government, retaining all its rental income. In return for removal of the obligation to pay negative subsidy, Basildon has taken on £51.6m additional debt through a one-off payment to the Government on the 28 March 2012. 2) £0.5 million. A VAT Claim of £0.5 million in respect of Trade Waste charges but which goes back over a number of years. To include this income in the service in any one year would distort that service's in-year net cost.

In respect of 2010/11, the Council had 3 such items 1) Social Housing Factor - Downward adjustment to Council Housing Valuations (£92.8 million) 2) VAT - Fleming Case Refunds (£1.6 million). 3) Past Service Gain on the Pension Fund in respect of the change in use of RPI to CPI to calculate annual increases in payments (£11.6 million). Further information was given about these items last year in this same note to the 2010/11 Statement of Accounts.

### 7 EVENTS AFTER THE BALANCE SHEET DATE

There are no material events since 31 March 2012 requiring either, an adjustment to the accounts, or a note to the accounts.

# Notes to the Core Statements

## General Notes

### **8 DATE ACCOUNTS AUTHORISED**

These accounts will be authorised by the Audit and Risk Committee for issue on 26 September 2012, which is the date to which events after the balance sheet date will continue to be considered.

### **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.

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

#### **General Fund Balance**

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

#### **Housing Revenue Account Balance**

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

#### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance had all been applied at the 31 March 2012.

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

#### **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 contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

# Notes to the Core Statements

## General Notes

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

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.

#### **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.

# Notes to the Core Statements

## General Notes

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

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.

2011/12	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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>								
Charges for Depreciation and Impairment of non-current assets	2,866	-	17,192	-	-	-	-	(20,058)
Revaluation losses on Property, Plant and Equipment (charged to SDPS)	4,833	-	(2,349)	-	-	-	-	(2,484)
Donated Assets	(320)	-	-	-	-	-	-	320
Movement in the market value of Investment Property	(459)	-	-	-	-	-	-	459
Capital Grants & Contributions applied	(722)	-	-	-	-	-	-	722
Revenue expenditure funded from capital under statute (net of contributions)	2,238	-	51,551	-	-	-	-	(53,789)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	3,586	-	2,357	-	-	-	-	(5,943)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>								
Statutory Provision for the financing of capital investment	(622)	-	-	-	-	-	-	622
Capital expenditure charged against the General Fund and HRA Balances	(146)	-	(631)	-	-	-	-	777
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	109	-	-	-	-	-	(109)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(107)	107

# Notes to the Core Statements

## General Notes

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

2011/12	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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	(11,394)	-	(1,855)	-	13,249	-	-	-
Use of the capital receipts reserve to finance new capital expenditure and repay debt	-	-	-	-	(11,496)	-	-	11,496
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	12	-	(12)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	775	-	-	-	(775)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments in respect of clawback to the Homes and Communities Agency	745	-	-	-	(745)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	17	-	-	(17)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(42)	-	(9)	-	-	-	-	51
<b>Adjustments involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA	-	-	(8,565)	-	-	8,565	-	-
Use of the Major Repairs Reserve to finance capital expenditure and repay debt	-	-	-	-	-	(8,565)	-	8,565
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(82)	-	8	-	-	-	-	74

# Notes to the Core Statements

## General Notes

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

2011/12	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
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	5,663	-	410	-	-	-	-	(6,073)
Employer's contributions to Essex County Council Pension Scheme	(4,579)	-	(1,217)	-	-	-	-	5,796
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
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.	129	-	-	-	-	-	-	(129)
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>								
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	-	-	-	-	-	-	-	-
<b>Adjustment involving the Accumulated Absences Account:</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	48	-	10	-	-	-	-	(58)
<b>Total Adjustments</b>	<b>2,626</b>	<b>-</b>	<b>56,914</b>	<b>-</b>	<b>238</b>	<b>-</b>	<b>(216)</b>	<b>(59,562)</b>

# 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<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	-	39,284	-	-	-	-	(41,161)
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	(6,556)	-	-	-	-	-	-	6,556
Revenue expenditure funded from capital under statute (net of contributions)	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	-	713	-	-	-	-	(851)
<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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,240)	-	-	-	-	-	1,240	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	(42)	42

# 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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
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 and repay debt	-	-	-	-	(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)	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	-	-	-	-	-	-	(1)
<b>Adjustments involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA	-	-	(6,527)	-	-	6,527	-	-
Use of the major repairs reserve to finance capital expenditure and repay debt	-	-	-	-	-	(6,527)	-	6,527
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
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

# 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
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(4,859)	-	1,338	-	-	-	-	3,521
Employer's contributions to Essex County Council Pension Scheme	(4,806)	-	(1,201)	-	-	-	-	6,007
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
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
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>								
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	(10)	-	-	-	-	-	-	10
<b>Adjustment involving the Accumulated Absences Account:</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(54)	-	(12)	-	-	-	-	66
<b>Total Adjustments</b>	<b>(16,428)</b>	<b>-</b>	<b>124,241</b>	<b>-</b>	<b>(198)</b>	<b>-</b>	<b>1,198</b>	<b>(108,813)</b>

# Notes to the Core Statements

## General Notes

### 10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cashflows (payment of employer's pension contributions) rather than current service cost benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

2011/12	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	(2,607)	(2,728)	(9,432)	(1,496)	(2,692)	(35,460)	(50,549)	(104,964)
Government grants	(124)	(83,468)	(33)	33	(1,290)	(115)	-	(84,997)
<b>Total income</b>	<b>(2,731)</b>	<b>(86,196)</b>	<b>(9,465)</b>	<b>(1,463)</b>	<b>(3,982)</b>	<b>(35,575)</b>	<b>(50,549)</b>	<b>(189,961)</b>
Employee Expenses	1,476	2,152	6,443	3,673	3,372	11,788	6,488	35,392
Other operating expenses	2,414	83,796	12,497	823	7,350	15,412	41,738	164,030
Support service recharges	884	1,714	2,473	1,165	1,467	7,246	-	14,949
<b>Total operating expenses</b>	<b>4,774</b>	<b>87,662</b>	<b>21,413</b>	<b>5,661</b>	<b>12,189</b>	<b>34,446</b>	<b>48,226</b>	<b>214,371</b>
<b>Cost of services</b>	<b>2,043</b>	<b>1,466</b>	<b>11,948</b>	<b>4,198</b>	<b>8,207</b>	<b>(1,129)</b>	<b>(2,323)</b>	<b>24,410</b>

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

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	£'000
Cost of Services in Service Analysis	24,410
Add amounts not reported to management	62,744
Remove amounts reported to management not included in Cost of Services	(6,023)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>81,131</b>

# Notes to the Core Statements

## General Notes

### 10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

#### Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

2011/12	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	(104,964)	66	38,426	(66,472)	(2,168)	(68,640)
Interest & Investment Income	(32)	-	32	-	(8,200)	(8,200)
Income from Council Tax	-	-	-	-	(16,443)	(16,443)
Government Grants & Contributions	(84,997)	-	-	(84,997)	(13,107)	(98,104)
<b>Total income</b>	<b>(189,993)</b>	<b>66</b>	<b>38,458</b>	<b>(151,469)</b>	<b>(39,918)</b>	<b>(191,387)</b>
Employee Expenses	35,392	1,481	(1,942)	34,931	-	34,931
Other operating expenses	155,517	(12,909)	(33,910)	108,698	-	108,698
Support service recharges	14,949	-	(84)	14,865	-	14,865
HRA Self financing	-	51,551	-	51,551	-	51,551
Depreciation, Amortisation & Impairment	-	22,555	-	22,555	-	22,555
Interest Payments	8,545	-	(8,545)	-	19,222	19,222
Precepts & Levies	-	-	-	-	359	359
Payments to Housing Capital Receipts Pool	-	-	-	-	775	775
Amounts Payable in respect of Clawback on Disposal of Dwellings and Other Land	-	-	-	-	745	745
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(7,283)	(7,283)
<b>Total operating expenses</b>	<b>214,403</b>	<b>62,678</b>	<b>(44,481)</b>	<b>232,600</b>	<b>13,818</b>	<b>246,418</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>24,410</b>	<b>62,744</b>	<b>(6,023)</b>	<b>81,131</b>	<b>(26,100)</b>	<b>55,031</b>

## Notes to the Core Statements

### General Notes

#### 10 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

2010/11	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	(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)
<b>Total income</b>	<b>(2,905)</b>	<b>(84,140)</b>	<b>(9,688)</b>	<b>(875)</b>	<b>(3,834)</b>	<b>(36,686)</b>	<b>(48,643)</b>	<b>(186,771)</b>
Employee Expenses	2,233	2,345	7,958	669	3,713	15,068	6,244	38,230
Other operating expenses	1,946	82,654	12,280	1,300	3,026	15,200	25,678	142,084
Support service recharges	852	2,019	3,274	1,460	1,660	6,594	-	15,859
<b>Total operating expenses</b>	<b>5,031</b>	<b>87,018</b>	<b>23,512</b>	<b>3,429</b>	<b>8,399</b>	<b>36,862</b>	<b>31,922</b>	<b>196,173</b>
<b>Cost of services</b>	<b>2,126</b>	<b>2,878</b>	<b>13,824</b>	<b>2,554</b>	<b>4,565</b>	<b>176</b>	<b>(16,721)</b>	<b>9,402</b>

#### 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	121,230
Remove amounts reported to management not included in Cost of Services	912
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>131,544</b>

# 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)	48,629	<b>(67,072)</b>	(832)	<b>(67,904)</b>
Interest & Investment Income	-	-	-	-	(7,057)	<b>(7,057)</b>
Income from Council Tax	-	-	-	-	(16,384)	<b>(16,384)</b>
Government Grants & Contributions	(82,551)	-	-	<b>(82,551)</b>	(21,998)	<b>(104,549)</b>
<b>Total income</b>	<b>(186,771)</b>	<b>(11,481)</b>	<b>48,629</b>	<b>(149,623)</b>	<b>(46,271)</b>	<b>(195,894)</b>
Employee Expenses	46,597	892	(3,098)	<b>44,391</b>	-	<b>44,391</b>
Other operating expenses	133,717	(1,233)	(44,486)	<b>87,998</b>	-	<b>87,998</b>
Support service recharges	15,859	-	(133)	<b>15,726</b>	-	<b>15,726</b>
Depreciation, Amortisation & Impairment	-	133,052	-	<b>133,052</b>	-	<b>133,052</b>
Interest Payments	-	-	-	-	18,702	<b>18,702</b>
Precepts & Levies	-	-	-	-	361	<b>361</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	308	<b>308</b>
Amounts Payable in respect of Clawback on Disposal of Dwellings and Other Land	-	-	-	-	2,177	<b>2,177</b>
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(4,102)	<b>(4,102)</b>
<b>Total operating expenses</b>	<b>196,173</b>	<b>132,711</b>	<b>(47,717)</b>	<b>281,167</b>	<b>17,446</b>	<b>298,613</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>9,402</b>	<b>121,230</b>	<b>912</b>	<b>131,544</b>	<b>(28,825)</b>	<b>102,719</b>

# 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 - SOUTH ESSEX PARKING PARTNERSHIP

From April 2011 on-street parking enforcement is operated on behalf of Essex County Council by the South Essex Parking Partnership. This partnership consists of 7 Essex councils, of which Chelmsford Borough Council is lead authority and accountable body. Each Council is entitled to one member on the managing Joint Committee, and all decisions are taken by majority vote. All on-street enforcement costs and income are incurred and received by Chelmsford Council, and Chelmsford maintains a separate account for each participating authority. Prior to 2011/12 Basildon Council incurred these costs and received income (on behalf of Essex County Council). The relevant figures for 2011/12 are shown below, with Basildon Council's 2010/11 figures shown for comparative purposes only:

	2011/12 £'000	2010/11 £'000
Expenditure incurred by Partnership in enforcing the On Street Parking Regulations	328	389
Income from Parking Charges and Penalties	(360)	(343)
(Deficit) recovered from Essex County Council, Surplus retained by the Partnership	32	(46)
<b>Total Agency Services</b>	<b>-</b>	<b>-</b>

### 13 NON-DISTRIBUTED COSTS

In compliance with SeRCOP the following costs are not recharged to services:

	2011/12 Net Expenditure £'000	2010/11 Net Expenditure £'000
Pensions: past service costs	-	(11,575)
Pension curtailment/settlement costs	1,063	-
<b>Total Non-distributed Costs</b>	<b>1,063</b>	<b>(11,575)</b>

See Note 6 for more detail concerning the £11.6m charge in 2010/11.

### 14 OTHER OPERATING EXPENDITURE

	2011/12 £000	2010/11 £000
Parish council precepts	359	361
Payments to the Government Housing Capital Receipts Pool	775	308
Amounts Payable in respect of Clawback on Disposal of Dwellings and other Land	745	2,177
(Gains)/losses on the disposal of non current assets	(7,283)	(4,101)
<b>Total Other Operating Expenditure</b>	<b>(5,404)</b>	<b>(1,255)</b>

### 15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

		2011/12 £'000	2010/11 £'000
Interest payable and similar charges	<b>Note 36</b>	9,173	8,419
Pensions interest cost and expected return on pensions assets	<b>Note 50</b>	1,955	3,933
Interest receivable and similar income	<b>Note 36</b>	(106)	(74)
Income and expenditure in relation to investment properties and changes in their fair value	<b>Note 41</b>	(1,775)	(633)
<b>Total Financing and Investment Income and Expenditure</b>		<b>9,247</b>	<b>11,645</b>

# Notes to the Core Statements

## General Notes

### 16 TAXATION AND NON-SPECIFIC GRANT INCOME

		2011/12 £'000	2010/11 £'000
Council tax income		(16,443)	(16,384)
Non domestic rates		(9,006)	(13,869)
Non-ringfenced government grants	Note 22	(3,742)	(2,163)
Capital grants and contributions	Note 22	(752)	(7,797)
<b>Total Taxation and Non-specific grant income</b>		<b>(29,943)</b>	<b>(40,213)</b>

### 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 41 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:

		2011/12 £'000	2010/11 £'000
External audit services carried out under the Code of Audit Practice		135	194
Certification of grant claims and returns for the year		40	53
Statutory inspections		2	2
Other services provided during the year		-	1
<b>Total External Audit Costs</b>		<b>177</b>	<b>250</b>

In addition, Audit Fees of £12,600 (2010/11 £15,000) were paid to PKF (UK) LLP in respect of St. Georges Community Housing Ltd.

### 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.

		2011/12 £'000	2010/11 £'000
Salaries		398	396
Allowances		28	28
Expenses		4	4
<b>Total</b>		<b>430</b>	<b>428</b>

# 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 (Note 4)	Performance Related Pay	Expense Allowance	Benefits in Kind	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive	2011/12	172,199	30,105	3,000	1,542	23,879	230,725
(Bala Mahendran)	2010/11	175,128	28,442	3,000	1,545	24,705	232,820
Executive Director	2011/12	48,837	9,560	1,000	-	6,119	65,516
(left 31.7.11)	2010/11	126,440	8,962	3,000	-	17,060	155,462
Executive Director	2011/12	123,639	8,365	2,750	1,542	15,563	151,859
	2010/11	125,652	21,352	-	1,545	18,486	167,035
Executive Director	2011/12	112,561	3,117	1,500	1,542	13,480	132,200
	2010/11	109,257	-	-	1,673	13,754	124,684
Executive Director	2011/12	78,535	-	-	-	-	78,535
(Note 1)	2010/11	-	-	-	-	-	-
Chief Executive - SGCH	2011/12	28,950	-	304	-	3,415	32,669
(Retired 4.7.11 - Note 2)	2010/11	103,155	-	912	-	13,965	118,032
Head of Corporate Services	2011/12	92,545	4,024	684	-	10,535	107,788
	2010/11	87,400	1,860	912	1,545	11,201	102,918
Head of Resources	2011/12	88,717	3,367	456	1,019	10,832	104,391
	2010/11	86,911	3,918	912	1,020	11,409	104,170
Head of Environment & Community Services	2011/12	91,055	2,525	912	1,542	10,778	106,812
	2010/11	83,654	3,288	912	-	10,896	98,750
Head of Street Scene and Leisure Services	2011/12	85,294	3,219	912	1,542	10,334	101,301
	2010/11	83,568	4,075	912	1,545	10,930	101,030
Head of Housing Strategy	2011/12	71,058	1,960	-	1,542	8,531	83,091
	2010/11	70,249	1,986	-	1,265	8,977	82,477
Head of Landlord Services (Note 3)	2011/12	56,585	-	-	-	-	56,585
	2010/11	-	-	-	-	-	-
Head of Customer Services	2011/12	71,177	2,054	912	-	8,565	82,708
(wef 26.10.09)	2010/11	71,649	3,085	912	-	9,252	84,898
<b>Total 2011/12</b>		<b>1,121,152</b>	<b>68,296</b>	<b>12,430</b>	<b>10,271</b>	<b>122,031</b>	<b>1,334,180</b>
<b>Total 2010/11</b>		<b>1,123,063</b>	<b>76,968</b>	<b>11,472</b>	<b>10,138</b>	<b>150,635</b>	<b>1,372,276</b>

Note 1 - This position is currently being covered on an interim basis by a consultant. The figures above reflect payments made since commencement on 11.7.11.

Note 2 - The postholder took early retirement following the return of the landlord service function from SGCH to the Council. A Compromise payment of £109,700 was made at this time.

Note 3 - This position was covered on an interim basis by a consultant from 20/07/2011.

Note 4 - There were no pay awards taken by the above individuals. Year on year differences reflect changes in Returning Officer fees, attendance at committees and increments.

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

Remuneration Band	Number of employees	
	2011/12	2010/11
£50,000 - £55,000	7	9
£55,001 - £60,000	7	5
£60,001 - £65,000	8	9
£65,001 - £70,000	1	4
£70,001 - £75,000	1	-
£75,001 - £80,000	2	2
<b>Total</b>	<b>26</b>	<b>29</b>

# Notes to the Core Statements

## General Notes

### 21 EXIT COSTS / TERMINATION BENEFITS

These figures include Strain on the Pension Fund (Curtailment Costs) and payments to individuals - incurred with a view to securing future savings and efficiencies.

2011/12				
Exit costs banding (including special payments)	No. of compulsory redundancies	Number of other departures agreed	Total number of exits	Total cost of exits £
Less than £20,000	11	7	18	79,278
£20,001 - £40,000	3	2	5	147,113
£40,001 - £60,000	-	3	3	134,722
Over £60,000	-	5	5	719,730
<b>Total</b>	<b>14</b>	<b>17</b>	<b>31</b>	<b>1,080,843</b>

Total cost of exits includes payments to individuals of £434,687 and Strain on Pension Fund costs of £646,156 paid to the pension authority, Essex County Council.

2010/11				
Exit costs banding (including special payments)	No. of compulsory redundancies	Number of other departures agreed	Total number of exits	Total cost of exits £
£0 - £20,000	3	2	5	34,951
<b>Total</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>34,951</b>

Total cost of exits includes payments to individuals of £10,551 and Strain on Pension Fund costs of £24,400 paid to the pension authority, Essex County Council.

The Council made 14 people redundant in 2011/12, plus there were also 17 other departures agreed. The costs for these are fully reflected in the Comprehensive Income and Expenditure Statement, either in the relevant service or, for the cost of pension curtailments, in the Non Distributed Costs line. It has not been necessary to estimate and make provision for any "committed" redundancy schemes in respect of "non-specific" or "groups of" employees. As a result, all figures in the Exit Costs Bandings do represent the total costs reflected in the Comprehensive Income and Expenditure Statement. This also applies for 2010/11 Bandings.

# Notes to the Core Statements

## General Notes

### 22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

	2011/12 £'000	2010/11 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(2,784)	(2,014)
Area Based Grants	-	(137)
Council Tax Freeze Grant	(406)	-
New Homes Bonus	(212)	-
Homeless Initiatives Funding	(340)	-
Housing and Planning Delivery Grant (HPDG)	-	(12)
<b>Non-ringfenced government grants</b>	<b>(3,742)</b>	<b>(2,163)</b>
Government support for Major Regeneration Schemes:		
Environmental Improvements	-	(29)
Empty Property Direct Assistance	-	(999)
Sporting Village	(25)	(3,885)
Wat Tyler Country Park	-	(1,607)
	<b>(25)</b>	<b>(6,520)</b>
Other Government Contributions:		
Housing	(95)	(132)
Playspaces (Big Lottery Fund)	(161)	-
Community Recreation (Homes & Communities Agency)	(137)	-
Recycling Centre & Kitchen Waste Scheme (Essex County Council)	-	(235)
Lake Meadows funding from other Local Authorities	-	(78)
	<b>(393)</b>	<b>(445)</b>
Non-Government support for Major Regeneration Schemes:		
Sporting Village	-	(450)
Wat Tyler Country Park	(122)	(160)
Section 106 Contributions - Developers	(212)	(172)
Other Non-Government Contributions:	-	(50)
	<b>(334)</b>	<b>(832)</b>
<b>Capital Grants and Contributions</b>	<b>(752)</b>	<b>(7,797)</b>
<b>Total credited to Taxation and Non Specific Grant Income</b>	<b>(4,494)</b>	<b>(9,960)</b>

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

	2011/12 £'000	2010/11 £'000
<b>Capital Grants &amp; Contributions</b>		
Government support for Major Regeneration Schemes:		
Basildon Town Centre	1	1
Eversley Changing Rooms and Pitches	-	137
Wat Tyler Country Park	-	147
	<b>1</b>	<b>285</b>
Non-Government support for Major Regeneration Schemes:		
Contributions - Developers	680	513
Decent Homes (EELGA)	5	84
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>686</b>	<b>883</b>

# Notes to the Core Statements

## General Notes

### 22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS (cont.)

	2011/12 £'000	2010/11 £'000
<b>Credited to Services</b>		
<b>Central Government</b>		
Council Tax Benefits (DWP)	(19,186)	(19,648)
Rent Rebates (DWP)	(25,823)	(25,142)
Rent Allowances (DWP)	(38,459)	(36,521)
Housing Options (DWP)	(178)	(166)
Housing Needs (DWP)	-	(71)
Sporting Village (HCA)	-	(284)
Craylands & Fryerns (HCA)	(100)	(100)
Other Regeneration Funding (HCA)	-	(544)
Homelessness (CLG)	(124)	(145)
Planning Enforcement (CLG)	(1,200)	-
Community Safety (HO)	(90)	(243)
Concessionary Fares (DFT)	-	(487)
DFG ( SCG )	(498)	(424)
Decent Homes Grant	(79)	(667)
Decent Homes Healthy People - (DoH)	(102)	-
Empty Property Direct Assistance (EERA)	(112)	-
Other Government Funding	(245)	(646)
	<b>(86,196)</b>	<b>(85,088)</b>
<b>Local Authorities</b>		
Supporting People Grant (ECC)	(1,061)	(1,433)
Recycling Credits (ECC, CPBC)	(1,190)	(1,315)
Transport (recycling) grant (ECC)	(978)	(493)
Performance Related Grant/LSP (ECC)	-	(170)
Children's Centre / Surestart (ECC)	(766)	(689)
Highways Maintenance (ECC)	(238)	(230)
Community Transport (ECC)	-	(121)
Empty Properties (ECC)	-	(155)
Water Cycle Study (ECC)	(100)	(15)
Other Local Authority Grants and Contributions (individually below £75k).	(320)	(385)
	<b>(4,653)</b>	<b>(5,006)</b>
<b>Non-Government</b>		
Town Centre (BWB)	(250)	(214)
TGSE (RSL/LSP)	(76)	(160)
Other Non-Government Grants and Contributions (individually below £75k).	(434)	(500)
	<b>(760)</b>	<b>(874)</b>
<b>Revenue Grants and Contributions</b>	<b>(91,609)</b>	<b>(90,968)</b>
	2011/12 £'000	2010/11 £'000
<b>Revenue Grants &amp; Contributions</b>		
Central Government support:		
Revenues and Benefits (DWP)	27	41
Other Government Funding	-	28
	27	69
Local Authority support:		
Supporting People (ECC)	-	263
Community Grant - Basildon Family Project (ECC)	124	-
Sure Start - Children's Centres (ECC)	-	41
Water Study (ECC)	-	100
Other Local Authority Funding	10	28
	134	432
Non-Government support:		
TGSE (RSL/LSP)	-	66
Developer Contributions	76	77
Other Non Government Funding	12	89
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>249</b>	<b>733</b>

# Notes to the Core Statements

## General Notes

### 23 RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

#### Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in Note 22. Grant receipts outstanding are included in Note 26.

