

Annual Financial Report

2015-16

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Introduction from the Leader and the Chief Executive

It gives us great pleasure to introduce the Annual Financial Report for 2015/16.

The first Basildon Masterplan was approved 65 years ago in 1951. While much of the post war economy struggled the new town prospered. Many things have changed in the intervening years but the ambition of those who founded Basildon still resonates in what the Council does today. The Borough is the second largest economy in the Thames gateway; the largest being Canary Wharf. We are home to world leading manufacturing and engineering firms. This prosperity is a testament to the people who have worked here over the years building an area where others want to come to live and work.

The landscape and challenges for local government have evolved significantly over recent years and it is widely accepted that local government is in a period in which it will have to fundamentally reshape the way that it operates. This will require us to continue on our journey of transformation. The continued effective delivery of outcomes will be reliant on integrating our financial and strategic planning to ensure that they focus on the delivery of the commitments set out in our corporate plan.

We are ambitious for the Borough and its residents. Our major achievements over the past year are set out in our Annual Report (to be made available on the website) but we would choose to highlight the following

- The continued progress of our ambitious regeneration initiatives have seen the completion of Phase 1a of Acacia Park and the continued delivery of Phase 1b. Significant progress has been made towards bringing a new College campus to Basildon Town Centre which includes the creation of a new market. We have also seen the completion of the rebuild of the Triangle shops at Lincewood Court, the completion of the first phase of works in Pitsea and we are working with partners in the development of the centre of Laindon.
- Agreement for the co-location of the Department of Work and Pensions in the Basildon Centre as part of the development of our community hub.
- The commencement of trading by Sempra Homes with a developing business plan to deliver 300 homes over 4 years.
- The issue of the draft Local Plan for consultation in January 2016.

Despite the challenges we face this ambition will remain. The results set out in the financial statements demonstrate that we continue to be financially well managed and our prudent approach means that we have a level of reserves that can help to manage our risks and provide some resilience against future financial challenges. We are fully aware of the financial challenges we face over the coming years (a projected £9 million shortfall in resources in 2019/20) including reductions in government funding, a revised new homes bonus scheme and 100% retention of business rates by the sector as a whole. The Council has set its strategy in this respect and we are currently working hard to deliver that strategy and to deliver the outcomes identified in the Corporate Plan. We are confident that the challenge can be met in a managed way but some difficult decisions may have to be made.

We are very clear that we are the custodians of public money. This money is used to provide services for our community and in particular to deliver our strategic priority of "Creating Opportunity, Improving Lives". We are also clear that the Council needs its' staff to draw on their expertise and experience over the coming years to respond to the challenges ahead. We have a programme in place, "Future:Basildon" to transform the way the Council operates. We will support our staff through this process and in return we expect a commitment from them to manage the challenges we face to ensure continued positive outcomes for our residents.

To give some real examples of the delivery of our strategic priority we conclude with comments from two of our service users demonstrating how we can influence people's lives for the better.

"I've been homeless for over two years. Now, at last, thanks to the council, I have a chance of getting accommodation and moving forward. Thank you."

"The crunch lorry has just been to our area and the operator is an absolute credit to the council. He was polite, courteous and went above and beyond, helping both me and others to clear our recycling. I wanted to let you know how well your staff look after Basildon's people"

Phil Turner
Leader of the Council

Bala Mahendran
Chief Executive

Strategic Report

OPERATING ENVIRONMENT

ECONOMY AND SOCIETY

Basildon Borough is the largest district authority in Essex with a population of 180,500 people – just over 12% of the total Essex population. By 2031 the population is expected to have grown to 194,600 people and will continue to have a higher proportion of under-15s than the England average. 28% of Basildon's population is aged 55+ and this is projected to rise to 34% by 2030, there are 3,800 residents aged 85 and over and this is due to increase to 7,200 over the same period.

The Basildon economy one of the largest in Essex, producing up to 20% of the county's GDP and a quarter of its manufacturing outputs. The A127 corridor, which provides 40,000 jobs, is the second biggest employer in the Thames Gateway (behind Canary Wharf) and also the second largest in the East of England (surpassed only by Cambridge). The main employment sectors are public administration, education and health (23.5%), wholesale and retail services (20.4%) and financial services (21.6%) as well as world leading engineering and technology firms. In order to maintain this competitive advantage the Council seeks to attract investment which will stimulate growth in evolving and developing business sectors, allowing for secure future prosperity and job density. As well as this, the Council will support existing business to diversify and grow.

