

# Annual Financial Report

## 2012-2013



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# Explanatory Foreword - Review of the Year 2012/13

## POLITICAL STRUCTURE

The Council has 42 elected councillors and, following the local elections in May 2012, the political composition was Conservative (25), Labour (14), Liberal Democrats (2), Independent (1). Councillor Mo Larkin was Mayor of the Council for the municipal year 2012/13 and the Leader of the Council was Councillor Tony Ball. In early 2013, the political composition changed to Conservative (25), Labour (12), Liberal Democrats (2), Independent Labour (3) as a result of Members changing their political groups and a new group being formed. Subsequently, in March 2013, a Conservative Councillor died and at the resulting by-election the seat was won by the UK Independence Party. Another Conservative Councillor died in April 2013 and a by-election is scheduled for 27 June 2013.

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 are delivered to expected levels. The Leader of the Council has delegated authority from the Council to determine the size and membership of the Cabinet. In 2012/13, the Cabinet consisted of 9 Members of the Council, all 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 of the Council– *Councillor Phil Turner*
- Resources – *Councillor Stuart Sullivan*
- Regeneration and Community Safety – *Councillor Malcolm Buckley*
- Leisure and Arts – *Councillor Kevin Blake*
- Environment – *Councillor John Dornan*
- Planning – *Councillor Richard Moore*
- Community – *Councillor Terri Sargent*
- Cabinet Member without responsibility and Assistant to the Leader – *Councillor Sylvia Buckley (Cllr Buckley died on 2 March 2013)*

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 reviewing 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

The Leader of the Council, Cllr Tony Ball first set out the Council's vision to create opportunity in May 2012, along with the five service promises that underpin it. The first two promises are to get the basics right and deliver value for money. By achieving these two priorities we will create the room to deliver our three aspirational promises to transform our Borough, support the local economy, and demand better public services from our partners. Members and officers have now turned this vision into a four year corporate plan that was approved in December 2012 and is now the basis for everything the Council is doing for local people.

In August 2012 new management arrangements were put in place by the Chief Executive to deliver the corporate objectives and the Council's five promises. The new structure, under the Chief Executive, is now 4 Commissioning Directors, a Director of Transformation and 5 Heads of Service.

Service Managers were required to use a new budget monitoring module of the Financial Management System every month from July 2012 to record information relating to their budget performance and variances. The information provided was used to produce summary/exception reports to Corporate Management Team and to Scrutiny Committees on a quarterly basis.

At 31 March 2013, the Council had 974 employees in post - 724 full-time and 250 part-time. (At 31 March 2012 there were 1,010 employees in post - 757 full-time and 253 part-time).

# Explanatory Foreword - Review of the Year 2012/13

## THE COUNCIL TAX 2012/13

The net budget requirement for Basildon Borough is the amount needed to finance Council services after allowing for planned expenditure and income. For 2012/13, this was set by the Council at £27.9 million, after utilising £0.1 million from earmarked reserves. The amount met by Revenue Support Grant and other grants from Central Government was £11.9 million (42.7%), leaving £16.0 million (57.3%) to be raised locally from Council Tax (The Council Tax requirement). Under statute, £0.145 million was added to the Council Tax requirement, representing this Council's share of the estimated deficit on the Collection Fund. All figures exclude sums collectible by the Council on behalf of other precepting authorities.

On this basis, the 2012/13 Band D Council Tax for Basildon Council services was held at £252.81 (the same as 2011/12). The calculated amounts were based on an estimated Council Tax Base of 63,900, Band D equivalent, properties for 2012/13.

## THE PUBLISHED ACCOUNTS

It was clarified by the accounting profession last year as to what constitutes the statutory accounts, what is being signed for in the Statement of Responsibilities and also what the Auditor's certificate covers. Whilst there is no formal definition in Regulations or the Code of Practice of what exactly constitutes the Statement of Accounts, reliance can be placed on the implications of section 9 of the Audit Commission Act 1998 that the auditor must give an opinion on the Statement of Accounts and the conventions as to the information that auditors are expected to be able to determine as true and fair. Under these conventions, the Annual Governance Statement (AGS), the Auditor's Report and this Explanatory Foreword would be outside the scope of the Statement of Accounts, which would then comprise just the financial statements and the notes to the accounts (which include the Accounting Policies). The Statement of Accounts is thus part of a wider financial report (called the Annual Financial Report or AFR at Basildon) which does include the AGS, the Explanatory Foreword and the Auditor's Report. This approach therefore also makes it clear which parts of the AFR are covered by the responsible financial officer's true and fair certification in the Statement of Responsibilities. It also clarifies what is meant by paragraph 4 of The Accounts and Audit (England) Regulations 2011 which contains a clarifying provision that: authorities must ensure that the AGS "accompanies" the Statement of Accounts.

The main Financial Statements within this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), which defines proper accounting practices for local authorities.

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

The Code is revised every year but the current revision did not introduce any significant changes to the format or content of the accounts for 2012/13. A full description of the contents of the accounts 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.

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

The Council's new Auditor with effect from the audit of the 2012/13 accounts is Ernst and Young, who take over from the Audit Commission.

# Explanatory Foreword - Review of the Year 2012/13

## THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2012/13 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 2012/13 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 for 2012/13. 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	1.9	2.0	1.8	(0.2)	0.1	(0.1)
Development and Regulation	2.9	4.3	1.0	(3.3)	3.6	0.3
Environment	6.8	6.1	6.0	(0.1)	-	(0.1)
Housing	2.9	2.7	2.4	(0.3)	0.2	(0.1)
Leisure	6.6	7.5	7.4	(0.1)	0.1	-
Regeneration & Partnerships	1.0	1.3	0.7	(0.6)	0.5	(0.1)
Corporate & Central	5.9	11.8	7.3	(4.5)	3.6	(0.9)
<b>Total Net Cost of Services</b>	<b>28.0</b>	<b>35.7</b>	<b>26.6</b>	<b>(9.1)</b>	<b>8.1</b>	<b>(1.0)</b>
<b>Collection Fund Deficit</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Expenditure</b>	<b>28.2</b>	<b>35.9</b>	<b>26.8</b>	<b>(9.1)</b>	<b>8.1</b>	<b>(1.0)</b>
<b>Funded by:</b>						
Non Specific Grant Income	11.9	12.2	12.2	-	-	-
Council Tax	16.2	16.2	16.2	-	-	-
<b>Total</b>	<b>28.1</b>	<b>28.4</b>	<b>28.4</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer from/(to) reserves	0.1	7.5	(1.6)	(9.1)	8.1	(1.0)
<b>Total Funding</b>	<b>28.2</b>	<b>35.9</b>	<b>26.8</b>	<b>(9.1)</b>	<b>8.1</b>	<b>(1.0)</b>

The table shows the original budget for the year as approved at Council on 1 March 2012. This budget was revised during the year to take into account budgets carried forward from 2011/12 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.

There was a favourable variance in Corporate and Central Services of £0.9m. This includes the following main variances: £0.25m in respect of external interest payable being less than anticipated due to Capital Financing and Treasury Management activities. £0.2m was also saved in respect of capitalising the cost of the HR IT System. Savings were made of £0.2m in respect of utilities contingency not required plus refunds attained through proactive management of utility costs, and £0.25m other various movements. The £0.3m adverse variance on Development and Regulation is due to increased Bad Debt Provision for Housing Benefit (£0.1m) and an increase in Bad Debt Provision where there have been changes made to the Council's ability to charge for certain Personal Search / Land Charge Fees (£0.2m).

The carry forward into 2013/14 includes £1.3m for the Local Development Framework, £1.9m in respect of Planning Special Enforcement and £2.4m in respect of ongoing salary costs as a result of Single Status implementation which were not included in the 2013/14 base estimates as they were not known at the time. The remaining £2.5m relates to a wide range of service issues including externally funded projects totalling £0.9m. The Council continued to deliver efficiency savings through the corporate transformation programme achieving a target of £2.9m whilst also meeting budget pressures in the year.

# Explanatory Foreword - Review of the Year 2012/13

## 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.

This was the first year of operating the HRA under the self-financing regime following the abolition of Housing Subsidy with effect from 31 March 2012. The implementation of HRA self financing on 1 April 2012 was one of the most significant changes to the financing of the HRA in several decades. In response to this the Council prepared a 30 year business plan and financial strategy for the HRA which has been updated this year. In addition, over the first three years of the next 30 years planning period, the Council will receive capital grant to help fund the decent homes backlog. Both of these issues present challenges but also represent a significant opportunity for the Council and its tenants and leaseholders to achieve some of their long term ambitions in respect of investment in both the housing stock and services.

Under the self financing arrangements the Council took on additional HRA debt of £52 million. The interest cost and repayment of this debt is funded from the HRA but offset by the removal of the annual HRA subsidy payments. The total housing debt that the Council now manages is £195 million. The amount of debt that is permitted to be supported from the HRA is limited by Regulation to £217 million.

The outturn for the Council's HRA in 2012/13 was a surplus of £1.8 million, which, when compared with the £0.7 million (deficit) budgeted at the start of the year, is an improvement in the financial position of £2.5m. This includes the following main variances: increased income budgets of £0.6m, reduced utility costs / refunds of £0.9m, balance of Single Status provision no longer required £0.8m.

This leaves a balance on the HRA revenue reserves of £9.7m before carry forwards (of £0.3m).

The single biggest source of income to the HRA is rent from dwellings. This was £46.3 million in 2012/13 compared to £43.5 million the previous year, an increase of 6.4%. The Council sets its rents in accordance with the Government policy of rent restructuring which aims to harmonise rents in the social housing sector (local authorities and housing associations) by 2015/16. As well as Council rents changing to be comparable to similar types of social properties across the country, every year rents also increase, under the policy, by inflation (the Retail Price Index) plus 0.5%. Consequently, the combination of the need to match comparable social rents across the country, plus the inflation increase resulted in an average rent increase of 7% for 2012/13. The average rent per dwelling per week in 2012/13 was £79.64 (£74.43 in 2011/12). There were 11,239 dwellings and 5,493 garages in the Council's Housing stock as at 31 March 2013 (11,318 and 5,571 respectively as at 31 March 2012).

## CAPITAL EXPENDITURE

In summary, capital expenditure in 2012/13 amounted to £28.8 million, the largest element of which was £24.1 million for Decent Homes improvements. Also included is £1.9 million routine investment in General Fund assets. Spending was financed from a combination of the Decent Homes Grant, £19.2 million, Major Repairs Reserve, £5.5 million, capital grants and contributions £0.8 million, capital receipts £0.4 million, revenue contributions £0.3 million and borrowing £2.6 million. The total borrowing for the General Fund included £1.6 million (unsupported), the balance of £1.0 million related to the Housing Revenue Account, all of which was unsupported.

## MAJOR INFLUENCES ON THE COUNCIL'S FINANCES FOR 2012/13 AND THE FUTURE

The Council faced a number of challenges and uncertainties during 2012/13, many of which could have medium or long-term financial implications.

Local government finance continues to experience unprecedented external pressures and uncertainties as a result of the national economic climate and the consequential pressure on public sector spending.

It is clear from a local perspective that the effects of economic pressures will continue to impact on demand led services and both the Council's income and expenditure projections. This includes assumptions regarding reduced income particularly in planning, land charges, and building control. Additionally there are implications for the homelessness service, benefits and debt recovery which will be further affected by the new Welfare Reform Act 2012 requirements.



## Explanatory Foreword - Review of the Year 2012/13

The implications arising from the latest provisional Local Government Finance Settlement indicate significant reductions in formula grant for 2013/14 and 2014/15, plus, the uncertainty caused by the absence of formula grant figures for 2015/16 and 2016/17 further emphasises the need to deliver increased efficiency savings in the future. There will be a Comprehensive Spending Review (CSR) in June 2013 and the continuing economic uncertainties mean it is therefore essential that a particularly prudent approach has been taken in arriving at the Council's future budget, reserves and Council Tax levels. The delivery of the Council's ambitions and meeting its objectives will be dependent upon the Council securing a sustainable financial position over the medium term.

Other factors having a significant influence on the finances of the authority in 2012/13 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 Dale Farm, Crays Hill and Hovefields Drive, Wickford.

Action was taken to clear unauthorised sites at Hovefields Drive in 2010, and at Dale Farm during 2011/12, by means of direct action. The costs were reflected accordingly in the accounts for year in which action was taken.

Various allegations and some litigation have subsequently been brought against the Council (and other partners) as a result of the works in default taken at Dale Farm. No complaints or actions are pending in respect of action taken at Hovefields Drive. The Dale Farm cases will take some months or years to be resolved.

The Council has continued its work to recover the costs owing to it at both locations and final costs have been calculated and apportioned to the land owners. The costs have been registered as local land charges to protect the Council's interests. As the land titles are registered land the Council has also applied to the Land Registry for these charges to be recorded on individual titles. For Hovefields Drive the registrations are complete but for Dale Farm the Council's applications have been challenged by the landowners and the issue will be resolved through an adjudication process. In addition to this the Council remains committed to and is working towards returning the land to a state in keeping with its green belt status. Further enforcement action has also been taken in respect of ongoing breaches of various legislation at and around the site including in respect of the unlawful roadside occupation of the access road to the site. Enforcement notices were served by the Council but there is currently a judicial review pending against the Planning Inspectorate's ruling that the enforcement appeal was invalid.

- *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 2012/13 a target of £2.9 million was set along with a cumulative total of £18.4 million through to 2016/17. It is recognised that there will be ongoing pressure on the public sector to deliver further efficiencies and improvements in value for money beyond the forecast period. Following Cabinet approval in July 2012, a new Transformation and Programme Management Office was set up to support the Council's Transformation in meeting financial challenges and to ensure a consistent and coordinated approach to the various programme workstreams.

The Council continued to deliver efficiency savings through the corporate transformation programme achieving a target of £2.9m whilst also meeting budget pressures in the year. The delivery of future efficiencies will be significantly more challenging and difficult decisions may be required.

- *Regeneration schemes*

Basildon Town Centre - the development of Acacia Park Phase 1a continued during 2012/13 with sales performance the best in the region for the Council's development partner, Barratt Wilson Bowden. Preliminary work commenced on the delivery of planning for Phase 1b. £1.6m of parks development works are well progressed including the relocation and re-provision of the bowls greens and pavilion, a new play area, and improvements to footpaths and lighting. A new lake including a piazza will be completed during 2013/14 and completion of a Boulevard link to the town centre will be constructed as part of Phase 1b. The Council continues to proactively pursue development opportunities within the Town Centre including a leisure scheme intended to invigorate a night time economy. This work is intended to reach a conclusion in 2013/14.

## Explanatory Foreword - Review of the Year 2012/13

Nethermayne/College/Market - the Basildon Town Centre Master Plan encourages the relocation of South Essex College's Nethermayne campus to Market Square in Basildon Town Centre in order to assist in creating a more vibrant and sustainable town centre. The master plan also proposes moving Basildon Market, which currently occupies part of the proposed college site in Market Square, to a more attractive location in St Martin's Square, which represents an opportunity to improve the quality of the market and integrate it better into the core retail circuit in the town centre.

Wickford Town Centre - a report was submitted to Cabinet on 7 March 2013 which set out a proposed regeneration strategy for Wickford Town Centre. This includes a review of options for the operation and location of the market, improvements to the High Street, refurbishment to the swimming pool, negotiations for a new supermarket and an aim to improve health facilities. The Council approved a budget for 2013/14 of £0.5m to facilitate the regeneration strategy and work has commenced on the designs for an improved High Street and refurbishment of the swimming pool.

Laindon Town Centre - the Council has approved a budget for 2013/14 of £0.5m to facilitate a regeneration proposal. The Council continues to proactively move the scheme forward through work with interested parties to establish a viable scheme that can be delivered in the current market.

### ■ Single Status

The Council concluded the 'Single Status' review of employment terms and conditions and related job evaluation scheme during 2012/13. A detailed report was submitted to the Council's Cabinet in May 2012. The outcomes of the review were implemented in employees' salaries in December 2012. This included allowing for any changes arising from the Appeals process adopted as part of the implementation process. Compensation payments totalling approximately £3.0m have been, or are due to be paid. In line with Secretary of State approval, £1.7m of these costs have been capitalised. Costs in excess of this £1.7m as well as the ongoing salary impact and all other costs associated with the implementation of the Single Status review have all been met from the provision made within the Council's budget.

Whilst not necessarily having a significant effect on the 2012/13 financial position, the following material events in 2012/13 could significantly affect the reader's judgement on the Council's future financial performance and prospects:

### ■ Government Legislative Programme

The finances of the Council continue to be affected significantly by the Government's legislative programme:

### ■ Local Government Finance Act 2012

With this Act, the Coalition Government introduced one of the most significant areas of change in local government finance for many years. From April 2013, the largely discredited 'Formula Grant' scheme was replaced by a localisation scheme for Business Rates income under which all principal authorities in England (except Police and Crime Commissioners) stand to share in the benefits of local business rate growth. A 50% "central share" of our business rate income will continue to go to the Government (100% under the old scheme) to help fund a number of specific grants to local government; the "local share" of 50% will be shared 9% with Essex County Council and 1% with Essex Fire Authority, the balance of 40% being retained by the Borough. Each authority will then have its own series of further financial adjustments - tariffs, top-ups, levies and safety-nets - to settle direct with the Government, and alongside these, each authority will also receive a new form of annual Revenue Support Grant.

Like Formula Grant, the new scheme has a considerable degree of complexity; unlike Formula Grant however, a considerable degree of uncertainty enters into the scheme because future income will be dependent, at least in part, on the buoyancy of local business rate growth. Business rates tend to be volatile from year to year, and can go down as well as up. Its introduction at a time of severe cuts in public finances adds to the complexity and uncertain impact of the changes, and to the range of factors to be taken into account each year when setting the estimated level of General Fund reserves. The current economic climate is not helping with the aim of encouraging business growth.

A second major change in the Act is the localisation of support to council tax payers, previously delivered through Council Tax Benefit. Each billing authority has had to produce a local support scheme to take effect from April 2013 against the background of a reduced government grant to fund such a scheme. Existing claimants of pension credit age are protected, so the reduction in the cost of the scheme has had to be found by reducing the entitlement of working-age claimants. Basildon's local scheme was approved by full Council in December 2012, but it remains to be seen what effect a lower level of support

## Explanatory Foreword - Review of the Year 2012/13

will have on the collection rate for council tax in future. An agreement was reached by all billing authorities in Essex with the major precepting authorities (including the Police and Crime Commissioner) under which contributions will be received to assist with collection costs in order to minimise potential losses to the Collection Fund through bad debt. Basildon's exposure will likely be less than 20% of any shortfall.

The Act also introduced a number of technical changes to council tax exemptions and discounts, under which greater freedoms and flexibilities become available to billing authorities. Basildon chose not to implement any changes at taxpayer level in 2013/14 but will keep this position under review.

### ■ Government Legislative Programme – other areas

The Council also faces the consequences of other issues that arise from the Government's legislative programme, including:

- Localism Act 2011 - Community Right to Challenge
- Localism Act 2011 - Community Right to Buy (community assets)
- Welfare Reform Act 2012 - Introduction of Universal Credit (UC)
- Local Audit and Accountability Bill - Introduction of local audit arrangements

The effect of the Welfare Reform Act could be very significant in the area of housing benefit, including transitional changes to be implemented between April 2013 and October 2017 when UC is planned to be fully implemented. A provision has been made in the forward financial forecast to meet anticipated increased costs. The other changes mentioned above are assumed at this stage to be manageable within current budget levels.

Another potentially significant factor is the Government's Spending Review 2013, which is due to be reported to Parliament at the end of June 2013. This is designed to produce a financial plan for 2015/16, but it could affect the Government's current spending plans up to that date, including the levels of financial support to local government.

## **ASSETS AND LIABILITIES**

During the year a land asset at Felmores Park was disposed of at market value (£0.8m). The proceeds of this sale were earmarked to repay borrowing related to the Sporting Village.

The changes to the right-to-buy scheme implemented from 1 April 2012 did not result in any significant increase in the number of sales. The total sales for 2012/13 were 21 (20 in 2011/12) with gross proceeds of £1.5 million compared to £1.8 million in 2011/12, the reduction being a factor of the increase in discount level available.

## **BALANCES AND RESERVES**

As noted above, 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. The outturn figures are before taking into account approved budget carry forwards, where expenditure was not incurred by 31 March 2013 and therefore could not be charged to the 2012/13 accounts.