#### Members

No Members (apart from Cllr Dadds - see below), 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 (up to 4 July 2011) 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 minor grant funding from the Council.

Councillor D. Dadds entered into a transaction with the Council, at open market value and following due process, which is deemed to be a related party transaction. It is in respect of a lease taken out by Councillor Dadds and two business partners, for the use of shop premises on the ground floor of the Lift Tower building in the Town Square which is owned by the Council. The rentals paid under the lease during 2011/12 were £25,000.

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

### 24 SUBSIDIARY COMPANY

St Georges Community Housing Limited (SGCH), was the Council's wholly owned Arms Length Management Company. As mentioned in the Explanatory Foreword and the Critical Judgements Note number 3, these arrangements were ended on 4 July 2011 and the operations of the ALMO were brought back in-house. This has been accounted for as if the transfer took place on 1 April 2011.

# Notes to the Core Statements

## General Notes

### 25 INVENTORIES

	2011/12			Total £'000
	Central Stores £'000	Other Stocks £'000	Work in Progress £'000	
<b>Balance at start of year</b>	<b>266</b>	<b>16</b>	<b>(2)</b>	<b>280</b>
Purchases	1,398	7	21	1,426
Recognised as an expense in the year	(1,452)	-	(14)	(1,466)
Written off balances	(18)	-	-	(18)
Reversals of write-offs in previous years	11	-	-	11
<b>Balance outstanding at end of year</b>	<b>205</b>	<b>23</b>	<b>5</b>	<b>233</b>

	2010/11			Total £'000
	Central Stores £'000	Other Stocks £'000	Work in Progress £'000	
<b>Balance at start of year</b>	<b>193</b>	<b>14</b>	<b>36</b>	<b>243</b>
Purchases	1,568	2	-	1,570
Recognised as an expense in the year	(1,495)	-	(38)	(1,533)
Written off balances	(12)	-	-	(12)
Reversals of write-offs in previous years	12	-	-	12
<b>Balance outstanding at end of year</b>	<b>266</b>	<b>16</b>	<b>(2)</b>	<b>280</b>

### 26 DEBTORS

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

	Non current		Current	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
	Employee Car Loans	27	33	18
Finance Lease Debtor	176	190	-	1
Mortgage payments outstanding on Sales of Council Houses	-	3	3	11
Other Loans	43	-	9	5
<b>Total</b>	<b>246</b>	<b>226</b>	<b>30</b>	<b>44</b>

The "Current" element of the long term debtors above is included in the figures for Short Term Debtors on the next page.

# 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
<b>31 March 2012</b>						
Non-domestic Rates	498	-	-	-	-	<b>498</b>
Council Tax (Preceptors)	-	4,198	-	-	-	<b>4,198</b>
Council Tax Arrears	-	-	-	-	912	<b>912</b>
Council Tax Benefits	228	-	-	-	-	<b>228</b>
Council Tenants	-	-	-	-	1,350	<b>1,350</b>
Housing Benefits	3,742	-	-	-	-	<b>3,742</b>
Rent Allowances	811	-	-	-	-	<b>811</b>
HM Revenue & Customs (VAT)	3,508	-	-	-	-	<b>3,508</b>
Sundry Debtors	57	742	3	-	1,506	<b>2,308</b>
Accrued Income	90	243	-	-	1,771	<b>2,104</b>
Prepayments	-	-	-	-	1,868	<b>1,868</b>
	<b>8,934</b>	<b>5,183</b>	<b>3</b>	<b>-</b>	<b>7,407</b>	<b>21,527</b>
<b>Less: Bad debt provision:</b>						
Council Tax Arrears	-	-	-	-	(218)	(218)
Non-domestic Rates	-	-	-	-	(19)	(19)
Council Tenants	-	-	-	-	(245)	(245)
Housing Benefits	(823)	-	-	-	-	(823)
Sundry Debtors	-	-	-	-	(408)	(408)
	<b>(823)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(890)</b>	<b>(1,713)</b>
<b>Total</b>	<b>8,111</b>	<b>5,183</b>	<b>3</b>	<b>-</b>	<b>6,517</b>	<b>19,814</b>
<b>31 March 2011</b>						
Non-domestic Rates	3,724	-	-	-	-	<b>3,724</b>
Council Tax (Preceptors)	-	3,337	-	-	-	<b>3,337</b>
Council Tax Arrears	-	-	-	-	869	<b>869</b>
Council Tax Benefits	626	-	-	-	-	<b>626</b>
Council Tenants	-	-	-	-	1,184	<b>1,184</b>
Housing Benefits	3,103	-	-	-	-	<b>3,103</b>
Rent Allowances	179	-	-	-	-	<b>179</b>
HM Revenue & Customs (VAT)	2,155	-	-	-	-	<b>2,155</b>
Sundry Debtors	10	1,459	1	-	2,440	<b>3,910</b>
Accrued Income	861	432	-	-	530	<b>1,823</b>
Prepayments	-	-	-	-	1,401	<b>1,401</b>
	<b>10,658</b>	<b>5,228</b>	<b>1</b>	<b>-</b>	<b>6,424</b>	<b>22,311</b>
<b>Less: Bad debt provision:</b>						
Council Tax Arrears	-	-	-	-	(218)	(218)
Non-domestic Rates	-	-	-	-	(10)	(10)
Council Tenants	-	-	-	-	(236)	(236)
Housing Benefits	(684)	-	-	-	-	(684)
Sundry Debtors	-	-	-	-	(350)	(350)
	<b>(684)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(814)</b>	<b>(1,498)</b>
<b>Total</b>	<b>9,974</b>	<b>5,228</b>	<b>1</b>	<b>-</b>	<b>5,610</b>	<b>20,813</b>

# Notes to the Core Statements

## General Notes

### 27 SHORT-TERM CREDITORS

31 March 2012

	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	-	-	-	-	(128)	(128)
Housing Subsidy	(598)	-	-	-	-	(598)
Rent Rebates	(293)	-	-	-	-	(293)
HRA Leaseholders	-	-	-	-	(725)	(725)
HRA Contractors	-	-	-	-	(1,387)	(1,387)
Sundry Creditors	(915)	(324)	-	-	(3,303)	(4,542)
Accrued Expenses	(18)	(513)	-	(34)	(1,804)	(2,369)
Receipts in Advance	-	-	-	-	(605)	(605)
<b>Total</b>	<b>(1,824)</b>	<b>(837)</b>	<b>-</b>	<b>(34)</b>	<b>(7,952)</b>	<b>(10,647)</b>

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)
Council Tax Benefits	-	-	-	-	-	-
Housing Subsidy	(819)	-	-	-	-	(819)
Rent Rebates	(214)	-	-	-	-	(214)
HRA Leaseholders	-	-	-	-	(769)	(769)
HRA Contractors	-	-	-	-	(2,057)	(2,057)
Sundry Creditors	(834)	(1,043)	-	-	(3,574)	(5,451)
Accrued Expenses	(3)	(257)	-	(42)	(1,829)	(2,131)
Receipts in Advance	-	-	-	-	(1,197)	(1,197)
<b>Total</b>	<b>(1,870)</b>	<b>(1,300)</b>	<b>-</b>	<b>(42)</b>	<b>(9,553)</b>	<b>(12,765)</b>

### 28 DEFERRED LIABILITIES

Deferred liabilities are analysed as follows:

	Note 31	Non-Current		Current		Total	
		31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000	31 Mar 12 £'000	31 Mar 11 £'000
Finance Leases		(3,888)	(2,651)	(684)	(462)	(4,572)	(3,113)
Transferred Debt		(615)	(634)	(64)	(64)	(679)	(698)
<b>Total Deferred Liabilities</b>		<b>(4,503)</b>	<b>(3,285)</b>	<b>(748)</b>	<b>(526)</b>	<b>(5,251)</b>	<b>(3,811)</b>

Transferred Debt is the sum outstanding to the London Borough of Havering in respect of the transfer of housing on the Barn Hall Estate, Wickford, to this Council in 1978.

# Notes to the Core Statements

## General Notes

### 29 PROVISIONS

Long Term	Insurance Pool £'000	Land Charges £'000	Total Long-Term £'000
<b>Balance at 1 April 2011</b>	(2,235)	(135)	(2,370)
Additional provisions made in 2011/12	(1,082)	-	(1,082)
Amounts used in 2011/12	736	-	736
Unused amounts reversed in 2011/12	-	-	-
<b>Balance at 31 March 2012</b>	<b>(2,581)</b>	<b>(135)</b>	<b>(2,716)</b>
<b>Balance at 1 April 2010</b>	(1,900)	-	(1,900)
Additional provisions made in 2010/11	(921)	(135)	(1,056)
Amounts used in 2010/11	586	-	586
Unused amounts reversed in 2010/11	-	-	-
<b>Balance at 31 March 2011</b>	<b>(2,235)</b>	<b>(135)</b>	<b>(2,370)</b>

Short Term	Litigation Costs £'000	Single Status £'000	Dilapidation £'000	Total Short-Term £'000
<b>Balance at 1 April 2011</b>	(220)	(3,446)	(200)	(3,866)
Additional provisions made in 2011/12	-	-	-	-
Amounts used in 2011/12	70	-	200	270
Unused amounts reversed in 2011/12	20	-	-	20
<b>Balance at 31 March 2012</b>	<b>(130)</b>	<b>(3,446)</b>	<b>-</b>	<b>(3,576)</b>
<b>Balance at 1 April 2010</b>	(70)	(3,130)	(50)	(3,250)
Additional provisions made in 2010/11	(200)	(316)	(150)	(666)
Amounts used in 2010/11	-	-	-	-
Unused amounts reversed in 2010/11	50	-	-	50
<b>Balance at 31 March 2011</b>	<b>(220)</b>	<b>(3,446)</b>	<b>(200)</b>	<b>(3,866)</b>

#### Provision for known Insurance Claims

Provision is made for known outstanding insurance claims, excesses on self-insured risks and insured events that have not yet been reported to the Council. The Council submits the balance on the insurance provision to independent actuarial review every 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.

# Notes to the Core Statements

## General Notes

### **Provision for Single Status 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. At the time of signing these accounts, letters had been sent out to all staff informing them of their Job Evaluation Scores but these will be subject to appeals with a view to final implementation by October 2012. Whilst still subject to appeal, figures have, however, been reassessed on latest assumptions and the provision made in the accounts at 31 March 2011 does not need to be adjusted for 31 March 2012.

### **Provision for Dilapidation**

Provision had been made for the estimated cost of dilapidation works required to an office building formerly occupied by the Council under the terms of its licence in November 2010, based on advice from a qualified surveyor. The claim was settled in full in December 2011.

## **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 until recently the company was continuing to settle its outstanding liabilities. It has long been known, however, that if 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.

In MMI's accounts for the year ended 30 June 2011 the Directors indicated that if, as has now happened, the Employer's Liability Trigger Litigation case went against them they were unable to foresee a position in which future investment income net of operating expenses was adequate to achieve payment of agreed claims in full and that appropriate alternative arrangements which might involve the triggering of the Scheme of Arrangement (SOA) would be made.

As the Supreme Court judgement has not been handed down in MMI's favour, it is expected that a trigger of the SOA may be imminent. If the SOA is triggered, a payment will be requested by the Scheme Administrator from each authority, this will be a percentage of the total clawback figure. Once the clawback is paid, each authority will still be responsible for paying a percentage towards future claims. This situation is subject to regular review but the Council has allowed within its Insurance Pool Reserves for the full potential clawback of £650,000 to be paid if necessary. As at 31 March 2012 the SOA had not been triggered.

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.

# Notes to the Core Statements

## General Notes

### 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 2012 £'000	Repaid in year £'000	Additions in year £'000	31 March 2011 £'000
Other Land and Buildings	1,817	-	-	1,817
Vehicles, Plant, and Equipment	2,755	(745)	2,204	1,296
	<b>4,572</b>	<b>(745)</b>	<b>2,204</b>	<b>3,113</b>

Additions in year - these are mainly in respect of embedded leases (see Glossary) within the Riverside contract to supply vehicles to the Council, and in respect of the vehicles used by a Housing Maintenance contractor.

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 2012 £'000	31 March 2011 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	684	462
Payable between two and five years	1,730	845
Payable after five years	2,158	1,806
Finance costs payable in future years (not discounted)	14,093	14,036
<b>Minimum lease payments</b>	<b>18,665</b>	<b>17,149</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	919	631	684	462
Later than one year and not later than five years	2,412	1,382	1,730	845
Later than five years	15,334	15,136	2,158	1,806
	<b>18,665</b>	<b>17,149</b>	<b>4,572</b>	<b>3,113</b>

# 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 2011/12, £107,083 in contingent rents was payable by the Council (2010/11 £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 2012 the minimum payments expected to be received under non-cancellable sub-leases was £94,509 (£212,719 at 31 March 2011).

#### 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:

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Not later than one year	292	413
Later than one year and not later than five years	204	496
	<b>496</b>	<b>909</b>

There is one property hired under an operating lease which has been sub-let on a non-cancellable lease. The total of future minimum sub-lease payments expected to be received under this sub-lease at 31st March 2012 amounts to £2,892 (£13,422 as at 31 March 2011).

Basildon Council has sub-contracted its grounds maintenance services to English Landscapes Maintenance Ltd. As part of this agreement, the Council has sub-let 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:

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Minimum lease payments	413	635
Contingent rents		
Sub lease payments receivable	(3)	(13)
	<b>410</b>	<b>622</b>

#### **Authority as Lessor**

##### Finance Leases

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

# Notes to the Core Statements

## General Notes

### 31 LEASES (cont.)

The gross investment is made up of the following amounts:

	31 March 2012 £'000	31 March 2011 £'000
Finance lease debtor (net present value of minimum lease payments):		
· current	-	1
· non current	176	190
Unearned finance income	2,513	2,556
Unguaranteed residual value of property	65	65
<b>Gross investment in the lease</b>	<b>2,754</b>	<b>2,812</b>

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 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	34	36	-	1
Later than one year and not later than five years	135	143	-	15
Later than five years	2,585	2,633	176	175
	<b>2,754</b>	<b>2,812</b>	<b>176</b>	<b>191</b>

As there is a possibility that worsening financial circumstances might result in lease payments not being received by the Council, an allowance for uncollectable amounts has been made of £15,000 as at 31 March 2012 (£15,000 at 31 March 2011).

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 2011/12, £68,000 was receivable by the Council in respect of contingent rents (£64,000 in 2010/11).

#### 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 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 2012 £'000	31 March 2011 £'000
Not later than one year	1,459	1,399
Later than one year and not later than five years	4,680	4,521
Later than five years	10,326	10,738
	<b>16,465</b>	<b>16,658</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/2012 £217,000 contingent rents were receivable by the Council (2010/11 £186,000).

# Notes to the Core Statements

## General Notes

### 32 USABLE RESERVES

Reserve	Purpose	Note	2012 £'000	2011 £'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 Earmarked reserves (as below). Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax levels.		8,739	8,972
Earmarked Reserves Balance	Resources earmarked for particular spending plans and contingencies.	34	14,142	11,649
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.		7,865	5,585
Capital Receipts Reserve	Proceeds of fixed asset sales available to finance capital expenditure or repay debt.	47	207	-
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.		2,782	2,998
<b>Total Usable reserves</b>			<b>33,735</b>	<b>29,204</b>

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

### 33 UNUSABLE RESERVES

Reserve	Purpose	Note	31 March 2012 £'000	31 March 2011 £'000
Revaluation Reserve	Gains on revaluation of non-current assets not yet realised.	45	13,654	10,535
Capital Adjustment Account	Capital resources applied to meet past capital expenditure.	48	372,204	432,809
Financial Instruments Adjustment Account	Unamortised premiums and discounts arising from premature redemption of debt.	39	(452)	(526)
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions.	50	(92,978)	(64,035)
Deferred Capital Receipts Reserve	Proceeds from sale of non-current assets not yet received.	46	230	196
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.	34	(164)	(35)
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.	34	(443)	(443)
Accumulated Absences Account	Value of officers remuneration for annual leave accrual not yet borne by the General Fund or HRA balance under statutory regulations.	34	(139)	(81)
<b>Total Unusable Reserves</b>			<b>291,912</b>	<b>378,420</b>

### 34 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 2011/12.

	1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	31 March 2012 £000
<b>General Fund:</b>							
Contingency Reserve	6,356	-	1,780	8,136	-	1,263	9,399
Insurance Pool	2,180	-	444	2,624	-	244	2,868
Major Asset Refurbishment	161	-	370	531	-	295	826
IT Initiatives	132	-	12	144	-	1	145
Commuted Sums	-	-	85	85	-	-	85
IFRS Reserve	-	-	21	21	(21)	-	-
Regeneration Reserve	-	-	-	-	-	31	31
Invest to Save	-	-	-	-	-	238	238
Employment Rationalisation	-	-	-	-	-	300	300
Treasury Management Reserve	-	-	-	-	-	250	250
Revenue Grants Unspent	349	(349)	108	108	(108)	-	-
<b>Total</b>	<b>9,178</b>	<b>(349)</b>	<b>2,820</b>	<b>11,649</b>	<b>(129)</b>	<b>2,622</b>	<b>14,142</b>
<b>HRA</b>							
Earmarked reserve	595	(3)	-	592	-	29	621
<b>Total</b>	<b>595</b>	<b>(3)</b>	<b>-</b>	<b>592</b>	<b>-</b>	<b>29</b>	<b>621</b>
<b>Balance at 31 March</b>	<b>9,773</b>	<b>(352)</b>	<b>2,820</b>	<b>12,241</b>	<b>(129)</b>	<b>2,651</b>	<b>14,763</b>

# Notes to the Core Statements

## General Notes

### 34 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. Under the scheme of arrangement approved by the High Court, which has not yet been invoked, 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.

#### Invest to Save Reserve

To provide for initial/set up costs required in order to generate ongoing savings or efficiencies as part of the Transformation Programme or to support future investment.

#### Employment Rationalisation Reserve

To provide for costs associated with rationalisation of staffing as part of the Business Transformation Programme.

#### Treasury Management Reserve

To manage the risk of volatile interest rates, including the interest rate risks resulting from the new HRA finance regime.

#### Regeneration Reserve

Sums set aside to regenerate the town centres of the Borough.

#### 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	(35)	(202)
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	(129)	167
<b>Balance at 31 March</b>	<b>(164)</b>	<b>(35)</b>

# Notes to the Core Statements

## General Notes

### 34 FURTHER DETAILS OF MOVEMENTS ON RESERVES (cont.)

#### Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account accounts for the differences between the rate at which the Council provides for the potential costs of compensation 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	(443)	(453)
Increase in provision for compensation in relation to Equal Pay cases	-	10
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
<b>Balance at 31 March</b>	<b>(443)</b>	<b>(443)</b>

#### Accumulated Absences Account

The Accumulated Absences Account accounts for the difference between the amount for which the Council has to accrue for the costs of untaken annual leave entitlement in the Comprehensive Income and Expenditure Account, in accordance with the Code, and the ability under statutory provisions to defer the impact on the General Reserve.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	(81)	-
Reversal of previous year's accrual	81	-
Accrual due in the year	(139)	(81)
<b>Balance at 31 March</b>	<b>(139)</b>	<b>(81)</b>

# Notes to the Core Statements

## Financial Instrument Notes

### 35 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
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
<b>Short Term Deposits</b>				
Loans and receivables (Cash & Cash Equivalents)	-	-	5,702	2,200
<b>Total Short Term Deposits</b>	-	-	5,702	2,200
<b>Debtors</b>				
Loans and receivables	246	226	29	44
Financial assets carried at contract amounts	-	-	6,948	7,688
<b>Total Debtors</b>	246	226	6,977	7,732
<b>Total Financial Assets</b>	<b>246</b>	<b>226</b>	<b>12,679</b>	<b>9,932</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(196,131)	(103,958)	(16,517)	(51,098)
<b>Total Borrowings</b>	(196,131)	(103,958)	(16,517)	(51,098)
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	(3,888)	(2,651)	(684)	(462)
Transferred Debt	(615)	(634)	(64)	(64)
<b>Total Other Long Term Liabilities</b>	(4,503)	(3,285)	(748)	(526)
<b>Creditors</b>				
Financial liabilities carried at contract amounts	-	-	(10,563)	(13,221)
Bank Overdraft (Cash & Cash Equivalents)	-	-	(3,153)	(3,575)
<b>Total Creditors</b>	-	-	(13,716)	(16,796)
<b>Total Financial Liabilities</b>	<b>(200,634)</b>	<b>(107,243)</b>	<b>(30,981)</b>	<b>(68,420)</b>

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 £185,000 at 31 March 2012 (£238,00 at 31 March 2011).