The Borough has a large number of high value jobs, however these are difficult to access by residents who have one of the lowest levels of skills in Essex. Educational attainment at both primary and secondary school levels falls just below the Essex average, although this is much more significant with regards to secondary schools in the borough. In 2015 51% of secondary school pupils achieved 5 or more grades A*- C, including Maths and English. The Essex average for this measure, as of 2015, was 58% and the national average was 53%.

There are 75,450 homes in the Borough – this is 10% of the housing stock in the Greater Essex area (including Southend and Thurrock). The Borough offers a cost effective housing option for those commuting into London for work, whilst offering many jobs and recreational activities in the Borough itself for those who live and work more locally.

On a national level the localism, decentralisation and devolution agenda followed initially by the Coalition Government and now by the current Conservative Government has had a profound effect on both the role and responsibilities of the Council and the resources it has to deliver services.

Continued austerity measures aimed at reducing the public sector deficit have and will continue to influence the resources that are made available to the Council. The forecast position is that the annual savings required will have reached £9 million by 2019/20.

The increasing levels of personal debt being observed nationally are reflected at the local level. Wages have largely stagnated in the Borough and, despite low inflation, prices have outstripped wage increases for many. Dependence on welfare sources for income is high and the current policy of reducing such payments could add to the pressure many households are already facing.

For levels of overall deprivation according to the 2015 Index of Multiple Deprivation, Basildon is ranked as the 3rd most deprived of the Essex boroughs (after Tendring and Southend). The Borough has 12 small areas that fall within the 10% most deprived in England – this is 11% of all Basildon areas. In addition there are 15 small areas in the 10% least deprived in England which is 14% of all areas in Basildon. This demonstrates the stark range of deprivation levels that exist across the borough.

An ageing population is having a profound impact on the structure of our communities and placing a strain on public services, 11,000 of our over 65s live alone and are at risk of being isolated from society and over 2,000 of this group have been diagnosed as having dementia.

It is essential that the Council embraces new technologies to deliver its services in the future. This involves nudging customers away from face to face and telephone interactions towards internet based facilities. Significant progress has been made towards this but more needs to be done and, for example, a payment strategy is currently being developed to deliver this transition over the short to medium term.

Strategic Report

ENVIRONMENT

The Council has direct responsibilities for the environment through its role as a planning authority and as a recycling and waste collection authority. Recycling rates in the Borough are at a five year average of 52.5% which compares favourably to national averages. The Council has established a Corporate Energy Board which has responsibility for the rationalisation of energy management across the whole of the Council's estate.

The Council owns and promotes the use of

- Parks, recreation grounds and country parks – 545.4 hectares
- Open spaces (unrestricted access) – 207.8 hectares

In addition it manages

- Open spaces (restricted access) – 273.4 hectares
- Cemeteries – 15.25 hectares
- Allotments – 9.0 hectares

The Council is responsible for 4 Sites of Special Scientific Interest at Norsey Wood, Wat Tyler Country Park, Pitsea Mount and Mill Meadows in Billericay.

CORPORATE PLAN

The corporate plan approved in December 2012 has recently being revised and updated and now covers the period 2016 to 2020.

The Council's vision statement is 'Basildon Borough Council is committed to improving the lives of our residents and creating opportunity and prosperity for local people and local businesses'.

There are three core principles that underpin everything that the Council does. These are

- 1) Get the basics right
- 2) Value for money and strong governance
- 3) Working with others