## Explanatory Foreword - Review of the Year 2012/13

	Budget £m	Outturn £m
General Fund Balance	2.2	8.1
Contingency Reserve	3.5	6.4
Insurance Pool Reserve	2.9	3.1
Other Earmarked Reserves	2.8	6.8
Sub-total: General Fund	11.4	24.4
Housing Revenue Account – General Balance	3.3	4.2
Housing Revenue Account – Earmarked Balance	1.4	5.5
Sub-Total: Housing Revenue Account	4.7	9.7
<b>Total Balances and Reserves</b>	<b>16.1</b>	<b>34.1</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 of the Pension Fund administered by Essex County Council. The deficit increased in 2012/13 from £93.0 million as at 31 March 2012 to £102.9 million as at 31 March 2013. The main reason for this increase in deficit is a net actuarial loss of £8.7 million, being the difference between the Fund Actuary's assumptions for the year and what actually materialised. The net actuarial loss broadly consists of a "gain" of £8.3m, being the difference between actual and estimated return on the pension scheme assets, and a "loss" of £17.0m relating to changes in assumptions underlying the present value of the scheme liabilities. The loss relates to a reduction in the discount rate which actually increases the value of future liabilities to the pension fund. The discount rate as at 31 March 2012 was 4.6% using the iBoxx AA rated 15+ year corporate bond index. However, as at 31 March 2013 this rate was actually 4.2%, based on the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of Basildon Council's liabilities as an employer. For further information on Pension transactions see General Note 50 to the Accounts and Accounting Policy 7.

# Explanatory Foreword – Summary Financial Information

## ■ REVENUE EXPENDITURE

Gross revenue expenditure in 2012/13 amounted to £183.8 million and is summarised here across the following service headings:

	£m	%
Community	3.2	1.7
Development and Regulation		
- Benefits (including administration)	88.7	48.4
- Other Services	5.9	3.2
Environment	11.1	6.0
Housing		
- Council Housing Services	49.4	26.9
- General Fund Housing Services	3.0	1.6
Leisure	9.1	4.9
Regeneration and Partnerships	1.4	0.8
Corporate and Central	8.3	4.5
Management and Administration	0.3	0.2
Transfers to Reserves	3.4	1.8
<b>Total</b>	<b>183.8</b>	<b>100.0</b>

## ■ REVENUE INCOME

Revenue expenditure was financed from the following sources:

	£m	%
<i>Government Grants</i>		
Revenue Support Grant & Other General Government Grants	1.6	0.9
National Non Domestic Rates	10.6	5.8
Housing and Council Tax Benefits	87.7	47.6
Sub-total	99.9	54.3
<i>Council Tax Levy</i> (excluding Parish and Town Council precepts)	16.2	8.8
<i>Other Income</i>		
Housing Rents	46.2	25.2
Fees, charges & other income – General Fund	16.6	9.0
Fees, charges & other income - HRA	4.9	2.7
<b>Total</b>	<b>183.8</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 1 April 2012	11.5	22.8
Collection Fund Requirement (excluding surpluses/deficits)	16.1	16.1
General Government Grants	1.7	1.6
National Non-Domestic Rates	10.2	10.6
Sub-total	39.5	51.1
Net cost of services	28.1	26.7
<b>Balance carried forward 31 March 2013</b>	<b>11.4</b>	<b>24.4</b>

## Explanatory Foreword – Summary Financial Information

### EXTERNAL DEBT

	31 March 2013 £m	31 March 2012 £m	Change £m
Short term borrowing	3.0	9.5	(6.5)
Long term borrowing	194.1	201.1	(7.0)
Transferred Debt	0.6	0.6	-
Finance leases	4.9	4.6	0.3
Sub-total	202.6	215.8	(13.2)
Investments	(3.4)	(5.7)	2.3
<b>Net External Debt</b>	<b>199.2</b>	<b>210.1</b>	<b>(10.9)</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 £11.3 million compared with an original budget of £11.7 million.

### GOING CONCERN BASIS

The accounts have been prepared on a Going Concern Basis. This means that the Council will continue to operate its services for the foreseeable future, usually considered to be 12 months, and will continue to be able to generate sufficient resources to stay operational. This conclusion is based on the level of reserves that the Council holds and the successful track record the Council has in delivering ongoing efficiencies. However, if a local authority were to be in financial difficulty the prospects are that central government would step in and provide alternative arrangements for the services the Council provides and/or provide assistance for the recovery of the financial situation over more than one year. Even, therefore, in these circumstances the going concern assumption would be valid.

### FURTHER INFORMATION

Further particulars about the accounts can be obtained by writing to the Manager of Financial Services, 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.

I certify that the Statement of Accounts complies with the Code and gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2013.

Signed:

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

25 September 2013.

## 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 25 September 2013.

Signed:

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

25 September 2013.



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

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Basildon Borough Council for the year ended 31 March 2013 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 1 to 55 for the core statements, 1 to 15 for the Housing Revenue Account and 1 to 5 for the Collection Fund. 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 2012/13.

This report is made solely to the members of Basildon Borough Council, as a body, 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Commissioning Director – Resourcing (Section 151) and auditor**

As explained more fully in the Statement of the Commissioning Director – Resourcing (Section 151) Responsibilities set out on page 13, the Commissioning Director – Resourcing (Section 151) 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 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 Commissioning Director – Resourcing (Section 151); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2012-13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Basildon Borough Council as at 31 March 2013 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 2012/13.

### **Opinion on other matters**

In our opinion, the information given in the Annual Financial Report 2012-13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our 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;

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
  - we 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
  - we exercise any other special powers of the auditor under the Audit Commission Act 1998.
- We have nothing to report in these respects.

## **Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

### **Certificate**

We certify that we 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*

*for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
30 September 2013*

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# Basildon Borough Council

## STATEMENT OF ACCOUNTS 2012/13



# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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.

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 to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from Grants, Contributions and Donations is recognised immediately if no conditions exist or if all conditions have been met.
- Supplies that are held in Inventories (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 when they are consumed they are carried as Inventories in the Balance Sheet. Other supplies are expensed when received.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

# Statement of Accounting Policies

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 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 property, plant and equipment during the year:

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

The Council is not required to raise council tax to fund depreciation, or revaluation and impairment losses. However, the General Fund is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Such charges are termed ‘minimum revenue provision’ or MRP. See also Accounting Policy No 23.

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

The HRA is also charged with depreciation, and revaluation & impairment losses. The Council has applied the transitional arrangements as set out in the Item 8 determination for 2012/13 and has adjusted the charge for dwellings (excluding shared ownership properties) to the level of the need to spend on major repairs as set out in the self financing valuation for 2012/13. Impairments in respect of dwellings have been reversed through the movement in reserves statement. A balance equivalent to the depreciation charged to the HRA is transferred from the Capital Adjustment Account to the Major Repairs Reserve as required by the Accounts and Audit (England) Regulations 2011.

## 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 Private Health Care) for current employees and are recognised as an expense for services in



## Statement of Accounting Policies

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, such entitlements being termed 'accumulated absences') earned by employees but not taken before the year-end and which employees can carry forward to the next financial year. The accrual is made at an average salary rate estimated to be applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then taken out of the General Fund through the Movement in Reserves Statement into the Accumulated Absences Account with the transaction being reversed in the following year 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, or, where applicable, to the Non Distributed Costs line, in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed at the year end to the termination of the employment of an officer or group of officers or has made an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.2% (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

## Statement of Accounting Policies

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

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the core 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 in 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. The only exception to this is for loans taken out prior to April 1987.

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

# Statement of Accounting Policies

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.

The Council has made soft loans in 2011/12 and 2012/13 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 Statement 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 in 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, contribution or donation are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

# Statement of Accounting Policies

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.

## 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).

# Statement of Accounting Policies

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.

## 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.



# Statement of Accounting Policies

## 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 2012/13 (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.

## 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.

Non current assets are classified into the groupings required by the Code of Practice. They are valued on the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. In accordance with the Code of Practice, the Council revalues its non current assets on a five year rolling programme. Valuations are undertaken mainly by the Council's Principal Estates Surveyor, with the support of Wilkes, Head & Eve, a leading firm of Chartered Surveyors.

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 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

# Statement of Accounting Policies

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.

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, Infrastructure Assets and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset based on its capital value.
- Infrastructure, Investment Properties, Community Assets and Assets under Construction are not depreciated.

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

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

## Disposals and Non-current Assets Held for Sale

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

# Statement of Accounting Policies

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.

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 is payable to the Government under the pooling arrangements set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## 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.

### Contingent Liabilities

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

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



# Statement of Accounting Policies

## 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 Statement 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 land, including dwellings under the right-to-buy scheme, and any sums required to be paid into a government 'pool' out of the net proceeds of the sale of 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.

## 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 overleaf, as defined in the statutory guidance:

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

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

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

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

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

# Statement of Accounting Policies

## **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 and also to record sums due from repayments on other loans.

## **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 Statement 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 (SEPP) is effectively an agent working on behalf of Essex County Council (the "Principal") who have ultimate responsibility for On Street Parking Enforcement. All costs and revenues are included in the accounts of SEPP (Chelmsford City Council being the Accountable Body) and as such are excluded from Basildon Council's accounts. General Note 12 to the Accounts shows 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



# Index

## 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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# Core Statements





## Movement in Reserves Statement

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

2012/13	Revenue Reserves				Capital Reserves			Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	
	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				
<b>Balance at 31 March 2012</b>	<b>8,739</b>	<b>14,142</b>	<b>7,244</b>	<b>621</b>	<b>207</b>	<b>-</b>	<b>2,782</b>	<b>33,735</b>	<b>291,912</b>	<b>325,647</b>	
<b><u>Movement in reserves during 2012/13</u></b>											
<b>Surplus or (deficit) on the provision of services</b>	(1,576)	-	7,237	-	-	-	-	5,661	-	5,661	
Net revaluation gains (chargeable to revaluation reserve)								-	1,249	1,249	
Actuarial gains/(losses) on pension assets/liabilities								-	(8,742)	(8,742)	
<b>Other Comprehensive Income and Expenditure</b>	-	-	-	-	-	-	-	-	(7,493)	(7,493)	
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,576)</b>	<b>-</b>	<b>7,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,661</b>	<b>(7,493)</b>	<b>(1,832)</b>	
Adjustments between accounting basis & funding basis under regulations	<b>Note 9</b>	3,153	-	(5,448)	-	555	6,792	26	5,078	(5,078)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>1,577</b>	<b>-</b>	<b>1,789</b>	<b>-</b>	<b>555</b>	<b>6,792</b>	<b>26</b>	<b>10,739</b>	<b>(12,571)</b>	<b>(1,832)</b>
Transfers to/(from) Earmarked Reserves	<b>Note 34</b>	(2,193)	2,193	(4,788)	4,788	-	-	-	-	-	-
<b>Increase/(Decrease) in 2012/13</b>		<b>(616)</b>	<b>2,193</b>	<b>(2,999)</b>	<b>4,788</b>	<b>555</b>	<b>6,792</b>	<b>26</b>	<b>10,739</b>	<b>(12,571)</b>	<b>(1,832)</b>
<b>Balance at 31 March 2013 carried forward</b>		<b>8,123</b>	<b>16,335</b>	<b>4,245</b>	<b>5,409</b>	<b>762</b>	<b>6,792</b>	<b>2,808</b>	<b>44,474</b>	<b>279,341</b>	<b>323,815</b>

## Movement in Reserves Statement

2011/12	Revenue Reserves				Capital Reserves			Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	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			
<b>Balance at 1 April 2011</b>	<b>8,972</b>	<b>11,649</b>	<b>4,993</b>	<b>592</b>	<b>-</b>	<b>-</b>	<b>2,998</b>	<b>29,204</b>	<b>378,420</b>	<b>407,624</b>
<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)
Net revaluation gains (chargeable to revaluation reserve)								-	2,690	2,690
Impairment losses (chargeable to revaluation reserve)								-	(970)	(970)
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>	<b>(397)</b>	<b>-</b>	<b>(54,634)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,031)</b>	<b>(26,946)</b>	<b>(81,977)</b>
Adjustments between accounting basis & funding basis under regulations	<b>Note 9</b> 2,626	-	56,914	-	238	-	(216)	59,562	(59,562)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>2,229</b>	<b>-</b>	<b>2,280</b>	<b>-</b>	<b>238</b>	<b>-</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>-</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>-</b>	<b>2,782</b>	<b>33,735</b>	<b>291,912</b>	<b>325,647</b>

# 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.

	2012/13			2011/12			
		£000	£000	£000	£000	£000	
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income Net Expenditure	
Central services to the public		20,968	(19,539)	1,429	22,433	(20,690)	1,743
Cultural and related services		11,413	(2,269)	9,144	14,489	(2,213)	12,276
Environmental and regulatory services		11,777	(5,606)	6,171	11,494	(5,531)	5,963
Planning services		4,129	(1,597)	2,532	9,146	(2,932)	6,214
Children's and education services		114	(114)	-	682	(850)	(168)
Highways and transport services		1,425	(785)	640	1,905	(693)	1,212
Local authority housing (HRA)		51,142	(53,103)	(1,961)	44,388	(50,549)	(6,161)
- Exceptional Item - HRA Self Financing	6	-	-	-	51,551	-	51,551
Other housing services		75,197	(72,127)	3,070	69,723	(67,206)	2,517
Adult social care		1,214	(847)	367	1,158	(782)	376
Exceptional item - VAT repayment	6	-	-	-	-	(537)	(537)
Corporate and democratic core	11	6,058	(249)	5,809	5,272	(190)	5,082
Non distributed costs	13	77	-	77	1,063	-	1,063
<b>Cost of Services</b>		<b>183,514</b>	<b>(156,236)</b>	<b>27,278</b>	<b>233,304</b>	<b>(152,173)</b>	<b>81,131</b>
Other operating expenditure	14			3,041			(5,404)
Financing and investment income and expenditure	15			12,275			9,247
Taxation and non-specific grant income	16			(48,255)			(29,943)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(5,661)</b>			<b>55,031</b>
Surplus or deficit on revaluation of Property, Plant and Equipment assets	45			(1,249)			(2,690)
Impairment losses on non-current assets charged to the Revaluation Reserve	45			-			970
Actuarial (gains)/ losses on pension assets / liabilities	50			8,742			28,666
<b>Other Comprehensive Income and Expenditure</b>				<b>7,493</b>			<b>26,946</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>1,832</b>			<b>81,977</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 2013 £000	31 March 2012 £000
Property, Plant & Equipment	40	611,011	615,987
Investment Property	41	15,734	15,551
Long-term Debtors	26	263	246
<b>Long Term Assets</b>		<b>627,008</b>	<b>631,784</b>
Assets held for sale	42	310	-
Inventories	25	177	228
Short-term Debtors	26	21,712	20,192
Cash and Cash Equivalents	51	143	2,720
<b>Current Assets</b>		<b>22,342</b>	<b>23,140</b>
Bank Overdraft (Cash and Cash Equivalents)	51	-	(153)
Short-term Borrowing	35	(9,500)	(16,517)
Short-term Creditors	27	(13,831)	(11,768)
Short-term Provisions	29	(51)	(3,576)
Grants Receipts in Advance - Capital	22	(1,110)	(686)
Grants Receipts in Advance - Revenue	22	(301)	(249)
<b>Current Liabilities</b>		<b>(24,793)</b>	<b>(32,949)</b>
Provisions - Other	29	(3,238)	(2,716)
Long-term Borrowing	35	(189,823)	(196,131)
Net Pensions Liability	50	(102,870)	(92,978)
Other Long-term Liabilities	28	(4,811)	(4,503)
<b>Long Term Liabilities</b>		<b>(300,742)</b>	<b>(296,328)</b>
<b>Net Assets</b>		<b>323,815</b>	<b>325,647</b>
General Fund Balance	32	8,123	8,739
Earmarked Reserves Balance	34	16,335	14,142
Housing Revenue Account	32	4,245	7,244
HRA Earmarked Reserves Balance	34	5,409	621
Major Repairs Reserve	HRA10	6,792	-
Capital Receipts Reserve	47	762	207
Capital Grants Unapplied	32	2,808	2,782
<b>Usable reserves</b>	<b>32</b>	<b>44,474</b>	<b>33,735</b>
Revaluation Reserve	45	16,302	13,654
Capital Adjustment Account	48	366,127	372,204
Financial Instruments Adjustment Account	39	(397)	(452)
Deferred Capital Receipts Reserve	46	243	230
Pensions Reserve	50	(102,870)	(92,978)
Collection Fund Adjustment Account	33	3	(164)
Unequal Pay Back Pay Account	33	-	(443)
Accumulated Absences Account	33	(67)	(139)
<b>Unusable Reserves</b>	<b>33</b>	<b>279,341</b>	<b>291,912</b>
<b>Total Reserves</b>		<b>323,815</b>	<b>325,647</b>

## 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	2012/13 £000	2011/12 £000
<b>Net (surplus) or deficit on the provision of services</b>		<b>(5,661)</b>	<b>55,031</b>
<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</u>			
Depreciation		(19,803)	(20,058)
(Impairment and downward valuation) / Reversal of		(9,665)	(2,497)
(Increase) / decrease in impairment provision for bad debts		(471)	(215)
(Increase) / decrease in creditors		(1,799)	1,294
Increase / (decrease) in debtors		(979)	997
Increase / (decrease) in inventories		(51)	(47)
Movement in pension liability		(1,150)	(277)
Carrying amount of non-current assets sold		(4,236)	(5,943)
Disposal costs of non-current assets sold		(27)	(12)
Increase in provisions		3,003	(56)
Movement in the value of Investment Properties		169	459
Other non-cash items charged to the net surplus or deficit on the provision of services		3,172	403
<b>Adjustments to net surplus or deficit on the provision of services for non cash movements</b>		<b>(35,009)</b>	<b>(26,355)</b>
Proceeds from the sale of property plant and equipment and investment property		2,298	13,238
HRA Settlement		-	(51,551)
Grants received for the financing of capital expenditure		19,489	613
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		<b>21,787</b>	<b>(37,700)</b>
<b>Net cash flows from Operating Activities</b>	<b>52</b>	<b>(18,883)</b>	<b>(9,024)</b>
Net cashflows from Investing Activities	<b>53</b>	9,413	14,396
Net cashflows from Financing Activities	<b>54</b>	11,894	(9,309)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>2,424</b>	<b>(3,937)</b>
Cash and cash equivalents at the beginning of the reporting period		2,567	(1,370)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>51</b>	<b>143</b>	<b>2,567</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 new standards as such coming into effect in the 2013/14 Financial Year which would need disclosing in 2012/13, however IAS19 (Employee Benefits) has been revised and the changes will take effect for accounting periods beginning on or after 1 January 2013 (1 April 2013 for Basildon Council). In summary, the main changes that affect the Comprehensive Income and Expenditure Statement (CIES) are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes to the items within the CIES. "Service Cost" will in future include what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" plus any "Settlements".
- Administration expenses will be accounted for within the Service Cost, previously it was a deduction to the actual and expected returns on assets.

The amounts recognised in the CIES (if the revised IAS 19 standard was adopted) are:	
	£000
Service Cost	4,513
Net interest on the defined liability / (asset)	4,143
Administration Expenses	<u>32</u>
Total	8,688
Actual return on Scheme assets	15,657

There will be no change to the net liability of the Fund or bottom line of the Comprehensive Income and Expenditure Account as the offset will be a corresponding change to any actuarial gains or losses.

### 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. See General Note 41.

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 Statement. Treatment is the same if there are no conditions or just restrictions. However if there are conditions and they have not been met they must be shown in the Balance Sheet under creditors. See General Note 22.

The Council is required to judge whether or not it is holding property on an "investment" basis. The guidance is such that, for an investment to be present, the property should only be held: a) for capital appreciation or b) to produce rental income, and for no other reason eg other operational reasons. See Capital Note 41.