### 36 INCOME, EXPENSE, GAINS AND LOSSES

	2011/12			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	(9,173)	-	(9,173)	(8,419)	-	(8,419)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(9,173)</b>	<b>-</b>	<b>(9,173)</b>	<b>(8,419)</b>	<b>-</b>	<b>(8,419)</b>
Interest income	-	106	106	-	74	74
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>106</b>	<b>106</b>	<b>-</b>	<b>74</b>	<b>74</b>
<b>Net gain/(loss) for the year</b>	<b>(9,173)</b>	<b>106</b>	<b>(9,067)</b>	<b>(8,419)</b>	<b>74</b>	<b>(8,345)</b>

# Notes to the Core Statements

## Financial Instrument Notes

### 37 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 2012 was from 3.14% to 15.25% (weighted average, 6.92%), which compares with a range of 4.55% to 15.25% (weighted average 7.26%) at 31 March 2011. The equivalent figures for non-PWLB long-term debt ranged from 6.53% to 11.44% (weighted average, 8.02%) at 31 March 2012, which was unchanged from 31 March 2011.
- 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:

	2011/12		2010/11	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(195,869)	(241,129)	(106,744)	(132,832)
Non PWLB long-term debt	(7,262)	(8,738)	(7,262)	(8,896)
Money Market debt	(9,517)	(9,517)	(41,050)	(41,050)
Finance lease liabilities	(4,572)	(4,572)	(3,113)	(3,113)
Transferred Debt	(679)	(679)	(698)	(698)
Bank Overdraft	(3,153)	(3,153)	(3,575)	(3,575)
Trade Creditors	(10,563)	(10,563)	(13,221)	(13,221)
<b>Total Financial Liabilities</b>	<b>(231,615)</b>	<b>(278,351)</b>	<b>(175,663)</b>	<b>(203,385)</b>

	2011/12		2010/11	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money Market Investments	5,702	5,702	2,200	2,200
Other Loans	275	275	270	270
Trade Debtors	6,948	6,948	7,688	7,688
<b>Total Financial Assets</b>	<b>12,925</b>	<b>12,925</b>	<b>10,158</b>	<b>10,158</b>

# Notes to the Core Statements

## Financial Instrument Notes

### 38 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 and 2010/11. Taking this into consideration, as well as uncertainty throughout the European Union, these 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 and 2011/12. 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 2011/12 was £63.2 million (£23.9 million, 2010/11). During 2011/12, the Council refinanced some of its short-term debt into long-term, giving a temporary surplus of funds available for investment.

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 £5.7m 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 2012 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.

# Notes to the Core Statements

## Financial Instrument Notes

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

	Amount at 31 March 2012 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £'000	Estimated maximum exposure at 31 March 2011 £'000
Debtors	20,024	4.85	6.02	(1,205)	(1,205)

#### 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) as at 31 March 2012 was as follows:

	31/3/2012 £'000	31/3/2011 £'000
Less than one year	20,401	55,104
Between one and two years	7,114	7,393
Between two and five years	23,711	20,027
Between five and ten years	23,274	24,418
Between ten and fifteen years	23,623	21,595
Between fifteen and twenty years	28,538	24,609
Between twenty and twenty five years	69,051	5,925
More than twenty five years	23,243	1,816
<b>Principal Amount</b>	<b>218,955</b>	<b>160,887</b>

#### 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

### 38 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 2012 would be:

	31/3/2012 £'000	31/3/2011 £'000
Increase in interest payable on variable rate borrowings	81	49
Increase in interest receivable on variable rate investments	(38)	(14)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>43</b>	<b>35</b>
Net share of overall impact debited/(credited) to the HRA	57	39
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>57</b>	<b>39</b>
<b>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)</b>	<b>2,360</b>	<b>2,576</b>

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.

### 39 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	526	611
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(74)	(85)
<b>Balance at 31 March</b>	<b>452</b>	<b>526</b>

# Notes to the Core Statements

## Capital Notes

### 40 PROPERTY, PLANT AND EQUIPMENT

#### Movements on Balances

Movements in 2011/12	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
<b>Cost or Valuation:</b>								
At 1 April 2011	510,358	52,932	7,921	1,124	5,123	42,748	2,166	<b>622,372</b>
Additions	21,386	2,193	2,308	-	162	294	-	<b>26,343</b>
Donations	-	320	-	-	-	-	-	<b>320</b>
Derecognition - Disposals	(2,434)	(2,288)	-	-	(35)	-	(1,833)	<b>(6,590)</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	32	(191)	-	-	-	-	-	<b>(159)</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,018)	(5,636)	(9)	-	-	(283)	-	<b>(18,946)</b>
Other movements in cost or Valuation - Reclassifications	(32)	39,743	486	-	933	(41,130)	-	<b>-</b>
<b>At 31 March 2012</b>	<b>516,292</b>	<b>87,073</b>	<b>10,706</b>	<b>1,124</b>	<b>6,183</b>	<b>1,629</b>	<b>333</b>	<b>623,340</b>
<b>Accumulated Depreciation and Impairments:</b>								
At 1 April 2011	-	2,078	4,060	-	-	-	132	<b>6,270</b>
Depreciation Charge for 2011/12	16,331	2,862	798	-	-	-	67	<b>20,058</b>
Depreciation eliminated on Disposals	(77)	(391)	-	-	-	-	(179)	<b>(647)</b>
Depreciation written out to the Revaluation Reserve	(9)	(900)	-	-	-	-	-	<b>(909)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16,243)	(206)	-	-	-	-	-	<b>(16,449)</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(970)	-	-	-	-	-	<b>(970)</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	<b>-</b>
Other movements in cost or Valuation - Reclassifications	(1)	1	-	-	-	-	-	<b>-</b>
<b>At 31 March 2012</b>	<b>1</b>	<b>2,474</b>	<b>4,858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>7,353</b>
<b>Net Book Value:</b>								
<b>At 31 March 2012</b>	<b>516,291</b>	<b>84,599</b>	<b>5,848</b>	<b>1,124</b>	<b>6,183</b>	<b>1,629</b>	<b>313</b>	<b>615,987</b>
<b>At 1 April 2011</b>	<b>510,358</b>	<b>50,854</b>	<b>3,861</b>	<b>1,124</b>	<b>5,123</b>	<b>42,748</b>	<b>2,034</b>	<b>616,102</b>

# Notes to the Core Statements

## Capital Notes

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

Comparative 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
<b>Cost or Valuation:</b>								
At 1 April 2010	624,585	54,200	7,542	373	4,952	19,894	30	711,576
Additions	18,250	292	319	93	136	24,750	-	43,840
Derecognition - Disposals	(718)	(19)	(8)	-	-	-	-	(745)
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	(126,288)	(529)	-	-	-	-	-	(126,817)
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)
<b>At 31 March 2011</b>	<b>510,358</b>	<b>52,932</b>	<b>7,921</b>	<b>1,124</b>	<b>5,123</b>	<b>42,748</b>	<b>2,166</b>	<b>622,372</b>
<b>Accumulated Depreciation and Impairments:</b>								
At 1 April 2010	-	1,631	3,073	-	-	-	-	4,704
Depreciation Charge for 2010/11	19,856	1,868	989	-	-	-	5	22,718
Depreciation eliminated on Disposals	(11)	(1)	(2)	-	-	-	-	(14)
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 Surplus/Deficit on the Provision of Services	-	191	-	-	-	-	-	191
Other movements in cost or Valuation - Reclassifications	-	(133)	-	-	-	-	133	-
<b>At 31 March 2011</b>	<b>-</b>	<b>2,078</b>	<b>4,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>6,270</b>
<b>Net Book Value:</b>								
<b>At 31 March 2011</b>	<b>510,358</b>	<b>50,854</b>	<b>3,861</b>	<b>1,124</b>	<b>5,123</b>	<b>42,748</b>	<b>2,034</b>	<b>616,102</b>
<b>At 1 April 2010</b>	<b>624,585</b>	<b>52,569</b>	<b>4,469</b>	<b>373</b>	<b>4,952</b>	<b>19,894</b>	<b>30</b>	<b>706,872</b>

# Notes to the Core Statements

## Capital Notes

### 40 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 2011. 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:	-	-	10,706	1,124	6,183	1,629	333	19,975
Carried at fair value as at:								
31.3.2012	516,292	17,264	-	-	-	-	-	533,556
31.3.2011	-	22,138	-	-	-	-	-	22,138
31.3.2010	-	17,606	-	-	-	-	-	17,606
31.3.2009	-	29,440	-	-	-	-	-	29,440
31.3.2008	-	625	-	-	-	-	-	625
<b>Gross Book Value at 31 March 2012</b>	<b>516,292</b>	<b>87,073</b>	<b>10,706</b>	<b>1,124</b>	<b>6,183</b>	<b>1,629</b>	<b>333</b>	<b>623,340</b>

### 41 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. Under accounting rules, Investment Properties have to be re-valued every year. The rise in fair value for 2011/12 over the previous year's level is an "unrealised gain" to the Council but statutory accounting rules do not allow this "gain" to be returned to the council tax payer, unless a property is sold and a "gain" becomes a real "profit". 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:

	2011/12 £'000	2010/11 £'000
Rental income from investment property	(1,713)	(1,788)
Other Income	(100)	(60)
Direct operating expenses arising from investment property	497	435
	<b>(1,316)</b>	<b>(1,413)</b>
Change in the fair value of Investment Properties	(459)	780
<b>Net (gain)</b>	<b>(1,775)</b>	<b>(633)</b>

# Notes to the Core Statements

## Capital Notes

### 41 INVESTMENT PROPERTIES (cont.)

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

	2011/12 £'000	2010/11 £'000
Balance at start of the year	15,092	15,597
Additions:		
Transfer from Other Land and Buildings	-	275
Net gains/(losses) from fair value adjustments	459	(780)
<b>Balance at end of the year</b>	<b>15,551</b>	<b>15,092</b>

### 42 ASSETS HELD FOR SALE

	Current		Non-Current	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
<b>Balance outstanding at start of year</b>	-	155	-	-
Assets declassified as held for sale:				
- Property, Plant and Equipment	-	(35)	-	-
Assets sold	-	(120)	-	-
<b>Balance outstanding at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 43 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2012 was £1,019,179 including fees (£1,213,000 at 31 March 2011).

### 44 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.

	2011/12 £'000	2010/11 £'000
<b>Opening Capital Financing Requirement</b>	<b>187,860</b>	<b>160,144</b>
<u>Capital Expenditure</u>		
Property, Plant and Equipment:		
General Fund	4,200	25,430
Housing Revenue Account	22,143	18,410
	<b>26,343</b>	<b>43,840</b>
<u>Revenue expenditure funded from capital under statute:</u>		
Single Status Back-pay	-	10
Private Sector Housing Grant	943	1,403
Enforcement of Green Belt	2,000	-
Wickford High Street	-	100
HRA Self Financing Settlement Payment	51,551	-
	<b>54,494</b>	<b>1,513</b>
<b>Total Capital Expenditure to be Financed</b>	<b>80,837</b>	<b>45,353</b>

# Notes to the Core Statements

## Capital Notes

### 44 CAPITAL EXPENDITURE AND CAPITAL FINANCING (cont.)

	2011/12 £'000	2010/11 £'000
<b>Sources of Finance:</b>		
Usable Capital Receipts	1,105	3,085
Capital Contributions	1,534	7,690
Major Repairs Allowance	7,857	6,527
Sums set aside from revenue:		
Direct revenue contributions	777	16
MRP	622	319
Use of Major Repairs Allowance to repay debt	708	-
Use of Capital Receipts to repay debt	10,391	-
<b>Total Financing</b>	<b>22,994</b>	<b>17,637</b>
<b>Closing Capital Financing Requirement</b>	<b>245,703</b>	<b>187,860</b>
<b>Explanation of movements in year</b>		
Increase in underlying need for borrowing (supported by government financial assistance)	13,449	11,149
Increase in underlying need for borrowing (unsupported by government financial assistance)	44,394	16,567
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>57,843</b>	<b>27,716</b>

### 45 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.

	2011/12 £000	2010/11 £000
<b>Balance at 1 April</b>	<b>(10,535)</b>	<b>(12,770)</b>
Upward revaluation of assets	(1,161)	(5,195)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(559)	5,672
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>(1,720)</b>	<b>477</b>
Difference between fair value depreciation and historical cost depreciation	(1,399)	1,758
<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,399)</b>	<b>1,758</b>
<b>Balance at 31 March</b>	<b>(13,654)</b>	<b>(10,535)</b>

# Notes to the Core Statements

## Capital Notes

### 46 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	(196)	(197)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(51)	1
Transfer to the Capital Receipts Reserve upon receipt of cash	17	-
<b>Balance at 31 March</b>	<b>(230)</b>	<b>(196)</b>

### 47 USABLE CAPITAL RECEIPTS RESERVE

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	-	(198)
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	(13,249)	(5,148)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(17)	-
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	11,496	3,085
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	12	11
Transfer to Regeneration Reserve	31	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	775	308
Contribution from the Capital Receipts Reserve to finance the payments in respect of clawback to the Homes and Communities Agency	745	1,942
<b>Balance at 31 March</b>	<b>(207)</b>	<b>-</b>

### 48 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 contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

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

Note 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

### 48 CAPITAL ADJUSTMENT ACCOUNT (cont.)

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	(432,809)	(549,718)
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
- Charges for depreciation and impairment of non-current assets	20,058	41,161
- Revaluation losses on Property, Plant and Equipment	2,484	92,000
- Donated Assets	(320)	-
- Revenue expenditure funded from capital under statute	53,789	421
- 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	5,943	851
- Adjusting amounts written out of the Revaluation Reserve	1,399	(1,758)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>83,353</b>	<b>132,675</b>
<b>Capital financing applied in the year:</b>		
- Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt	(11,496)	(3,085)
- Use of the Major Repairs Reserve to finance new capital expenditure	(8,565)	(6,527)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital financing	(722)	(6,556)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(107)	(42)
- Statutory provision for the financing of Capital investment charged against the General Fund and HRA Balances	(605)	(303)
- Repayment of external long-term liabilities - Transferred Debt	(17)	(16)
- Capital expenditure charged against the Housing Revenue Account	(631)	-
- Capital expenditure charged against the General Fund Balance	(146)	(17)
	<b>(22,289)</b>	<b>(16,546)</b>
Movement in Fair Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(459)	780
<b>Balance at 31 March</b>	<b>(372,204)</b>	<b>(432,809)</b>

### 49 CAPITALISATION OF BORROWING COSTS

The Council has capitalised borrowing costs of £22k (£346k during 2010/11) associated with the construction of the Sporting Village. The interest rate used was 3.99%.

# 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 was 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:

	2011/12 £'000	2010/11 £'000
<b><u>Comprehensive Income and Expenditure Statement</u></b>		
<i>Cost of Services:</i>		
Current service cost	3,055	4,121
Past Service Cost (Gain)	-	(11,575)
Curtailment/Settlement Loss (Gain)	1,063	-
<i>Financing and Investment Income and Expenditure:</i>		
Interest cost	10,049	11,278
Expected return on assets in the scheme	(8,094)	(7,345)
<b><u>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</u></b>	<b>6,073</b>	<b>(3,521)</b>
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial gains and losses	28,666	(9,522)
<b><u>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</u></b>	<b>34,739</b>	<b>(13,043)</b>
<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>	(28,943)	19,050
<b><u>Actual amount charged against Council Tax for pensions in the year</u></b>	<b>5,796</b>	<b>6,007</b>

The cumulative net actuarial loss since 2005/06 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is £45,473,000 (£16,807,000 at 31 March 2011)

# 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):	2011/12 £'000	2010/11 £'000
<b>Opening Balance at 1 April</b>	<b>187,531</b>	<b>200,923</b>
Current Service Cost	3,055	4,121
Interest Cost	10,049	11,278
Contributions by scheme participants	1,219	1,482
Actuarial (Gains) Losses	21,915	(13,220)
Benefits Paid	(5,971)	(5,478)
Unfunded Pension Payments	(413)	-
Past Service Costs	-	(11,575)
Net Liabilities assumed in Business Combination	699	-
Settlements/curtailments	644	-
<b>Closing Balance at 31 March</b>	<b>218,728</b>	<b>187,531</b>

Reconciliation of fair value of the scheme assets:	2011/12 £'000	2010/11 £'000
<b>Opening Balance at 1 April</b>	<b>123,496</b>	<b>117,838</b>
Expected Return on assets	8,094	7,345
Actuarial Gains (Losses)	(6,751)	(3,698)
Contributions by scheme participants	1,219	1,482
Employer Contributions including unfunded	5,796	6,007
Net Receipt of assets in Business Combination	280	-
Benefits Paid including unfunded	(6,384)	(5,478)
<b>Closing Balance at 31 March</b>	<b>125,750</b>	<b>123,496</b>

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

The actual return on scheme assets in the year was £1.3 million, which compares with £11.4 million in 2010/11.

### Scheme History

	31/3/08 £'000	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000	31/03/12 £'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(166,952)	(141,314)	(194,481)	(182,191)	(212,543)
Discretionary Benefits	(6,383)	(5,427)	(6,442)	(5,340)	(6,185)
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>109,288</b>	<b>87,079</b>	<b>117,838</b>	<b>123,496</b>	<b>125,750</b>
<b>Deficit in the Scheme</b>	<b>(64,047)</b>	<b>(59,662)</b>	<b>(83,085)</b>	<b>(64,035)</b>	<b>(92,978)</b>
<b>Analysed:</b>					
Local Government Pension Scheme	(57,664)	(54,235)	(76,643)	(58,695)	(86,793)
Discretionary Benefits	(6,383)	(5,427)	(6,442)	(5,340)	(6,185)
<b>Total</b>	<b>(64,047)</b>	<b>(59,662)</b>	<b>(83,085)</b>	<b>(64,035)</b>	<b>(92,978)</b>

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The total liability of £93.0 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 2013 is £5.0 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 Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the last full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary are as follows:

	2011/12	2010/11
<b>Long-term expected rate of return on assets in the scheme:</b>		
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%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
- Men	22.7	22.6
- Women	25.3	25.2
Longevity at 65 for future pensioners (20 years hence):		
- Men	24.1	24.0
- Women	26.8	26.8
Rate of inflation - RPI	3.3%	3.4%
Rate of inflation - CPI	2.5%	2.9%
Rate of increase in salaries	4.3%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.6%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

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

	31 March 2012 %	31 March 2011 %
Equity Investments	70.0%	69.5%
Bonds	14.0%	16.2%
Other Investments	16.0%	14.3%
	<b>100.0%</b>	<b>100.0%</b>

### History of Experience Gains and Losses

The actuarial experience (gains)/losses can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets – (Gain)/Loss	11.0	26.1	(21.2)	0.9	5.4
Experience (Gains)/Losses on liabilities	3.8	(18.1)	22.7	(4.3)	0.3

# 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>64,035</b>	<b>83,085</b>
Actuarial gains or losses on pensions assets and liabilities	28,666	(9,522)
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	6,073	(3,521)
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,796)	(6,007)
<b>Balance at 31 March</b>	<b>92,978</b>	<b>64,035</b>

# 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 2012 £'000	31 March 2011 £'000
Cash held by the Authority	18	5
Bank current accounts	(3,153)	(3,575)
Short-term deposits	5,702	2,200
<b>Total Cash and Cash Equivalents</b>	<b>2,567</b>	<b>(1,370)</b>

### 52 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2011/12 £'000	2010/11 £'000
Interest received	(106)	(74)
Interest paid	8,636	8,746
<b>Total</b>	<b>8,530</b>	<b>8,672</b>

### 53 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2011/12 £000	2010/11 £000
Purchase of property, plant and equipment and investment property	27,433	45,338
Proceeds from the sale of property, plant and equipment and investment property	(12,033)	(4,955)
Proceeds from short-term and long-term investments		
Capital Grants Received	(1,004)	(8,942)
Other receipts from investing activities		-
<b>Net cash flows from investing activities</b>	<b>14,396</b>	<b>31,441</b>

### 54 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2011/12 £000	2010/11 £000
Cash receipts of short and long-term borrowing	(146,535)	(85,295)
Other receipts from financing activities	(2,365)	(2,072)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	744	553
Repayments of short and long-term borrowing	87,296	57,616
Other payments for financing activities: HRA Settlement	51,551	-
<b>Net cash flows from financing activities</b>	<b>(9,309)</b>	<b>(29,198)</b>

# Notes to the Core Statements

## 55 RESTATEMENT OF PRIOR YEAR BALANCES

### 1. Transfer of St Georges Community Housing.

As mentioned in Note 24, St Georges Community Housing (SGCH) was brought back in-house on 4 July 2011. The 2010/11 figures have therefore been restated to provide figures that are on a comparable basis to 2011/12. The restatement includes final adjustments made to SGCH 2010/11 Accounts with a net impact on reserves of £3k, and a correcting adjustment due to the differing accounting policies used by SGCH in preparation of their annual statements of £157k.

### 2. Reclassifications.

A thorough review of balances held by the Council resulted in the need to restate some balances in order to differentiate the "current" element (payable or receivable within 12 months) and the "long term" element (payable or receivable over 12 months) of assets and liabilities as required by the Code. This included adjustments in respect of long term provisions (£1,355k) being reclassified as short term provisions.

### 3. Presentational Adjustments.

Revenue Grants received in advance are now disclosed separately from other creditors on the face of the Balance Sheet.

### 4. Accumulated Absences.

IAS 19 (Employee Benefits) sets out the accounting treatment for employee remuneration. The transition to IFRS required the Council 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 restated prior year balances to include the amount of the accrual required under this provision, that had previously been assessed to be immaterial.