The plan makes five promises to the residents and businesses of the Borough

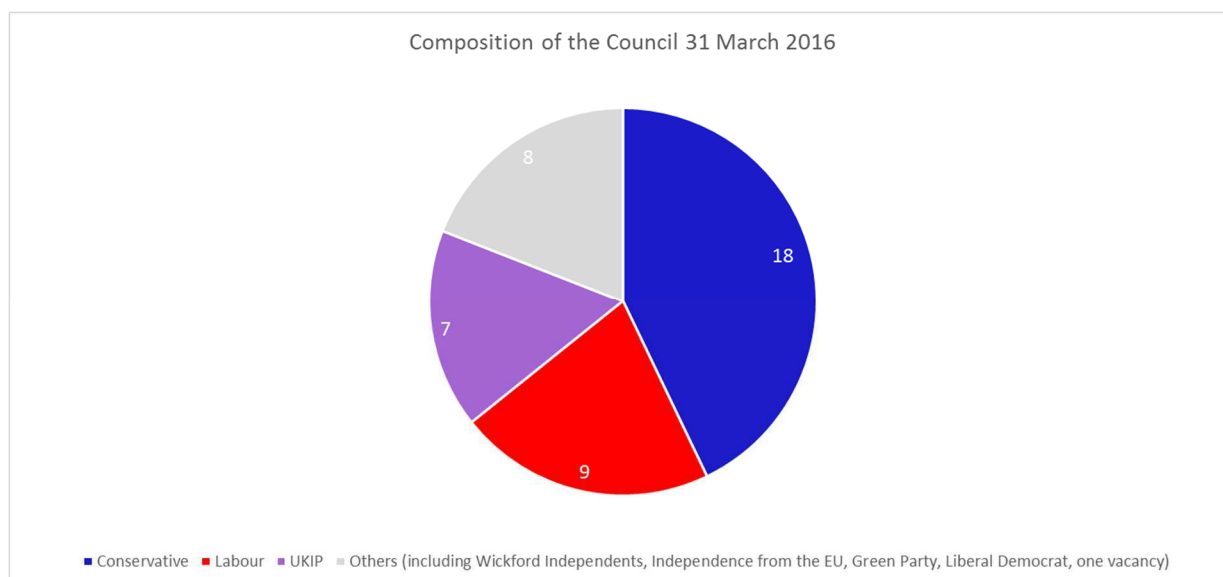
- 1) We will support residents to develop stronger communities
- 2) We will enhance and build pride in the local environment
- 3) We will regenerate town centres and ensure quality homes for residents
- 4) We will help grow the local economy
- 5) We will endeavour to keep communities safe and healthy

The plan provides for the delivery of outcomes that focus on the key issues that arise from the analysis of the Council's operating environment.

POLITICAL STRUCTURE

The Council has 42 elected councillors. At the end of the year the political composition was as set out in the chart below:

Strategic Report



Councillor Don Morris was Mayor of the Council for the municipal year 2015/16 and the Leader of the Council at 31 March 2016 was Councillor Phil Turner.

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 budget set by Council 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. On 31 March 2016 the Cabinet consisted of seven Members of the Council, all of whom were members of the Conservative group. They held specific areas of responsibility as indicated below:

- Leader of the Council – *Councillor Phil Turner*
- Deputy Leader of the Council and Arts and Leisure – *Councillor Kevin Blake*
- Resources – *Councillor Stuart Sullivan*
- Regeneration and Planning – *Councillor Richard Moore*
- Environment and Community – *Councillor Terri Sargent*
- Housing and Community Safety and Assistant to the Leader – *Councillor Anthony Hedley*
- Policy Overview and Organisational Delivery – *Councillor David Dadds*

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 sub-committees played a key role in holding the Executive to account, monitoring the performance of the Council and undertaking task and finish reviews on specific topics. 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 treasury management, risk management and financial reporting processes. It reviews and approves the Statement of Accounts following the completion of the audit process. For information on the current Council, its councillors and committee structure, please visit the website at <http://www.basildon.gov.uk>.

ORGANISATIONAL STRUCTURE

The Council's management arrangements reflect an operating model commonly seen in other public services in that it follows a Gold (strategic), Silver (tactical) and Bronze (operational) approach. The Gold level at 31 March 2016 consisted of the Chief Executive, two Commissioning Directors, two interim Directors and the Head of Executive Support Services. The role of Section 151 Officer was fulfilled by a Commissioning Director and the Head of Executive Support Services was the nominated Monitoring Officer. Silver (tactical) comprises four Heads of Service, six Group Managers, and the Marketing and Communications Interim Manager. The salaries paid to and benefits received by the Officers in the Gold and Silver levels are set out in Note 14 to the Statement of Accounts.