# Notes to the Core Statements

## General Notes

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In terms of deciding if an item of expenditure should be classified as an "accrual", a "provision", or a "contingent liability" a judgement has to be made around whether the expenditure is "virtually certain to be incurred" or "probably to be incurred", coupled with an assessment as to whether there is a "present obligation from a past event" or only a "possible obligation from a past event". By way of example, the position regarding an element of the Scheme of Arrangement held with the Council's previous insurers, MMI, is now felt to have progressed from being a "possible obligation" to being a "present obligation". This is for the element of total potential liability that has now been actuarially calculated in respect of a "clawback" amount likely to be requested by the Scheme Administrator. An amount representing the total potential liability has been held as a contingent liability for a number of years now, but a provision has now been made at 31 March 2013 for the proportion of this that is now more likely (ie probably) to be incurred following the notification of the clawback amount. More information on the MMI arrangements can be found in Note 30 to these accounts.

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

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

All leases 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 Allowances for Bad Debts. Historical trends are usually the best technique available to predict the future, but it is becoming ever more important to take account of the current and future economic climate and the impact of legislation eg Welfare Reform, on peoples' ability to pay their debts.

Following the introduction of the localisation scheme for Business Rates it was necessary to estimate the local liability for outstanding Rating Appeals. With effect from 1 April 2013 these became the responsibility of the local principal authorities in Essex (with the exception of Police and Crime Commissioners). Prior to the 1 April 2013 they were the responsibility of Central Government. The estimated figure for outstanding appeals was used in calculating funding streams for 2013/14. Note 7 sets out more details.

Following the introduction of the localisation of support to council tax payers, it was necessary to make estimates regarding numbers of claimants who will be affected, what impact it will have on their ability to pay, and what impact the new levels of support would have on the Council Tax base - across which the Council's main Collection Fund Requirement has to be recovered. It was estimated that the cost of the new local scheme would breakeven when compared to the new level of grant being given by the Government for Council Tax Benefit purposes.

Assets are depreciated over their useful lives and the length of this life is dependent on the level of repairs and maintenance to keep the asset in good order. The current economic climate has created some uncertainty as to the level of resources that might be available in the future to continue with the current repair and maintenance programme. However, for the 2012/13 asset valuations, it is assumed that current levels of expenditure will be maintained.

# Notes to the Core Statements

## General Notes

### **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 (£99.6 million across all preceptors). Housing Benefits, whilst generally considered to be break-even to the Council, up until 31 March 2013, involve paying out sums in the region of £86.0 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £11.3 million. This figure is increasing due to additional borrowing requirements under the new Housing Finance Regime regarding the implementation of Decent Homes programmes. The Council also relies heavily on Government Grants. The main "general" grants received from the Government totalled £1.6 million, while £10.6 million was received in respect of Redistributed Non Domestic Rates.

The Council concluded the 'Single Status' review of employment terms and conditions and related job evaluation scheme during 2012/13. Compensation payments totalling approximately £3.0m have been, or are due to be paid. In line with Secretary of State approval, £1.7m of these costs have been capitalised. Costs in excess of this £1.7m as well as the ongoing salary impact and all other costs associated with the implementation of the Single Status review have all been met from the provision made within the Council's budget.

### **6 EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS**

Exceptional Items are shown on the face of the Comprehensive Income and Expenditure Statement 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. There were no such items in 2012/13.

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 housing subsidy system was abolished with effect from April 2012 and Basildon no longer had to make annual subsidy payments to the Government, retaining all its rental income. In return for removal of the obligation to pay negative subsidy, Basildon took 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.

### **7 EVENTS AFTER THE BALANCE SHEET DATE**

There are no material events since 31 March 2013 requiring an adjustment to the accounts. However, it is appropriate to note here an implication of the new arrangements for the retention of business rates, which came into effect on 1 April 2013. From this date, local authorities assumed the liability (from Central Government) for refunding ratepayers who go on to successfully appeal against the rateable value of their business properties on the rating list. This includes amounts that were paid over to Central Government at the higher rateable value in respect of 2012/13 and earlier years. A provision will need to be made in the 2013/14 accounts for these appeals. The estimated value of appeals outstanding as at 1 April is £8.3m, Basildon Council's share of this is £3.32m (40%). The remainder is to be borne by Central Government (50%), Essex County Council (9%) and Essex Fire Authority (1%).

### **8 DATE ACCOUNTS AUTHORISED**

These accounts will be authorised by the Audit and Risk Committee for issue on 25 September 2013, which is the date to which events after the balance sheet date will continue to be considered.

# Notes to the Core Statements

## General Notes

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

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

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.

#### **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.

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.

2012/13	Note	Usable Reserves					
		General Fund Balance £000	Housing Revenue Account £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>							
	48	2,942	42,148	-	-	-	(45,090)
	48	87	(16,401)	-	-	-	16,314
	48	(169)	-	-	-	-	169
	48	(24)	-	-	-	-	24
	48	186	-	-	-	-	(186)
	48	825	3,411	-	-	-	(4,236)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							-
	48	(911)	(303)	-	-	-	1,214
	48	(296)	-	-	-	-	296
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
		(140)	-	-	-	140	-
	48	-	-	-	-	(114)	114
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
	47	(910)	(1,503)	2,413	-	-	-
	47	-	-	(1,112)	-	-	1,112
	47	-	27	(27)	-	-	-
	47	726	-	(726)	-	-	-
	47	-	-	7	-	-	(7)

# Notes to the Core Statements

## General Notes

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

2012/13	Note	Usable Reserves					
		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
	46	5	(25)	-	-	-	20
<b>Adjustments involving the Major Repairs Reserve:</b>							
	HRA10	-	(13,168)	-	13,168	-	-
	HRA10	-	(19,215)	-	19,215	-	-
	HRA10	-	-	-	(25,591)	-	25,591
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
	39	(64)	9	-	-	-	55
<b>Adjustments involving the Pensions Reserve:</b>							
	50	5,755	1,347	-	-	-	(7,102)
	50	(4,342)	(1,610)	-	-	-	5,952
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
	34	(167)	-	-	-	-	167
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>							
	34	(295)	(148)	-	-	-	443
<b>Adjustment involving the Accumulated Absences Account:</b>							
	34	(55)	(17)	-	-	-	72
<b>Total Adjustments</b>		<b>3,153</b>	<b>(5,448)</b>	<b>555</b>	<b>6,792</b>	<b>26</b>	<b>(5,078)</b>

# Notes to the Core Statements

## General Notes

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

2011/12	Note	Usable Reserves					
		General Fund Balance £000	Housing Revenue Account £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>							
	48	7,421	39,454	-	-	-	(46,875)
	48	278	(24,611)	-	-	-	24,333
	48	(320)	-	-	-	-	320
	48	(459)	-	-	-	-	459
	48	(722)	-	-	-	-	722
	48	2,238	51,551	-	-	-	(53,789)
	48	3,586	2,357	-	-	-	(5,943)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
	48	(622)	-	-	-	-	622
	48	(146)	(631)	-	-	-	777
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
		109	-	-	-	(109)	-
	48	-	-	-	-	(107)	107
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
	47	(11,394)	(1,855)	13,249	-	-	-
	47	-	-	(11,496)	-	-	11,496
	47	-	12	(12)	-	-	-
	47	775	-	(775)	-	-	-
	47	745	-	(745)	-	-	-
	47	-	-	17	-	-	(17)

# Notes to the Core Statements

## General Notes

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

2011/12	Note	Usable Reserves					
		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
	46	(42)	(9)	-	-	-	51
<b>Adjustments involving the Major Repairs Reserve:</b>							
	HRA10	-	(8,565)	-	8,565	-	-
	HRA10	-	-	-	(8,565)	-	8,565
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
	39	(82)	8	-	-	-	74
<b>Adjustments involving the Pensions Reserve:</b>							
	50	5,663	410	-	-	-	(6,073)
	50	(4,579)	(1,217)	-	-	-	5,796
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
	34	129	-	-	-	-	(129)
<b>Adjustment involving the Accumulated Absences Account:</b>							
	34	48	10	-	-	-	(58)
<b>Total Adjustments</b>		<b>2,626</b>	<b>56,914</b>	<b>238</b>	<b>-</b>	<b>(216)</b>	<b>(59,562)</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:

2012/13	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	(2,684)	(2,439)	(9,845)	(1,601)	(2,076)	(33,149)	(53,103)	<b>(104,897)</b>
Government grants	-	(87,675)	-	-	(4)	(113)	-	<b>(87,792)</b>
<b>Total income</b>	<b>(2,684)</b>	<b>(90,114)</b>	<b>(9,845)</b>	<b>(1,601)</b>	<b>(2,080)</b>	<b>(33,262)</b>	<b>(53,103)</b>	<b>(192,689)</b>
Employee Expenses	1,805	2,192	6,498	4,435	2,977	10,848	6,003	<b>34,758</b>
Other operating expenses	2,305	87,896	13,614	935	2,512	16,966	38,322	<b>162,550</b>
Support service recharges	665	1,583	2,262	1,244	1,409	6,092	7,030	<b>20,285</b>
<b>Total operating expenses</b>	<b>4,775</b>	<b>91,671</b>	<b>22,374</b>	<b>6,614</b>	<b>6,898</b>	<b>33,906</b>	<b>51,355</b>	<b>217,593</b>
<b>Cost of services</b>	<b>2,091</b>	<b>1,557</b>	<b>12,529</b>	<b>5,013</b>	<b>4,818</b>	<b>644</b>	<b>(1,748)</b>	<b>24,904</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	24,904
Add amounts not reported to management	15,483
Remove amounts reported to management not included in Cost of Services	(13,109)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>27,278</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:

2012/13	Service Analysis £'000	Not Reported to Management £'000	Allocation of Recharges £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(104,793)	5,712	34,528	1,826	(62,727)	(1,827)	(64,554)
Interest & Investment Income	(104)	-	-	104	-	(104)	(104)
Income from Council Tax	-	-	-	-	-	(16,547)	(16,547)
Grants & Contributions	(87,792)	(5,717)	-	-	(93,509)	(31,708)	(125,217)
<b>Total income</b>	<b>(192,689)</b>	<b>(5)</b>	<b>34,528</b>	<b>1,930</b>	<b>(156,236)</b>	<b>(50,186)</b>	<b>(206,422)</b>
Employee Expenses	34,758	4,441	300	(5,952)	33,547	-	33,547
Other operating expenses	132,794	-	(14,846)	2,630	120,578	372	120,950
Support service recharges	20,285	-	(19,982)	(383)	(80)	80	-
HRA Self financing	-	-	-	-	-	-	-
Depreciation, Amortisation & Impairment	18,422	11,047	-	-	29,469	(169)	29,300
Interest Payments	11,334	-	-	(11,334)	-	13,923	13,923
Precepts & Levies	-	-	-	-	-	370	370
Payments to Housing Capital Receipts Pool	-	-	-	-	-	726	726
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	1,945	1,945
<b>Total operating expenses</b>	<b>217,593</b>	<b>15,488</b>	<b>(34,528)</b>	<b>(15,039)</b>	<b>183,514</b>	<b>17,247</b>	<b>200,761</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>24,904</b>	<b>15,483</b>	<b>-</b>	<b>(13,109)</b>	<b>27,278</b>	<b>(32,939)</b>	<b>(5,661)</b>

## Notes to the Core Statements

### General Notes

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

2011/12	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	(2,607)	(2,728)	(9,432)	(1,496)	(2,692)	(35,460)	(50,582)	<b>(104,997)</b>
Government grants	(124)	(83,468)	(33)	33	(1,290)	(115)	-	<b>(84,997)</b>
<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>(50,582)</b>	<b>(189,994)</b>
Employee Expenses	1,476	2,152	6,443	3,673	3,372	11,788	6,488	<b>35,392</b>
Other operating expenses	2,414	83,796	12,497	823	7,350	15,412	37,151	<b>159,443</b>
Support service recharges	884	1,714	2,473	1,165	1,467	7,246	4,620	<b>19,569</b>
<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>48,259</b>	<b>214,404</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:

	£'000
Cost of Services in Service Analysis	24,410
Add amounts not reported to management	3,278
Remove amounts reported to management not included in Cost of Services	53,443
<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:

2011/12	Service Analysis £'000	Not Reported to Management £'000	Allocation of Recharges £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(104,891)	6,639	35,878	1,782	<b>(60,592)</b>	(1,833)	<b>(62,425)</b>
Interest & Investment Income	(106)	-	-	106	-	(106)	<b>(106)</b>
Income from Council Tax	-	-	-	-	-	(16,443)	<b>(16,443)</b>
Grants & Contributions	(84,997)	(6,584)	-	-	<b>(91,581)</b>	(13,500)	<b>(105,081)</b>
<b>Total income</b>	<b>(189,994)</b>	<b>55</b>	<b>35,878</b>	<b>1,888</b>	<b>(152,173)</b>	<b>(31,882)</b>	<b>(184,055)</b>
Employee Expenses	35,392	4,176	-	(5,796)	<b>33,772</b>	-	<b>33,772</b>
Other operating expenses	126,762	-	(16,393)	15,057	<b>125,426</b>	517	<b>125,943</b>
Support service recharges	19,569	-	(19,485)	(84)	-	-	-
Depreciation, Amortisation & Impairment	23,508	(953)	-	-	<b>22,555</b>	(459)	<b>22,096</b>
HRA Self financing	-	-	-	51,551	<b>51,551</b>	-	<b>51,551</b>
Interest Payments	9,173	-	-	(9,173)	-	11,128	<b>11,128</b>
Precepts & Levies	-	-	-	-	-	359	<b>359</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	-	775	<b>775</b>
Amounts Payable in respect of Clawback on Disposal of Dwellings and Other Land	-	-	-	-	-	745	<b>745</b>
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(7,283)	<b>(7,283)</b>
<b>Total operating expenses</b>	<b>214,404</b>	<b>3,223</b>	<b>(35,878)</b>	<b>51,555</b>	<b>233,304</b>	<b>5,782</b>	<b>239,086</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>24,410</b>	<b>3,278</b>	<b>-</b>	<b>53,443</b>	<b>81,131</b>	<b>(26,100)</b>	<b>55,031</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 has been operated on behalf of Essex County Council by the South Essex Parking Partnership. This partnership consists of 7 Essex councils, of which Chelmsford City 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. The relevant figures for the Basildon Borough are shown below:

	2012/13 £'000	2011/12 £'000
Expenditure incurred by Partnership in enforcing the On Street Parking Regulations	330	328
Income from Parking Charges and Penalties	(308)	(360)
(Deficit) recovered from Essex County Council, Surplus retained by the Partnership	(22)	32
<b>Total Agency Services</b>	-	-

The deficit has occurred due to a retrospective review of collection rates and how much should be being provided for debts to be written off. The Partnership is financially secure on an ongoing basis.

### 13 NON-DISTRIBUTED COSTS

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

		2012/13 Net Expenditure £'000	2011/12 Net Expenditure £'000
	Note		
Pension curtailment/settlement costs	50	77	1,063
<b>Total Non-distributed Costs</b>		<b>77</b>	<b>1,063</b>

### 14 OTHER OPERATING EXPENDITURE

	Note	2012/13 £000	2011/12 £000
Parish council precepts		370	359
Payments to the Government Housing Capital Receipts Pool	HRA11	726	775
Amounts Payable in respect of Clawback on Disposal of Dwellings and other Land (Gains)/losses on the disposal of non current assets	HRA11	-	745
		1,945	(7,283)
<b>Total Other Operating Expenditure</b>		<b>3,041</b>	<b>(5,404)</b>

The liability to pay clawback on disposal of ex Commission for New Towns assets ceased on 31 March 2012.

### 15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	Note	2012/13 £'000	2011/12 £'000
Interest payable and similar charges	36	11,334	9,173
Pensions interest cost and expected return on pensions assets	50	2,589	1,955
Interest receivable and similar income	36	(104)	(106)
Income and expenditure in relation to investment properties and changes in their fair value	41	(1,544)	(1,775)
<b>Total Financing and Investment Income and Expenditure</b>		<b>12,275</b>	<b>9,247</b>

# Notes to the Core Statements

## General Notes

### 16 TAXATION AND NON-SPECIFIC GRANT INCOME

		2012/13 £'000	2011/12 £'000
Council tax income		(16,547)	(16,443)
Non domestic rates		(10,595)	(9,006)
Non-ringfenced government grants	Note 22	(1,624)	(3,742)
Capital grants and contributions	Note 22	(19,489)	(752)
<b>Total Taxation and Non-specific grant income</b>		<b>(48,255)</b>	<b>(29,943)</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, 142 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's costs are set out below in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors. Ernst and Young took over from the Audit Commission with effect from the audit of the 2012/13 accounts:

		2012/13 £'000	2011/12 £'000
External audit services carried out under the Code of Audit Practice		88	135
Certification of grant claims and returns for the year		24	40
Statutory inspections/Other		1	2
<b>Total External Audit Costs</b>		<b>113</b>	<b>177</b>

### 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.

		2012/13 £'000	2011/12 £'000
Salaries		389	398
Allowances		28	28
Expenses		3	4
<b>Total</b>		<b>420</b>	<b>430</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) £	PRP / One- off payments £	Expense Allowance £	Benefits in Kind £	Pension Contribution £	Total £
Chief Executive	2012/13	167,299	30,259	4,084	1,663	22,568	225,873
(Bala Mahendran)	2011/12	172,199	30,105	3,000	1,542	23,879	230,725
Executive Director (Left 31.8.12)	2012/13	48,683	844	1,250	1,004	5,795	57,576
(Note 1)	2011/12	112,561	3,117	1,500	1,542	13,480	132,200
Commissioning Director - Place Shaping & Futures (Note 2)	2012/13	107,440	-	-	-	-	107,440
	2011/12	78,535	-	-	-	-	78,535
Commissioning Director - Corporate Support	2012/13	89,489	7,016	1,080	-	11,028	108,613
	2011/12	85,545	11,024	684	-	10,535	107,788
Commissioning Director - Resourcing	2012/13	90,740	7,305	1,000	1,567	11,196	111,808
	2011/12	88,717	3,367	456	1,019	10,832	104,391
Commissioning Director - People and Places	2012/13	88,492	3,933	2,130	-	10,884	105,439
	2011/12	71,177	2,054	912	-	8,565	82,708
Director of Transformation (Part Time w.e.f. 4.4.12)	2012/13	56,315	5,975	3,000	1,663	-	66,953
	2011/12	123,639	8,365	2,750	1,542	15,563	151,859
Head of Executive Support Services	2012/13	89,301	4,305	912	1,663	11,013	107,194
	2011/12	89,755	3,825	912	1,542	10,778	106,812
Head of Street Scene and Leisure Services	2012/13	85,930	1,647	-	1,663	10,307	99,547
	2011/12	85,294	3,219	912	1,542	10,334	101,301
Head of Housing Strategy (To 4.10.12)	2012/13	34,792	4,012	-	835	4,560	44,199
	2011/12	71,058	1,960	-	1,542	8,531	83,091
Head of Housing Services (Note 3)	2012/13	85,324	-	-	1,567	10,039	96,930
	2011/12	56,585	-	-	-	-	56,585
<b>Total 2012/13</b>		<b>943,805</b>	<b>65,296</b>	<b>13,456</b>	<b>11,625</b>	<b>97,390</b>	<b>1,131,572</b>
<b>Total 2011/12</b>		<b>1,035,065</b>	<b>67,036</b>	<b>11,126</b>	<b>10,271</b>	<b>112,497</b>	<b>1,235,995</b>

Note 1 - A payment of £86,448 was also made in respect of compensation for loss of office.

Note 2 - 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 3 - This position was covered on an interim basis by a consultant in 2011/12.

Note 4 - There were no pay awards taken by the above individuals. Year on year differences reflect changes in Returning Officer fees and pay grade changes as a result of a management restructure in August 2012, attendance at committees and increments where applicable.

Note 5 - Job titles reflect the post August 2012 restructure.

Note 6 - PRP = Performance Related Pay

The number of other employees receiving more than £50,000 (excluding and including one-off Compensation payments made under Single Status - see General Note 5) remuneration for the year (excluding employer's pension contributions) is summarised below:

Remuneration Band	Number of employees Excl Compensation		Number of employees Incl Compensation	
	2012/13	2011/12	2012/13	2011/12
£50,000 - £55,000	10	7	19	7
£55,001 - £60,000	8	7	10	7
£60,001 - £65,000	4	8	5	8
£65,001 - £70,000	2	1	5	1
£70,001 - £75,000	-	1	2	1
£75,001 - £80,000	2	2	2	2
<b>Total</b>	<b>26</b>	<b>26</b>	<b>43</b>	<b>26</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.