## Notes to the Core Statements

### 55 RESTATEMENT OF PRIOR YEAR BALANCES (cont.)

#### RECONCILIATION OF RESTATED BALANCE SHEET

Note Ref:	31 March 2011 Consolidated	SGCH Transfer	Reclassif- ications	Presentation	Accumulated Absences	31 March 2011 Restated
	£000	1 £000	2 £000	3 £000	4 £000	£000
Property, Plant & Equipment	616,105	(3)	-	-	-	616,102
Long Term Debtors	243	-	(17)	-	-	226
Other Long Term Assets	15,092	-	-	-	-	15,092
<b>Long Term Assets</b>	<b>631,440</b>	<b>(3)</b>	<b>(17)</b>		<b>-</b>	<b>631,420</b>
Short Term Debtors	21,637	(128)	(696)	-	-	20,813
Other Current Assets	280	-	-	-	-	280
<b>Current Assets</b>	<b>21,917</b>	<b>(128)</b>	<b>(696)</b>		<b>-</b>	<b>21,093</b>
Cash and Cash Equivalents	(1,373)	-	3	-	-	(1,370)
Short Term Creditors	(14,098)	(30)	711	733	(81)	(12,765)
Other Short Term Liabilities	-	-	(526)	-	-	(526)
Capital Grants Receipts in Advance	-	-	(883)	-	-	(883)
Revenue Grants Receipts in Advance	-	-	-	(733)	-	(733)
Short Term Provisions	(2,511)	1	(1,356)	-	-	(3,866)
Other Current Liabilities	(51,098)	-	-	-	-	(51,098)
<b>Current Liabilities</b>	<b>(69,080)</b>	<b>(29)</b>	<b>(2,051)</b>		<b>(81)</b>	<b>(71,241)</b>
Provisions - Other	(3,725)	-	1,355	-	-	(2,370)
Other Long Term Liabilities	(3,811)	-	526	-	-	(3,285)
Capital Grants Receipts in Advance	(883)	-	883	-	-	-
Other Long Term Liabilities	(167,993)	-	-	-	-	(167,993)
<b>Long Term Liabilities</b>	<b>(176,412)</b>	<b>-</b>	<b>2,764</b>		<b>-</b>	<b>(173,648)</b>
<b>Net Assets</b>	<b>407,865</b>	<b>(160)</b>	<b>-</b>		<b>(81)</b>	<b>407,624</b>
General Fund Balance	8,853	119	-	-	-	8,972
Housing Revenue Account	4,795	790	-	-	-	5,585
SGCH Reserve	1,144	(1,144)	-	-	-	-
Other Usable Reserves	14,647	-	-	-	-	14,647
<b>Usable reserves</b>	<b>29,439</b>	<b>(235)</b>	<b>-</b>		<b>-</b>	<b>29,204</b>
Capital Adjustment Account	432,735	75	-	-	-	432,810
Accumulated Absences Account	-	-	-	-	(81)	(81)
Other Unusable Reserves	(54,309)	-	-	-	-	(54,309)
<b>Unusable Reserves</b>	<b>378,426</b>	<b>75</b>	<b>-</b>		<b>(81)</b>	<b>378,420</b>
<b>Total Reserves</b>	<b>407,865</b>	<b>(160)</b>	<b>-</b>		<b>(81)</b>	<b>407,624</b>

# Notes to the Core Statements

## 55 RESTATEMENT OF PRIOR YEAR BALANCES (cont.)

### RECONCILIATION OF RESTATED COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

	31 March 2011 Consolidated Net Expenditure £000	SGCH Transfer £000	Reclassif- ications £000	Presentation £000	Accumulated Absences £000	31 March 2011 Restated Net Expenditure £000
Central services to the public	3,031	-	-	-	(9)	3,022
Cultural, environmental, regulatory and planning services	17,706	-	-	(17,706)	-	-
Cultural and Related services	-	-	-	8,009	(8)	8,001
Environmental and Regulatory services	-	-	-	7,656	(16)	7,640
Planning services	-	-	-	2,041	(7)	2,034
Education and children's services	(13)	-	-	-	-	(13)
Highways and transport services	2,612	-	-	-	(2)	2,610
Local authority housing (HRA)	20,517	311	1,057	-	(12)	21,873
- Exceptional Item - HRA Self Financing	-	-	-	-	-	-
- Exceptional Item - Social Factor	92,800	-	-	-	-	92,800
Other housing services	1,570	-	-	-	(5)	1,565
Adult social care	1,031	(151)	-	-	(4)	876
Exceptional item - VAT repayment	(1,569)	-	-	-	-	(1,569)
Corporate and democratic core	4,440	-	-	-	(3)	4,437
Non distributed costs	-	-	-	-	-	-
- Exceptional Item - Past Service Deficit	(10,512)	-	(1,063)	-	-	(11,575)
<b>Cost of Services</b>	<b>131,613</b>	<b>160</b>	<b>(6)</b>	<b>-</b>	<b>(66)</b>	<b>131,701</b>
Other Operating Expenditure	(1,262)	-	7	-	-	(1,255)
Financing and Investment Income and Expenditure	11,645	-	-	-	-	11,645
Taxation and Non-Specific Grant Income	(40,213)	-	-	-	-	(40,213)
<b>Deficit on Provision of Services</b>	<b>101,783</b>	<b>160</b>	<b>1</b>	<b>-</b>	<b>(66)</b>	<b>101,878</b>
Other (gains)/Losses	(9,043)	-	(1)	-	-	(9,044)
<b>Other Comprehensive Income and Expenditure</b>	<b>92,740</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>92,834</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>194,523</b>	<b>320</b>	<b>1</b>	<b>-</b>	<b>(132)</b>	<b>194,712</b>



## 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.

<b>Expenditure</b>	<b>Note</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Repairs and Maintenance		9,808	9,794
Supervision and Management		12,968	14,717
Rents, rates, taxes and other charges		221	66
Negative Housing Revenue Account Subsidy payable	4	5,896	6,744
Depreciation and impairment of non-current assets	7 & 8	14,843	38,374
Exceptional Item - Social Housing Discount Factor - see Note 6 to Core Statements		-	92,800
HRA Self Financing Settlement Payment	4	51,551	-
Debt Management Costs		128	83
Movement in the allowance for bad debts		151	226
Rent rebate subsidy limitation		353	512
Sums directed by the Secretary of State that are expenditure in accordance with the Code		21	-
<b>Total Expenditure</b>		<b>95,940</b>	<b>163,316</b>
<b>Income</b>			
Dwelling rents	1	(43,519)	(41,059)
Non-dwelling rents	3	(2,013)	(2,040)
Charges for services and facilities		(4,450)	(4,926)
Contributions towards expenditure		(567)	(618)
<b>Total Income</b>		<b>(50,549)</b>	<b>(48,643)</b>
<b>Net (Income) / Cost of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>45,391</b>	<b>114,673</b>
HRA services share of Corporate and Democratic Core		221	273
<b>Net (Income)/Cost for HRA Services</b>		<b>45,612</b>	<b>114,946</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
(Gain)/Loss on sale of HRA non-current assets		509	(405)
<b>HRA share of the financing and investment income and expenditure included in the Comprehensive Income and</b>			
Interest payable and similar charges		8,135	8,208
HRA Interest and investment income		(32)	(26)
Pensions interest cost and expected return on pensions assets		410	814
<b>(Surplus) or Deficit for the year on HRA services</b>		<b>54,634</b>	<b>123,537</b>

# Housing Revenue Account

## Movement on the Housing Revenue Account Statement

The purpose of the Movement on the Housing Revenue Account Statement is to reconcile the Income and Expenditure 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.

	2011/12 £'000	2010/11 £'000
<b>Balance on the HRA at the end of the previous year</b>	(5,585)	(4,881)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	54,634	123,537
Adjustments between Accounting basis and Funding basis under regulations	(56,914)	(124,241)
<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>(2,280)</b>	<b>(704)</b>
<b>Increase or (decrease) in year on the HRA</b>	<b>(2,280)</b>	<b>(704)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>(7,865)</b>	<b>(5,585)</b>

### 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:

	2011/12 £'000	2010/11 £'000
<b>Reversal of items debited or credited to the HRA Income and Expenditure Account</b>		
Gain or (loss) on sale of HRA non-current assets	509	(405)
HRA share of contributions to or from the Pensions Reserve	(807)	137
Revaluation losses on Property, Plant and Equipment (charged to SDPS)	(2,350)	110,274
Statutory Provision for the repayment of debt (Minimum revenue provision)	-	(90)
Capital expenditure charged against the HRA Balance	(631)	-
Self Financing Debt	51,551	-
Capital receipts not linked to the disposal of an asset	(4)	(45)
Depreciation transferred to the Capital Adjustment Account	17,193	20,900
Absences accrual transferred to the Accumulated Absences Account	10	(12)
	<b>65,471</b>	<b>130,759</b>
<b>Insertion of items not debited or credited to the HRA Income and Expenditure Account</b>		
Transfer to Major Repairs Reserve	(8,565)	(6,527)
Transfer to Financial Instruments Adjustment Account, amortisation of deferred discounts	8	9
	<b>(8,557)</b>	<b>(6,518)</b>
<b>Net additional amount required by statute to be debited (credited) to the HRA</b>	<b>56,914</b>	<b>124,241</b>

# Housing Revenue Account

## Notes

### 1 DWELLING RENTS

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

	2011/12 £'000	2010/11 £'000
Dwellings	(43,989)	(41,449)
Less: Void properties	470	390
<b>Total Income from Dwelling Rents</b>	<b>(43,519)</b>	<b>(41,059)</b>

Rent loss due to void dwellings was 1.07% in the year (0.94% in 2010/11). The average weekly rent in 2011/12 was £74.33, which was £4.29 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:

	2011/12 £'000	2010/11 £'000
Garages	(2,632)	(2,571)
Less: Void properties	849	773
	(1,783)	(1,798)
Shops	(153)	(146)
Land and Other Buildings	(77)	(96)
<b>Total Income from Non-Dwelling Rents</b>	<b>(2,013)</b>	<b>(2,040)</b>

### 4 HRA SUBSIDY

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

# Housing Revenue Account

## Notes

HRA Subsidy	Note	2011/12 £'000	2010/11 £'000
<i>Notional Expenditure</i>			
Management and Maintenance		19,132	18,475
Major Repairs Allowance	10	8,565	6,527
Charges for Capital		8,733	8,199
		<b>36,430</b>	<b>33,201</b>
<i>Notional Income</i>			
Rents		(42,341)	(39,972)
Other		(1)	(1)
<b>Notional Surplus</b>		<b>(5,912)</b>	<b>(6,772)</b>
Adjustment for Previous Year's Final subsidy Settlement		16	28
<b>Net in Year Subsidy Position - Negative Housing Subsidy payable to government</b>		<b>(5,896)</b>	<b>(6,744)</b>

The requirement to pay subsidy ended on 31 March 2012. A one-off payment of £51.6 million was made to the Government in recompense. Further information is given in General Note 6 to the Core Statements.

## 5 ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,374 dwellings at the start of the year (11,467 at 1 April 2011). Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2012	31 March 2011
<i>Analysis by Type of Dwelling :</i>		
Houses and Bungalows	6,532	6,554
Flats and Maisonettes	4,786	4,820
<b>Total Dwellings</b>	<b>11,318</b>	<b>11,374</b>
<i>Change in Stock during the Year :</i>		
Stock at 1 April	11,374	11,467
Sales and other Disposals	(56)	(93)
<b>Total Dwellings</b>	<b>11,318</b>	<b>11,374</b>

The number of dwellings at 31 March 2012 includes the Council's interest in shared ownership properties, which is equivalent to 123 wholly owned dwellings (124 at 31 March 2011). In addition, the Council owns 5,571 Garages (5,577 at 31 March 2011).

## 6 VALUATION OF HOUSING ASSETS

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

	31 March 2012 £'000	31 March 2011 £'000
<i>Operational Assets :</i>		
Dwellings	516,291	510,358
Other land and buildings	11,899	11,737
Vehicles, plant and equipment	473	478
<b>Total Value of Housing Assets</b>	<b>528,663</b>	<b>522,573</b>

# Housing Revenue Account

## Notes

All property has been valued in accordance with guidance on stock valuation published by the Secretary of State. The vacant possession value of dwellings in the HRA, valued in accordance with the guidance, was £1,308.6 million at 31 March 2011. The difference of £798.3 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 2012 £'000	31 March 2011 £'000
<i>Operational Assets:</i>		
Dwellings	16,331	19,856
Other land and buildings	844	856
Vehicles, plant and equipment	18	188
<b>Total Depreciation</b>	<b>17,193</b>	<b>20,900</b>

### 8 REVALUATION GAINS, LOSSES AND IMPAIRMENTS

	31 March 2012 £'000	31 March 2011 £'000
<i>Operational Assets:</i>		
Dwellings	(3,225)	109,951
Other land and buildings	866	189
Vehicles, plant and equipment	9	
<b>Total Revaluation (gains)/losses</b>	<b>(2,350)</b>	<b>110,140</b>
<i>Operational Assets:</i>		
Other land and buildings	-	134
<b>Total Impairments</b>	<b>-</b>	<b>134</b>

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	2011/12 £'000	2010/11 £'000
<b>Analysis of Expenditure and Financing</b>			
Housing		21,386	18,250
Other Property		735	160
Self Financing Debt		51,511	-
<b>Total Capital Expenditure to be Financed</b>		<b>73,632</b>	<b>18,410</b>
<i>Financed from:</i>			
Major Repairs Reserve	10	7,857	6,527
Capital Contributions		148	2
Usable Capital Receipts		36	-
Borrowing – supported		13,449	11,149
Borrowing – unsupported		-	732
Borrowing – self financing		51,511	-
Revenue		631	-
<b>Total Financing</b>		<b>73,632</b>	<b>18,410</b>

# 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:

	2011/12 £'000	2010/11 £'000
<b>Balance on 1 April</b>	-	-
Transfer from the HRA	(8,565)	(6,527)
Amount applied to Capital Expenditure	7,857	6,527
Amount applied to repay debt	708	-
<b>Balance on 31 March</b>	-	-

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

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

The result of these deductions is that only a small proportion of the original proceeds of sale are normally available to finance new capital expenditure. The table below summarises the position for 2011/12.

	Disposal of former CNT dwellings £'000	Disposal of other Council dwellings £'000	Total £'000
Gross receipt	944	906	1,850
Clawback	(745)	-	(745)
Pooled amount	(105)	(674)	(779)
<b>Usable element</b>	<b>94</b>	<b>232</b>	<b>326</b>
Usable, as a % of gross receipt	10%	26%	18%

### 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 79% General Fund and 21% Housing Revenue Account.

# Housing Revenue Account

## Notes

### 13 RENT ARREARS

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

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Current tenants	1,302	1,299
Former tenants	430	357
<b>Total gross rent arrears</b>	<b>1,732</b>	<b>1,656</b>

The arrears relate to rents, heating charges, tenants' effects insurance premiums and other service charges due from tenants. Current arrears include secure and temporary tenancies, garages and shared ownership dwellings. All figures ignore prepayments of rent amounting to £372,846 at 31 March 2012 (£599,000 at 31 March 2011).

The provision for bad debts in respect of rents was £245,000 (£236,000 at 31 March 2011).

### 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 £621,181 at 31 March 2012 (£592,000 at 31 March 2011).

### 15 FURTHER INFORMATION

Further information about the provision of housing services can be obtained by writing to the Head of Housing Strategy, 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.

	2011/12 £'000	2010/11 £'000
<b>Income:</b>		
Income from Council Tax	81,589	81,050
Income collectable from Non Domestic Rate Payers	74,274	71,187
Transfers from the General Fund:		
- Council Tax Benefit	17,086	17,246
	172,949	169,483
Contributions towards previous year's deficit:		
- Essex County Council	(137)	778
- Essex Police Authority	(17)	93
- Essex Fire Authority	(8)	47
- Basildon Borough Council	(33)	186
	(195)	1,104
<b>Total Income</b>	<b>172,754</b>	<b>170,587</b>
<b>Expenditure:</b>		
Precepts:		
- Essex County Council	69,552	68,791
- Essex Police Authority	8,456	8,363
- Essex Fire Authority	4,251	4,204
- Basildon Borough Council	16,539	16,404
	98,798	97,762
National Non-Domestic Rates:		
- Payable to National Pool	74,036	70,947
- Cost of Collection	238	240
	74,274	71,187
Bad and Doubtful Debts:		
- Write off of Council Tax	457	682
- Provision for Council Tax Bad Debts	-	(30)
(Deficit)/Surplus for the year	(775)	986
<b>Total Expenditure</b>	<b>172,754</b>	<b>170,587</b>
<i>Movement on Fund Balance :</i>		
Deficit at 1 April	207	1,193
Deficit for the year	775	(986)
<b>Fund Deficit at 31 March</b>	<b>982</b>	<b>207</b>

# 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 2011/12 (£16.539 million) included £359,385 (£361,050 in 2010/11) 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 2011/12 the Council set an average Council Tax levy of £1,543.72 per Band D equivalent property, made up of precepts from authorities as follows:

	2011/12 £	2010/11 £
Basildon Borough Council	252.81	253.44
Parish and Town Councils in the Basildon District (average)	5.62	5.70
Essex County Council	1,086.75	1,086.75
Essex Police Authority	132.12	132.12
Essex Fire Authority	66.42	66.42
<b>Total average Council Tax Band D</b>	<b>1,543.72</b>	<b>1,544.43</b>

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

	2011/12 £'000	2010/11 £'000
Council Tax	98,675	98,296
Less: Council Tax Benefit	(17,086)	(17,246)
<b>Net Income to Collection Fund</b>	<b>81,589</b>	<b>81,050</b>

# Collection Fund Account

## Notes

### 3 COUNCIL TAX BASE

Whilst the annual Council Tax levy is expressed as a Band D equivalent, it is actually charged across nine different valuation bands. The Council Tax base for 2011/12 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	8,875	7,286	6/9	4,857
B	15,122	13,344	7/9	10,379
C	23,080	20,874	8/9	18,555
D	14,100	13,165	9/9	13,165
E	7,088	6,682	11/9	8,167
F	4,410	4,237	13/9	6,120
G	1,861	1,797	15/9	2,995
H	137	121	18/9	242
	<b>74,681</b>	<b>67,514</b>		<b>64,484</b>
			%	
Less: Allowance for irrecoverables			0.75	(484)
<b>Total Council Tax Base</b>				<b>64,000</b>

### 4 INCOME FROM NON DOMESTIC RATES

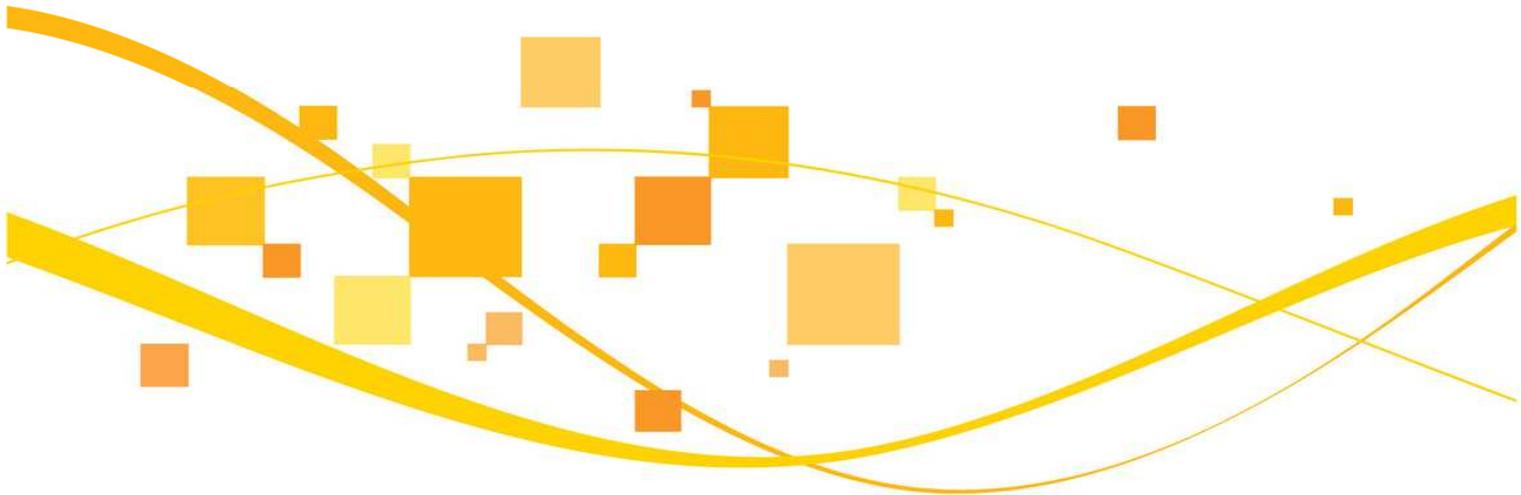
The Council calculates the rates due on non-domestic property in the Borough by multiplying the rateable value of the property by a uniform national rate in the pound. The total amount, less certain reliefs and other deductions, is paid into a central pool, the National Non Domestic Rating (NNDR) Pool. 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:

	2011/12 £'000	2010/11 £'000
Non Domestic Rate (including voids and exemptions)	79,572	74,608
Less: Reliefs, Bad Debts Provision and Other Adjustments	(5,298)	(3,421)
<b>Net Income to Collection Fund</b>	<b>74,274</b>	<b>71,187</b>

The total NNDR rateable value for the Basildon Borough at 31 March 2012 was £191m (£191 million, 2011). The uniform business rate for 2011/12 was 42.6p per £ of rateable value for small businesses and 43.3p for other businesses (40.7p and 41.4p respectively for 2010/11).

Annual Governance Statement  
2011/12



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## Foreword by the Leader of the Council and the Chief Executive

Basildon Borough Council (the Council) is an ambitious authority, one that delivers, one with a positive attitude, and one that makes a real difference to the lives of those in our communities. Good governance continues to strengthen confidence in the Council's ability to deliver efficient and effective public services. We are committed to, and recognise the importance of, having effective governance arrangements in place, and recognise the extent to which these have enabled us to deliver positive outcomes for all who live and work in Basildon.

Good and effective governance arrangements were crucial in underpinning the huge achievements made by the Council last year. The end of the financial year saw the end of a remarkable year for the Council in which we

- achieved the clearance of Dale Farm,
- took the management of our housing stock back in-house
- opened the £38 million Sporting Village and the Wat Tyler Green Centre
- prepared for the transition to a self financing regime for the Housing Revenue Account.

At the same time over £3 million efficiency savings were delivered and the day to day delivery of the basic services to residents was maintained without interruption.

Scrupulous financial management is at the heart of a successful Council. The Council has been successful in the past at achieving efficiencies and this is set to continue. We already have projects identified towards achieving the £2.9 million savings target set for 2012/13. We are not, however, complacent and recognise that by 2015/16 the savings target rises to £6.2m. Council tax was reduced by 0.25% for 2011/12 and has been frozen for 2012/13; decisions that were made possible by a combination of prudent financial management, good governance and government grants.

Last year was not without challenges. The Council was one of a number of public and private sector organisations affected by a security breach relating to staff personal data held by the contractor that provided our absence management service. Subsequently we took every measure possible to ensure that the data was removed from the Internet. We also provided staff with guidance on how they could protect themselves from inappropriate use of the data protection and ultimate removal of staff data. The contract with the provider was terminated and alternative arrangements put in place.

The Localism Act provided us with the opportunity to again review and update the Council's Constitution and other pertinent governance documents, including the scheme of delegation of authority, conduct and controls. We are also reviewing and updating the Council's Members' Code of Conduct.

Moreover, plans are underway to embed Corporate Governance throughout the Council by raising its profile on the Council's Intranet and reviewing the way progress is reported to Members through the Corporate Action Plan. These initiatives are reminders of how important good governance is to making things happen whilst remaining as streamlined as possible.

We are satisfied with the critical self assessment of our corporate governance performance contained in this Annual Governance Statement (AGS). We are committed to review our Local Code of Corporate Governance in the light of our strategic direction. We will continue to respond to legislative and policy demands, as well as external inspections and assessments relating to governance so that good and effective governance will continue to prevail within Basildon Borough Council

**Councillor Tony Ball**  
**Leader of the Council**

**Bala Mahendran**  
**Chief Executive**

## PART 1 - THE GOVERNANCE FRAMEWORK

### 1. Background and Purpose

- 1.1.** Since 2007/08, the CIPFA/SOLACE<sup>1</sup> *Delivering Good Governance in Local Government: Framework* document has required local authorities to prepare *Annual Governance Statements (AGS)*. The AGS replaced the Statement on Internal Control (SIC) in order to overcome the rather narrow financial and control regime which the SIC demanded. The Council has produced an AGS in line with these requirements each year since 2008. The Statement has been published on the Council's intranet for some years along with the Statement of Accounts. It is signed by the Chief Executive and Leader of the Council.
- 1.2.** The *Framework* prescribes for the AGS *Six Core Principles* (see Section 4.1 below) against which local authorities are required to review, document and annually report publicly on the extent to which they have complied with their Local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness. It also requires the AGS to include an explanation of how the effectiveness of governance arrangements has been monitored during the year. The AGS should document any significant control weaknesses, actions taken to mitigate them and on any planned changes in the coming period.
- 1.3.** The AGS is a key corporate document. It has to provide Members and all stakeholders with the assurance that a sound review of the Council's governance arrangements has been undertaken. Sources of such assurance include
- the Annual Report of the Internal Auditor,
  - the Corporate Risk Register
  - updates of the Risk Management Strategy provided to Members,
  - the performance management process,
  - the advice of the Chief Finance (Section 151 Officer<sup>2</sup>) and Monitoring<sup>3</sup> Officers,
  - reports from the External Auditor
  - the annual report of the Chairman of the Audit and Risk Committee
  - as well as the Council's policies, procedures and codes of conduct.
- 1.4.** Last year the Council identified governance issues where improvement was required and a summary of progress on these matters is included below in Section 5.