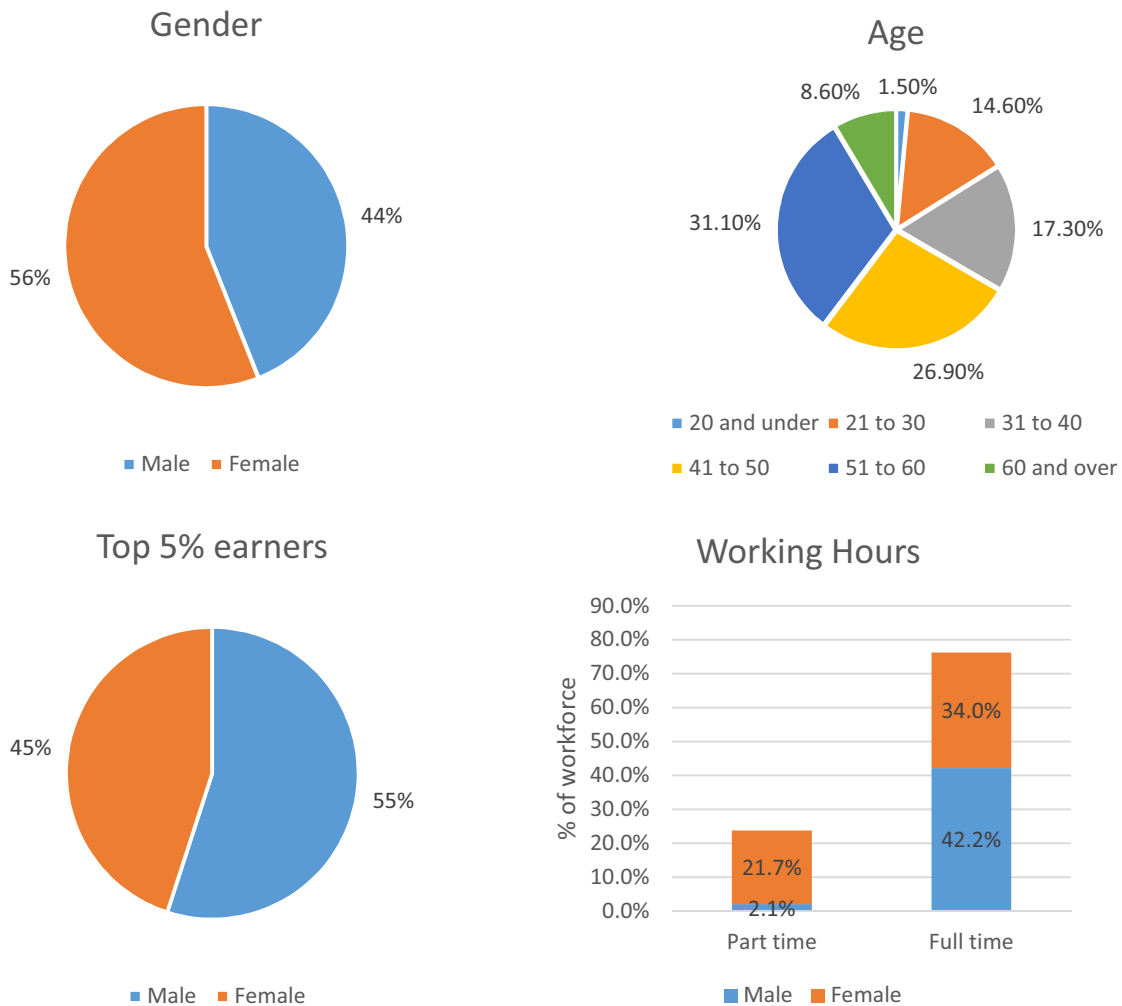
Strategic Report

EMPLOYEES

At 31 March 2016, the Council had 955 employees in post - 725 full-time and 230 part-time. (At 31 March 2015 there were 936 employees in post – 713 full-time and 223 part-time). The full time equivalent of these employees in 2015/16 was 866.5 (2014/15 845.5). The Council operates a core/flex approach in managing its staff resources. This means that some of its staffing needs are met on a temporary/agency basis. Temporary staff are also used as cover for vacancies when necessary and there were fewer vacancies in 2015/16 than in 2014/15. Overall staff costs were within the budget for both 2014/15 and 2015/16.