2012/13				
Exit costs banding (including special payments)	No. of compulsory redundancies	No. of other departures agreed	Total number of exits	Total cost of exits £
Less than £20,000	-	5	5	41,817
£20,001 - £40,000	-	1	1	29,283
£40,001 - £60,000	-	2	2	92,026
<b>Total</b>	-	8	8	<b>163,126</b>

Total cost of exits includes payments to individuals of £110,741 and Strain on Pension Fund costs of £52,385 paid to the pension authority, Essex County Council.

2011/12				
Exit costs banding (including special payments)	No. of compulsory redundancies	No. 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.

There were no compulsory redundancies in 2012/13, however there were 8 other agreed departures, the costs of which are summarised above. The Council did make 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.

### 22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

	2012/13 £'000	2011/12 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(205)	(2,784)
Council Tax Freeze Grant	(404)	(406)
New Homes Bonus	(661)	(212)
Homeless Initiatives Funding	(340)	(340)
New Burdens Payments	(14)	-
<b>Non-ringfenced government grants</b>	<b>(1,624)</b>	<b>(3,742)</b>



# Notes to the Core Statements

## General Notes

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

	2012/13 £'000	2011/12 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Government Contributions:		
Decent Homes (Homes & Communities Agency)	(19,215)	-
Sporting Village	-	(25)
Housing	-	(95)
Playspaces (Big Lottery Fund)	-	(161)
Community Recreation (Homes & Communities Agency)	-	(137)
	<b>(19,215)</b>	<b>(418)</b>
Non Government support for schemes related to Open Spaces	(44)	(122)
Section 106 Contributions - Developers	(230)	(212)
	<b>(274)</b>	<b>(334)</b>
<b>Capital Grants and Contributions</b>	<b>(19,489)</b>	<b>(752)</b>
<b>Total credited to Taxation and Non Specific Grant Income</b>	<b>(21,113)</b>	<b>(4,494)</b>
	2012/13 £'000	2011/12 £'000
<b>Credited to Services</b>		
<b>Central Government</b>		
Council Tax Benefit: subsidy (DWP)	(17,565)	(17,582)
Housing and Council Tax Benefit Administration Subsidy (DWP)	(1,485)	(1,604)
Transitional Housing Benefit Subsidy Grant	(27)	-
Rent Allowances: subsidy (DWP)	(40,622)	(38,403)
Rent Allowances: discretionary grant (DWP)	(112)	(56)
Rent Rebates Granted to HRA Tenants: subsidy (DWP)	(27,687)	(25,712)
Mandatory Rent Rebates outside HRA: subsidy (DWP)	(173)	(111)
Housing Options (DWP)	(256)	(178)
Craylands & Fryerns (HCA)	(104)	(100)
Other Regeneration Funding (HCA)	(100)	-
Homelessness (CLG)	-	(124)
Planning Enforcement (CLG)	-	(1,200)
Council Tax Billing & Enforcement (CLG)	(84)	-
Community Safety (HO)	-	(90)
Disabled Facilities Grant ( CLG )	(444)	(498)
Decent Homes Grant (CLG)	-	(79)
Empty Property Direct Assistance (CLG)	(108)	-
Decent Homes Healthy People (DoH)	-	(17)
Warm Homes Healthy People (DoH)	-	(85)
Other Government Funding	(1)	(245)
	<b>(88,768)</b>	<b>(86,084)</b>
<b>Local Authorities</b>		
Supporting People Grant (ECC)	(855)	(1,061)
Police Commissioner Election Funding (ECC)	(178)	-
Recycling Credits (ECC, CPBC)	(2,407)	(1,274)
Transport (recycling) grant (ECC)	-	(978)
Children's Centre / Surestart (ECC)	(115)	(766)
Highways Maintenance (ECC)	(197)	(238)
Concessionary Fares (ECC)	(81)	(64)
Water Cycle Study (ECC)	-	(100)
Other Local Authority Grants and Contributions (individually below £75k).	(223)	(256)
	<b>(4,056)</b>	<b>(4,737)</b>
<b>Non-Government</b>		
Town Centre	(250)	(250)
Thames Gateway South East	-	(76)
Other Non-Government Grants and Contributions (individually below £75k).	(435)	(434)
	<b>(685)</b>	<b>(760)</b>
<b>Revenue Grants and Contributions credited to Services</b>	<b>(93,509)</b>	<b>(91,581)</b>

# Notes to the Core Statements

## General Notes

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

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

	31 March 2012			31 March 2013
Capital Grants & Contributions	£'000	Additions	Released	£'000
Government support:				
Basildon Town Centre	1	-	-	1
Non-Government support:				
Contributions - Developers	680	492	(63)	1,109
Decent Homes	5	-	(5)	-
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>686</b>	<b>492</b>	<b>(68)</b>	<b>1,110</b>

	31 March 2012			31 March 2013
Revenue Grants & Contributions	£'000	Additions	Released	£'000
Central Government support:				
Revenues and Benefits (DWP)	27	-	(27)	-
Local Authority support:				
Community Grant - Basildon Family Project (ECC)	124	143	(17)	250
Other Local Authority Funding	10	41	(10)	41
	134	184	(27)	291
Non-Government support:				
Developer Contributions	76	-	(66)	10
Other Non Government Funding	12	-	(12)	-
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>249</b>	<b>184</b>	<b>(132)</b>	<b>301</b>

#### Guide to acronyms used:

DWP	Department for Work & Pensions
HCA	Homes & Communities Agency
CLG	Department for Communities & Local Government
HO	Home Office
DoH	Department of Health
ECC	Essex County Council
CPBC	Castle Point Borough Council

### 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 and other Public Bodies**

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 and other bodies are set out in Note 22. Debtors and creditors are set out in Notes 26 and 27 respectively. Grant receipts not yet received but related to the current year 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 are also trustees of Community Associations and some were members of the managing committee of the Basildon Community Resource Centre, DIAL, the Citizens' Advice Bureau or the Basildon Borough Volunteer Carers, each of which received services and/or minor grant funding from the Council.

# Notes to the Core Statements

## General Notes

### 23 RELATED PARTY TRANSACTIONS (cont.)

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 2012/13 were £25,000 (+ VAT).

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 & ASSOCIATE COMPANIES

There are no companies or other organisations that would meet the criteria requiring that they should be consolidated into the Council's accounts.

### 25 INVENTORIES

	2012/13		
	Central Stores £'000	Other Stocks £'000	Total £'000
<b>Balance at start of year</b>	<b>205</b>	<b>23</b>	<b>228</b>
Purchases	1,201	5	<b>1,206</b>
Recognised as an expense in the year	(1,254)	-	<b>(1,254)</b>
Written off balances	(3)	-	<b>(3)</b>
<b>Balance outstanding at end of year</b>	<b>149</b>	<b>28</b>	<b>177</b>

	2011/12		
	Central Stores £'000	Other Stocks £'000	Total £'000
<b>Balance at start of year</b>	<b>266</b>	<b>16</b>	<b>282</b>
Purchases	1,398	7	<b>1,405</b>
Recognised as an expense in the year	(1,452)	-	<b>(1,452)</b>
Written off balances	(18)	-	<b>(18)</b>
Reversals of write-offs in previous years	11	-	<b>11</b>
<b>Balance outstanding at end of year</b>	<b>205</b>	<b>23</b>	<b>228</b>

### 26 DEBTORS

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

	Note	Non current		Current	
		31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
		Employee Car Loans		35	27
Finance Lease Debtor	31	200	176	-	-
Mortgage payments outstanding on Sales of Council Houses		-	-	1	3
Other Loans		28	43	13	9
<b>Total</b>		<b>263</b>	<b>246</b>	<b>31</b>	<b>30</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	Other entities and individuals £000	Total £000
<b>31 March 2013</b>					
Non-domestic Rates	54	-	-	-	54
Council Tax (Preceptors)	-	3,304	-	-	3,304
Council Tax Arrears	-	-	-	901	901
Council Tax Benefits	823	-	-	-	823
Council Tenants	-	-	-	1,802	1,802
Housing Benefits	-	-	-	4,081	4,081
Rent Allowances	158	-	-	-	158
HM Revenue & Customs (VAT)	2,310	-	-	-	2,310
Sundry Debtors	7	506	-	1,810	2,323
Accrued Income	5,791	248	-	473	6,512
Prepayments	1	-	-	1,632	1,633
	<b>9,144</b>	<b>4,058</b>	<b>-</b>	<b>10,699</b>	<b>23,901</b>
<b>Less: Allowances for Bad debts:</b>					
Council Tax Arrears	-	-	-	(188)	(188)
Non-domestic Rates	-	-	-	(10)	(10)
Council Tenants	-	-	-	(560)	(560)
Housing Benefits	-	-	-	(998)	(998)
Sundry Debtors	-	-	-	(433)	(433)
	-	-	-	<b>(2,189)</b>	<b>(2,189)</b>
<b>Total</b>	<b>9,144</b>	<b>4,058</b>	<b>-</b>	<b>8,510</b>	<b>21,712</b>
<b>31 March 2012</b>					
Non-domestic Rates	498	-	-	-	498
Council Tax (Preceptors)	-	4,198	-	-	4,198
Council Tax Arrears	-	-	-	912	912
Council Tax Benefits	228	-	-	-	228
Council Tenants	-	-	-	1,723	1,723
Housing Benefits	-	-	-	3,742	3,742
Rent Allowances	811	-	-	-	811
HM Revenue & Customs (VAT)	3,508	-	-	-	3,508
Sundry Debtors	57	742	3	1,516	2,318
Accrued Income	90	243	-	1,771	2,104
Prepayments	-	-	-	1,868	1,868
	<b>5,192</b>	<b>5,183</b>	<b>3</b>	<b>11,532</b>	<b>21,910</b>
<b>Less: Allowances for Bad debts:</b>					
Council Tax Arrears	-	-	-	(218)	(218)
Non-domestic Rates	-	-	-	(19)	(19)
Council Tenants	-	-	-	(245)	(245)
Housing Benefits	-	-	-	(823)	(823)
Sundry Debtors	-	-	-	(413)	(413)
	-	-	-	<b>(1,718)</b>	<b>(1,718)</b>
<b>Total</b>	<b>5,192</b>	<b>5,183</b>	<b>3</b>	<b>9,814</b>	<b>20,192</b>

# Notes to the Core Statements

## General Notes

### 27 SHORT-TERM CREDITORS

	Central government bodies £000	Other local authorities £000	Public corporations and trading funds £000	Other entities and individuals £000	Total £000
<b>31 March 2013</b>					
Council Tax Prepayments	-	-	-	(125)	<b>(125)</b>
Rent Rebates	(169)	-	-	-	<b>(169)</b>
Council Tenants Prepayments	-	-	-	(390)	<b>(390)</b>
HRA Leaseholders	-	-	-	(928)	<b>(928)</b>
HRA Contractors	-	-	-	(1,805)	<b>(1,805)</b>
Sundry Creditors	(736)	(1,057)	-	(5,245)	<b>(7,038)</b>
Accrued Expenses	(1)	(290)	-	(2,399)	<b>(2,690)</b>
Receipts in Advance	-	(12)	-	(674)	<b>(686)</b>
<b>Total</b>	<b>(906)</b>	<b>(1,359)</b>	<b>-</b>	<b>(11,566)</b>	<b>(13,831)</b>

	<b>31 March 2012</b>				Total £000
Council Tax Prepayments	-	-	-	(128)	<b>(128)</b>
Housing Subsidy	(598)	-	-	-	<b>(598)</b>
Rent Rebates	(293)	-	-	-	<b>(293)</b>
Council Tenants Prepayments	-	-	-	(373)	<b>(373)</b>
HRA Leaseholders	-	-	-	(725)	<b>(725)</b>
HRA Contractors	-	-	-	(1,387)	<b>(1,387)</b>
Sundry Creditors	(915)	(324)	-	(4,051)	<b>(5,290)</b>
Accrued Expenses	(18)	(513)	(34)	(1,804)	<b>(2,369)</b>
Receipts in Advance	-	-	-	(605)	<b>(605)</b>
<b>Total</b>	<b>(1,824)</b>	<b>(837)</b>	<b>(34)</b>	<b>(9,073)</b>	<b>(11,768)</b>

### 28 OTHER LONG-TERM LIABILITIES

Other long-term liabilities are analysed as follows:

		Non-Current		Current		Total	
		31 Mar 13 £'000	31 Mar 12 £'000	31 Mar 13 £'000	31 Mar 12 £'000	31 Mar 13 £'000	31 Mar 12 £'000
Finance Leases	<b>Note 31</b>	(4,217)	(3,888)	(651)	(684)	(4,868)	(4,572)
Transferred Debt		(594)	(615)	(70)	(64)	(664)	(679)
<b>Total Long-Term Liabilities</b>		<b>(4,811)</b>	<b>(4,503)</b>	<b>(721)</b>	<b>(748)</b>	<b>(5,532)</b>	<b>(5,251)</b>

The Current element of the long-term liabilities above is included in the figures for Short Term Creditors in the previous note.

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 2012</b>	(2,581)	(135)	(2,716)
Additional provisions made in 2012/13	(1,126)	(178)	(1,304)
Amounts used in 2012/13	782	-	782
<b>Balance at 31 March 2013</b>	<b>(2,925)</b>	<b>(313)</b>	<b>(3,238)</b>
<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
<b>Balance at 31 March 2012</b>	<b>(2,581)</b>	<b>(135)</b>	<b>(2,716)</b>

Short Term	Litigation Costs £'000	Single Status £'000	Dilapidation £'000	Total Short-Term £'000
<b>Balance at 1 April 2012</b>	(130)	(3,446)	-	(3,576)
Additional provisions made in 2012/13	-	-	-	-
Amounts used in 2012/13	79	3,446	-	3,525
<b>Balance at 31 March 2013</b>	<b>(51)</b>	<b>-</b>	<b>-</b>	<b>(51)</b>
<b>Balance at 1 April 2011</b>	(220)	(3,446)	(200)	(3,866)
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>

#### 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 was revised during 2012/13 but is still based on the volume of searches undertaken and collected from 1st January 2005 to October 2010. It now also includes an allowance for legal costs and interest.

#### Provision for Single Status Compensation

Provision had been made for the estimated cost of sums due to past and present employees in respect of the Single Status equal pay scheme. This provision was fully utilised upon the settlement of Single Status payments due during 2012/13.

#### Provision for Dilapidation

The claim was settled in full in December 2011.

# Notes to the Core Statements

## General Notes

### 30 CONTINGENT LIABILITIES

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

Now that the SOA is triggered, a payment will be requested by the Scheme Administrator (Ernst & Young) from each authority, which will be 15% of the total potential clawback figure of £650,000 allowed for within the Insurance Pool Reserve. This equates to £97,000 which has been moved into a Provision within the Insurance Pool at 31 March. Once this amount of clawback is paid, each authority will still be responsible for paying a percentage towards future claims and may be asked for further clawback contributions in the future. This situation is subject to regular review, but the Council has allowed within its Insurance Pool Reserves for the balance of the full potential clawback (£553,000) to be paid if necessary.

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

### 31 LEASES

#### Authority as Lessee

##### Finance Leases

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

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

	31 March 2013 £'000	Repaid in year £'000	Additions in year £'000	31 March 2012 £'000
Other Land and Buildings	1,817	-	-	1,817
Vehicles, Plant, and Equipment	3,051	(915)	1,211	2,755
	<b>4,868</b>	<b>(915)</b>	<b>1,211</b>	<b>4,572</b>

Additions in year - these are in respect of embedded leases (see Glossary) within the Riverside contract to supply vehicles to the Council.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the 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 2013 £'000	31 March 2012 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	651	684
Payable between two and five years	2,093	1,730
Payable after five years	2,124	2,158
	4,868	4,572
Finance costs payable in future years (not discounted)	14,102	14,093
<b>Minimum lease payments</b>	<b>18,970</b>	<b>18,665</b>

# Notes to the Core Statements

## General Notes

### 31 LEASES (cont.)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March	31 March	31 March	31 March
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Not later than one year	913	919	651	684
Later than one year and not later than five years	2,867	2,412	2,093	1,730
Later than five years	15,190	15,334	2,124	2,158
	<b>18,970</b>	<b>18,665</b>	<b>4,868</b>	<b>4,572</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13, £90,818 in contingent rents was payable by the Council (2011/12 £107,083). 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 2013 the minimum payments expected to be received under non-cancellable sub-leases was £1,398,709 (£1,449,282 at 31 March 2012).

#### Operating Leases

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

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

	31 March	31 March
	2013	2012
	£'000	£'000
Not later than one year	279	292
Later than one year and not later than five years	194	204
	<b>473</b>	<b>496</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 2013 amounts to £16,528 (£21,533 as at 31 March 2012).

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:

	31 March	31 March
	2012	2011
	£'000	£'000
Minimum lease payments	301	413
Sub lease payments receivable	(5)	(3)
	<b>296</b>	<b>410</b>



# Notes to the Core Statements

## General Notes

### 31 LEASES (cont.)

#### 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.

The gross investment is made up of the following amounts:

	31 March 2013 £'000	31 March 2012 £'000
Finance lease debtor (net present value of minimum lease payments):		
· non current	200	176
Unearned finance income	2,477	2,513
Unguaranteed residual value of property	65	65
<b>Gross investment in the lease</b>	<b>2,742</b>	<b>2,754</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 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Not later than one year	36	34	-	-
Later than one year and not later than five years	142	135	1	1
Later than five years	2,564	2,585	199	175
	<b>2,742</b>	<b>2,754</b>	<b>200</b>	<b>176</b>

As there is a possibility that lease payments will not be received by the Council, an allowance for uncollectable amounts has been made of £15,000 as at 31 March 2013 (£15,000 at 31 March 2012).

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 2012/13, £68,000 was receivable by the Council in respect of contingent rents (£68,000 in 2011/12).

##### 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

# Notes to the Core Statements

## General Notes

### 31 LEASES (cont.)

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

	31 March 2013 £'000	31 March 2012 £'000
Not later than one year	1,841	1,459
Later than one year and not later than five years	5,479	4,680
Later than five years	5,267	10,326
	<b>12,587</b>	<b>16,465</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 2012/2013 £128,346 contingent rents were receivable by the Council (2011/2012 £217,000).

### 32 USABLE RESERVES

Reserve	Purpose	Note	2013 £'000	2012 £'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.		8,123	8,739
Earmarked Reserves Balance	Resources earmarked for particular spending plans and contingencies.	<b>34</b>	16,335	14,142
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.		4,245	7,244
HRA Earmarked Reserves	Resources earmarked for particular spending plans and contingencies.	<b>34</b>	5,409	621
Major Repairs Reserve	A resource provided from within HRA Subsidy to finance capital expenditure on dwellings and other property in the HRA.	<b>HRA10</b>	6,792	-
Capital Receipts Reserve	Proceeds of fixed asset sales available to finance capital expenditure or repay debt.	<b>47</b>	762	207
Capital Grants Unapplied	These are grants received for specific purposes but remain unspent at the end of the year.		2,808	2,782
<b>Total Usable reserves</b>			<b>44,474</b>	<b>33,735</b>

Further details of the movements in the Council's usable reserves are shown in the Movement in Reserves Statement and Notes 9 and 34.

# Notes to the Core Statements

## General Notes

### 33 UNUSABLE RESERVES

Reserve	Purpose	Note	31 March 2013 £'000	31 March 2012 £'000
Revaluation Reserve	Gains on revaluation of non-current assets not yet realised.	45	16,302	13,654
Capital Adjustment Account	Capital resources applied to meet past capital expenditure.	48	366,127	372,204
Financial Instruments Adjustment Account	Unamortised premiums and discounts arising from premature redemption of debt.	39	(397)	(452)
Deferred Capital Receipts Reserve	Proceeds from sale of non-current assets not yet received.	46	243	230
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions.	50	(102,870)	(92,978)
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.	Below	3	(164)
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.	Below	-	(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.	Below	(67)	(139)
<b>Total Unusable Reserves</b>			<b>279,341</b>	<b>291,912</b>

#### 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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	(164)	(35)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	167	(129)
<b>Balance at 31 March</b>	<b>3</b>	<b>(164)</b>

#### 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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	(443)	(443)
Reversal of Unequal Pay Back Pay account on settlement	443	-
<b>Balance at 31 March</b>	<b>-</b>	<b>(443)</b>

# Notes to the Core Statements

## General Notes

### 33 UNUSABLE RESERVES (cont.)

#### 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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	(139)	(81)
Reversal of previous year's accrual	139	81
Accrual due in the year	(67)	(139)
<b>Balance at 31 March</b>	<b>(67)</b>	<b>(139)</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 2012/13.