### 2. Scope of Responsibility

- 2.1.** Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for stakeholders, citizens and service users. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money should be safeguarded, properly accounted for and used economically, efficiently and effectively. The AGS describes how the Council delivers good governance. It reviews the effectiveness of these arrangements in compliance with the requirements of Regulation 4 of the Accounts and Audit [England] Regulations 2011<sup>4</sup> and the Local Government Act 2009.

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<sup>1</sup> CIPFA is the Chartered Institute of Public Finance and Accountancy. SOLACE is the Society of Local Authority Chief Executives.

<sup>2</sup> Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and to ensure that this is the responsibility of one of their officers, the Section 151 Officer. See Section 7

<sup>3</sup> The Local Government and Housing Act 2000 require each Local Authority to designate one of their officers as 'Monitoring Officer'. It is the function of the Monitoring Officer to ensure that the Council's decision making processes comply with established policies, procedures, legislation and common law principles. See Section 6.4.6

<sup>4</sup> <http://www.legislation.gov.uk/ukxi/2009/473/contents/made>

**2.2.** Over the years, the Council has been able to effectively demonstrate good governance through the publication of the AGS and the Local Code of Corporate Governance (Appendix 1), as well as responding with appropriate action to new legislative and policy demands, and issues identified in inspections and other assessments relating to governance.

### **3. The Purpose of the Governance Framework**

**3.1.** The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor progress towards the achievement of its strategic objectives and to consider whether those have led to the delivery of appropriate, cost-effective services.

**3.2.** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is an ongoing process designed to

- identify and prioritise risks to the achievement of the Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they not be realised; and
- manage them efficiently, effectively and economically.

**3.3.** This AGS provides assurance through a review of processes and procedures confirming the Council has complied with the Governance Framework for the year ended 31 March 2012 and up to the date of approval of the Council's statement of accounts.

### **4. The Governance Framework**

**4.1.** The six core principles contained in CIPFA/SOLACE Framework Document are:

- i. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.*
- ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles.*
- iii. Promoting values for the Authority and demonstrating good governance through upholding high standards of conduct and behaviour.*
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.*
- v. Developing the capacity and capabilities of Members and officers to be effective.*
- vi. Engaging with the local people and other stakeholders to ensure robust public accountability.*

**4.2.** The six core principles are supplemented by a number of supporting principles. Evidence of how the Council is committed to the six principles and supporting principles and how the governance framework supports these are outlined in The Local Code of Corporate Governance (Appendix 1). The Council adopted a refreshed Local Code at its meeting of Cabinet in June 2011. It is due to be refreshed again when the new Corporate Narrative and Five Promises are published later this year.

**4.3.** The key requirements we must demonstrate in our review of current arrangements include:

- The extent to which we comply with the Framework
- The systems, processes and documentation that demonstrate compliance

- Individuals and committees responsible for reviewing the governance systems, processes and documentation
- Identify the issues that have not been addressed adequately and how they should be addressed
- Identify the individuals responsible for undertaking the actions in the plan

**4.4.** This AGS provides an update against how the Council is responding to the core principles and supporting principles outlined in the Local Code. It reports:

- the extent to which it has complied with the code
- how it has monitored the effectiveness of the AGS and
- any planned changes it has identified as a significant governance issue for the coming year

**4.5.** As part of preparing the AGS we have continued the practice of requiring:

- Service Managers and Heads of Service to complete quarterly Service Based Governance statements templates (this year, statements were not received for the second quarter, due to Operation Cabinet however, upon completion of the third quarters statement, services were requested to cover quarters 2 and 3)
- Officers with governance responsibilities, including the Section 151 and Monitoring Officers, to complete Individual Governance Statements templates, which were agreed by the Council's Corporate Governance Group.
- Partnership checklists to be completed
- External and Internal Audit and Inspections reports
- Statement of the Role of the Chief Finance Officer in Public Service

**4.6.** During 2011/12, the Council also introduced the new Assessment Questions templates which were completed by officers with governance responsibilities and discussed at interviews. All information received was collated and reviewed to reflect the emphasis within this AGS. Processes that enabled Officers across the Council to be involved in the assurance gathering process, ensuring the AGS captured the widest range of views.

**4.7.** Overall, the Council can provide assurance that governance arrangements are in place across the organisation, however, areas for further improvement and appropriate actions have been identified and referred to under the 'Governance Issues for Improvement' section. Addressing these issues will further develop the governance framework and supporting assurance framework.

## **5. Summary of Progress Against Actions from Previous Annual Governance Statements**

**5.1.** As part of the 2009/10 and 2010/11 governance reviews, actions were identified as necessary to improve the Council's overall governance performance during 2011/12. They become the governance issues for improvement (recommendations to address) and were recorded in a Corporate Governance Action Plan<sup>©</sup>. An example of these are shown below, further information on all actions are included within the Corporate Governance Action Plan in **Appendix 2**.

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<sup>©</sup> In the Action Plan, the Direction of Travel (Assurance) Colour Codes are: **Red = Insufficient Progress; Amber = On Track; Green = Complete**. This Colour Code is used within the AGS to highlight under appropriate Sections as necessary in terms of "**Overall Assurance Given and Areas Identified to be addressed**"

5.2. Table 1 – AGS 2009/10 and 2010/11 – Summary of Progress

Recommendation/ Issue to address	Background and progress	Agreed Action	Direction of Travel	Outstanding actions
<b>Annual Governance Statement 2010/11</b>			Insufficient progress On track Complete	
<i>To review the Corporate Strategic Improvement Plan and Sustainable Community Strategy 2011/12.</i>	<i>If there are changes to the Council's vision and priorities, the implications for the Council's governance arrangements will need to be reviewed and the Local Code of Corporate Governance updated as necessary</i>	<i>Reviews of the Basildon Community Strategy and Corporate Strategic Improvement Plan</i>		<i>CSIP To be Replaced by New Corporate Narrative and Five Promises to be published this year. Sustainable Community Strategy reviewed</i>
<i>To review the Council's arrangements following the abolition of the Standards Board Regime.</i>	<i>Following the Government's announcement regarding the abolition of the Standards Board regime and in response to the provision of the Localism Act, it is necessary for the Council to agree how it will respond to these changes.</i>	<i>Overview and Scrutiny Task and Finish Group commenced a review in 2011.</i>		<i>Overview and Scrutiny Task and Finish Group concluded review and agreed by Full Council in June 2012.</i>
<i>To ensure governance arrangements adequately provide for the transfer of SGCH back to the Council.</i>	<i>Induction and training needs identified for all SGCH staff following transfer. Specific financial and procurement training to be provided for staff that transferred so they are aware of BBC requirements.</i>	<i>SGCH transferred to the Council with minimal disruption</i>		<i>Transfer took place as planned</i>
<i>To address the weaknesses identified in governance arrangements for partnerships, including shared services.</i>	<i>Review and improved the partnership governance statement to include a question relating to risk management arrangements as recommended at a report to Audit and Risk Committee; and undertake a review of the Council's partnership arrangements</i>	<i>Assessing and auditing the Council's partnerships and produce a draft framework for adoption.</i>		<i>The Partnership governance statement improved to include a question relating to risk management Partnership Audit undertaken and emerging issues to be addressed in drafting a framework</i>
<b>Annual Governance Statement 2009/10</b>				
<i>To continue to review elements of the scheme of delegation in particular those relating to development control functions</i>	<i>The review of the scheme of delegation which was completed did not include a review in connection with development control functions.</i>	<i>A review of the scheme of delegation in connection with development control functions was undertaken. Following a meeting with relevant officers and members in November 2011 in relation to levels of delegation and impact on speed of determining planning applications it was decided to run a trial period where more</i>		<i>With effect from June 2012, the Chairman of Development Control and Traffic Management has changed. The review of applications to be approved by the Chairman will continue to assess whether there is an impact due to the Chairman's requirements.</i>

		<p><i>applications were to be subject to approval by the Chairman of the Development Control Committee.</i></p> <p><i>The number of additional applications required to be signed off by the Chairman of the Development Control Committee has been relatively small in number so that the overall performance has not been significantly impacted.</i></p>		
<p><i>To address the inconsistent approach to public consultation and engagement undertaken throughout the Council.</i></p>	<p><i>The Council's Consultation and Engagement Strategy reviewed to form a framework to define the Council's approach to consultation and engagement in the future. This will be approved in line with the new Corporate Narrative.</i></p>	<p><i>Review the Council's Consultation and Engagement Strategy to form the framework for effective consultation</i></p>		<p><i>The Consultation and Engagement Framework will also support other areas of emerging work such as the Policy Audit</i></p>

## 6. The Governance Framework and Review of Governance Arrangements in Basildon Borough Council

### 6.1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.

#### 6.1.1. The Council's Vision and Intended Outcomes

The Council's vision is to **"improve the quality of life for the people of the Borough, now and for future generations"**. The key strategic aims and priorities that underpin this vision are currently expressed in the Corporate Strategic Improvement Strategic Plan (CSIP) 2010 – 2013. This is a key element of the Council's governance arrangements which provides clarity on the Council's strategic objectives and direction. The CSIP is the means by which the Council can be held to account for its performance and service delivery. The CSIP was approved by the Council and is in the process of being reviewed. It is scheduled to be approved by Council during 2012/13.

The CSIP is underpinned by effective governance arrangements in areas including risk management and performance management which assist in identifying and dealing with failure in service delivery. It also provides the platform for effective business planning by enabling services to be delivered in accordance with the Council's vision.

The draft Communications Work Plan 2012/13 states that the Council's leadership, both managerial and political, recognises that effective communication is essential if the organisation is to achieve its goals for the next four years. The corporate communications function has a strategic role to work from the heart of the organisation to ensure that staff, local people and other partners are not just well informed about the Council's priorities but are recruited as allies to drive higher standards of service delivery. The draft Communications Strategy 2012/13 is to use the full range of communications channels to deploy stories which explain what the Council does and

articulate its strategic direction. It will also consistently and robustly rebut inaccurate claims and attacks on the Council's reputation.

Internally, the Council's objectives are communicated to staff through various mechanisms, including the all staff email, the Intranet, printed materials and Orange Thursday (Team) Meetings held once a month. Orange Thursday (Team) Meetings also include a mechanism for staff to feed views and ideas through the Marketing and Communications Team to the Strategic Management Team (SMT) and Executive Leadership Team (ELT).

The CSIP has been reviewed during 2011/12 ensuring that it is up to date and relevant for future to be considered by the Council early in 2012/13. These attest to the Council's commitment to provide a clear statement of direction for the Council's future, the vision for the Borough, and its implications for the Council's governance arrangements.

### **6.1.2. Business Planning and Managing Performance**

The Council's business planning process is designed to identify, at a service level, the activities and objectives planned to support the Council's aims and objectives set out in the CSIP. This includes identifying the level of financial and other resources required to meet these objectives. All services prepare an annual business plan which forms the platform for performance management throughout the year.

As part of the Business Planning process, all services are required to identify relevant performance indicators and targets which influence service levels. These are reviewed at least annually to ensure that the indicators are relevant and effectively assess performance against targets that reflect the Council's objectives and priorities.

Comprehensive performance information is formally reported to Departmental Management Teams (DMT), Strategic Management Team (SMT), Executive Leadership Team (ELT) and the Overview and Scrutiny Commission on a quarterly basis to enable an assessment of performance, direction of travel and action to be taken to tackle underperformance. In addition, performance is discussed with relevant Cabinet Members and monitored in other ways, particularly through the Individual Performance Review (IPR) appraisal process, one-to-one's and team meetings.

Reports to the Council's Overview and Scrutiny Commission detail performance against a basket of key corporate performance indicators and also whether, over the short term and longer term, performance is improving or getting worse. It enables a corporate understanding of how well the Council is performing against planned outcomes, where any improvements need to be made and whether identified improvements are having the anticipated impact.

In September 2011, the Council replaced Performance Plus with a new performance management system, Covalent. This system allows a range of performance information to be monitored and managed in one place. Significant work has been undertaken to utilise the functionality of Covalent to support the development of an effective performance management process by linking together various areas of governance and performance to provide improved performance mapping and monitoring. The introduction of Covalent has further embedded the management of risk within performance management by providing the ability to clearly link risks and risk actions with the services' performance indicators and business objectives.

The Council has robust strategic and business planning procedures in place, where comparison against peers and learning from best practice is embedded along with arrangements for performance challenge. The Council is also aware of and has an understanding of the cost and performance of some services, and how this compares with other authorities and service providers.

Periodic benchmarking exercises between local authorities are undertaken for individual service areas. For example, a number of services are members of the CIPFA Benchmarking Club. Benchmarking activities have also been carried out within the Community Safety Partnership to compare performance with others in peer groups, and in recent years customer satisfaction questionnaire results have been judged against other Essex local authorities.

### **Overall Assurance Given:**

- *An Internal Audit Review of the new performance management arrangements is being undertaken to provide assurance on the effectiveness of the arrangements. Informal ongoing feedback is also sought as a means of assuring that the arrangements are effective, fulfil requirements and identify on an ongoing basis where continuous improvements can be made.*
- *In response to the previous inconsistent approach to performance management at service level and the need to review the reporting of corporate, financial, service performance and risk previously identified, the focus during 2011/12 has been to develop enhanced performance management arrangements. This has resulted in the introduction of effective, consistent and regular monitoring of performance at a senior level, including against the CSIP's priorities, leading to areas of underperformance being identified and addressed and services supported to ensure the Council's vision and objectives are achieved.*
- *The Council is aware of and has an understanding of the cost and performance of some services and how this compares with other authorities and service providers. This however is an area identified for continuous improvement and is reflected in the action plan.*

### **6.1.3. Financial Management**

The Council produces and publishes an annual finance report incorporating a summary of the Council's financial outturn position. This stems from the Council's comprehensive and effective performance management arrangements and processes which operate around a quarterly cycle through reports to the Scrutiny Committees.

The Council has a strong record of achieving efficiencies. Efficiency targets are built into budget and the forward financial forecast to ensure that achieving them is monitored through the standard performance/financial monitoring processes. Despite the financial climate, a total of some £3.7 million in efficiencies were identified from Services against the efficiencies target of £2.4 million for 2011/12.

The Statement of Accounts 2011/12 show reserves have been maintained at sustainable levels despite funding demands like those necessitated by Dale Farm. Earmarked reserves levels are at £12.6 million which includes additional contributions to the Invest to Save Reserve of £1 million, IT Reserve of £0.4 million and a new Treasury Management Reserve of £0.25 million. This will assist in securing future efficiencies through "invest to save" and improved Information Technology (IT). It is also planned that during 2012/13, enhancements can be made in effectively monitoring cost against performance, including the approach to managing and monitoring progress against projects.

Continued regular horizon scanning will assist in monitoring, identifying and improving awareness of the plethora of new financial legislation and regulations. It has allowed the Council, for example, to plan for the financial demands of the Welfare Reform Bill.

The Council has an ambitious transformation programme at the heart of which the Council recognises the need for a better understanding of the cost, performance and key processes of the services it provides. It has participated in service evaluation as part of the shared service agenda with other local authorities. It has undertaken a programme of service reviews, which are built around a "lean systems" approach dependent on

robust data to determine where waste can be eliminated and services made more efficient to improve performance and reduce cost.

The transformation agenda continues to be focused through the Member Officer Transformation Group to identify financial efficiencies and service related developments supported by the transformation agenda work-streams and work undertaken by OMT. A transformation team has been established to review the performance management framework, including using cost of performance in decision making.

Part of the financial management arrangements of the Council requires relevant staff to attend the corporate Modular Financial Training Programme as applicable to their roles, followed by programmes of refresher training modules. Access to financial data, for example the Integra system, is controlled and restricted to competent staff that have been trained.

Changes in financial regulations are disseminated through OMT and to cost centre managers. Third tier managers meet regularly with their nominated Accountants with Heads of Service being the accountable officers.

The Council's Contract Procedure Rules relating to procurement and contracts have been reviewed, updated and formally approved by Council in April 2011. A review of the Council's Corporate Procurement Strategy 2008-2012 has commenced to ensure its existing objectives and principles are current and up to date. The Council's procurement team regularly meet with service managers and officers involved in procurement across the Council. Since the housing management function returned back to the Council with effect from July 2011, the Council is responsible for housing related procurement and the central team works closely with the service to deliver for the tenants and leaseholders.

Training on the Council's Corporate Procurement Strategy and Framework continues to be rolled out across the Council and covered the return of the housing management function. Further sessions are scheduled for 2012/13. The training has raised awareness among staff about the procurement regime, with more work now referred to the corporate procurement team to undertake tender exercises for both routine contract works as well as to produce value for money and efficiencies for the Council.

The Council has reviewed its approach to contract management and as a result members of Overview and Scrutiny will be involved in the procurement cycle of contracts meeting a specified criteria which directly impact the residents of the Borough, involve the voluntary sector and are in excess of the appropriate financial levels. The scrutiny role will bring a critical friend challenge to the Cabinet Members and contract specification requirements.

A working group of officers has also been set up to produce contract management framework learning from previous experiences, good and bad, recognising where improvements need to be made for engaging future suppliers to deliver on the Council's behalf, within the current challenging financial climate.

The Council uses the Audit Commissions Value for Money (VfM) tool each year to assess its current position, and prioritise any areas for potential improvement. External Audit have stated that securing financial resilience and prioritising resources within tighter budgets, post CAA/Use of Resources, will be an area to be concentrated on. Further benchmarking opportunities have been limited given the abolition of National Indicators and the Place Survey.

### **Overall Assurance Given:**

- *The Council has a strong record of achieving efficiencies. Efficiency targets are built into the budget and the forward financial forecast to ensure that achieving them is monitored through the standard performance and financial monitoring processes.*

*Despite the financial climate, a total of some £3.7 million in efficiencies were identified from Services against the efficiencies target of £2.4 million for 2011/12.*

- *Continued regular horizon scanning will also assist in monitoring, identifying and improving awareness of the plethora of new financial legislation and regulations. It has allowed the Council, for example, to plan for the financial demands of the Welfare Reform Bill.*
- *The Council uses the Audit Commissions Value for Money (VfM) tool each year to assess its current position and prioritise any areas for potential improvement. External Audit have stated that securing financial resilience and prioritising resources within tighter budgets, post CAA/Use of Resources, will be an area to be concentrated on. Further benchmarking opportunities have been limited given the abolition of National Indicators and the Place Survey.*
- *Collaborative procurement and working is an area which will be included in the revised Strategy and highlighted as an area for improvement in 2012/13.*

## **6.2. Members and Officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles.**

### **6.2.1. Documented Defined Roles and Responsibilities**

The Constitution clearly describes and provides overarching clarity regarding the different and individual roles and responsibilities of the Leader of the Council, the Cabinet and individual Members of the Cabinet, other Members of the Council including the Mayor of the Council, the Overview and Scrutiny function, Chief Executive and other senior officers including the Monitoring Officer and Section 151 Officer.

The Constitution also includes a scheme of delegation and a formal schedule of those matters specifically reserved for collective decision by the Council (set out in Article 4), taking into account relevant legislation, financial regulations and contract procedure rules and a range of codes and protocols governing the conduct of Members and officers. These are supplemented by various documents including for example role profiles for Members, an Overview and Scrutiny Handbook and a Report Writers Guide. All this contributes to ensuring that decision making is undertaken in accordance with legislative requirements and at the right level of the organisation.

### **Overall Assurance Given:**

- *The Constitution is updated on an ongoing basis, when required, to ensure it reflects new legislation and new working practices, and that it remains fit for purpose, as well as to increase clarity regarding the role of officers and Members.*
- *The Constitution and a summary is available on the Council's website, enabling the public to understand the purpose of the Constitution and the matters set out in it including who makes decisions regarding various matters. Copies of the Constitution are also available at public deposit points including the Council's main offices and libraries. Copies are also provided to all Members of the Council and various Officers who are required to ensure services are being delivered in accordance with the Constitution.*

### **6.2.2. Good Governance Arrangements**

The key elements of the Council's assurance processes are the production of quarterly assurance statements by service managers and heads of service and annual Individual and Service Based Governance Statements. They have provided assurance on the effectiveness of the key controls within individual service areas by service managers, heads of service and key officers responsible for governance, including the Monitoring Officer, S151 Officer and the Manager of Audit & Risk. For example, Service Based Statements highlight governance concerns throughout the year which are reported to SMT as part of the performance management arrangements.

The key “concerns” raised in the service based assurance statements between July and December 2011 were reported to the SMT in January. Actions are being taken to resolve the concerns identified, where appropriate. For example, the Council was affected by a security breach relating to staff personal data held by the contractor that provided our absence management service. The data was removed from the Internet and we also provided staff with guidance on how they could protect themselves from inappropriate use of the data protection and ultimate removal of staff data. The contract with the provider was terminated and alternative arrangements put in place.

In addition, the Council now publishes its Local Code of Corporate Governance alongside the AGS. The Council last updated its Local Code in June 2011. The Council plans to refresh the Local Code when the new Corporate strategic direction is agreed in 2012/13..

Annually, the Manager of Audit & Risk provides the Audit & Risk Committee with an opinion on the internal control and governance arrangements for the Council. For 2011/12 the Manager of Audit & Risk will be presenting the annual opinion to the Audit & Risk Committee in June 2012, as part of the Annual Report on Internal Audit.

In addition to the annual report to the Audit & Risk Committee, Internal Audit also provides the Committee with regular in-year progress reports. As part of these reports, the Manager of Audit & Risk has confirmed compliance with the CIPFA Code of Practice for Internal Audit within Local Government. The Council aims to ensure the AGS is current at the time of publication. Therefore, any significant control weaknesses which are identified after the date of signing and approving the AGS will be considered for inclusion later in the AGS 2011/12.

The Corporate Governance Action Plan is also presented with the AGS. The plan includes actions from the AGS together with priority actions, timescales and responsible officers. Progress is monitored on an ongoing basis and reported to the Corporate Governance Group and Audit and Risk Committee to ensure identified weaknesses and areas for improvement are addressed.

### **Overall Assurance Given:**

- *The 2011/12 Annual Internal Audit Report confirmed that in relation to the Council's Governance arrangements and AGS, Internal Audit had undertaken a review to assess the controls in place to ensure that the Council has an appropriate and robust procedure in place that allows the Council's Corporate Governance Statement to be produced, in line with best practice as detailed by CIPFA/SOLACE.*
- *The audit review confirmed that the Council has developed the AGS in line with advice and guidance provided by CIPFA/SOLACE, and that a strong process has been developed to produce and support the Statement.*

### **6.2.3. Partnership Governance**

Since 2010, partnership governance has been identified as an area which needed reviewing, due to the changes within the partnership landscape and how these impacted upon the Council's partnership arrangements and ways of working. As a result, this year's review of the Council's partnership governance took the form of a Partnership Governance Audit.