The average salary plus on costs (employer's national insurance and pension contributions) for the year was £32,500 (2015/16 £32,700).

Workforce Profile



All figures relate to the 2014/15 year this being the latest information available.

To underpin effective delivery of the principles and promises set out in the Corporate Plan the Council has begun to use a behavioural competency framework for all parts of the employee lifecycle – recruitment and selection, learning and development, performance management, and talent and succession planning. The Council has an increasing need for people with both the knowledge of service delivery and the willingness to change and adapt. People with the right skills, knowledge and attitude are key to our future success and the use of this framework will contribute to ensuring that our workforce is appropriately equipped in this regard.

Strategic Report

The Council is positive about disabled people and has signed the 'Time to Change' employer pledge meaning that the Council takes action to tackle the stigma and discrimination around mental health, focusing on the workplace in particular. More information on 'Time to Change' can be found on their website <https://www.time-to-change.org.uk/>.

Further information on the profile of the Council's workforce can be found here

<http://www.basildon.gov.uk/article/2837/Workforce-Information>

PERFORMANCE

The Council has a well-developed performance and risk management system. Key performance indicators and risk management actions are assigned an appropriate reporting level that reflects a strategic/tactical/operational approach

Level four – reported to Members and all teams below

Level three – reported to Corporate Management Team and all teams below

Level two – reported to Departmental Management Teams and below

Level one – used for operational management purposes

There are 33 performance indicators that are reported on a quarterly basis to Members at the Overview and Scrutiny Commission. Reports covering the 2015/16 financial year can be found here <http://www.basildonmeetings.info/ieListMeetings.aspx?CId=331&Year=0>. The outcomes for selected key performance indicators are set out in the table below

Title	Current Target	Current Value	Long Trend
% of undisputed invoices paid within 30 days	96.00%	96.80%	Improving
Customer Satisfaction Levels - face to face (%)	80.00%	93.40%	Improving
Customer Satisfaction Levels - Telephone	80.00%	96.70%	Improving
% of non-domestic rates collected	98.10%	96.30%	Getting Worse
% of In-Year Council Tax collected	97.70%	97.20%	Getting Worse
% of in-year rent collected	98.10%	96.80%	Getting Worse
Corporate working days lost due to sickness absence - rolling 12 mth average	8	9.9	Getting Worse

Performance that is not on target is addressed through the implementation of agreed action plans. Sickness levels are monitored and tracked in line with the departmental sickness action plans. The Council has formal sickness absence procedures in place that provide for interventions as appropriate to each case. The income collection indicators demonstrate the difficulties the Council continues to face in securing payment in an uncertain economic climate.

RISK

The Council recognises the importance of identifying, evaluating and managing all key strategic and operational risks that could affect the Council or the community. Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation, and environmental risks. The Council has a risk strategy and a risk management policy. Both are available on the Council's website

(<http://www.basildon.gov.uk/article/2834/Risk-Management-Policy-and-Strategy#cn2839>).

The effectiveness of the Risk Management Policy and Strategy is monitored quarterly via the Council's Governance Assurance Statement. The Annual Governance Statement provides assurance through its approval by Members and through the work of both Internal and External Audit. Additional outcome monitoring is provided by the Audit & Governance Manager and the Audit & Risk Committee's Risk Management Working Group. A higher level of assurance is also provided to the Council's Audit & Risk Committee by the tri-annual reports, and annually as part of the Audit & Governance Manager's opinion on the effectiveness of the Council's Governance, Risk Management and Internal Control Arrangements. All decision reports include a section analysing the risk management implications of the decision.