	1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	31 March 2012 £000	Out 2012/13 £000	Transfers In 2012/13 £000	31 March 2013 £000
<b>General Fund:</b>							
Contingency Reserve	8,136	-	1,263	9,399	(4,609)	1,707	6,497
Insurance Pool	2,624	-	244	2,868	(12)	255	3,111
Major Asset Refurbishment	531	-	295	826	(235)	1,279	1,870
IT Initiatives	144	-	1	145	(100)	1,112	1,157
Commuted Sums	85	-	-	85	(85)	-	-
IFRS Reserve	21	(21)	-	-	-	-	-
Regeneration Reserve	-	-	31	31	-	-	31
Invest to Save	-	-	238	238	(153)	1,159	1,244
Employment Rationalisation	-	-	300	300	-	1,875	2,175
Treasury Management Reserve	-	-	250	250	-	-	250
Revenue Grants Unspent	108	(108)	-	-	-	-	-
<b>Total</b>	<b>11,649</b>	<b>(129)</b>	<b>2,622</b>	<b>14,142</b>	<b>(5,194)</b>	<b>7,387</b>	<b>16,335</b>
<b>HRA</b>							
Asset Management Reserve	-	-	-	-	-	4,515	4,515
Treasury Management Reserve	-	-	-	-	-	600	600
Bad Debts Earmarked Reserve	592	-	29	621	(327)	-	294
<b>Total</b>	<b>592</b>	<b>-</b>	<b>29</b>	<b>621</b>	<b>(327)</b>	<b>5,115</b>	<b>5,409</b>
<b>Balance at 31 March</b>	<b>12,241</b>	<b>(129)</b>	<b>2,651</b>	<b>14,763</b>	<b>(5,521)</b>	<b>12,502</b>	<b>21,744</b>

#### 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.

# Notes to the Core Statements

## General Notes

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

#### **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 Initiatives 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. The balance was moved to creditors in 2012/13.

#### **Regeneration Reserve**

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

#### **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.

#### **Asset Management Reserve**

Investment in the Council's housing stock.

# 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
	2013	2012		2013	2012
	£'000	£'000		£'000	£'000
<b>Short Term Deposits</b>					
Loans and receivables (Cash & Cash Equivalents)	-	-	Note 1	3,356	5,702
<b>Total Short Term Deposits</b>	-	-		3,356	5,702
<b>Debtors</b>					
Loans and receivables	263	246		31	30
Financial assets carried at contract amounts	-	-		12,239	7,983
<b>Total Debtors</b>	263	246	Note 2	12,270	8,013
<b>Total Financial Assets</b>	<b>263</b>	<b>246</b>		<b>15,626</b>	<b>13,715</b>
<b>Borrowings</b>					
Financial liabilities at amortised cost	(189,823)	(196,131)		(9,500)	(16,517)
<b>Total Borrowings</b>	(189,823)	(196,131)		(9,500)	(16,517)
<b>Other Liabilities</b>					
Finance lease liabilities	(4,217)	(3,888)		(651)	(684)
Transferred Debt	(594)	(615)		(70)	(64)
<b>Total Other Liabilities</b>	(4,811)	(4,503)	Note 3	(721)	(748)
<b>Creditors</b>					
Bank Overdraft (Cash & Cash Equivalents)	-	-	Note 1	(3,226)	(3,153)
Financial liabilities carried at contract amounts:					
Grants Receipts in Advance	-	-		(1,411)	(935)
Other Creditors	-	-	Note 3	(12,816)	(10,001)
<b>Total Creditors</b>	-	-		(17,453)	(14,089)
<b>Total Financial Liabilities</b>	<b>(194,634)</b>	<b>(200,634)</b>		<b>(27,674)</b>	<b>(31,354)</b>

The following notes enable the Financial Instruments disclosed above to be located in the Balance Sheet:

1. Cash held by the Council is excluded from Financial Assets £13k per General Note 51 (£18k in 2011/12).
2. Current Debtors in relation to Council Tax, NNDR, Housing Benefits and VAT are excluded from Financial Assets £10,435k per General Note 26 (£12,837k in 2011/12). Current Debtors are exclusive of Bad Debt provisions.
3. Current liabilities in relation to Council Tax, Housing Subsidy, and Rent Rebates are excluded from Financial Liabilities £294k per General Note 27 (£1,019k in 2011/12).

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 £242,378 at 31 March 2013 (£269,964 at 31 March 2012).

### 36 INCOME, EXPENSE, GAINS AND LOSSES

	2012/13			2011/12		
	Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Total £'000	Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Total £'000
Total Interest expense in Surplus or Deficit on the Provision of Services	(11,334)	-	(11,334)	(9,173)	-	(9,173)
Total Interest income in Surplus or Deficit on the Provision of Services	-	104	104	-	106	106
<b>Net gain/(loss) for the year</b>	<b>(11,334)</b>	<b>104</b>	<b>(11,230)</b>	<b>(9,173)</b>	<b>106</b>	<b>(9,067)</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 2013 was from 3.14% to 15.25% (weighted average, 5.51%), which compares with a range of 3.14% to 15.25% (weighted average 6.92%) at 31 March 2012. The equivalent figures for non-PWLB long-term debt ranged from 6.53% to 11.44% (weighted average, 8.89%) at 31 March 2013, which was unchanged from 31 March 2012.
- 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, the 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:

	2012/13			2011/12		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(191,801)	(194,073)	(243,859)	(193,801)	(195,869)	(241,129)
Non PWLB long-term debt	(2,250)	(2,250)	(3,438)	(7,250)	(7,262)	(8,738)
Money Market debt	(3,000)	(3,000)	(3,000)	(9,500)	(9,517)	(9,517)
Finance lease liabilities	(4,868)	(4,868)	(4,868)	(4,572)	(4,572)	(4,572)
Transferred Debt	(634)	(664)	(664)	(679)	(679)	(679)
Bank Overdraft	(3,226)	(3,226)	(3,226)	(3,153)	(3,153)	(3,153)
Trade Creditors	(14,227)	(14,227)	(14,227)	(10,936)	(10,936)	(10,936)
<b>Total Financial Liabilities</b>	<b>(220,006)</b>	<b>(222,308)</b>	<b>(273,282)</b>	<b>(229,891)</b>	<b>(231,988)</b>	<b>(278,724)</b>

	2012/13			2011/12		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
Money Market Investments	3,350	3,356	3,356	5,702	5,702	5,702
Other Loans	294	294	294	276	276	276
Trade Debtors	12,239	12,239	12,239	7,983	7,983	7,983
<b>Total Financial Assets</b>	<b>15,883</b>	<b>15,889</b>	<b>15,889</b>	<b>13,961</b>	<b>13,961</b>	<b>13,961</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 banking crisis, the Council tightened its criteria by taking a variety of temporary measures to further reduce risk exposure and similar measures remained in place throughout 2011/12 and 2012/13. The continued uncertainty in the banking sector and the general economic instability European Union and the rest of the world means that 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 both ratings produced by the major credit rating agencies and other available information. The part nationalised banks are, therefore, included on the Council's counterparty list on the basis that they are supported by the UK's sovereign rating. 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 remains in place to date. 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 2012/13 was £31.0 million (£63.2 million, 2011/12).

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 £3.4m 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 2013 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 2013 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Estimated maximum exposure to default and uncollectability at 31 March 2013 £'000	Estimated maximum exposure at 31 March 2012 £'000
Debtors	12,533	5.08	6.36	(797)	(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 2013 was as follows:

	31/3/2013 £'000	31/3/2012 £'000
Less than one year	9,500	16,500
Between one and two years	3,000	6,500
Between two and five years	24,000	22,500
Between five and ten years	21,250	22,750
Between ten and fifteen years	35,325	23,325
Between fifteen and twenty years	17,000	28,500
Between twenty and twenty five years	69,051	69,051
More than twenty five years	17,925	21,425
<b>Principal Amount</b>	<b>197,051</b>	<b>210,551</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 2013 would be:

	31/3/2013 £'000	31/3/2012 £'000
Increase in interest payable on variable rate borrowings	5	81
Increase in interest receivable on variable rate investments	(31)	(38)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(26)</b>	<b>43</b>
Net share of overall impact debited/(credited) to the HRA	(12)	57
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(12)</b>	<b>57</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>6,668</b>	<b>2,360</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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>452</b>	<b>526</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(55)	(74)
<b>Balance at 31 March</b>	<b>397</b>	<b>452</b>

# Notes to the Core Statements

## Capital Notes

### 40 PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13	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 2012	516,292	87,073	10,706	1,124	6,183	1,629	333	<b>623,340</b>
Additions	24,661	905	1,601	-	90	546	-	<b>27,803</b>
Derecognition - Disposals	(3,528)	(987)	(11)	-	-	-	-	<b>(4,526)</b>
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(24,640)	(1,167)	(11)	-	-	(68)	(15)	<b>(25,901)</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	166	52	-	-	-	-	84	<b>302</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(350)	-	-	-	-	-	<b>(350)</b>
Other movements in cost or Valuation - Reclassifications	(75)	(550)	98	-	1,659	(1,511)	55	<b>(324)</b>
<b>At 31 March 2013</b>	<b>512,876</b>	<b>84,976</b>	<b>12,383</b>	<b>1,124</b>	<b>7,932</b>	<b>596</b>	<b>457</b>	<b>620,344</b>
<b>Accumulated Depreciation and Impairments:</b>								
At 1 April 2012	1	2,474	4,858	-	-	-	20	<b>7,353</b>
Depreciation Charge for 2012/13	16,589	2,561	644	-	-	-	9	<b>19,803</b>
Depreciation eliminated on Disposals	(117)	(167)	(6)	-	-	-	-	<b>(290)</b>
Depreciation written out to the Revaluation Reserve	(72)	(877)	-	-	-	-	2	<b>(947)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16,400)	(866)	688	-	-	-	(8)	<b>(16,586)</b>
Other movements in cost or Valuation - Reclassifications	(1)	(31)	32	-	-	-	-	<b>-</b>
<b>At 31 March 2013</b>	<b>-</b>	<b>3,094</b>	<b>6,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>9,333</b>
<b>Net Book Value:</b>								
<b>At 31 March 2013</b>	<b>512,876</b>	<b>81,882</b>	<b>6,167</b>	<b>1,124</b>	<b>7,932</b>	<b>596</b>	<b>434</b>	<b>611,011</b>
<b>At 1 April 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>

# Notes to the Core Statements

## Capital Notes

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

Comparative 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>
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(21,386)	(5,138)	(9)	-	-	(283)	-	<b>(26,816)</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	8,368	(498)	-	-	-	-	-	<b>7,870</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>
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.)

#### 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 2012. 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 & Buildings £'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:	-	-	12,383	1,124	7,932	596	457	22,492
Carried at fair value as at:								
31.3.2013	512,876	22,925	-	-	-	-	-	535,801
31.3.2012	-	40,382	-	-	-	-	-	40,382
31.3.2011	-	10,504	-	-	-	-	-	10,504
31.3.2010	-	4,121	-	-	-	-	-	4,121
31.3.2009	-	7,044	-	-	-	-	-	7,044
<b>Gross Book Value at 31 March 2013</b>	<b>512,876</b>	<b>84,976</b>	<b>12,383</b>	<b>1,124</b>	<b>7,932</b>	<b>596</b>	<b>457</b>	<b>620,344</b>

### 41 INVESTMENT PROPERTIES

The Council holds one investment property under a lease.

The Council operates 11 industrial units, 142 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 2012/13 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:

	2012/13 £'000	2011/12 £'000
Rental income from investment property	(1,761)	(1,713)
Other Income	(66)	(100)
Direct operating expenses arising from investment property	452	497
	<b>(1,375)</b>	<b>(1,316)</b>
Change in the fair value of Investment Properties	(169)	(459)
<b>Net (gain)</b>	<b>(1,544)</b>	<b>(1,775)</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:

	2012/13 £'000	2011/12 £'000
Balance at start of the year	15,551	15,092
Additions: Transfer from Other Land and Buildings	14	-
Net gains/(losses) from fair value adjustments	169	459
<b>Balance at end of the year</b>	<b>15,734</b>	<b>15,551</b>

### 42 ASSETS HELD FOR SALE

	Current	
	2012/13 £'000	2011/12 £'000
Assets declassified as held for sale:		
- Property, Plant and Equipment	310	-
<b>Balance outstanding at end of year</b>	<b>310</b>	<b>-</b>

### 43 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2013 was £3,043,000 including fees (£1,019,179 at 31 March 2012).

### 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.

	2012/13 £'000	2011/12 £'000
<b>Opening Capital Financing Requirement</b>	<b>245,680</b>	<b>187,837</b>
<u>Capital Expenditure</u>		
Property, Plant and Equipment:		
General Fund	2,412	4,200
Housing Revenue Account	25,391	22,143
	<b>27,803</b>	<b>26,343</b>
<u>Revenue expenditure funded from capital under statute:</u>		
Private Sector Housing Grants	848	943
Enforcement of Green Belt	-	2,000
HRA Self Financing Settlement Payment	-	51,551
	<b>848</b>	<b>54,494</b>
<b>Total Capital Expenditure to be Financed</b>	<b>28,651</b>	<b>80,837</b>

# Notes to the Core Statements

## Capital Notes

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

	2012/13 £'000	2011/12 £'000
<b>Sources of Finance:</b>		
Usable Capital Receipts	384	1,105
Capital Contributions	800	1,534
Major Repairs Allowance	24,661	7,857
Direct revenue contributions	296	777
Sums set aside from revenue:		
Minimum Revenue Provision	1,214	622
HRA depreciation and impairments	692	-
Use of Major Repairs Allowance to repay debt	930	708
Use of Capital Receipts to repay debt	728	10,391
<b>Total Financing</b>	<b>29,705</b>	<b>22,994</b>
<b>Closing Capital Financing Requirement</b>	<b>244,626</b>	<b>245,680</b>
<b>Explanation of movements in year</b>		
Increase in underlying need for borrowing (supported by government financial assistance)	-	13,449
Increase in underlying need for borrowing (unsupported by government financial assistance)	(1,054)	44,394
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(1,054)</b>	<b>57,843</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.

	2012/13 £000	2011/12 £000
<b>Balance at 1 April</b>	<b>(13,654)</b>	<b>(10,535)</b>
Upward revaluation of assets	(1,283)	(1,161)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	34	(559)
<b>Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>(1,249)</b>	<b>(1,720)</b>
Difference between fair value depreciation and historical cost depreciation	(1,399)	(1,399)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,399)</b>	<b>(1,399)</b>
<b>Balance at 31 March</b>	<b>(16,302)</b>	<b>(13,654)</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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	(230)	(196)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20)	(51)
Transfer to the Capital Receipts Reserve upon receipt of cash	7	17
<b>Balance at 31 March</b>	<b>(243)</b>	<b>(230)</b>

### 47 USABLE CAPITAL RECEIPTS RESERVE

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	(207)	-
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	(2,413)	(13,249)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(7)	(17)
Use of the Capital Receipts Reserve to finance capital expenditure and repay debt	1,112	11,496
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	27	12
Transfer to Regeneration Reserve	-	31
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	726	775
Contribution from the Capital Receipts Reserve to finance the payments in respect of clawback to the Homes and Communities Agency	-	745
<b>Balance at 31 March</b>	<b>(762)</b>	<b>(207)</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.)

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	(372,204)	(432,809)
<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	45,090	46,874
Revaluation losses on Property, Plant and Equipment	(16,314)	(24,332)
Donated Assets	-	(320)
Revenue expenditure funded from capital under statute (net of contributions)	186	53,789
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	4,236	5,943
Adjusting amounts written out of the Revaluation Reserve	1,399	1,399
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>34,597</b>	<b>83,353</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(384)	(1,105)
Use of the Capital Receipts Reserve to repay debt	(728)	(10,391)
Use of the Major Repairs Reserve to finance new capital expenditure	(24,661)	(7,857)
Use of the Major Repairs Reserve to repay debt	(930)	(708)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital financing	(24)	(722)
Application of grants to capital financing from the Capital Grants Unapplied Account	(114)	(107)
Statutory provision for the financing of Capital investment charged against the General Fund and HRA Balances	(1,214)	(605)
Repayment of external long-term liabilities - Transferred Debt	-	(17)
Capital expenditure charged against the Housing Revenue Account	-	(631)
Capital expenditure charged against the General Fund Balance	(296)	(146)
	<b>(28,351)</b>	<b>(22,289)</b>
Movement in Fair Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(169)	(459)
<b>Balance at 31 March</b>	<b>(366,127)</b>	<b>(372,204)</b>

### 49 CAPITALISATION OF BORROWING COSTS

The Council has no capitalised borrowing costs in 2012/13 (£22k during 2011/12 associated with the construction of the Sporting Village).

# 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. The next valuation will be at 31 March 2013 and will be effective from 1 April 2014.

#### 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:

	2012/13 £'000	2011/12 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
Current service cost	4,436	3,055
Curtailment/Settlement Loss (Gain)	77	1,063
<i>Financing and Investment Income and Expenditure:</i>		
Interest cost	9,916	10,049
Expected return on assets in the scheme	(7,327)	(8,094)
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,102</b>	<b>6,073</b>
<i>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial gains and losses	8,742	28,666
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>15,844</b>	<b>34,739</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>	(9,892)	(28,943)
<b>Actual amount charged against Council Tax for pensions in the year</b>	<b>5,952</b>	<b>5,796</b>

The cumulative net actuarial loss since 2005/06 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is £54,215,000 (£45,473,000 at 31 March 2012)

# 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):	2012/13 £'000	2011/12 £'000
<b>Opening Balance at 1 April</b>	<b>218,728</b>	<b>187,531</b>
Current Service Cost	4,436	3,055
Interest Cost	9,916	10,049
Contributions by scheme participants	1,372	1,219
Actuarial (Gains) Losses	17,040	21,915
Benefits Paid	(7,400)	(5,971)
Unfunded Pension Payments	(425)	(413)
Net Liabilities assumed in Business Combination	-	699
Settlements/curtailments	77	644
<b>Closing Balance at 31 March</b>	<b>243,744</b>	<b>218,728</b>

Reconciliation of fair value of the scheme assets:	2012/13 £'000	2011/12 £'000
<b>Opening Balance at 1 April</b>	<b>125,750</b>	<b>123,496</b>
Expected Return on assets	7,327	8,094
Actuarial Gains (Losses)	8,298	(6,751)
Contributions by scheme participants	1,372	1,219
Employer Contributions including unfunded	5,952	5,796
Net Receipt of assets in Business Combination	-	280
Benefits Paid including unfunded	(7,825)	(6,384)
<b>Closing Balance at 31 March</b>	<b>140,874</b>	<b>125,750</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 £15.7 million, which compares with £1.3 million in 2011/12.