The audit revealed that most of the smaller external arrangements the Council is involved with are through formal contractual arrangements, working groups for consultation and networking as opposed to delivery or operational partnerships. However, for those partnerships which do exist, nearly all have formal governance arrangements in place in the form of constitutions and terms of references. These identify the partnerships' objectives, provide clarity around roles and responsibilities, decisions are recorded and desired outcomes are monitored. There is also a clear

indication of the role and expectation of the Council's representation, including the Council's input or contribution to the partnership.

The audit highlighted that most of the partnerships do not have in place mechanisms for dispute resolution, external reporting systems or timely reviews with regards to amendment or termination. Funded partnerships or those that have secured external grants require stronger financial administration for clearer accountabilities to be documented. Furthermore, most partnerships do not demonstrate robust ways for identifying and managing risk and opportunities. Partnerships are required to demonstrate effectiveness in helping deliver the Council's priorities as expounded in the CSIP and the Community Strategy, and these will be refreshed after the revised CSIP is adopted.

#### **Overall Assurance Given:**

- *The governance arrangements for partnerships are in place but the audit highlighted potential gaps which would require further exploration, guidance or training to resolve and strengthen in order to improve*

### **6.3. Promoting Values for the Authority and Demonstrating Good Governance Through Upholding High Standards of Conduct and Behaviour.**

#### **6.3.1. Overview and Scrutiny Commission and Standards Committee**

The Overview and Scrutiny Commission and Scrutiny Committees hold the Executive to account for their decisions, and contribute to evidence-based policy making in the Council. The Commission receives quarterly budget and performance reports, plays an integral role in the budget setting process and establishes and co-ordinates task and finish groups which undertake in depth reviews of Council policies and services which affect residents of the Borough.

Comments are often provided by Scrutiny Committees on policies and services prior to their consideration by the Cabinet, for Cabinet to take into account when reaching a decision. The Chairman reports annually to full Council on the work of the Overview and Scrutiny function during the preceding year and the outcomes arising from its work which have provided assurance regarding the effectiveness of the function.

#### **Overall Assurance Given:**

- *The Council is currently reviewing the Standards Committee arrangements in the light of the Localism Act 2011 and the Government's abolition of the Standards Regime. The purpose of the review is to advise on the options for the future arrangements in connection with Members Conduct, responding to a 'duty to promote and maintain high standards of conduct' and the provision for a voluntary Code of Conduct for Members.*
- *The future role of the Standards Committee and a review of its current terms of reference will also be considered and with specific recommendations from the task and finish group. The Council's preferred option will be incorporated in the Constitution for enactment.*

#### **6.3.2. Codes (Standards) of Conduct**

The Council has adopted various codes and protocols for Members and Officers which form part of the Constitution. They include: Members Code of Conduct (plus supplementary guidance regarding the register of interests and gifts and hospitality); Officers Code of Conduct; Protocol on Member Officer Relations; and Regulatory Committees' Probity Code. They are reviewed to reflect new legislation and best practice.

All Members of the Council are currently required to sign up to the Members Code of Conduct and complete their Register of Interests within 28 days of being elected and ensure it is maintained. Members are written to on a regular basis to remind them of the need to update their register of interests. Induction training for newly elected Members of the Council is delivered when accepting the Code of Conduct.

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

### **Overall Assurances Given:**

- *The Members Code of Conduct is being reviewed by the Council's Overview and Scrutiny Task and Finish Review Group, in light of the provisions of the Localism Act 2011. The work involves defining the standards of behaviour for Members and how alleged breaches of the Code will be investigated. Following the review, a new Code of Conduct is due to be adopted in July 2012. Also, in accordance with the provisions of the Localism Act, new regulations are due to be introduced regarding disclosure of Members interests. The Council's Constitution will be amended accordingly to embed them.*
- *Members codes of conduct are signed up to and interests are regularly declared. The Council has a process to deal with complaints received, which is also subject to review in accordance with the Localism Act 2011.*

### **6.3.3. Whistleblowing, Fraud and Corruption**

It is important that the Council has robust arrangements in place to manage the risk of fraud and corruption. As such, the Council has had for many years a clear strategy and effective procedures to manage this risk, whether fraud is attempted on, or from within, the Council.

This strategy is documented within the Council's Counter Fraud and Corruption Framework, which sets out the Council's policy, practices and procedures in relation to combating fraud and corruption. In addition, there are separate, but complementary policies covering Whistle-blowing and Anti Money Laundering.

The intention of the framework the framework is to create a zero tolerance culture, promoting high ethical standards, encouraging prevention, promoting detection, and formalising the procedures for investigation. The aim of the Whistleblowing Policy is to encourage individuals to feel confident in raising concerns, provide avenues for individuals to raise their concerns, to provide feedback and reassurances that they will be protected from possible reprisals or victimization within the detailed safeguards. This clearly demonstrates to the public the Council's commitment in this area.

In addition to the above, the Council provides Counter Fraud Training to staff and Members, undertakes investigations into potential concerns, proactive fraud reviews and participates in the Audit Commission's National Fraud Initiative.

### **Overall Assurance Given:**

- *The above policies are regularly reviewed and updated to reflect changes to legislation. Staff are required to sign up to these policies and there is regular communication to staff about these. Both policies are designed to be used by staff and individuals external to the Council and are available on the Council website.*
- *There is a strong counter-fraud culture in place at the Council, which is supported by the Counter Fraud and Corruption Framework and Whistleblowing Policy. Due to the continued profile given to counter fraud work, it is considered that the Council is*

*continuing to deliver against the outcomes specified within our Counter Fraud Framework.*

## **6.4. Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Managing Risk.**

### **6.4.1. Standing Orders, Financial Instructions, Delegation etc**

Standing orders, the scheme of delegation, codes and protocols forming part of the Council's Constitution are reviewed and updated on an ongoing basis or as required. Updates are circulated on a regular basis and a number have been made during 2011/12, thereby ensuring that the arrangements are up to date and fit for purpose

The Financial Regulations which also form part of the Council's Constitution are reviewed by Financial Services, as and when required. However, a regular timetabled review will in the future be prompted by the new Policy and Strategy Review timetable which is being introduced by the Council.

The revised scheme of delegation provides authority to Heads of Service and Executive Directors. It states that, any authority granted to a Head of Service, unless otherwise indicated, may be exercised by an officer with appropriate qualifications authorised by the Head of Service in writing for that purpose. The relevant Head of Service is required to maintain a record of such authorisations. Following introduction of these new arrangements, it is necessary to provide assurance that they have been effectively implemented i.e. records of authorisations are being maintained.

The Council has produced a Report Writers Guide setting out the process for producing reports which form the basis of decisions. As a risk control measure, such reports are subject to consultation with all relevant services; that is, legal, finance, risk management and inclusion and diversity. Additional officers can be included to review reports, when appropriate depending upon the nature of the report and decision being sought. All reports are produced using an electronic report management system which supports the processes set out in the Guide and provides assurance that these are been adhered to. All decisions by, for example, Cabinet/Cabinet Member Decision Records have financial and risk management paragraphs in the report in support of decisions and options presented. These robust processes ensure that decisions taken are informed and transparent and are subject to effective scrutiny and risks have been managed.

### **Overall Assurance Given:**

- *Changes in financial regulations are disseminated through service managers and cascaded down to cost centre managers through team meetings and one-to-one's and email correspondence. Third tier managers meet regularly with their nominated accountants and cost centres are overseen by the Head of Service.*
- *The Council formally approved a revised scheme of delegation in 2011. This has been communicated to relevant staff and the Democratic Services section continually provides advice and guidance, as required.*
- *A guide to compiling the financial implications paragraph for all reports has been developed and was issued for use in May 2012.*

### **6.4.2. Systems of Internal Control**

The Council has in place a comprehensive series of processes and procedures which encapsulate the Council's Internal Control Environment. These include, but are not limited to, Financial Regulations and Financial Procedure Notes, Standing Orders and People Management Procedures.

Staff at all levels of the organisation are provided with regular training on these processes and procedures. In addition to them being able to access advice and

guidance from relevant support services such as Finance, Human Resources and Corporate Procurement.

The Council's Corporate Governance Group (CCG) seeks assurance quarterly from service areas that they are effectively complying with these processes and procedures. The CCG is then able to provide assurance to the Strategic Management Team that effective control arrangements are in place and are being adhered to. Moreover, the Council's independent Internal Audit function is responsible for reviewing the Council's Internal Control Environment to ensure that this is adequate and effective and that service areas are compliant. The Internal Audit function operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

Within the reports issued to management following the completion of an audit review, opportunities to improve the internal control environment are made. The Internal Audit Function has not, however, identified any material concerns that will affect the ability of the Manager of Audit & Risk to provide the annual assurance on the Council's control environment. In addition to the assurance received from the Internal Audit Function, the Council also receives assurance from the External Auditor in the form of the Annual Audit letter.

The Council has in place arrangements for the recording, tracking and implementation of recommendations made. This has enabled more accurate monitoring on the progress being made and has enhanced the Manager of Audit & Risk's ability to provide her annual assurance. Although the Manager of Audit & Risk is able to report that good progress has now been made in implementing recommendations, there have been concerns raised over Management appropriately updating the system and attaching the appropriate evidence.

The Council recognises that a number of its processes and procedures require review, in particular the Council's Financial Regulations and associated Financial Procedures and Human Resources PMP's will require updating following the implementation of Single Status during 2012. As such both Financial Services and Human Resources are currently developing a rolling programme of review and update of these.

### **Overall Assurance Given:**

- *The Council has in place an adequate internal control environment and that processes and procedures are in place to regularly review the controls, to ensure that they remain appropriate and effective. Further, it is considered that appropriate arrangements are in place to ensure that the control environment is appropriately complied with and that where improvements are identified these are adequately addressed.*
- *For 2011/12 the Internal Audit Function confirmed that there was an adequate system of internal control in place, for the key financial systems, cross cutting and service specific risk reviews. During the year, Internal Audit issued three limited assurance audit reviews. Steps were, however, taken by management to implement the recommendations made. As such these areas are no longer considered to be limited.*

### **Areas identified for improvement:**

- *Update of financial regulations and associated procedure notes*
- *Issue new Human Resources Procedure Notes following the implementation of Single Status*
- *Managers to ensure appropriate processes are followed in reporting on Covalent in relation to audit recommendations, and that evidence is attached to demonstrate recommendations are properly addressed.*

### 6.4.3. Risk Management

Effective Risk Management is one of the cornerstones to effective Governance arrangements. As such the Council has for many years had in place an effective Risk Management Framework, which includes the Risk Management Policy Statement and Strategy. This is supported by the Risk Management tool kit, which provides managers with guidance on the basic principles of risk management and how to complete a risk assessment. It also assists staff in understanding the corporate approach to Risk Management and their responsibilities. Further support is provided by the Corporate Risk Management Team for managers and Members through on-line and one to one training.

Management regularly review existing and new corporate, partnership, project and service business risks, through both the Covalent system and risk workshops. Risk profiles are recorded, detailing identified risks and opportunities and appropriate mitigating control measures, maximising strategies (if an opportunity) and any further action to be completed if the risk is not being adequately managed or to further mitigate the risk. This method of recording and managing risks has meant that managers have been able to take greater ownership of their risks and review, and update their own service risk profiles as soon as changes are identified. The Corporate Risk Management Team is also consulted on key Committee reports to ensure that the risks and opportunities have been appropriately captured to assist Members in their decision making.

The Council's SMT reviews the Council's key risks and generic risk profile annually (which contains the consolidated corporate risks for such areas as recruitment and fraud) in order to ensure that the process is working effectively. Further, there is a Member led Risk Management Working Group which reviews and challenges the risk management process by examining the key risks of the Authority. This clearly demonstrates to the public that the high level risks of the Council are being managed effectively and that risk management is embedded in key corporate processes.

#### **Overall Assurance Given:**

- *The Council is well advanced in this area, with effective risk management being part of "the way we do business". This is supported by the Alarm<sup>5</sup>/CIPFA Risk Management Survey, which the Council participated in during 2011/12 to benchmark the current level of service provided against other Local Authorities. In summary, the results showed that the Council has embedded and integrated risk management at all levels of the organisation. In particular, the results highlighted that the Council was performing above average in relation to partnerships and the use of joint risk registers with key partners for major projects such as the site clearance at Dale Farm, although our recent audit on Partnership Governance has highlighted that further work can be done in this area..*

### 6.4.4. Business Continuity

The Council has a Business Continuity Management Policy and Strategy which is the overarching document that sets out how Business Continuity Management (BCM) will be undertaken, and also demonstrates best practice as contained within British Standard 25999-Part 1 2006.

Following an assessment of the risks that the Council faced and the determination of the Council's critical services by business impact analysis, a programme of work to prepare the individual service plans was completed. 56 plans have been completed and are now the responsibility of individual service plan owners for maintaining them. They have been inserted into the BCM Corporate Plan and sit behind each service's Business Plan.

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<sup>5</sup> The Association of Local Authority Risk Managers

In February 2012 the Council introduced enhancements to its Business Continuity arrangements, whereby we have re-integrated Landlord Services, enacted the capability to maintain service delivery in alternative sites if the Basildon Centre was inoperative, gone live with a dedicated Basildon Centre emergency phone number, and circulated a Basildon Centre information card to all staff. Also during 2011/12 the Council achieved an 88% review of all BCM plans. In order to simplify the revision of individual plans, a business continuity database (which can be viewed live if required) has been developed, all plan owners have been trained and are now responsible for updating their individual plans following review. This is also of benefit as it simplifies version control and allows for a complete audit record. There are also paper copies of all BCM plans held at each control room as a further safeguard. The Council's Audit & Risk Committee receives regular reports on the progress of the BCM programme.

#### **Overall Assurance Given:**

- *An Exercise and Review Programme has been developed and approved by SMT, which includes a timetable for plans to be reviewed, tested by tabletop exercise and No Notice exercise and for the Corporate Plan to be tested by major exercises. The purpose is to allow the Council to continue the delivery of its identified critical services in the event of a disruption.*

#### **6.4.5. The Audit and Risk Committee**

The main role of the Audit and Risk Committee is to provide independent assurance to the Council and the Cabinet of the adequacy and effectiveness of the Council's control environment and governance arrangements. Members who sit on the Committee are independent of the Executive and do not have Cabinet Responsibilities. They are, therefore, able to provide an independent assurance to the Council. Moreover, Committee Members are offered training to enhance their understanding of risk management for informed decision making.

The Chairman undertakes an annual assessment of the Committee to ensure compliance with the CIPFA code of practice relating to the work of the Committee. In her annual report for 2011/12 the Chairman concluded that the requirements of the code were effectively met.

The Committee provides effective challenge across the Council and seeks assurance on the Council's arrangements, particularly in risk management, audit and internal control, governance, treasury management, financial and other performance. The challenge is also extended to the Council's External Auditor.

#### **Overall Assurance Given**

- *The work of the Committee has a positive impact on the Council and provides the public, Cabinet and the Council with the required assurances, which are presented within the Chairman's Annual Report to full Council. This assurance assists the Leader of the Council and the Chief Executive to sign the Council's Annual Governance Statement.*

#### **6.4.6. Legal and Statutory Compliance**

The Council has designated one Executive Director as the Monitoring Officer. It is the function of the Monitoring Officer to ensure that the Council's decision making processes comply with established policies, procedures, legislation and common law principles. The Council also has two Deputy Monitoring Officers, both of whom are solicitors.

The Council ensures current arrangements comply with relevant laws and regulations and this is tested through various internal and external audits and inspections. The outcomes of external reviews and or legal challenges affecting governance

arrangements are highlighted to members and officers to learn from previous experiences, for example the recent decisions and anticipated reports produced in relation to the Golf Course.

There are processes in place for new and changes to legislation, including regular reviews of the Constitution and policies, and reporting on legal implications of decision making as part of the committee reporting process. Reports include a mandatory paragraph on legislation and policy requirements and are reviewed by the Council's Legal and Corporate Governance Services. Where relevant, project teams often include representation from the Council's Legal Services to ensure that advice and guidance is given as early as possible to maximise delivery.

Portfolio holders are regularly briefed on the implications of legislative changes through regular (monthly) briefings. Managers contribute by informing the content and delivery of new Councillor inductions and ongoing Member training initiatives, such as the annual training of Members appointed to the Licensing and Development Control and Traffic Management Committee and training on treasury management issues provided to members of the Audit and Risk Committee.

#### **Overall Assurance Given:**

- *Regular horizon scanning exercises are undertaken within all services to ensure that the Council remains aware of upcoming changes to legislation or impact of case-law, to ensure change is pre-empted and planned for in advance. The cost of legislative change is taken into account when setting budgets for all services and all changes to service demand feature in service business plans*

#### **6.4.7. Health and Safety**

In addition to the corporate Health and Safety policy, all services have Health and Safety policies in place, adopted by Heads of Service and communicated to all staff. Both corporate and service policies and procedures are covered within induction programmes. Documents describing the health and safety arrangements are checked through an electronic system and via the compliance monitoring regime.

The Corporate Health & Safety Advisory Service manages a comprehensive accident reporting system that assists in identifying trends and as a result management can direct its efforts into reducing accidents and thereby minimise work absences and associated costs. In addition, workplace injuries and illnesses are selected for investigation in order to identify their causes. Any rectifying control measures are then communicated to ensure such incidents are not repeated throughout the organisation.

#### **Overall Assurance Given:**

- *An annual audit and summary of the Council's compliance with health and safety law is produced for senior management and the Health and Safety Committee.*
- *Reports on health and safety data are routinely reported by the Corporate Health & Safety Manager and examined at every Council Health and Safety Committee meeting. These meetings are chaired by the Manager of Environmental Health and Community Safety.*

#### **6.4.8. Complaints From the public**

'Have Your Say' is the Council's complaints policy, reviewed during 2010/11. Changes include:

- Customer Relationship Management (CRM) system being utilised as the corporate escalatory complaint handling system;
- Data Analysis to bring about change and service improvement;

- Greater customer monitoring of trends and issues;
- Increased senior management visibility;
- Compilation of a full set of templates for response letters.

The 'Have your say' leaflet clearly defines how the Council defines a complaint, and what the procedure is.

Customer Service provides details of compliments and complaints received through the corporate process, which is recorded on the CRM system. In addition to centrally reporting all compliments and complaints about service delivery on a monthly basis, the service managers examine the cause of every complaint at their fortnightly meeting to see if lessons can be learnt and whether any acknowledged failings can be identified and rectified. This includes any adverse comments received as a result of returned satisfaction questionnaires from routine monthly surveys.

Once the complaint has been received it is allocated to the appropriate service, input on the CRM system and monitored. This provides a much better end to end process, and ensures information is easily accessible to support ombudsman cases. The Appeals and General Purposes Committee receive an annual report on the Council's complaints.

#### **Overall Assurance Given:**

- *The Complaint process has ensured that the Council continues to provide a robust customer complaint service that not only aids resolution of service issues to deliver customer satisfaction, but also analyses service complaints to ensure service improvement measures are provided.*

### **6.5. Developing the Capacity and Capabilities of Members and Officers to be Effective.**

#### **6.5.1. Member Development**

The training sessions provided for Members of the Council in 2011/12 have been informed by the Member Needs Analysis that was undertaken in 2011 and includes training for new legislation and emerging issues. Core training sessions are provided by external facilitators to ensure that the training sessions are professional and engaging, which has had a positive effect in terms of improved attendance levels and feedback regarding the value of the training in supporting Members in fulfilling their roles.

An induction programme continues to be provided for new Members elected to the Council. Members also continue to identify seminars, conferences and events which they wish to attend based on their development needs and specific roles. The Council has a dedicated training budget to meet these requests.

Where appropriate, joint training sessions have been organised for both Members and officers on changes to legislation which has proved to be an effective approach. They have included the Localism Act and its impact on the Council, and different approaches to Council practices and procedures, such as contract management.

#### **Overall Assurance Given:**

- *The Council has processes in place to identify and develop the capacity of Members and Senior Officers. Specific training has also been organised to manage specific requirements; for example, Dale Farm and Single Status training. Member and officer training and development remain an integral and important part of the Council's progress.*

### 6.5.2. Officer Development

All staff across the Council at all levels are required to have an IPR (Individual Performance Review) which forms the basis of annual appraisals and interim reviews of performance and behaviours against agreed objectives and corporate values.

Service Managers have an IPR (appraisal) with their Head of Service where development needs are identified and a plan agreed to address them. Heads of Service have appraisals with their Executive Director and this identifies their development needs at a strategic level. Executive Directors have their appraisal with the Chief Executive and the Chief Executive with the Leader of the Council and an independent party. Both include a discussion on their strategic development needs.

The Post Entry Training Scheme has again proved popular with the full budget allocated to fit Council requirements rather than specifically individual wants or needs. The talent management programme 'Good to Great' was launched during 2010/11 providing training and development for selected officers including accreditation with the Institute of Leadership and Management (ILM) once the appropriate standards had been met. There has also been increased internal mentoring opportunities for various members of staff with a number of staff completing ILM qualifications in mentoring and coaching.

#### **Overall Assurance Given:**

- *During 2010/11, there has been a significant increase in the number of IPRs completed (for nearly all staff) across the organisation. As IPRs become increasingly embedded, the focus will now turn to improving content and quality.*

### 6.6. Engaging with the Local People and Other Stakeholders to Ensure Robust Public Accountability.

#### 6.6.1. Communication Channels

The Council is committed to engaging with stakeholders and service users to gain an understanding of the diverse needs of the local community, including those who are difficult to engage with. Information gained is then used to inform services and priorities.

In addition to its consultation arrangements set out in section 6.6.2 below, the Council also has a Petitions Scheme to help to encourage public participation and engagement in the Council's work. Enough signatures on a petition will prompt a debate at full Council. The public also have the right to ask questions at Full Council meetings regarding issues affecting the borough. These channels are being utilised to scrutinise the work of the Council and for constructive suggestions for improvements to service delivery. Whilst the duty to have a Petitions Scheme has been repealed, the Council has retained its scheme.

The Council's Landlord Services engage with Tenants and Leaseholders through working groups and the Housing Executive Board on progress and changes to policies and procedures, this includes procurement projects, ensuring that views of stakeholders are widely sought.

Moreover, the Council is using social media such as Face Book, YouTube and Twitter to engage with residents. The Marketing and Communications team also provides a proactive media service, promoting the Council's priorities and objectives to all sections of the community through the Borough Diary, the Council's website, Annual Report, Council Tax leaflet and 'campaigns' that focus on key messages.

### **Overall Assurance Given:**

- *Communication Channels exist with various groups established by the Council as critical friends. For example, the Comprehensive Tenant Participation arrangements and Inclusion and Diversity forums. They also feed into the establishment of priorities during the business planning process.*

#### **6.6.2. Consultation with Stakeholders**

The Council has a Citizens Panel of some 1200 residents that reflect the population make up of the Borough. Four surveys a year are undertaken through this panel. The Citizens Panel is refreshed on a regular basis and a Young Persons Citizens Panel has recently been developed as a means of consulting with young people in the Borough. Annually, the Council undertakes a Quality of Life Survey to assess satisfaction with Council services and establish citizen's priorities which is used to inform the review of Council's priorities and objectives. A Crime Survey is also undertaken to understand the community's views and priorities around crime. This informed the refreshed Community Safety Strategy. A survey is also undertaken to inform the annual budget setting process which identifies priorities.