The Council's key strategic risks and their mitigations are set out in the table below

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Risk	Risk Description	Mitigation
Sustainable Budget	Threat that the Council fails to deliver the required efficiency savings, whilst managing the impact on services. This may result in an inability to achieve a sustainable budget and service stability over the forward financial forecast period (4 years).	As set out in Medium term financial strategy
Corporate Governance	Threat that the Council fails to adopt and maintain an effective Corporate Governance framework. This may impact on the Council's ability to demonstrate effective and lawful delivery of its Services, Principles and Promises. This could lead to reduced trust and confidence in the administration of the Council and may result in an adverse opinion within the Annual Governance Statement.	Corporate governance assurance process as set out in Annual Governance Statement
Business Continuity	Threat that the Council fails to maintain / implement adequate business continuity arrangements in the face of an emergency / disaster, resulting in a sudden disruption of key Council's services to the community, with potential financial / reputational losses.	Continuous review of organisational and service continuity plans
Compliance with legislation	Threat of penalties resulting from non-identification / application of new legislation relevant to the Council and the delivery of its services. This could result in the disruption to service delivery, Judicial Reviews and / or financial / criminal / civil penalties against the authority which would also damage the Council's reputation due to procedural errors.	Continuous review of Government's legislative programme
Economic - Inward Investment	Threat that the Council fails to encourage inward investment into the borough, thereby affecting the Council's ability to achieve its economic development strategic aims. Realisation of this threat will also have a detrimental impact on the local economy and on the physical transformation of the area.	Activities of the Economic Development and Development and Investment Teams
Economic - Major Businesses	Threat that one / more major businesses exit the borough resulting in fewer jobs for local people, with consequential effects to the local economy and the Council's income from Non-Domestic Rates.	Activities of the Economic Development and Development and Investment Teams
Local Plan	Threat from not having an up-to-date Local Plan, or from the Local Plan not being considered sound. This may result in inappropriate development, a compromised Council reputation, sanctions from the Secretary of State, unsuccessful planning appeals and reduced New Homes Bonus / Community Infrastructure Levy income streams	Local Plan published for consultation
Fraud	Threat of fraud / corruption against the Council by officers / Members / residents / businesses, as defined in the Fraud Act 2006 and later, resulting in the Council being poorly regarded and / or suffering financial loss.	Operation of counter fraud and whistleblowing policies
Health and Safety	Threat that the Council fails to embed suitable health & safety management systems, processes and culture, resulting in an increase in accidents / claims / prosecutions and a decline in performance / morale	Dedicated Health and Safety resources, operation of Health and Safety Committee. Member champion appointed.