### Scheme History

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000	31/03/12 £'000	31/03/13 £'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(141,314)	(194,481)	(182,191)	(212,543)	(237,539)
Discretionary Benefits	(5,427)	(6,442)	(5,340)	(6,185)	(6,205)
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>87,079</b>	<b>117,838</b>	<b>123,496</b>	<b>125,750</b>	<b>140,874</b>
<b>Deficit in the Scheme</b>	<b>(59,662)</b>	<b>(83,085)</b>	<b>(64,035)</b>	<b>(92,978)</b>	<b>(102,870)</b>
<b>Analysed:</b>					
Local Government Pension Scheme	(54,235)	(76,643)	(58,695)	(86,793)	(96,665)
Discretionary Benefits	(5,427)	(6,442)	(5,340)	(6,185)	(6,205)
<b>Total</b>	<b>(59,662)</b>	<b>(83,085)</b>	<b>(64,035)</b>	<b>(92,978)</b>	<b>(102,870)</b>

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The total liability of £103.0 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 2014 is £6.2 million (including £0.4m 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 Essex Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the 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:

	2012/13	2011/12
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	6.40%	7.50%
Government Bonds	3.30%	4.40%
Other Bonds	4.60%	5.10%
Property	5.40%	6.50%
Cash/Liquidity	0.50%	0.50%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
- Men	22.7	22.7
- Women	25.3	25.3
Longevity at 65 for future pensioners (20 years hence):		
- Men	24.2	24.1
- Women	26.9	26.8
Rate of inflation - RPI	3.3%	3.3%
Rate of inflation - CPI	2.5%	2.5%
Rate of increase in salaries	4.3%	4.3%
Rate of increase in pensions	2.5%	2.5%
Rate for discounting scheme liabilities	4.2%	4.6%
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 2013 %	31 March 2012 %
Equity Investments	64.0%	70.0%
Bonds	15.0%	14.0%
Other Investments	21.0%	16.0%
	<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:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets – (Gain)/Loss	26.1	(21.2)	0.9	5.4	5.9
Experience (Gains)/Losses on liabilities	(18.1)	22.7	(4.3)	0.3	0.0

# 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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>92,978</b>	<b>64,035</b>
Actuarial gains or losses on pensions assets and liabilities	8,742	28,666
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	7,102	6,073
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,952)	(5,796)
<b>Balance at 31 March</b>	<b>102,870</b>	<b>92,978</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 2013 £'000	31 March 2012 £'000
Cash held by the Authority	13	18
Bank current accounts	(3,226)	(3,153)
Short-term deposits	3,356	5,702
<b>Total Cash and Cash Equivalents</b>	<b>143</b>	<b>2,567</b>

### 52 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £'000	2011/12 £'000
Interest received	(104)	(106)
Interest paid	11,153	8,636
<b>Total</b>	<b>11,049</b>	<b>8,530</b>

### 53 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment and investment property	27,355	27,433
Proceeds from the sale of property, plant and equipment and investment property	(3,429)	(12,033)
Capital Grants Received	(14,513)	(1,004)
<b>Net cash flows from investing activities</b>	<b>9,413</b>	<b>14,396</b>

### 54 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012/13 £000	2011/12 £000
Cash receipts of short and long-term borrowing	(6,244)	(148,739)
Other receipts from financing activities	(1,338)	(2,365)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	915	744
Repayments of short and long-term borrowing	18,561	89,500
Other payments for financing activities: HRA Settlement	-	51,551
<b>Net cash flows from financing activities</b>	<b>11,894</b>	<b>(9,309)</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>2012/13 £'000</b>	<b>2011/12 £'000</b>
Repairs and Maintenance		11,073	9,808
Supervision and Management		12,536	12,968
Rents, rates, taxes and other charges		134	221
Negative Housing Revenue Account Subsidy receivable	4	-	5,896
Depreciation and impairment of non-current assets (Net of Revaluation Gains)	7 & 8	26,438	14,843
HRA Self Financing Settlement Payment	4	-	51,551
Debt Management Costs		67	128
Movement in the allowance for bad debts		678	151
Rent rebate subsidy limitation	2	216	353
Sums directed by the Secretary of State that are expenditure in accordance with the Code		-	21
<b>Total Expenditure</b>		<b>51,142</b>	<b>95,940</b>
<b>Income</b>			
Dwelling rents	1	(46,287)	(43,519)
Non-dwelling rents	3	(1,969)	(2,013)
Charges for services and facilities		(4,351)	(4,450)
Contributions towards expenditure		(462)	(567)
Housing Revenue Account Subsidy payable	4	(34)	-
<b>Total Income</b>		<b>(53,103)</b>	<b>(50,549)</b>
<b>Net (Income) / Cost of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(1,961)</b>	<b>45,391</b>
HRA services share of Corporate and Democratic Core		230	221
<b>Net (Income)/Cost for HRA Services</b>		<b>(1,731)</b>	<b>45,612</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
Loss on sale of HRA non-current assets		1,909	509
<b>HRA share of the financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
Interest payable and similar charges		11,100	8,135
HRA Interest and investment income		-	(32)
Pensions interest cost and expected return on pensions assets		700	410
<b>HRA share of the taxation and non-specific grant income included in the Comprehensive Income and Expenditure Statement:</b>			
Capital Grants and contributions		(19,215)	-
<b>(Surplus) or Deficit for the year on HRA services</b>		<b>(7,237)</b>	<b>54,634</b>

# Housing Revenue Account

## Movement on the Housing Revenue Account Statement

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

	2012/13 £'000	2011/12 £'000
<b>Balance on the HRA at the end of the previous year</b>	(7,244)	(4,993)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	(7,237)	54,634
Adjustments between Accounting basis and Funding basis under regulations	5,448	(56,914)
<b>Net increase before transfers to or from reserves</b>	<b>(1,789)</b>	<b>(2,280)</b>
<b>Transfers to or from reserves</b>	<b>4,788</b>	<b>29</b>
<b>Increase in year on the HRA</b>	<b>2,999</b>	<b>(2,251)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>(4,245)</b>	<b>(7,244)</b>

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

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

	2012/13 £'000	2011/12 £'000
<b>Reversal of items debited or credited to the HRA Income and Expenditure Statement</b>		
Loss on sale of HRA non-current assets	1,909	509
HRA share of contributions to or from the Pensions Reserve	(263)	(807)
Transfer to Major Repairs Reserve: Decent Homes backlog funding	(19,215)	-
Revaluation losses on Property, Plant and Equipment (charged to SDPS)	8,239	(2,350)
Statutory Provision for the repayment of debt (Minimum revenue provision)	(303)	-
Capital expenditure charged against the HRA Balance	-	(631)
Self Financing Debt	-	51,551
Single Status Back-pay funded by Unequal Pay Back-pay Account	(148)	-
Capital receipts not linked to the disposal of an asset	-	(4)
Depreciation transferred to the Capital Adjustment Account	17,508	17,193
Absences accrual transferred to the Accumulated Absences Account	(16)	10
	<b>7,711</b>	<b>65,471</b>
<b>Insertion of items not debited or credited to the HRA Income and Expenditure Statement</b>		
Transfer to Major Repairs Reserve	(13,168)	(8,565)
Transfer to Financial Instruments Adjustment Account, amortisation of deferred discounts	9	8
	<b>(13,159)</b>	<b>(8,557)</b>
<b>Net additional amount required by statute to be debited (credited) to the HRA</b>	<b>(5,448)</b>	<b>56,914</b>

# Housing Revenue Account

## Notes

### 1 DWELLING RENTS

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

	2012/13 £'000	2011/12 £'000
Dwellings	(46,695)	(43,989)
Less: Void properties	408	470
<b>Total Income from Dwelling Rents</b>	<b>(46,287)</b>	<b>(43,519)</b>

Rent loss due to void dwellings was 0.9% in the year (1.07% in 2011/12). The average weekly rent in 2012/13 was £79.64, which was £5.31 above the average for the previous year. This reflects the impact of rent restructuring.

### 2 RENT REBATES

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

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

### 3 NON-DWELLING RENTS

Total income was made up as follows:

	2012/13 £'000	2011/12 £'000
Garages	(2,676)	(2,632)
Less: Void properties	893	849
	(1,783)	(1,783)
Shops	(168)	(153)
Land and Other Buildings	(18)	(77)
<b>Total Income from Non-Dwelling Rents</b>	<b>(1,969)</b>	<b>(2,013)</b>

### 4 HRA SUBSIDY

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.

HRA Subsidy was payable by central government towards local housing costs. Entitlement was 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 on the following page breaks down the various elements of the Notional HRA.

# Housing Revenue Account

## Notes

HRA Subsidy	Note	2012/13 £'000	2011/12 £'000
<i>Notional Expenditure</i>			
Management and Maintenance		-	19,132
Major Repairs Allowance	10	-	8,565
Charges for Capital		-	8,733
		-	<b>36,430</b>
<i>Notional Income</i>			
Rents		-	(42,341)
Other		-	(1)
<b>Notional Surplus</b>		-	<b>(5,912)</b>
Adjustment for Previous Year's Final subsidy Settlement		34	16
<b>Net in Year Subsidy Position - Negative Housing Subsidy payable to government</b>		<b>34</b>	<b>(5,896)</b>

## 5 ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,318 dwellings at the start of the year (11,374 at 1 April 2011). Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2013	31 March 2012
<i>Analysis by Type of Dwelling :</i>		
Houses and Bungalows	6,384	6,418
Flats and Maisonettes	4,855	4,900
<b>Total Dwellings</b>	<b>11,239</b>	<b>11,318</b>
<i>Change in Stock during the Year :</i>		
Stock at 1 April	11,318	11,374
Sales and other Disposals	(79)	(56)
<b>Total Dwellings</b>	<b>11,239</b>	<b>11,318</b>

The number of dwellings at 31 March 2013 includes the Council's interest in shared ownership properties, which is equivalent to 122 wholly owned dwellings (123 at 31 March 2012). In addition, the Council owns 5,493 garages (5,571 at 31 March 2012).

## 6 VALUATION OF HOUSING ASSETS

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

	31 March 2013 £'000	31 March 2012 £'000
<i>Operational Assets :</i>		
Dwellings	512,876	516,291
Other land and buildings	11,879	11,899
Vehicles, plant and equipment	326	473
<i>Non Operational Assets :</i>		
Asset under construction	154	-
<b>Total Value of Housing Assets</b>	<b>525,235</b>	<b>528,663</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 £1,315.1 million at 31 March 2013. The difference of £802.2 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 2013 £'000	31 March 2012 £'000
<i>Operational Assets:</i>		
Dwellings	16,399	16,331
Shared Ownership Dwellings	190	-
Other land and buildings	878	844
Vehicles, plant and equipment	41	18
<b>Total Depreciation</b>	<b>17,508</b>	<b>17,193</b>

### 8 REVALUATION GAINS, LOSSES AND IMPAIRMENTS

	31 March 2013 £'000	31 March 2012 £'000
<i>Operational Assets:</i>		
Dwellings	(16,400)	(24,611)
Other land and buildings	38	-
<b>Total Revaluation (gains)/losses</b>	<b>(16,362)</b>	<b>(24,611)</b>
<i>Operational Assets:</i>		
Dwellings	24,640	21,386
Other land and buildings	562	866
Vehicles, plant and equipment	92	9
<b>Total Impairments</b>	<b>25,294</b>	<b>22,261</b>

The impact on dwellings has been reversed out through the Statement of Movement on the HRA Balance, so there is no impact on the level of actual HRA reserves. However, this is not permissible for non-dwellings.

### 9 CAPITAL EXPENDITURE AND FINANCING

	Note	2012/13 £'000	2011/12 £'000
<b>Analysis of Expenditure and Financing</b>			
Housing		24,661	21,386
Other Property		884	735
Self Financing Debt		-	51,511
<b>Total Capital Expenditure to be Financed</b>		<b>25,545</b>	<b>73,632</b>
<i>Financed from:</i>			
Major Repairs Reserve	10	24,661	7,857
Capital Contributions		-	148
Usable Capital Receipts		-	36
Borrowing – unsupported		884	13,449
Borrowing – self financing		-	51,511
Revenue		-	631
<b>Total Financing</b>		<b>25,545</b>	<b>73,632</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:

	2012/13 £'000	2011/12 £'000
Transfer from the HRA	(13,168)	(8,565)
Decent Homes Backlog Funding received	(19,215)	-
Decent Homes Backlog Funding applied to Capital Expenditure	19,215	-
Amount applied to Capital Expenditure	5,446	7,857
Amount applied to repay debt	930	708
<b>Balance on 31 March</b>	<b>(6,792)</b>	<b>-</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.

The result of this deduction is that only a proportion of the original proceeds of sale are normally available to finance new capital expenditure. An additional sum of £200k has been retained for the 1:1 replacement of social housing. The table below summarises the position for 2012/13.

The requirement to pay clawback on former Commission for New Towns dwellings ceased on 31 March 2012.

	Disposal of former CNT dwellings £'000	Disposal of other Council dwellings £'000	2012/13 Total £'000	Disposal of former CNT dwellings £'000	Disposal of other Council dwellings £'000	2011/12 Total £'000
Gross receipt	744	759	1,503	949	906	1,855
Clawback	-	-	-	(745)	-	(745)
Sale Expenses	(13)	(14)	(27)	(8)	(5)	(13)
Pooled amount	(359)	(367)	(726)	(101)	(674)	(775)
<b>Usable element</b>	<b>372</b>	<b>378</b>	<b>750</b>	<b>95</b>	<b>227</b>	<b>322</b>
Usable, as a % of gross receipt	50%	50%	50%	10%	25%	17%

### 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 73% General Fund and 27% Housing Revenue Account.

### 13 RENT ARREARS

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

	2013 £'000	2012 £'000
Current tenants	1,428	1,302
Former tenants	280	430
<b>Total gross rent arrears</b>	<b>1,708</b>	<b>1,732</b>

# Housing Revenue Account

## Notes

### **13 RENT ARREARS (cont.)**

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 £390,207 at 31 March 2013 (£372,846 at 31 March 2012).

The allowance for bad debts in respect of rents was £560,000 (£245,000 at 31 March 2012).

### **14 EARMARKED BALANCE**

The Council have earmarked part of the HRA balance, for Bad Debts, Treasury Management Risk, and Asset Investment. This brings the earmarked part of the HRA balance to £5,409,000 at 31 March 2013 (£621,000 at 31 March 2012).

### **15 FURTHER INFORMATION**

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

## Collection Fund Account

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.

	2012/13 £'000	2011/12 £'000
<b>Income:</b>		
Income from Council Tax	82,490	81,589
Income collectable from Non Domestic Rate Payers	76,770	74,274
Transfers from the General Fund:		
- Council Tax Benefit	17,107	17,086
	176,367	172,949
Contributions towards previous year's deficit / (surplus):		
- Essex County Council	611	(137)
- Essex Police Authority / Police & Crime Commissioner for Essex	74	(17)
- Essex Fire Authority	37	(8)
- Basildon Borough Council	145	(33)
	867	(195)
<b>Total Income</b>	<b>177,234</b>	<b>172,754</b>
<b>Expenditure:</b>		
Precepts:		
- Essex County Council	69,443	69,552
- Essex Police Authority / Police & Crime Commissioner for Essex	8,736	8,456
- Essex Fire Authority	4,244	4,251
- Basildon Borough Council	16,525	16,539
	98,948	98,798
National Non-Domestic Rates:		
- Payable to National Pool	76,529	74,036
- Cost of Collection	241	238
	76,770	74,274
Bad and Doubtful Debts:		
- Write off of Council Tax	478	457
- Provision for Council Tax Bad Debts	37	-
(Deficit)/Surplus for the year	1,001	(775)
<b>Total Expenditure</b>	<b>177,234</b>	<b>172,754</b>
<i>Movement on Fund Balance :</i>		
Deficit at 1 April	982	207
Deficit for the year	(1,001)	775
<b>Fund Deficit at 31 March</b>	<b>(19)</b>	<b>982</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 / Police & Crime Commissioner for Essex
- Essex Fire Authority
- Basildon Borough Council

Basildon's own precept for the year 2012/13 (£16.524 million) included £369,921 (£359,385 in 2011/12) 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 2012/13 the Council set an average Council Tax levy of £1,548.48 per Band D equivalent property, made up of precepts from authorities as follows:

	2012/13 £	2011/12 £
Basildon Borough Council	252.81	252.81
Parish and Town Councils in the Basildon Borough (average)	5.79	5.62
Essex County Council	1,086.75	1,086.75
Essex Police Authority / Police & Crime Commissioner for Essex	136.71	132.12
Essex Fire Authority	66.42	66.42
<b>Total average Council Tax Band D</b>	<b>1,548.48</b>	<b>1,543.72</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:

	2012/13 £'000	2011/12 £'000
Council Tax	99,597	98,675
Less: Council Tax Benefit	(17,107)	(17,086)
<b>Net Income to Collection Fund</b>	<b>82,490</b>	<b>81,589</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 2012/13 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)	7	7	5/9	4
A	8,793	7,169	6/9	4,779
B	15,248	13,453	7/9	10,464
C	23,339	21,044	8/9	18,706
D	13,847	12,896	9/9	12,896
E	7,077	6,653	11/9	8,131
F	4,433	4,251	13/9	6,140
G	1,870	1,798	15/9	2,997
H	148	133	18/9	266
	<b>74,762</b>	<b>67,404</b>		<b>64,383</b>
				%
				0.75
				(483)
<b>Total Council Tax Base</b>				<b>63,900</b>

Less: Allowance for irrecoverables

### 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:

	2012/13 £'000	2011/12 £'000
Non Domestic Rate (including voids and exemptions)	82,973	79,572
Less: Reliefs, Bad Debts Provision and Other Adjustments	(6,203)	(5,298)
<b>Net Income to Collection Fund</b>	<b>76,770</b>	<b>74,274</b>

The total NNDR rateable value for the Basildon Borough at 31 March 2013 was £190.6m (£191.4 million, 2012). The business rate for 2012/13 was 45.0p per £ of rateable value for small businesses and 45.8p for other businesses (42.6p and 43.3p respectively for 2011/12).

### 5 FUTURE ARRANGEMENTS

Significant changes were made to the arrangements for Council Tax Benefit and National Non-Domestic Rates on 1 April 2013. Fuller information on these changes can be found in the Explanatory Foreword which is published alongside the Statement of Accounts.

# Annual Governance Statement

2012 - 2013





## Leader and Chief Executive Foreword

The council's vision is to create opportunity. This is supported by five promises to local people and formalised in the council's corporate plan for the next four years.

One of the key promises engrained within this is to 'get the basics right'. Ensuring that we get our governance arrangements right is essential to allow us to do this and deliver the other promises set out in the Corporate Plan. How can we deliver good services to our residents without ensuring that we do things properly and with the right checks and balances in place?

In addition to getting the basics right, we maintain a very ambitious agenda and are committed to supporting the local economy and to transforming the Borough through our various regeneration schemes. Our excellent governance arrangements ensure that whilst we embark on challenging programmes and take up exciting opportunities to improve the Borough, these are all embedded on solid governance foundations ensuring that we do things correctly.

We would not be able to collect recycling and refuse as well as we do, or embark on major projects like building a £38m Sporting Village or regenerating our town centres without the right governance being in place. Governance also gives us the opportunity to identify areas for improvement and make any necessary amendments to the way that we work.

It is important that elected representatives understand their roles and the responsibilities bestowed on them by the public. Only last year, councillors signed up to a new code of conduct which confirms the standards expected, the values that we should all keep to and the importance of personal responsibility in decision making. This understanding is the backbone to ensuring that good and proper decisions are made and that the right processes are adhered to.

We also expect the same governance assurances from both our public and private partners whenever we work on projects together.

In conclusion, good governance and financial arrangements give us the solid foundation on which we build our whole programme of work and services. Without them, we could not deliver anything from our most basic services to our more ambitious regeneration projects. This Annual Governance Statement considers the effectiveness of our existing governance arrangements and identifies areas where we can and will do more to continually ensure we have effective governance arrangements which enable the organisation to deliver its promises.

Cllr Tony Ball, Leader of the Council, Bala Mahendran, Chief Executive

## **ANNUAL GOVERNANCE STATEMENT 2012-13**

### **SCOPE OF RESPONSIBILITY**

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

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

The Council has previously approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority’s code is on our website at [www.basildon.gov.uk](http://www.basildon.gov.uk) or can be obtained from the Legal and Corporate Governance service. This statement how the Council has complied with the code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit Regulations 2011, which require the Council to prepare an annual governance statement.