In addition, individual services also conduct a range of targeted surveys during the year to obtain feedback and views on a diverse range of topics and consultation is undertaken on an ongoing basis. However, there are still further improvements which need to be made to ensure that there is a consistent approach to key consultation exercises and to ensure that they are of a high standard and the council can most effectively utilise the results to review service delivery, where necessary.

### **Overall Assurance Given:**

- *The results of consultations are shared between services to provide feedback on the delivery of joined-up services. They are also fed into the business planning process for relevant services.*

#### **7. The Role of the Chief Financial, Section 151, Officer**

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010)<sup>6</sup> demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the Council's arrangements conform to the CIPFA's requirements.

## **PART 2 – REVIEW OF EFFECTIVENESS**

### **8. Review and Monitoring of Effectiveness**

#### **8.1. Assurance Gathering - Processes Applied**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior manager's responsibility for the development and maintenance of the governance environment, the Corporate Governance Group, the Manager of Audit & Risk's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

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<sup>6</sup> [http://www.cipfa.org.uk/pt/download/role\\_of\\_CFO\\_in\\_LG\\_2010\\_WR.pdf](http://www.cipfa.org.uk/pt/download/role_of_CFO_in_LG_2010_WR.pdf)

In preparing the AGS 2011/12, the assurance gathering processes (Templates) listed below, which are ongoing, have been applied to maintain and review the effectiveness of Council's governance framework.

- Quarterly Service Based Governance Assurance Statements completed by Service Managers and Heads of Service to monitor progress against governance procedures.
- Partnership Statements completed by the officer responsible for each partnership. Given the changes to the Council's Partnerships arrangements and as a follow up to the 2007 partnership Assessment, a Partnership Governance Audit 2012 has been developed to establish what governance arrangements exist and whether there is any need to provide guidance or templates by identifying any gaps highlighted by the return of the statements. This will ensure that AGS effectively captures the governance arrangements of the Council's key partnerships.
- Annual Individual Governance Assurance Statements - completed by the individuals corporately responsible for a specific area of governance and through meetings with the Senior Governance Officer.
- An Assessment Questions template for individuals corporately responsible for specific areas of governance was introduced for the first time this year.

### **Overall Assurance Given:**

- *The templates and the one-to-one meetings have provided evidences of assurance, key information about governance concerns and governance weaknesses within services. These include the key controls in place to manage risks, evidence of compliance to regulations and statutory requirements, and supporting documentation.*

## **8.2. Assurance by the Manager of Audit & Risk**

### **8.2.1. Introduction**

In accordance with the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice on Internal Audit in Local Government, the Manager of Audit & Risk is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes and this is set out below.

### **8.2.2. Governance Arrangements**

In relation to the Council's Governance arrangements and Annual Governance Statement, Internal Audit has undertaken a review of the controls in place to ensure that the Council has an appropriate and robust procedure in place that underpins the production of the Annual Governance Statement in line with best practices as detailed by CIPFA/SOLACE. The audit review confirmed that the Council has developed the Annual Governance Statement in line with advice and guidance provided by CIPFA/Solace, and that strong procedures and processes are in place to support the production of the Annual Governance Statement. In addition, the Council has continued to embed the principles of governance across the Council and procedures are in place to ensure that governance issues this continues throughout the year.

Internal Audit consider that effective arrangements are in place for Corporate Governance, although further work is required in the continued development of Partnership Governance as revealed by the recent Partnership Governance Audit

As with any process adopted, the audit review has identified opportunities to further improve the Council's arrangements, to ensure that the process is further enhanced for the future. Management have responded positively to the review and an action plan has been put in place to embrace these opportunities.

In addition to the Internal Audit Opinion, as part of the Annual Audit Letter for 2010/11, the External Auditor commented that the Annual Governance Statement 2010/11 was consistent with the opinion of the Manager of Audit and Risk and the External Auditor's understanding of the Council. This opinion supports the position that the Council has effective governance arrangements, including Internal Audit.

### **8.2.3. System of Internal Control and Risk Management**

Internal Audit has completed the programme of work for the year ended 31 March 2012 and the Manager of Audit & Risk has reported that its work did not identify any significant control weaknesses that she considers would significantly affect the entire system of internal control. However, Internal Audit has identified the areas where improvement in control is required and these have been reflected in her quarterly and Annual Reports to the Audit & Risk Committee. The Manager of Audit & Risk is pleased to report that progress is being made by management in implementing the recommendations made.

Internal Audit gives assurance that the Council as a whole is committed to continuous improvement and believe that we have established the excellent foundations upon which to build further capacity to enable us to continue to further develop and strengthen our governance and control arrangements.

In relation to risk management, a number of improvements have been made again this year to assist in further embedding risk management across the Council. Particular improvements that warrant mention include the move to Covalent to maintain the Council's Risk Register, improved reporting of key risks to Departmental Management Teams and Strategic Management Team. As such, Internal Audit considers that effective arrangements are in place for risk management at both Member and Officer levels.

### **8.2.4. System of Internal Audit**

Under the Accounts and Audit (England) Regulations 2011 the Council is required to undertake a review of the effectiveness of Internal Audit and to feed the results into the Annual Governance Statement.

In undertaking this review the Manager of Audit & Risk considers the following:

- Compliance with the CIPFA Code of Practice for Internal Audit in Local Government
- How Internal Audit works with Risk Management, to ensure that the audit plan is aligned with risk management
- The role of the Audit & Risk Committee in the system of Internal Audit
- The role of the Head of Audit
- The ability for External Audit to place reliance of the work of Internal Audit.

As in previous years, it is considered that the Council has effective arrangements in place for the provision of the Internal Audit Service. The Internal Audit Service works closely with the Risk Management Service and Members of the Audit & Risk Committee. The service is fully compliant with the Code of Practice of Internal Audit in Local Government and the five principles that define the core activities and behaviours that belong to the role of the Head of Audit and Internal Audit in local government. In addition, the Council's External Auditors have confirmed their ability to rely on the work of the Internal Audit Section. For 2012/13 this will be increased with Internal Audit taking on some of the grant certification testing from the Audit Commission to help reduce the External Audit Fees.

The detailed assurances provided to support this opinion are documented fully within the Internal Audit Annual Report for 2011/12.

### 8.3. Other Significant Processes and Procedures

Other significant processes and procedures for maintaining and reviewing the effectiveness of the governance framework within the Council have included:

- *The Cabinet*: responsible for approving overall Council budgets and monitoring performance management, through comprehensive quarterly reports.
- *The Corporate Governance Group (CGG)*: leads on the preparation of the AGS. Elements of the AGS are prepared by appropriate officers and these are drawn together by the Senior Governance Officer for CGG and ELT approval. It is also responsible for monitoring the delivery of the Council's Counter Fraud and Corruption Framework and Whistleblowing Policy. A review of the role of the CGG is planned for 2012/13.
- *The Audit and Risk Committee*: meets regularly during the year. The Committee monitors budgets and the work of Internal Audit and deals with things like risk management, financial control systems and the relationship with external audit. The Committee received quarterly updates on the work of Risk Management and Internal Audit, the Annual Internal Audit Report 2010/11, the Annual Report on the Council's Counter Fraud Arrangements and the Corporate Governance Action Plan.
- *The Chief Finance Officer*: reports regularly to Members on the state of the Council's finances, the budget process, monitoring of expenditure against budget and the annual report and statement of accounts. Also acting as Section 151 Officer, under the Local Government Act 1972, that he is content with information that all managers of key financial systems have given him about the adequacy of existing systems.
- *Manager of Audit & Risk*: provides an independent and objective assurance service to Council management and completes a programme of reviews throughout the year to provide an opinion on internal control, risk management and governance arrangements. Internal Audit is also responsible for fraud investigation and detection, which includes reviewing the control environment in areas where fraud or irregularity has happened. Any significant weaknesses that Internal Audit identifies in the control environment are reported to Senior Management and the Audit & Risk Committee. A review of the effectiveness of the system of internal audit was presented to the Audit and Risk Committee in June 2011 and June 2012.
- *External Audit*: reports to Audit & Risk Committee and undertake annual reviews of the Council's financial accounts and supporting systems, leading to a report of their opinion being published in the Annual Audit letter.
- *Risk Management Working Group*: meetings to challenge officers and Cabinet Members on how they are managing the identified high risks facing the authority.
- *Critical Performance Indicators*: reports presented to the SMT, Cabinet, and Overview and Scrutiny Commission every quarter. Every two months directors meet the Chief Executive to discuss performance and progress against their action plans.

### 8.4. Monitoring the AGS and Corporate Action Plan

The Corporate Governance Group (CGG) and the Audit & Risk Committee are responsible for monitoring and reviewing the various aspects of the Council's Corporate Governance arrangements, including the Corporate Governance Action Plan.

The Audit & Risk Committee is responsible for the Council's arrangements relating to: monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure Internal Control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance; reviewing the Council's accounts prior to approval by the Council. The Committee ensures that the Council's governance arrangements are kept under continual review throughout the year.

The CGG monitors AGS implementation, reviews reports on AGS throughout the year, reviews reports on Service Based Statements and make recommendations for

improvement, approves and implements internal audit recommendations, provides input as to what should be included as an area for improvement, comments on draft AGS and approves it for submission to SMT and Cabinet.

## **8.5. The Annual Governance Statement**

Each year the Council will publish a Governance Statement. This process is managed by the CGG. It provides overall assessment of the Council's corporate governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks, together with proposed improvements that will be made. The AGS will also provide details of where improvements need to be made in accordance with the Accounts and Audit (England) Regulations 2011. It will be published as part of the Council's Annual Statement of Accounts and will be audited by External Auditors.

## **8.6. Results of the Review: Summary of Improvements Made During the Year**

### **8.6.1. A Refreshed Vision:**

A new Corporate Narrative will form the Corporate Strategic Improvement Plan later this year. The Five Service Promises will set the Council's vision for the local area.

### **8.6.2. Improved Assurance Gathering Processes**

- A new Assessment Questions template was completed for the first time this year by officers with governance responsibilities.
- The service based template modified to include reporting on actions for last concerns.
- Partnership Governance Audit undertaken to map and establish the Council's partnerships and for developing a partnership framework.

### **8.6.3. Corporate Action Plan on Covalent**

Work has commenced to make the Corporate Action Plan Covalent compatible so that it can be reviewed by relevant officers on a quarterly basis. This will be implemented throughout 2012/13.

### **8.6.4. Local Code Review**

Planned review of Local Code of Corporate Governance to reflect the vision and aims expounded in Council's new Corporate Narrative. A new format will be used to compile the code in compliance with CIPFA requirements.

### **8.6.5. Corporate Governance on Homepages (Intranet)**

Work is to commence on creating a presence for Corporate Governance on the Council's Intranet to provide staff and Members with the wherewithal to appreciate and realise its significance as a statutory prerequisite and their obligations to contribute to achieving the principles of good governance.

## **PART 3 - GOVERNANCE ISSUES FOR IMPROVEMENT**

### **9. Significant Governance Issues**

- 9.1.** The areas detailed in the table below have arisen from assessments into the Council's governance arrangements for 2011/12. They have been deemed to be significant by the Corporate Governance Group and will be addressed during 2012/13.

## 9.2. Table 2 - Governance Issues for Improvement – 2012/13

Para. No.	Agreed Areas to Address	Planned Action	Responsible Officer (s)	Priority and Timescales
6.1.1	Clarifying the Council's vision and priorities	Review of Corporate Strategic Improvement Plan to be completed and approved by Full Council	Chris White	September 2012
6.1.2	Improved arrangements for Individual Performance Reviews which are undertaken in accordance with corporate timescales and form a key element of the Council's performance management arrangements	Review of Individual Performance Review arrangements	Caroline Nugent/Paul Burkinshaw	October 2012
6.1.2.	A full review is taking place on the training provided to all staff to better fit where the Council may be moving in future.	Meetings both internally with stakeholders and Partners to establish future training requirements	Dawn French/Caroline Nugent	March 2013
6.1.2	Objectives in business plans clearly matched with associated budgets	Effectively align services business plans with the Council's defined objectives and link to budget setting	Paul Burkinshaw/Angela Clarke	31 March 2013
6.1.3	Changes required to the Procurement Strategy to reflect the Localism Act 2011, in particular the "Community Right to Challenge".	Strategy being reviewed throughout 2012 – decisions will be required on delegated authorities.	Lisa Hamilton	December 2012
6.2.1	Maintaining a list of Statutory Obligations ensuring awareness and compliance.	Produce a list of statutory obligations and responsible officers.	Paul Burkinshaw	December 2012
6.2.2.	Governance arrangements due to Localism and Transformation Agendas are not overlooked	Highlighting the Governance Framework's importance in decision making, processes and resources.	Lisa Hamilton Dawn French Kieran Carrigan	December 2012
6.3.2	Members Code of Conduct in light of new legislation	Complete review of the Council's Code of Conduct and supporting arrangements in light of the provisions of the Localism Act 2011	Lisa Hamilton Lorraine Browne Paul Burkinshaw Chris White	July 2012
6.3.2	Communicating and embedding Codes of Conduct, defining standards of behaviour for Members	Communicate & embed new Member Code of Conduct and arrangements for investigating alleged breaches of Code following adoption by Full Council	Chris White Lisa Hamilton Lorraine Browne Paul Burkinshaw	March 2013
6.4.1	Scheme of Delegation	Provide assurance that the new scheme of delegation arrangements are operating effectively	Paul Burkinshaw	August 2012
6.6.2	Consultation Arrangements	Develop the Council's consultation arrangements to ensure a consistent effective	Paul Burkinshaw	December 2012

		approach to consultation exercises.		
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- 9.3.** To ensure continuous improvement of the governance systems, an Action Plan will be in place to address the weaknesses of the review of effectiveness of the governance framework and the significant issues for improvement identified. Frequent reports on progress will be presented to both the Corporate Governance Group and the Audit and Risk Committee as a means of enhancing the monitoring of the Action Plan.

## **PART 4 – THE SIGNATORIES**

### **10. Our Pledge of Commitment**

- 10.1.** We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group and the Audit & Risk Committee, and an Action Plan to address the weaknesses to ensure continuous improvement of the Council's systems is currently in place.
- 10.2.** We pledge our commitment that over the coming year we will take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements and that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

**Signed:**  
**Date:**  
**Councillor Tony Ball**  
**Leader of the Council**

**Signed:**  
**Date:**  
**Bala Mahendran**  
**Chief Executive**

## **Local Code of Corporate Governance**

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises systems, processes, cultures and values, by which the authority directs and controls its functions, and through which it gives account to, engages with and, where appropriate, leads the community.

Good governance leads to good; management, performance, stewardship of public money, public engagements and ultimately good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

The Local Code is a public statement of the ways in which the Council will achieve good Corporate Governance and demonstrates the Council's commitment to ensuring high quality of its public services.

### **Core Principles of Good Governance**

The Core principles of the Authority are:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Authority and demonstrating good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capabilities of Members and officers to be effective.
6. Engaging with the local people and other stakeholders to ensure robust public accountability.

The Six Core Principles set out above are supplemented by a number of supporting principles, which in turn have a range of specific requirements that apply across the Authority's business. These are set out in the following table, which also states Basildon's commitment to each principle and supporting evidence.

**Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

Supporting Principles	Basildon's Commitment	Key elements of the Governance Framework
<p><b>Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users</b></p>	<p>To develop and promote its purpose and vision and communicate this through various mechanisms, including the website, printed materials, Borough Diary and media campaigns.</p>	<p>Council's Strategic Improvement Plan (CSIP) (3 year plan) Sustainable Community Strategy (SCS) Annual Report Borough Diary (residents newspaper) Opportunities for All Scheme</p>
<p><b>Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements</b></p>	<p>To review annually (articulated through the CSIP) its vision for the local area and strategic objectives and their impact on governance arrangements</p> <p>To ensure that partnerships are underpinned by a common vision that is understood and agreed by all parties</p>	
<p><b>Measuring the Quality of Services for users, ensuring that they are delivered in accordance with the authority's objectives and that they represent the best use of resources</b></p>	<p>Report performance on key indicators on a quarterly basis to senior management and Members.</p> <p>Draft performance targets with Cabinet Members which are subsequently subjected to challenge by Overview and Scrutiny Committee. Performance targets are then recorded in Business Plans underpinned by budgets, with key targets also being recorded in the CSIP.</p> <p>Undertake an annual refresh of the Council's Medium Term Financial Strategy prior to consideration of detailed budget setting reports, setting in context the Council plans and strategies that underpin the strategy and identifying key financial issues across all services</p> <p>Provide detailed budgets to Scrutiny Committee and ensure overall budget and forward financial forecasts are considered by Cabinet, Overview and Scrutiny Commission and Full Council.</p>	<p>Annual Audit Letter Externally audited accounts Internal Audit Reviews Council's internal Financial Regulations Regular Budget monitoring reports Budget and Council Tax reports Medium Term Financial Strategy Quarterly Performance Report (From April 2011) Treasury Management Strategy Capital Strategy Asset Management Plan Individual Service Business Plans Performance Management System (Performance Plus) Team meetings IPR's</p>

	<p>Ensure regular budget monitoring and performance management reports are distributed to Members and Officers including reports on high risk budget items.</p> <p>Audit the Financial Management System's and related policies and procedures, and Data Quality arrangements on an annual basis.</p> <p>Seek to benchmark services and highlight opportunities for improvement</p> <p>Individual Performance Reviews (IPR's) are in place for all staff which include key objectives that are monitored by the line manager at regular IPR discussions and end of year "appraisal". This incorporates a personal development plan and can include mentoring, coaching and training. In cases of significant underperformance, the Council's capability procedure is invoked with support from HR.</p>	
<p><b>Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles</b></p>		
<p><b>Supporting Principles</b></p>	<p><b>Basildon's Commitment</b></p>	<p><b>Key elements of the Governance Framework</b></p>
<p><b>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.</b></p>	<p>Update the Constitution on an ongoing basis as required to ensure it reflects new legislation and working practices adopted by the Council and also ensure it remains fit for purpose</p>	<p>The Constitution Roles and Responsibilities Document</p>
<p><b>Incorporating good governance arrangements in respect of partnerships and reflecting these in the Authority's overall governance arrangements</b></p>	<p>Ensure all partnerships have appropriate governance arrangements in place, reflecting the Council's own governance arrangements</p>	<p>Partnership's Terms of Reference Compact agreement with the Voluntary and Community Sector Partnership Governance Statements St Georges Community Housing Management Agreement (to July 2011) Basildon Renaissance Partnership Business Plan</p>

**Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

<b>Supporting Principles</b>	<b>Basildon's Commitment</b>	<b>Key elements of the Governance Framework</b>
<b>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.</b>	<p>Maintain high standards of behaviour and oversee compliance to the Member Code of Conduct through the Standards Committee. Regularly submit reports to the committee on an overview of interests declared, declarations of gifts and hospitality and updates made by members to their register of interests.</p> <p>Quarterly reports on case related information and information on the make up of the standards committee by Monitoring Officer for Standards Board for England.</p> <p>Ensure an understanding of the Code of Conduct and Whistle Blowing Policy form part of the Induction training and that written assurance is gained.</p> <p>Ensure the Council has robust arrangements in place to investigate breaches of the Code of Conduct.</p>	<p>Officer Code of Conduct            Member Code of Conduct            Register of Member Interests            Register of Officer Interests            Whistle Blowing Policy            Council Fraud and Corruption Policy            People Management Procedure            Dispute Resolution Procedure            Internal Audit Investigation Manual            Standards Committee Terms of Reference            E-Learning Modules            Corporate Values and Behaviours            Individual Performance Reviews (IPR's)            Performance Management System (Performance Plus)            Officer and Member Inductions            Report Writers Guide            Electronic Report Management System            modern.gov</p>

**Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<b>Supporting Principles</b>	<b>Basildon's Commitment</b>	<b>Key elements of the Governance Framework</b>
<b>Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.</b>	<p>Produce quarterly reports to the Overview and Scrutiny Commission and Committees regarding performance and the budget position with regards to areas within their remit.</p> <p>Undertake a review of Financial Regulations and the Financial Procedure Notes as required</p> <p>Communicate Financial regulations through a Modular Financial Training Programme, and include in the Budget Management Handbook.</p>	<p>Financial Regulations            Scheme of Delegation            Financial Procedure Notes            Budget Management Handbook            Annual Audit Letter            Statement of Auditing Standard 610 Reports            Internal Audit Assurance Reports            Council's Risk Register            Risk Management Toolkit            Risk Management Framework and Strategy            Business Continuity Management Strategy            Business Continuity Plans</p>

	<p>Report the Treasury Management Strategy, Investment Strategy, Debt Repayment Policy and Prudential Indicators to Council half yearly.</p> <p>Undertake an annual review of the effectiveness of systems of Internal Control. This is reported to the Audit &amp; Risk Committee as part of the annual and in-year progress reports.</p> <p>Regularly review the Risk Management Policy, Strategy and toolkit and associated policies and processes to ensure they reflect legislation and best practice.</p> <p>Regularly review and test Business Continuity Plans</p>	<p>Cabinet Member Decision Records</p> <p>Terms of Reference for Audit and Risk Committee, Overview and Scrutiny Committee and Standards Committees</p> <p>Treasury Policy and Strategy</p> <p>Prudential Indicators</p> <p>Strategic Health and Safety Policy</p>
<b>Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.</b>	An Audit and Risk Committee of 6 members is in place that reflects the political composition of the Council.	Audit and Risk Committee Terms of Reference Chairman's Annual Report to full Council Manager of Audit & Risk's Annual Report to the Audit & Risk Committee
<b>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</b>	<p>Ensure that procedures to identify and implement new and changing legislation</p> <p>Ensure arrangements are in place to identify non-compliance including internal and external audit.</p>	<p>Corporate Governance Framework</p> <p>Quarterly Service Based Assurance Statements</p> <p>Horizon Scanning Process</p> <p>External Funding Framework</p> <p>Internal Audit Reviews</p>
<b>Receiving and investigating complaints from the public.</b>	Investigate all complaints through the Council's complaints procedure	<p>'Have Your Say' Complaints Procedure</p> <p>Monthly Customer Service performance reports</p> <p>Quarterly reports to Overview and Scrutiny Committee</p>
<b>Principle 5: Developing the capacity and capability of members and officers to be effective</b>		
<b>Supporting Principles</b>	<b>Basildon's Commitment</b>	<b>Key elements of the Governance Framework</b>
<b>Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.</b>	<p>Provide induction training for all new Members elected to the Council</p> <p>Provide relevant training for Officers through E-Learning</p> <p>Develop a number of staff through talent</p>	<p>Induction training</p> <p>E-Learning</p> <p>Member Development Programme</p> <p>'Good to Great' Talent Management Programme</p> <p>People Strategy and Action Plan</p> <p>Apprentice and graduate schemes</p>

	management programme 'Good to Great'	
	Provide external training sessions for Members	
<b>Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability</b>		
<b>Supporting Principles</b>	<b>Basildon's Commitment</b>	<b>Key elements of the Governance Framework</b>
<b>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</b>	Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they are operating effectively.	<ul style="list-style-type: none"> <li>Citizens Panel</li> <li>Place Survey (local version)</li> <li>Budget Consultation</li> <li>Service specific consultation</li> <li>Focus groups/forums (including Traveller forum)</li> <li>Opportunities for All (OAS) Scheme</li> <li>Overview and Scrutiny tenant participation</li> <li>Public Meetings</li> <li>Public question time and petitions</li> <li>Cohesion conferences/events</li> <li>Borough Diary (residents newspaper)</li> </ul>