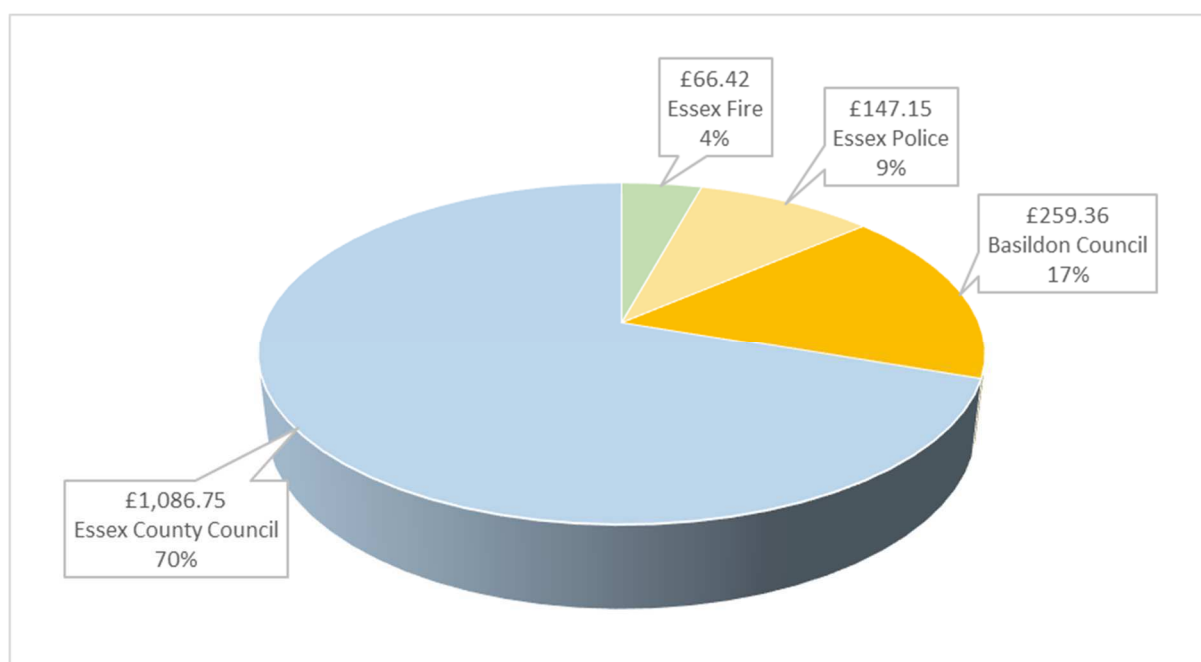
Strategic Report

THE COUNCIL TAX 2015/16

The net budget requirement for Basildon Borough is the amount needed to finance Council services after allowing for planned expenditure and income. For 2015/16, this was set by the Council at £30.2 million. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund and Business Rates (under the retention arrangements) was £15.7 million leaving £14.5 million to be raised locally from Council Tax (the Council Tax Requirement).

The 2015/16 Band D Council Tax for Basildon Council services was held at £252.81 (the same as 2014/15). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverables and the local council tax support scheme) of 57,381 Band D equivalent properties.

The total Band D council tax for the Borough was £1,559.68 distributed amongst the preceptors as set out in the chart below. The figure for Basildon includes £6.55 collected on behalf of parished areas.



THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2015/16 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 2015/16 and the Future'.

The tables below show the original budget for the year as approved by Council on 19 February 2015. This budget was revised during the year to take into account unspent budgets carried forward from 2014/15 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 unspent budgets carried forward to 2016/17 with the working budget. Carry forwards are authorised where there is budget provision for specific items that are committed or planned but the specific goods or services were not received by 31 March. Once authorised the carry forwards are added to the budget for the following year funded by the related unspent reserves.

GENERAL FUND REVENUE

The following table shows the overall net expenditure across the main General Fund activities of the Council for 2015/16. The General Fund is the main revenue fund of the Council.

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General Fund Outturn 2015/16

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
Service Net Expenditure						
Community	1,469	1,785	1,642	-143	93	-50
Development and Regulation	-280	4,263	330	-3,933	3,718	-215
Environment	7,109	7,818	7,552	-266	185	-81
Housing	3,426	2,036	1,125	-911	240	-671
Leisure	6,546	7,120	7,064	-56	39	-17
Regeneration & Partnerships	1,259	1,692	1,437	-255	288	33
Corporate & Central	8,767	14,509	5,923	-8,586	8,044	-542
Net Cost of Services	28,296	39,223	25,073	-14,150	12,607	-1,543
Funding						
Revenue Support Grant	-4,245	-4,245	-4,245	0	0	0
New Homes Bonus	-2,833	-2,833	-2,850	-17	0	-17
Other Grants	-162	-251	-214	37	0	37
Business Rates Income	-6,552	-6,552	-6,552	0	0	0
Section 31 grants - BR	-866	-865	-936	-71	0	-71
Business Rates Levy	1,121	873	15	-858	0	-858
Contribution to BR Pool	0	0	50	50	0	50
Council Tax	-14,506	-14,506	-14,506	0	0	0
Council Tax surplus	-329	-314	-315	-1	0	-1
Business Rates surplus	-1,862	-1,862	-1,862	0	0	0
Transfer from/(to) reserves	1,938	-8,668	6,342	15,010	-12,607	2,403
Total Funding	-28,296	-39,223	-25,073	14,150	-12,607	1,543

The service variances are explained in the following table

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£000

Income

Additional funding received from Essex Sharing Agreement for council tax support	-225
One-off new burdens funding received to fund Land Charges appeals	-143
Additional rental income received for commercial properties	-119
Garage rents greater than budget	-95
Increased room and hall hire on Country Parks	-57
Increased room and hall hire for George Hurd Centre	-40

-679

Expenditure

Homelessness costs reduced in year through use of our own vacant properties.	-493
Efficiency Target exceeded in year, additional savings made	-186
Reduced spending on garage repairs pending the outcome of the Garage Strategy review	-113
Other	-72

Total

-864

Net Outturn Variance

-1,543

The main budget items carried forward were

GF Carry Forward

	£000
Service projects	1,430
Planning enforcement	2,518
Local plan	615
Corporate projects	2,535
Invest to save and transformation funds	1,509
Single Status	2,308
IT Review	282
Funding for deferred capital expenditure	1,041
Funding for employee rationalisation	369

Total

12,607

HOUSING REVENUE ACCOUNT

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

The table below sets out the outturn for the HRA for 2015/16.