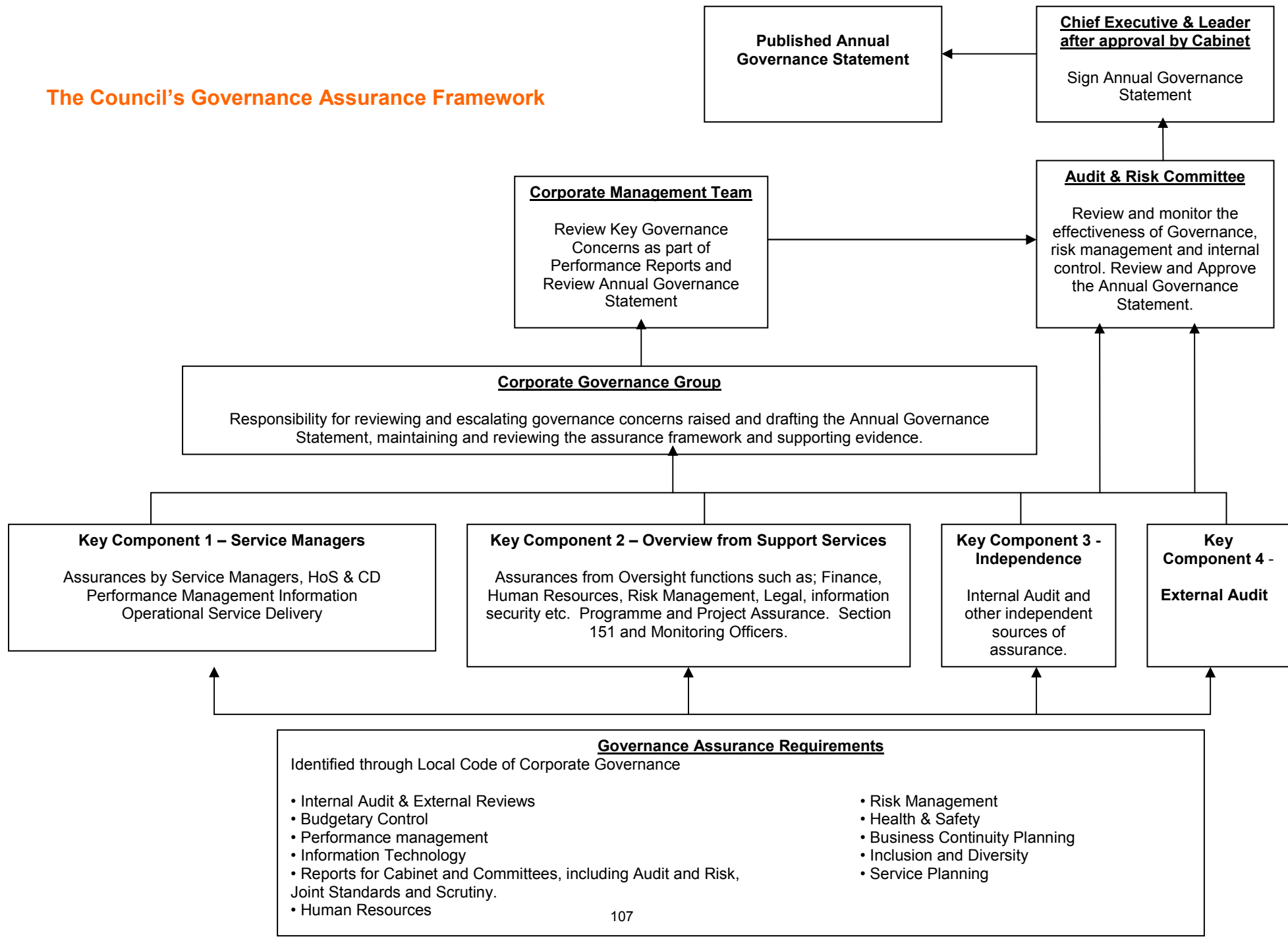
### **PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, services and Value for Money.

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

This statement gives assurances on compliance with Basildon Borough Council’s governance framework for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

**The Council's Governance Assurance Framework**

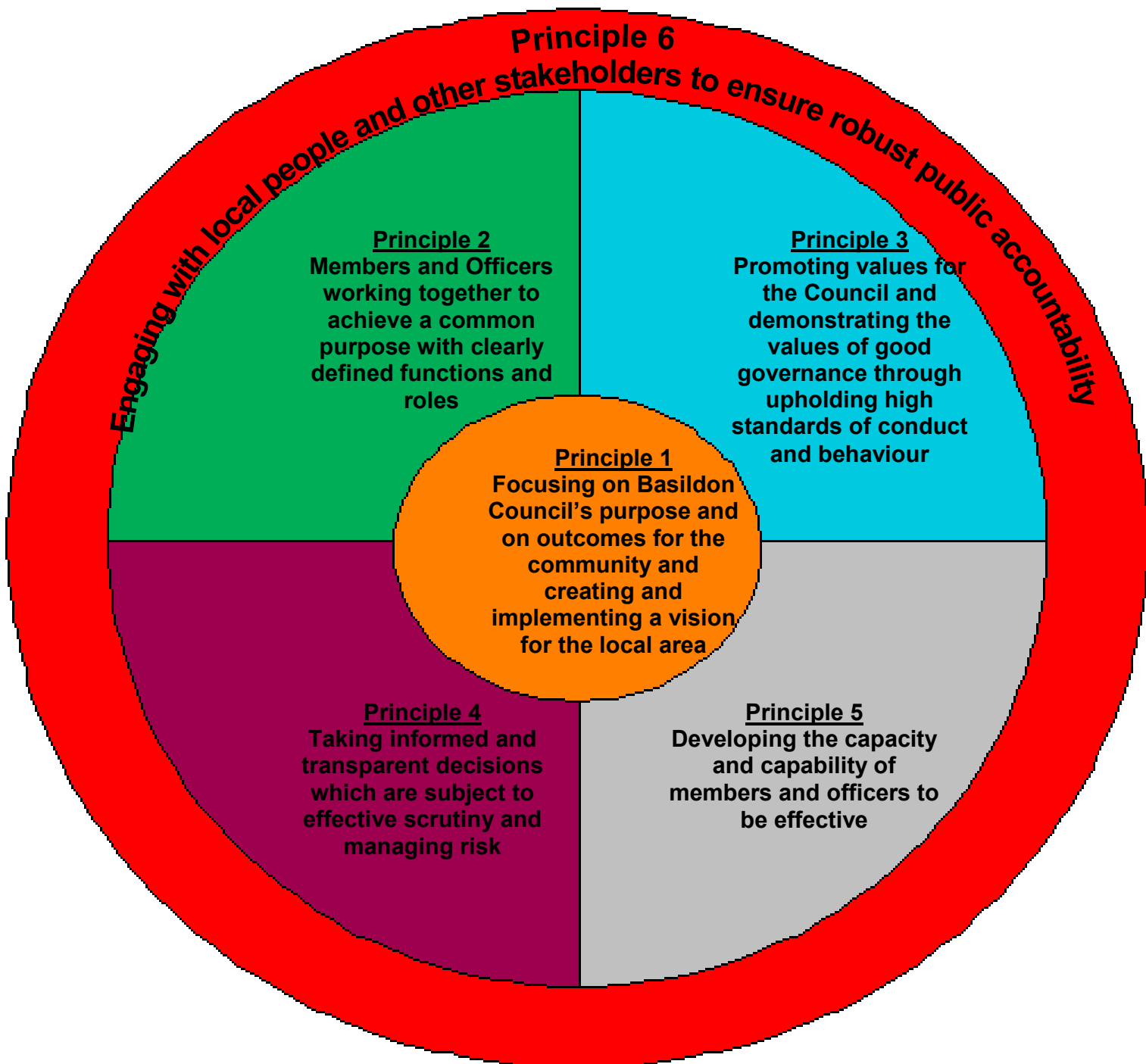


- Governance Assurance Requirements**  
Identified through Local Code of Corporate Governance
- Internal Audit & External Reviews
  - Budgetary Control
  - Performance management
  - Information Technology
  - Reports for Cabinet and Committees, including Audit and Risk, Joint Standards and Scrutiny.
  - Human Resources
  - Risk Management
  - Health & Safety
  - Business Continuity Planning
  - Inclusion and Diversity
  - Service Planning

## The Six Principles of Local Governance:

The six core principles of governance contained in CIPFA/SOLACE Framework Document are detailed below in the diagram and are supplemented by a number of supporting principles.

The Council's governance environment is consistent with the six core principles. For each principle we have identified the Council's commitment and the key elements of assurance together with areas identified for improvement. This is known as the Council's Local Code of Corporate Governance.






**Principle 1 Focusing on the purpose of Basildon Council 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	Areas for Improvement
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	The Council will develop, produce and publicise its strategic vision and objectives through a Corporate Plan and formally review at least every 3 years.	<ul style="list-style-type: none"> <li>• Council's Corporate Plan (4 year plan), Commissioning Plans and Service Business Plans.</li> <li>• Communications Plan</li> </ul>	Review the Council's Consultation and Engagement Policy
	The review of the Corporate Plan will be informed by the views of residents to ensure it is reflective of the borough's needs.	<ul style="list-style-type: none"> <li>• Consultation and Engagement Policy</li> </ul>	
	The Council will annually review the authority's governance arrangements through updating the Local Code of Governance and production of the Annual Governance Statement.	<ul style="list-style-type: none"> <li>• Local Code of Corporate Governance</li> <li>• Annual Governance Statement (AGS)</li> <li>• Annual Audit Report</li> </ul>	
	The Council will commission work through partnerships to develop and produce an agreed Community Strategy with the Council's Partners, underpinned by a common vision of their work. Partnership work will be undertaken using project management methodology.	<ul style="list-style-type: none"> <li>• Community Strategy</li> <li>• Partnership Project Document for specific projects.</li> </ul>	
	The Council will publish an Annual Report communicating the Council's activities and achievements against the Corporate Plan, its financial position, performance and adherence to the Code of Governance.	<ul style="list-style-type: none"> <li>• Annual Report</li> </ul>	Publish an Annual Report which includes a summary from the AGS.
Ensuring that users receive a high quality service whether directly, or in partnership, or by commissioning.	The Council will set and publish the Standards upon which services will be delivered, and will report against performance indicators.	<ul style="list-style-type: none"> <li>• Service standards set through service plans and customer charters</li> <li>• Performance Management Framework</li> </ul>	Develop Council's use of Customer Insight to inform service delivery
	We will use Customer insight, consultation and engagement to inform the standards.		
	The Council will respond to complaints received under the appropriate Council Procedure, with the set service standards.	<ul style="list-style-type: none"> <li>• Complaints procedures</li> </ul>	Review the Council's Consultation and Engagement Policy Review the complaints procedure
	We will monitor and manage performance and service delivery and report our performance.	<ul style="list-style-type: none"> <li>• Quarterly Performance Reporting</li> <li>• Outcomes of Service user surveys</li> <li>• Annual Report</li> </ul>	Review of Performance Management Framework

Supporting Principles	Basildon's Commitment	Key Elements of the Governance Framework	Areas for Improvement
Ensuring that the authority makes the best use of resources and that tax payers and service users receive excellent value for money	We will define how the Council measures value for money and review how we are delivering value for money.	<ul style="list-style-type: none"> <li>• Annual Audit Letter</li> <li>• Internal Audit Value for Money Opinions</li> <li>• Procurement Strategy and Contract Procedure Rules</li> <li>• Annual Report</li> </ul>	Further develop the Council's approach in achieving Value for Money through commissioning plans and transformation programme.

 The annual review of the effectiveness of the Council's Governance Framework and commitment has demonstrated that substantial assurance can be given that the Council's focus is towards outcomes for the Community, through creating and implementing a vision for the local area. The Council recognises, however, the need to drive forward continuous improvement in this area to ensure the Council's arrangements remain effective.

**Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	The Council will maintain and 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.	<ul style="list-style-type: none"> <li>The Constitution</li> </ul>	
	The Council will set out clearly the respective roles of Members and Senior Officers.	<ul style="list-style-type: none"> <li>Member Role Profile Document</li> <li>Job Descriptions for Senior Managers</li> </ul>	<p>Review and publish Member Role Profiles.</p> <p>Publish details of the roles of senior officers.</p>
Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard.	The Council will determine a scheme of delegation and will ensure that this is reviewed at least annually in the light of legal and organisational changes.	<ul style="list-style-type: none"> <li>Constitution and Scheme of Delegation</li> </ul>	Develop a Scheme of delegation database providing clarity of all delegated powers
		<ul style="list-style-type: none"> <li>Standing Orders</li> <li>Financial Regulations</li> </ul>	Review Financial Regulations and associated Financial Procedure Notes
	The Chief Executive of the Council is responsible and accountable to the authority for all aspects of operational managements.	<ul style="list-style-type: none"> <li>Terms and Conditions of employment and Job Description of the Chief Executive.</li> </ul>	
	The Council will have in place protocols for establishing and maintaining effective communication between the Leader of the Council and the Chief Executive.	<ul style="list-style-type: none"> <li>Protocol on Member/ Officer Relations</li> <li>Liaison meetings/briefings</li> <li>Chief Executive Appraisal</li> </ul>	
	The Council will appoint a senior officer (s.151 officer) to be responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control. This officer will also ensure compliance with the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i> and will report on such compliance as part of the Council's Annual Governance Statement	<ul style="list-style-type: none"> <li>Job Description</li> <li>Appointment to position by Full Council.</li> <li>Annual Governance Statement</li> </ul>	
	The Council will maintain an efficient and effective Internal Audit Service, which is compliant with the Public Sector Internal Auditing Standards. The Service will comply with the <i>CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations</i> and report on its compliance as part of the Annual Governance Statement	<ul style="list-style-type: none"> <li>Internal Audit Service, with link to Section 151 Officer.</li> <li>Job description of the Manager of Audit &amp; Risk.</li> <li>Internal Audit Annual Report</li> <li>Manager of Audit &amp; Risk's Quarterly Corporate Assurance Statement on Internal Audit to Members</li> <li>Annual Governance Statement</li> </ul>	

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
	The Council will appoint a senior officer (the monitoring officer) who is responsible for ensuring that agreed procedures are followed and that applicable statutes and regulations are complied with	<ul style="list-style-type: none"> <li>• Job Description</li> <li>• Appointment to position by Full Council</li> </ul>	
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other	Develop protocols to ensure effective communication between members and officers in their respective roles.	<ul style="list-style-type: none"> <li>• Protocol on Member/Officer Relations</li> </ul>	
	The Council will maintain a Scheme of Members' Allowances and will regularly review this through an Independent Remuneration Panel.	<ul style="list-style-type: none"> <li>• Scheme of Members' Allowances</li> </ul>	
	The Council will maintain pay and conditions policies for employees. We will have in a place a formal job evaluation process with the appropriate appeals procedures.	<ul style="list-style-type: none"> <li>• Pay Policy Statement</li> <li>• People Management Procedures</li> <li>• Collective Agreement</li> <li>• Job Evaluations Scheme</li> <li>• Appeals Procedures</li> </ul>	
	The council will set the standards upon which services will be delivered and will monitor and report against such performance.	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Service Standards</li> <li>• Performance Management Framework and quarterly performance reporting</li> <li>• Service Plans</li> </ul>	Customer Experience programme reviewing the service standards set.
	The Council will ensure that the organisation's vision, strategic plans, priorities and targets are developed in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	<ul style="list-style-type: none"> <li>• Consultation and Engagement Framework</li> </ul>	Review the Council's Consultation and Engagement Policy
	The Council will ensure that all key partnerships and alternative service delivery have appropriate governance arrangements in place, reflecting the Council's own governance arrangements.	<ul style="list-style-type: none"> <li>• Alternative Service Delivery Guidance</li> </ul>	Ensure that partnership structures are streamlined and support delivery of the Community Strategy Objectives.
	The Council will issue guidance through a partnership framework, to be followed when considering an alternative service delivery. This guidance will cover: <ul style="list-style-type: none"> <li>• a clear statement of the partnership principles and objectives exists</li> <li>• clarity of each partner's role within the partnership</li> <li>• Definition of roles for partnership board members</li> <li>• Line management responsibilities for staff who support the partnership.</li> <li>• A statement of funding sources for joint projects and clear accountability for proper financial administration.</li> <li>• A protocol for dispute resolution within the partnership.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership Terms of Reference</li> <li>• Partnership Governance Framework</li> <li>• Compact Agreement with the Voluntary and Community Sector</li> </ul>	Continue review, refine and develop partnership arrangements, including with voluntary and community sectors.



The annual review of the effectiveness of the Council's Governance Framework and commitment has demonstrated that **substantial assurance** can be given that Members and officers are working together to achieve a common purpose with clearly defined functions and roles. The Council recognises, however, the need to drive forward continuous improvement in this area to ensure the Council's arrangements remain effective

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

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	The Council will maintain high standards of behaviour and oversee compliance with the Member Code of Conduct through a Joint Standards Committee.	<ul style="list-style-type: none"> <li>• Codes of Conduct for Members and Officers.</li> <li>• Register of Members Interest</li> <li>• Annual Governance Statement</li> </ul>	
	Council officers will comply with the Council's Performance Management Framework for Officers and the Code of Conduct.	<ul style="list-style-type: none"> <li>• Professional bodies' Code of Conduct</li> <li>• Performance Appraisal</li> <li>• Complaints procedures</li> <li>• Counter fraud and corruption policies are up to date and working effectively</li> <li>• Corporate Values and Behaviours</li> </ul>	
	Council Officers will uphold and undertake duties in a proper manner and will put in place arrangements to monitor this.	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Investigation and Disciplinary procedures</li> <li>• Whistle blowing policy</li> <li>• Council Fraud and Corruption Policy</li> <li>• Corporate Investigation Service (IA)</li> <li>• Induction for new members of staff on standard of behaviour expected</li> <li>• Individual Performance Reviews (IPR's)</li> <li>• Performance Management System (Covalent)</li> </ul>	
	Maintain a Register of Officers' Interests.	<ul style="list-style-type: none"> <li>• Register of Interests and gifts and hospitality register</li> </ul>	The Council will review the Officers' Register of Interests.
			Review of individual performance management arrangements
Ensuring that organisational values are put into practice and are effective.	The Council will set values for the organisation and publish these within our Corporate Plan.	<ul style="list-style-type: none"> <li>• Corporate Plan</li> </ul>	
	The Council will have in place arrangements for individuals to raise concerns where they believe that staff do not demonstrate these values.	<ul style="list-style-type: none"> <li>• Codes of Conduct</li> <li>• Induction Training Material</li> <li>• Whistle blowing Policy</li> <li>• Investigation and Disciplinary Procedures</li> </ul>	

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Ensuring that organisational values are put into practice and are effective.	The Council will put in place systems and processes that are designed to conform with ethical standards, and will monitor compliance with these.	<ul style="list-style-type: none"> <li>Codes of Conduct</li> </ul>	
	The Council will maintain a Joint Standards Committee dealing with and reporting on complaints in accordance with the agreed procedures.	<ul style="list-style-type: none"> <li>Terms of reference for Joint Standards Committee</li> <li>Reports to Joint Standards Committee, Cabinet and Council</li> </ul>	
	The values of the Organisation will be set out in our Corporate Plan, taking us back to first principles and helping to guide us as to what decision should be taken. The values will be applied by staff and members, when delivering services for customers and residents including when working in partnership.	<ul style="list-style-type: none"> <li>Corporate Plan</li> <li>Application of Performance Framework</li> <li>Codes of Conduct</li> </ul>	



The annual review of the effectiveness of the Council's Governance Framework and commitment has demonstrated that substantial assurance can be given that the Council promotes its values and demonstrates the values of good governance through upholding high standards of conduct and behaviour. The Council recognises, however, the need to drive forward continuous improvement in this area to ensure the Council's arrangements remain effective

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	The Council will maintain an effective scrutiny function which constructively challenges the Council's Performance and decision making.	<ul style="list-style-type: none"> <li>• Terms of Reference, agenda &amp; minutes for the Overview and Scrutiny Committees</li> <li>• Overview and Scrutiny Annual Report</li> <li>• Quarterly reports to the Commission on performance against key indicators and on the budget position.</li> <li>• Internal Audit Service, which is compliant with the Public Sector Internal Auditing Standards</li> </ul>	Review compliance against the new Public Sector Internal Auditing Standards and report to the Audit and Risk Committee.
	The Council will effectively evidence and record all decisions made in connection with the discharge of its functions and publish these.	<ul style="list-style-type: none"> <li>• Council's Guide to Decision Making</li> <li>• Minutes of meetings, Cabinet Member and Officer Decision Records published on the Council's website</li> </ul>	
	The Council will maintain Registers of Interests for both Members and Officers to ensure that appropriate safeguards are in place. The Council will ensure that these are continually reviewed and reported where necessary and appropriate.	<ul style="list-style-type: none"> <li>• Code of Conduct for Officers and Members</li> <li>• Register of Officer and Member interests</li> <li>• Interests to be declared at the start of all Council meetings (Committee Minutes).</li> </ul>	
	The Council will maintain an effective Audit and Risk Committee that reflects the political composition of the Council, which operates in compliance with CIPFA guidance.	<ul style="list-style-type: none"> <li>• Audit and Risk Committee Terms of Reference and membership</li> <li>• Specific training provided to Committee Members</li> <li>• Chairman's Annual Report to full Council demonstrating compliance to the guidance.</li> <li>• Manager of Audit &amp; Risk's Annual Report to the Audit &amp; Risk Committee</li> </ul>	
	The Council will maintain and publish a transparent complaints procedure, where all complaints are investigated in a robust and timely manner.	<ul style="list-style-type: none"> <li>• 'Have Your Say' Complaints Procedure.</li> <li>• Monthly Customer Service performance reports</li> <li>• Quarterly reports to Overview and Scrutiny.</li> <li>• Annual report to Appeals and General Purposes Committee</li> </ul>	Review Complaints Procedure.
Having good quality information, advice and support to ensure that services are delivered	The Council will ensure that all appropriate information and consultations are provided to enable Officers and Members to make informed and transparent decisions. This will include the legal, risk and financial implications of the decisions to be considered together with any additional professional advice.	<ul style="list-style-type: none"> <li>• Council's Guide to Decision Making, report author's guide for Committee Reports and ODR/CMDR's, with standard templates.</li> </ul>	



Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	Members inducted to ensure they can fulfil and understand their duties.	<ul style="list-style-type: none"> <li>• Induction of all new members</li> <li>• The requirement to document the legal, risk and financial implications within reports and decision records.</li> <li>• Timely consultation through Modern.gov</li> <li>• Published Committee Agendas and Minutes</li> <li>• Published Decisions Records (ODR/CMDRs)</li> </ul>	
		<ul style="list-style-type: none"> <li>• Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, evidenced through the Annual Governance Statement.</li> <li>• Compliance with Monitoring Officer Requirements.</li> </ul>	
Ensuring that an effective risk management system is in place	The Council will ensure that effective risk management is embedded across the Council and its decision making processes	<ul style="list-style-type: none"> <li>• Risk Management Framework and strategy, which clearly documents the roles and responsibilities for risk management. Reviewed annually and approved by Audit &amp; Risk Committee.</li> <li>• Risk Management Toolkit</li> <li>• Training to Members and Officers</li> <li>• The Council's Risk Register</li> <li>• Performance Reports to Department Management Teams and Corporate Management Team.</li> <li>• Risk Management update reports to the Audit &amp; Risk Committee</li> <li>• Member led Risk Management Working Group</li> <li>• Manager of Audit &amp; Risk's Quarterly Corporate Assurance Statement on risk management</li> </ul>	Review of Risk Management Policy & Strategy.
	The Council will maintain appropriate financial standards and regulations and ensure compliance with these.	<ul style="list-style-type: none"> <li>• Financial Regulations and Standing Orders</li> <li>• Service Managers quarterly Governance Assurance Statements</li> </ul>	Review of Financial Regulations and Financial Procedure Notes.  Review of assurances sought on quarterly governance statement
	The Council will maintain effective Counter Fraud and Corruption Arrangements and will investigate suspected or identified fraud.	<ul style="list-style-type: none"> <li>• Counter Fraud &amp; Corruption Framework, Money Laundering Policy, Benefit Fraud Sanctions Policy. Published internally and externally.</li> <li>• Manager of Audit &amp; Risk's Quarterly Corporate Assurance Statement on Counter Fraud Arrangements</li> </ul>	



Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Ensuring that an effective risk management system is in place	The Council will maintain arrangements for employees, contractors, partners and members of the public to raise concerns through a whistle blowing Policy and procedure	<p>Investigation procedure through Internal Audit and Revenue Service</p> <ul style="list-style-type: none"> <li>• Annual Report to the Audit &amp; Risk Committee from the Manager of Audit &amp; Risk.</li> <li>• Whistle blowing policy, which is annually reviewed. Published internally and externally.</li> </ul>	
Using their legal powers to the full benefit of the citizens and communities in their area	The Council recognises the limits of lawful activity, but will strive to utilise our powers to the full benefit of the community, whilst observing the specific requirements of legislation and the general responsibilities placed on authorities by public law.	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegation</li> <li>• Monitoring Officer Provisions</li> <li>• Corporate Governance Framework</li> <li>• Quarterly Service Based Assurance Statements</li> <li>• Committee Reports/ODR/CMDR detailing legal obligations and advice.</li> <li>• Timely consultation through Modern.gov</li> </ul>	
	Ensure that procedures are in place to identify and implement new and changing legislation	<ul style="list-style-type: none"> <li>• Horizon Scanning Process</li> <li>• External Funding Framework</li> <li>• CMT &amp; OMT - Briefing Notes and presentations delivered to/by Officers, Chairman of Corporate Governance Group and Monitoring Officer.</li> <li>• Subscriptions to various update services</li> </ul>	Introduce formal process for tracking implementation of new legislation



The annual review of the effectiveness of the Council's Governance Framework and commitment has demonstrated that **substantial assurance** can be given that the Council takes informed and transparent decisions which are subject to effective scrutiny and management of risk, The Council recognises, however, the need to drive forward continuous improvement in this area to ensure the Council's arrangements remain effective.

**Principle 5**      **Developing the capacity and capability of members and officers to be effective**

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
<p>Making sure that members and officers have the skills, knowledge, experience and resources they will need to perform well in their roles.</p>	<p>The Council will ensure that Members and Officers receive both induction training and continued professional development to ensure that they maintain their skills and knowledge to effectively execute their duties.</p>	<ul style="list-style-type: none"> <li>• Member and officer induction.</li> <li>• Corporate training and development programme, including E-learning modules for officers</li> <li>• IPR and training development plans for Officers</li> <li>• Corporate Training Budget</li> <li>• £250k invested to support staff through change periods</li> <li>• Quarterly statements completed by Service managers providing assurance performance management framework complied with, including development and training.</li> <li>• Project based training and skills needs analysis (for example undertaken as part of customer experience and migrating to new customer service centre).</li> </ul>	<p>Review Member Training Programme in light of revised Role Profiles for Members</p> <p>The High Performing Organisation (HPO) stream will address many aspects of staff performance; it will include an analysis of the learning, training and development needs of the organisation, to ensure continued delivery of the Corporate Plan</p>
	<p>The Council will ensure that it appoints specific individuals to statutory positions and that these individuals have the appropriate skills, resources and support to effectively perform their roles.</p>	<ul style="list-style-type: none"> <li>• Where necessary, statutory officers appointed and approved by Full Council</li> <li>• Supported by training and development</li> <li>• Individuals for various statutory roles appointed through the Council and standard recruitment process</li> </ul>	
<p>Developing capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</p>	<p>The Council will regularly assess the skills of Members and Officers with regards to governance and will assist individuals to develop those skills to enable them to perform their roles effectively.</p>	<ul style="list-style-type: none"> <li>• Member and officer induction programme</li> <li>• Corporate training and development programme, including E-learning modules for Officers</li> <li>• IPR and training development plans for Officers</li> <li>• Member Development Programme</li> <li>• People Strategy and Action Plan</li> </ul>	<p>Review Member Training Programme in light of reviewed Members' Role Profiles</p> <p>Application of Performance management framework</p> <p>Undertake a Skills Audit</p>
	<p>Where appropriate, Members and Officers may seek expert advice from outside the Council in order for them to effectively perform their duties.</p>	<ul style="list-style-type: none"> <li>• Expertise and experience procured as and when need identified</li> <li>• Training and development budget to enable members and staff to attend appropriate conferences workshops, etc. to learn from others</li> </ul>	

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	The Council wishes to encourage all sections of the community to engage with, contribute to and participate in the work of the Council and will assist and make information available to those that express an interest.	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Council's 'Becoming a Councillor' Guide</li> <li>• Strategic Partnership Framework</li> <li>• Stakeholder forums</li> <li>• Resident panels</li> </ul>	



The annual review of the effectiveness of the Council's Governance Framework and commitment has demonstrated that adequate assurance can be given that the Council is developing the capacity and capability of members and officers to be effective. This has been on-going for services through continual development and on a specific project basis; however the High Performing Organisation work stream will place more emphasis on the future needs of the Council.

Principle 6		Engaging with local people and other stakeholders to ensure robust public accountability	
Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	The Council will maintain and develop an effective scrutiny function and submit an annual report on the function's activities to Full Council.	<ul style="list-style-type: none"> <li>Overview and Scrutiny Function, including task and finish reviews and Overview and Scrutiny Annual Report</li> </ul>	
	The Council will continue to support the existing diversity forums and encourage their participation in Council's decision making processes	<ul style="list-style-type: none"> <li>Service specific consultation</li> <li>Focus Groups/forums</li> <li>Fairness for All Scheme</li> </ul>	<p>Review the current diversity forums' Terms of Reference to ensure that they reflect the forums' roles in influencing the Council's decision making processes</p> <p>Provide briefing sessions to all forums on their roles and responsibilities in influencing the Council's decision making process</p>
	The Council will continue to engage all sections of the community and will use comments and feedback to inform Council policy and practice	<ul style="list-style-type: none"> <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> <li>Complaints Procedure</li> </ul>	Review Council's Consultation and Engagement Policy.
Taking an active and planned approach to dialogue and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	The Council will have clear channels of communication in place with all sections of the community and other stakeholders and will monitor these to ensure that they are operating effectively, take into account different priorities and conflicting demands.	<ul style="list-style-type: none"> <li>Community Strategy</li> <li>Stakeholder Forums</li> <li>Public Consultations</li> <li>Fairness for All</li> <li>Reputation Tracker Survey</li> <li>Quality of Life Survey</li> </ul>	Review Council's Consultation and Engagement Policy
	The Council will define the types of issues it will consult and engage on and how it will use the information and feedback.		Review Council's Consultation and Engagement Policy
	The Council will annually produce information on its vision, strategic plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users.	<ul style="list-style-type: none"> <li>Corporate plan</li> <li>Annual Report</li> <li>Statement of accounts</li> </ul>	Review Council's Consultation and Engagement Policy.

Supporting Principles	Basildon's Commitment	Key elements of the governance framework	Areas for Improvement
	The Council will be open and transparent in all of its dealings.	<ul style="list-style-type: none"> <li>Meetings held in public, within the constraints of legislation regarding the consideration of exempt and confidential information.</li> <li>Corporate Plan</li> <li>Commissioning Plans and Service Business Plans</li> <li>Annual Report</li> <li>Constitution</li> </ul>	
		<ul style="list-style-type: none"> <li>Scheme of Delegation</li> <li>Committee Agenda &amp; Minutes/ODRs/CMDRs</li> <li>Publication Scheme</li> <li>Access to Information procedures</li> <li>Council's Website</li> </ul>	
Making best use of human resources by taking an active and planned approach to meet responsibilities to staff	The Council will consult with its staff and their representative in decision making.	<ul style="list-style-type: none"> <li>Constitution</li> <li>Collective Agreement</li> <li>HR PMPs</li> <li>Staff surveys</li> </ul>	



The annual review of the effectiveness of the Council's Governance Framework and commitment has demonstrated that adequate assurance can be given that the Council is engaging with local people and other stakeholders to ensure robust public accountability, however, areas have been identified to enhance these arrangements, with work already underway to produce the outstanding consultation and engagement policy.

## ANNUAL REVIEW OF THE EFFECTIVENESS OF GOVERNANCE FRAMEWORK

The Council has responsibility for conducting an annual review of the effectiveness of our governance framework. The review of effectiveness is informed by the work of the senior managers' 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.

In preparing the AGS 2012/13, the assurance gathering processes detailed on page 3 have been applied to maintain and review the effectiveness of the Council's governance framework and areas of improvement have been identified and detailed under each of the 6 principals on pages 6 to 17.

The outcomes of the review are considered by the Audit Committee before being presented to Cabinet.

### The Corporate Governance Group has the responsibility for:

1. overseeing the implementation and monitoring the operation of the local code of corporate governance;
2. maintain and update the code in light of latest guidance on best practice;
3. reporting annually to Corporate Management Team and Members on compliance with the code and any changes that may be necessary to maintain and ensure its effectiveness in practice.

### The review of compliance with the governance framework has involved:

1. review of the latest position on the core principles by lead officers
2. review of the overall assessment by the Corporate Governance Group
3. discussion of the draft compliance assessment and significant governance issues with Commissioning Directors and at Corporate Management Team.
4. review of the draft annual governance statement by the Audit & Risk Committee.

### 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) 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.

### The Role of the Information Security Officer

The Council annually obtains external assurances on the Council's IT infrastructure. The Council has in place a comprehensive external assurance assessment process to ensure that the electronic data is secure and configured to current best practice to protect the organisation. The results of these assurances provide for a positive (Adequate) opinion, but there are opportunities for improving the internal control environment to further mitigate risks.

### The Role of the Manager of Audit & Risk

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

The Manager of Audit & Risk is satisfied that sufficient work has been undertaken to allow her to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based on the work performed during 2012/13 and other sources of assurance, the Manager of Audit & Risk can provide adequate assurance that the Council's risk management, control, counter fraud and governance processes, in operation during the year to 31 March 2013, accords with proper practice and is fundamentally sound, although there are opportunities to improve the arrangements to enhance the Council's governance framework.

Within the audit reports issued to management opportunities to improve the Council's control and governance arrangements have been made. Although progress is being made by management in implementing recommendations, there are a large number of recommendations which are now past their due date. In addition the Manager of Audit & Risk is concerned that evidence is not being provided to support the implementation of recommendations.

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. As in previous years, it is considered that the Council has effective arrangements in place for the provision of the Internal Audit Service, although the service has had a vacancy for 6 months which resulted in 6 projects due for completion in 12/13 being deferred to 13/14. The service was considered to be 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.

The Manager of Audit & Risk is in the process of completing an assessment of the extent to which the Service is compliant with the new Public Sector Internal Auditing Standards, which came in to force from 1<sup>st</sup> April 2013. The Manager of Audit & Risk will be reporting the results of this Assessment to the Audit & Risk Committee once completed.

Full details of the assurance provided by the Manager of Audit & Risk is detailed within the Internal Audit Annual Report 2012/13.

## GOVERNANCE ISSUES RAISED IN PREVIOUS YEARS - PROGRESS

Background	Agreed Action	Direction of Travel	Outstanding actions
		<p style="color: green; margin: 0;">Green – on track</p> <p style="color: orange; margin: 0;">Amber – progress required</p> <p style="color: red; margin: 0;">Red – major concerns</p>	
Clarifying the Council’s vision and priorities	Review of Corporate Strategic Improvement Plan to be completed and approved by Full Council	<b>Green</b>	No outstanding action – New Corporate Plan adopted by Council in December 2012.
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	<b>Green</b>	As part of the Council’s Transformation Programme, the High Performing Organisation Workstream will be reviewing the processes relevant to individual performance. The scope of the work has been defined and a detailed Project Initiation Document (PID) sets out the actions and timescales.
A full review is taking place on the training provided to all staff to better fit the direction of travel for the Council	Meetings both internally with stakeholders and Partners to establish future training requirements	<b>Green</b>	As part of the Council’s Transformation Programme, the High Performing Organisation Workstream will be reviewing the learning, training and development needs of the organisation, to ensure delivery of the proposed Corporate Plan and in order to provide resilience in future service delivery. The scope of the work has been defined and a detailed PID sets out the actions and timescales
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	<b>Green</b>	The Business Planning Process is under review in line with the Council’s new Corporate Plan. As part of this process the links to the associated budgets are being improved through the introduction of the new Policy Based budgeting approach, a staged process over the forthcoming year, providing increased understanding of services costs.
Maintaining a list of Statutory Obligations ensuring awareness and compliance.	Produce a list of statutory obligations and responsible officers.	<b>Green</b>	A review of the same matter was undertaken by CLG which found that the list was incredibly exhaustive and therefore could not meaningfully be progressed. The same view was taken against this specific action and therefore it was not progressed.



Background	Agreed Action	Direction of Travel	Outstanding actions
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	Green	No outstanding action - Training provided to Borough and Local Councillors on new arrangements through various sessions. Rolling training programme is delivered as part of the Monitoring Officer and Joint Standards Committee functions.
Scheme of Delegation	Provide assurance that the new scheme of delegation arrangements are operating effectively	Green	Internal Audit review scheduled to be undertaken in early 2013/14 to provide assurance regarding the effectiveness of the arrangements and the level of awareness against the new corporate delegation database.
Consultation Arrangements	Review the Council's consultation arrangements to ensure a consistent effective approach to consultation exercises.	Amber	Review of Council's Consultation and Engagement Policy commenced in early 2013/14. <b>Confirmation that this area for improvement is carried forward to action under this annual governance and Local Code review.</b>
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	Reviews of the Basildon Community Strategy and Corporate Strategic Improvement Plan	Green	No outstanding actions – Community Strategy and Council's Corporate Plan approved by Full Council
Review and improve the partnership governance statement to include a question relating to risk management arrangements as recommended by the Audit and Risk Committee and undertake a review of the Council's partnership arrangements.	Assess and audit the Council's partnerships and produce a draft framework for adoption.	Amber	Gaps identified and consultation undertaken, relevant guidance to be issued potentially forming a partnership framework incorporating any issues identified through the Audit. <b>Confirmation that this area for improvement is carried forward to action under this annual governance and Local Code review.</b>

## GOVERNANCE AREAS FOR IMPROVEMENT FOR 2013/14

This Annual Governance Statement identifies a number of areas which the Council wishes to improve that have arisen from assessments into the Council's governance arrangements for 2012/13. The areas detailed in the table below have been deemed to be significant areas for improvement by the Corporate Governance Group, Section 151 and Monitoring Officer and will be addressed during 2013/14.

Key Improvement Area	Lead	Reporting through	Completion Date
<b><u>Financial Sustainability:</u></b>			
Further develop Council's approach in achieving Value for Money through commissioning plan and transformation.	Kieran Carrigan	Corporate Management Team	February 2014
<b><u>Policy and Performance Management</u></b>			
Introduce formal process for tracking implementation of new legislation	Paul Burkinshaw	Corporate Governance Group	July 2013
Timely implementation of Internal Audit recommendations, together with providing appropriate evidence to support this.	All Service Managers	CCG, CMT, Audit & Risk Committee	Immediately
<b><u>Partnership working:</u></b>			
Review partnership structures to ensure they are streamlined, support delivery of the Council's objectives and have appropriate governance arrangements in place.	Dawn French	Corporate Governance Group	December 2013
<b><u>Engaging Local People:</u></b>			
Review the Complaints Procedure	Lee Washbrook	Customer Experience Programme	July 2013
Review of Service Standards as part of Customer Experience Programme	Lee Washbrook	Corporate Management Team	Ongoing during the programme
Review the Council's Consultation and Engagement Policy	Paul Burkinshaw	Corporate Governance Group	January 2014
<b><u>Officers and Members:</u></b>			
Develop a Scheme of Delegation Database providing clarity on all delegated powers.	Paul Burkinshaw	Corporate Governance Group	July 2013

Key Improvement Area	Lead	Reporting through	Completion Date
Review and publish Member Role Profiles and arrangements for Member training and development	Paul Burkinshaw	Overview and Scrutiny Commission	December 2013
Through High Performing Organisation - Review the learning, training and development needs of the organisation, ensuring continued delivery of the corporate plan.	Debbie Whitehead	Corporate Management Team	December 2013
Review the processes relevant to individual performance management	Debbie Whitehead	Corporate Management Team	March 2014

To ensure continuous improvement of the governance systems, the above Action Plan has been put in place to address the weaknesses of the review of effectiveness of the governance framework and the significant issues for improvement identified. Regular 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.

### CERTIFICATION

We have been advised on the implications of the review of the effectiveness of the governance framework by the Corporate Governance Group and the Audit & Risk Committee and the revised and updated Local Code of Corporate Governance. Actions identified to address the weaknesses to ensure continuous improvement of the Council's systems are in place.

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 that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Leader of the Council:** \_\_\_\_\_

**Chief Executive:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Date:** \_\_\_\_\_



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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.

## **Going Concern**

A company or organisation intends to continue its business and is able to do so. Or, A **going concern** is a business that functions without the threat of liquidation for the foreseeable future, usually regarded as at least within 12 months.

## **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.

# Glossary

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

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

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

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

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

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

## **Impairment**

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

## **Insurance Pool**

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

## **Intangible Assets**

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

## **Leasing - Finance and Operating**

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

## **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

## Glossary

no minimum revenue provision for HRA debt. Authorities are free to make additional voluntary provision from the General Fund or the HRA, or from capital resources.

### **Net Cost of Services**

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

### **Non-distributed Costs**

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

### **Non-Domestic Rates**

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

### **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 Borough require to be paid from the Collection Fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all precepts levied on the Billing Authority.

### **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.

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### **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.

### **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.