**Appendix 2: Corporate Action Plan - Update of Outstanding Actions as at June 2012.**

AGS Para No.	Significant Governance Issue  (including source and background)	Status (Action Taken) As At June 2012.	Insufficient progress On track Complete	Further Action Required	Target Implementation Date	Lead Responsible Officer
<b>CIPFA/SOLACE Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</b>						
	<b>AGS 2010/11:</b>  To conclude the reviews of the Basildon Community Strategy and Corporate Strategic Improvement Plan (CSIP)	The CSIP was reviewed by the Leader and Executive Leadership Team (ELT) during 2011/12 ensuring that it is up to date and relevant for future.  Basildon Borough Community Strategy 2012-2036 was endorsed at Council in April 2012, and it was agreed any minor revisions to the Strategy could be made by the Leader, that may be proposed by other organisations that form the Basildon Renaissance Partnership.		CSIP to be replaced by the New Corporate Narrative and Five Promises to be adopted later this year.	Sept 2012	Paul Burkinshaw  Dawn French  Chris White
	<b>AGS 2010/11:</b>  To review the Council's	Overview and Scrutiny Task and Finish Group commenced a review in late 2011, the outcomes of the Review are reported to Overview		Overview and Scrutiny Task and Finish Group recommendations from review to be presented and agreed by Full Council in June	June 2012	Paul Burkinshaw  Lisa Hamilton

	arrangements following the abolition of the Standards Board Regime.	and Scrutiny Commission and Cabinet in May 2012.		2012. This is subject to the relevant provisions of the Localism Act 2011 and associated regulations being enacted by Parliament.		Chris White
	<b>AGS 2010/11:</b>  To review the Council's Local Code of Corporate Governance and work to further embed Corporate Governance Principles, keeping in mind the transformation programme and streamlining governance.	The Council adopted a refreshed Local Code at its meeting of Cabinet in June 2011. The principles of the Local Code were discussed at Corporate Governance Group meetings during 2011/12.		The Local Code is due to be refreshed again when the new Corporate Narrative and Five Promises are adopted later this year.	Sept 2012	Lisa Hamilton
	<b>KLOE 2008/09:</b>  Continue to develop corporate dashboards with business units and review reporting arrangements to Strategic Management Team and Members.	Performance Management System will support the Council's improvements in this area to develop cost to performance information.			Dec 2012	Chris white Paul Burkinshaw
<b>CIPFA/SOLACE Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined</b>						

functions and roles.					
	<p><b>AGS 2009/10:</b></p> <p>To continue to review elements of the scheme of delegation in particular those relating to development control functions</p>	<p>A review of the scheme of delegation in connection with development control functions was undertaken. Following a meeting with relevant officers and members in November 2011 in relation to levels of delegation and impact on speed of determining planning applications it was decided to run a trial period where more applications were to be subject to approval by the Chairman of the Development Control Committee.</p> <p>The number of additional applications required to be signed off by the Chairman of the Development Control Committee has been relatively small in number so that the overall performance has not been significantly impacted.</p>		<p>With effect from June 2012, the Chairman of Development Control and Traffic Management has changed. The review of applications to be approved by the Chairman will continue to assess whether there is an impact due to the Chairman's requirements.</p>	<p>Dec 2012.</p> <p>Gerry Levelle</p> <p>Clive Simpson</p>
	<p><b>AGS 2010/11:</b></p> <p>To review and address the weaknesses identified in governance arrangements for partnerships,</p>	<p>Review undertaken and the Partnership Governance statement improved to include a question relating to risk management as recommended through a report to Audit and Risk Committee.</p> <p>Partnership Audit undertaken in March 2012 and emerging issues</p>		<p>Assess gaps identified, explore with the officers responsible for partnerships and issue relevant guidance potentially forming a partnership framework incorporating issues from Audit.</p>	<p>Dec 2012.</p> <p>Lisa Hamilton</p> <p>Paul Burkinshaw</p> <p>Paula Mills</p>

	including shared services; arrangements that support the Council's partnership and shared service working.	to be addressed as part of the work of the Operational Management Team Task Group for Policy and Governance, with guidance being issued where gaps have been identified.				Angela Clarke
<b>CIPFA/SOLACE Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b>						
	<b>AGS 2010/11:</b>  To put in place governance arrangements to reflect the requirements in the Localism Act 2011	The first stage of the review conducted by Overview and Scrutiny concentrated on the Code of Conduct for Members.  A presentation has been delivered to the Council's Strategic Management Team highlighting areas under the Localism Act where decisions will need to be made on new ways of working, such as Community Right to Challenge and Assets of Community Value.		The next stage will look at the remaining governance arrangements.  Guidance is awaited under the relevant provisions of the Act to ascertain what additional requirements the Council must respond to.  The Council's review of the Procurement strategy will address the Community Right to Challenge.	Dec 2012	Paul Burkinshaw  Lisa Hamilton
	<b>AGS 2010/11:</b>  To revise the Members Code of Conduct to meet the demands of the Localism Act 2011 and in light of new	Overview and Scrutiny Task and Finish Group commenced a review in late 2011, this included consideration of the Council's Code of Conduct for Members and the associated procedures, the outcomes of the Review are reported to Overview and Scrutiny		Overview and Scrutiny Task and Finish Group recommendations from the review to be presented and agreed by Full Council in June 2012. This is subject to the relevant provisions of the Localism Act 2011 and associated regulations being	August 2012	Lisa Hamilton  Paul Burkinshaw

	legislation	Commission and Cabinet in May 2012.		enacted by Parliament.  Once the new Code is adopted training will be delivered, currently scheduled for July 2012.		
	<b>AGS 2008/09:</b>  To implement a system for monitoring staff knowledge and compliance with Council policies	The use of Learning Pool for increasing staff knowledge and compliance with Council Policies went live in December 2011 through e-learning. E-learning temporarily suspended to review relevance and improve on learning modules and materials.		E-learning provider has changed and the Council is transferring the data onto the new system so that e-learning can recommence. Alternative training material and options are being used in the interim	September 2012.	Andy Norton Caroline Nugent
<b>CIPFA/SOLACE Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</b>						
	<b>AGS 2010/11:</b>  Overall budgets are managed but there is a need to review the approach to budgetary control at service level to decrease variances	Improved performance management reporting to SMT and Leaders Meeting now highlights service budget variances and requires Heads of Service to provide explanations and corrective actions where necessary.		Improve linkages between budget management and the developing performance reporting arrangements.  This approach will therefore be an ongoing process as part of the transformation work streams.	April 2012 and ongoing	Ángela Clarke  Paul Burkinshaw  Kieran Carrigan  Dawn French
	<b>Annual Audit and Inspection Letter 2007/08:</b>  Ensure that the action plan arising from the Access to	The Inform 360 pilot finished in September 2011. Still requiring an update are the finalised draft Standards and Behaviours that was to be scrutinised by the Leisure and Scrutiny Committee as well as the Customer Focus		Due to Operation Cabinet the report was delayed therefore update still required.  The accessibility agenda will now be taken forward by the emerging Customer Strategy	March 2012	Scott Logan  Lee Washbrook

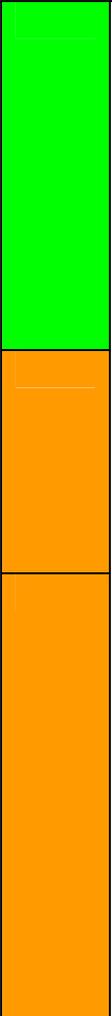
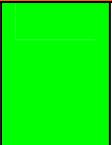
	Services inspection is delivered as planned in 2009/10.	group's action plan for improving accessibility to services for the Council's customers, following an in depth evaluation of the customer consultation.				
	<p><b>Compliance with Equality Legislation:</b></p> <p>Work to meet the "achieving" level of the New Equality Framework</p>	Discussion with the Cabinet Member with responsibility for Inclusion and Diversity, and the Executive Director took place with regards to formal assessment at the "achieving" level of the New Equality Framework. Independent assessment report was completed in February 2011. The Report placed Basildon Council at the "achieving" level, and made recommendations on how position could be strengthened even further. Recommendations are currently being developed into an Equality Framework action plan.		An informal, expert assessment reported that if the Council put itself forward for formal assessment its view was that the Council would be assessed as at the achieving level. Some recommendations were suggested and have now been included in the Council's new Fairness for All Community and Employment action plans (2012 – 2016). The action plans are now awaiting sign off by Head of Service, and the new Inclusion & Diversity Cabinet Member.	Sept 2012	Gerry Levelle  Councillor Sargent
	<p><b>Compliance with Equality Legislation:</b> To ensure the Council meets its legal requirements under the Equality Act 2010 through a review of the information in the main body of the</p>	The Council has now produced two documents which have replaced the OAS. These are Fairness for All (Community focused) and Fairness for All (Employment focused). The two documents which reflect the requirements of the Equality Act 2010, and have individual action plans which will help to support the delivery of the Council's Inclusion & Diversity		Fairness for All action plans awaiting clearance by Head of Corporate Services and new Inclusion & Diversity Cabinet Member	Sept 2012	Dawn French  Cllr Sargent

	<p>Opportunities for All Scheme (OAS) has commenced to reflect the new protected characteristics and changes to discrimination definitions.</p>	<p>agenda. Both action plans are awaiting clearance by the Head of Service and the new cabinet member.</p>				
	<p><b>Interim Audit Report 2010/11:</b></p> <p>Consider introducing formal controls around end-user computing by implementing additional module of the Council's Financial Management System to significantly reduce the dependency on spreadsheets for Management Accounting.</p>	<p>The External Auditor found there are no formal controls around end-user computing at the Council. The IT department leaves the administration and control of any spreadsheets developed by departments to those departments. A specific example is the spreadsheets used to produce the financial statements from the figures in the general ledger. The External auditor felt that the lack of formal control raised the risk of error in the financial statements.</p> <p>The Council agreed to undertake further work to investigate the impact of implementing this recommendation, as it was considered that this would involve significant levels of resource to implement and ensure compliance.</p>		<p>Management Accounting are launching an additional module of the Council's Financial Management System and once implemented will significantly reduce the dependency on spreadsheets for budget monitoring.</p> <p>In the interim the Financial Accounting Team are aware of the potential for error in the statement of accounts spreadsheet and have basic password control for read write access to the sheet and, in addition, use other functions within the sheet to highlight errors.</p>	<p>31 March 2012</p>	<p>Angela Clarke</p>

		Financial Accounting improved this process through the development of our spreadsheets. The spreadsheets now automatically updated straight from the general ledger system, not manually input. There are also built in validation checks to ensure that the accounts are internally consistent, the notes to accounts tie up with the balance sheet, income and expenditure account etc. A manual reconciliation is then also undertaken to ensure the accounts agree back to the general ledger.				
	<p><b>Interim Audit Report 2010/11:</b></p> <p>Consider expanding the scope of monitoring of the corporate change control policy to cover IT applications run by service departments.</p>	<p>The change control policy for IT systems covers all the IT systems. Change control for systems within departments is the responsibility of individual departments as opposed to the corporate systems which are centrally managed. Compliance for systems within departments is not monitored and there remains a risk change control is not properly implemented by individual departments.</p> <p>The Council's policy is generic and is applicable to all Council ICT systems. The policy provides an outline approach to when</p>		An updated version has been produced that incorporates more than just IT application changes such as security updates. This is adopted by IT for all changes.	Completed	Lee Hession

		upgrading systems. Processes will be out in place to monitor compliance within departments. A reminder will be sent to all System Owners during September seeking assurance and compliance with the policy.				
	<p><b>Interim Audit Report 2010/11:</b></p> <p>Perform a full restoration of the back IT system periodically. (Principle 4)</p>	<p>Full restoration and disaster recovery testing of system back-up data does not take place at the Council. If the Council requires a full system restoration there is a risk it may not be restored correctly.</p> <p>This was a recommendation in the recent IA report (Loss of IT) A plan of action has been agreed with timescales.</p>		<p>A restore plan has been developed that prioritises the restore of systems based on their importance to the Council.</p> <p>Financial Management System and Housing System are also tested offsite on an annual basis.</p>	Completed.	Lee Hession
	<p><b>External Audit - Annual Governance Report Audit 2010/11:</b></p> <p>To ensure all reconciliations performed are</p>	<p>External audit extended their review of debtors accounts to establish if there is an issue with reconciliations. Management are notifying all relevant finance staff to ensure that accounts are reviewed effectively in the future</p>		<p>Officers have now built on arrangements already in place to ensure all balance sheet accounts are reconciled and reviewed by management to an agreed timetable.</p>	Completed	Angela Clarke

	subject to review to ensure the reasonableness and validity of the balances					
	<p><b>External Audit - Annual Governance Report Audit 2010/11:</b></p> <p>To ensure only policies relevant to the items of account in the financial statements are included in the statement of accounting practices</p>	Implemented as part of this preparation of the statement of accounts for 2011/12.		Officers will ensure the accounting policies statement is reviewed as part of the quality assurance process before the accounts are signed off by the Section 151 Officer each year.	June 2012	Angela Clarke
	<p><b>Certification of claims and returns Annual Report 2010/11:</b></p> <p>Summary of recommendations arising from 2010/11 certification work</p>	Report to Audit and Risk Committee 22 March 2012. Review the minor issues identified from the audit of the Housing Benefits claim in 2010/11 to ensure they do not re-occur in 2011/12.		This is well underway and the findings have been incorporated into the preparation of 2011/12 claim to mitigate further reoccurrences of the same minor issues.	Current/ Ongoing	Rob Manser

	<p><b>Certification of claims and returns Annual Report 2010/11:</b></p> <p>Summary of recommendations arising from 2010/11 certification work</p> <p>Review the process supporting the completion of the EEDA claim. Identify how arrangements to support capital projects can be improved to enable adequate audit trail to be maintained between the claim form and supporting records.</p>	<p>External Auditor's Report to Audit and Risk Committee 22 March 2012.</p> <p>Review the Housing Subsidy claim for consistency with underlying records prior to submission for audit.</p> <p>Review the Financial Procedure Note 17 – Completing Forms for External funding to ensure that project managers are aware of the need to maintain appropriate records and audit trail for claims from external funders and that copies of claims should be provided to the Head of Resources for review.</p>			<p>Completed</p> <p>June 2012</p>	<p>Richard Larkman</p>
<p><b>CIPFA/SOLACE Core Principle 5: Developing the capacity and capability of Members and officers to be effective.</b></p>						
	<p><b>RIPA Inspection:</b></p> <p>RIPA Inspection Report by the Office</p>	<p>Local authorities in England and Wales are able to use directed surveillance and covert human intelligence sources in order to</p>		<p>Recommend to move RIPA item to 'completed' - All matters arising from OSC audit in May 2011 have been addressed.</p>	<p>completed</p>	<p>Phil Eastal</p>

	<p>of Surveillance Commissioner: To undertake refresher training for authorising officers in relation to the duration of authorisations</p>	<p>prevent or detect crime or disorder in connection with their statutory functions. The Regulation of Investigatory Powers Act 2000 (RIPA) and codes of practice, has been updated, introducing new duties and responsibilities, including a new role for elected Members.</p> <p>An e-mail was sent on 16/08/11 to all members of the existing RIPA Working Group to remind their staff that all RIPA authorisations are for a fixed 3-month period. The alternative (correct) procedure for surveillance operations for lesser periods is to review and then cancel the authorisation prior to the end of the set 3-month period.</p> <p>The whole subject of RIPA training was considered at RIPA Working Group meeting on 18 May 2011. Action points from this are to be reviewed at next meeting on 7<sup>th</sup> December 2011.</p>		<p>The RIPA Working Group shall continue to monitor the Council's compliance with RIPA, including taking account of the additional safeguards imposed by the Protection of Freedoms Act 2012. Also, regular reports on the use of RIPA powers will continue to be made to the Audit &amp; Risk Committee.</p>		
	<p><b>KLOE 2008/09:</b> Under Managing Resources: To</p>	<p>The <b>People Strategy</b> is the basis for the efficiency and transformation agendas. The corporate wide <b>Skills Audit</b> and</p>		<p>People Strategy and Skills Audit to be reviewed later this year and form part of the new Narrative and Customer</p>	<p>Dec 2012.</p>	<p>Dawn French  Caroline</p>

	<p>continue to develop the identification of skills gaps at the Council supported by a plan to identify staff requirements in the medium to longer term.</p>	<p>Training Needs Analysis after the return of SGCH <u>and</u> any corresponding corporate restructure has been delayed because of other priorities.</p> <p>Review options for the employee appraisal system.</p> <p>Complete the Good to Great Programme</p>		<p>Services Strategy and will be picked under the respective work-streams. How to move forward on this will be considered post Single Status.</p> <p>The Council's appraisal system will remain with IPR for 2012/13, instead of moving to Covalent, whilst the above review is undertaken.</p> <p>The outcomes to be externally evaluated by Hay with contribution by the Council within the next few months.</p>		<p>Nugent Andy Norton</p>
<b>CIPFA/SOLACE Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability</b>						
	<p><b>AGS 2009/10:</b></p> <p>To address the inconsistent approach to public consultation and engagement undertaken throughout the Council through a Review the Council's Consultation and Engagement</p>	<p>The Council's Consultation and Engagement Strategy reviewed to form a framework to define the Council's approach to consultation and engagement in the future.</p>		<p>The strategies will be approved in line with the new Corporate Narrative.</p> <p>The Consultation and Engagement Framework will also support other areas of emerging work such as Policy Audit</p>	<p>December 2012</p>	<p>Paul Burkinshaw</p>

Strategy to form the framework for effective consultation					
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**Completed Actions**  
**Up to 31st May 2012.**

Planned Actions and Significant Governance Issues Addressed	Implementation Actions Undertaken	Lead/Responsible Officer	Date Completed
To enable more effective decision making by continuing the development of cost and performance information to establish a clearer understanding of the linkages the two.	The Planning for Improved Performance Working Group, part of the 'Transformation Programme', addressed performance reporting, including developing the links between costs and performance management for more effective decision making. A review of effectiveness of the new performance management reporting arrangements and process formed part of the Internal Audit Plan 2011/12.	Angela Clarke and Paul Burkinshaw	
Annual Audit Letter: 2009/10: To implement the agreed plan for producing an IFRS-compliant accounts within timescales set by Council	IFRS -compliant accounts were delivered within the timescales set.	Angela Clarke	
Annual Audit Letter 2009/10: To ensure the Council meets its legal obligations under the Equality Act 2010 through the provision of guidance and training to staff and Councillors	Guidance and training provided to staff and Councillors on the Equality Act.	Ndunge Kivuitu	July 2011
RIPA Inspection Report: to amend the CCTV Operations Manual to reflect RIPA's directed surveillance requirement	Manual amended by target date.	Lee Washbrook	December 2011
RIPA Inspection Report: To amend corporate policy to clarify	The Policy amended.	Phil Easteal	July 2011

written authorisation provisos that can be granted by an authorising officer			
Internal audit Report 2010/11: To retain all documentation for all invoices raised	Reminder sent out to all departments to ensure that sufficient information is retained to support invoices raised. Further scanning and reference procedures were put in place to ensure documentation is not mislaid. Services are also challenged where sufficient information is not provided. This will be an ongoing and monitored by the Recovery	Angela Clarke	
Internal audit Report 2010/11: To ensure central ordering process followed across the Council	The Council's Procurement and Purchase Ordering procedures require that electronic purchase orders are now raised for all Council expenditure except for a restricted exemption list. A list of invoices paid not supported by an order given to Managers to raise with relevant staff. Invoices not quoting a purchase order now returned to suppliers. Contract Procedure Rules and the Procedure for Ordering Goods and Services rewritten, including the process for new supplier set ups. Category Management now a project supporting the Transformation Agenda	Dianne Southam	November 2010
Compliance with Equality Legislation: To ensure the Council meets its legal requirements under the Equality Act 2010	Guidance and training provided to staff and Members on the Equality Act in 2010/11 planned for 13	Ndunge Kivuitu	July 2011.
Compliance with Equality Legislation: The Equality act 2010 now makes it a legal requirement for managers with services where there is customer contact to monitor their services with regards to the 9 protected characteristic. The law now requires service managers to publish this information by 31 December 2011. Where there are gaps, managers are required to state why they are not collecting the data.	Services published existing data by 31 December 2011 and had plans in place to collect data in order to address gaps HR updated existing workforce data to reflect previous SGCH staff. This information is available on the Council's Inclusion & Diversity Website and will be published on 31 January each year	Ndunge Kivuitu	Complete



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## 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.

## **Clawback**

- i) The portion of capital receipts arising from the sale of ex-Commission for New Towns (CNT) land and buildings, including houses, that is repayable to the government (Homes and Communities Agency).
- ii) Also the term used in the MMI Scheme of Arrangement whereby the Scheme Administrator may call on past policyholders (including Basildon) to contribute towards the liabilities of the former Insurance Company.

## **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.

# Glossary

## **Deferred Liabilities**

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

## **Deferred Purchase Schemes**

Credit arrangements for the financing of major capital projects.

## **Depreciation**

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

## **Embedded Leases (Arrangements containing a lease)**

A local authority may enter into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (eg an item of property, plant or equipment) in return for a payment or series of payments (usually as part of a contract price). The authority is required to account for the transactions as if the lease had been taken out by the authority. It usually results in the asset having to be shown in the Balance Sheet of the authority.

## **Exceptional Items**

Under paragraph 3.4.2.51 of the Code "Material Items" have to be disclosed separately from other items in the Comprehensive Income and Expenditure Account so as not to distort the "normal" net cost of the services. In Basildon's accounts these have been called "Exceptional Items" in line with the description used in the Code of Practice Guidance Notes. See also Accounting Policy number 4 in the Council's Statement of Accounting Policies. "Material" is defined in section 2.1.2.27 of the Code. It is in essence deemed to be any amount that would adversely affect the understanding of the users of the accounts or have an impact on the true and fair view.

## **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 Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument (shares or debentures) of another entity. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

## **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*).

## Glossary

### **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.

### **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.

# Glossary

## **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.

## **Pooling**

The portion of housing capital receipts that is payable to the government at a rate of 75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances.

## **Post Balance Sheet Events**

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

## **Precept**

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

## **Provision**

An amount set-aside in the accounts to provide for a liability that is an obligation at the Balance Sheet date, but where the exact amount or the date on which it will arise is uncertain. A provision is created by making a charge to revenue in the year in which the obligation is recognised.

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

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

## **Reserves**

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

## **Responsible Officer**

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

## **Revenue Support Grant**

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

## **Running Expenses**

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

## **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 31<sup>st</sup> March 2010, and was based on British accountancy standards (UK GAAP). It has been superseded from 1<sup>st</sup> 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 1<sup>st</sup> April 2010, this has been replaced by a Code of Practice based on international accountancy standards.

## Glossary

### **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.