Strategic Report

HRA Outturn 2015/16

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
Expenditure						
Management	17,191	18,049	16,071	-1,978	1,983	5
Repairs	11,530	12,532	11,944	-588	580	-8
Depreciation and Financing costs	28,859	31,344	28,666	-2,678	2,235	-443
Total Expenditure	57,580	61,925	56,681	-5,244	4,798	-446
Income						
Rents	50,591	50,319	50,284	-35	0	-35
Service charges and contributions	4,685	4,858	4,985	127	0	127
Total Income	55,276	55,177	55,269	92	0	92
Total net cost	2,304	6,748	1,412	-5,336	4,798	-538

The budgeted sums carried forward in the HRA are in respect of

HRA Carry Forward	
	£000
Planned maintenance and decoration	580
Funding for capital expenditure	2,235
Corporate amounts	1,685
Other projects	298
Total	4,798

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CAPITAL EXPENDITURE

The table below summarises the outturn on the capital programme for the year.

Capital Expenditure 2015/16	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000
Expenditure					
Housing – General Fund	2,259	907	-1,352	1,352	0
Housing - HRA	29,234	27,015	-2,219	2,219	0
Leisure	897	206	-691	691	0
Corporate and Central	15,732	2,857	-12,875	12,875	0
Total Expenditure	48,122	30,985	-17,137	17,137	0
Financing					
Capital Receipts	2,806	1,964	-842	842	0
Grants	4,053	2,858	-1,195	1,195	0
Contributions from Revenue	12,922	7,221	-5,701	4,515	-1,186
Major Repairs Reserve	17,271	18,457	1,186	0	1,186
Borrowing	11,070	485	-10,585	10,585	0
Total Financing	48,122	30,985	-17,137	17,137	0

Sums carried forward into 2016/17 are

Capital Carry Forward

£000

HRA

Structural works

865

Langdon Hills water main

337

Other projects

1,017

Total HRA

2,219

General Fund

Wickford Surgery

2,443

Nevendon Road

1,000

Strategic asset acquisition

8,988

Other projects

2,487

Total General Fund

14,918

Total

17,137

Strategic Report

TREASURY MANAGEMENT

The table below sets out the closing position for the Council's debt and investment portfolios compared with the closing position at 31 March 2015.

	31-Mar-16 £m	31-Mar-15 £m	Change £m
Borrowing	214.5	204.5	10.0
Finance leases	6.2	4.4	1.8
Total External Debt	220.7	208.9	11.8
Investments	-69.5	-56.0	-13.5
Net External Debt	151.2	152.9	-1.7

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

Interest payable on external debt and other liabilities for the year amounted to £10.9 million compared with an original budget of £10.5 million. The average interest rate on external borrowing was 4.78% for the year. Investment income for year was £0.3 million at an average return of 0.44%. The borrowing rate is the product of taking loans at fixed rates with extended maturities as is appropriate when financing assets with long lives. The principal aim when the Council is investing is to ensure the security of the sum invested this results in relatively low returns.

ASSETS AND LIABILITIES

The table below compares the assets and liabilities of the Council at 31 March 2016 with those at 31 March 2015.

	31-Mar-16 £m	31-Mar-15 £m	Change £m
Long Term Assets	755.1	703.4	51.7
Current Assets	92.0	84.3	7.7
Current Liabilities	-37.0	-40.3	3.3
Long Term Liabilities	-317.1	-314.5	-2.6
Net Assets	493.0	432.9	60.1
Usable Reserves	83.5	75.0	8.5
Unusable Reserves	409.5	357.9	51.6
Total Reserves	493.0	432.9	60.1

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Overall the value of the net assets of the Council rose by £60.1 million. This was largely the result of the revaluation of long term assets of which the main element was in respect of the Council's housing stock upwards by £36.7 million. The Council's pension liability (within long term liabilities) was assessed by the actuary to be £9 million lower than in the previous year.

Within these balances the most significant set of transactions was right to buy sales. In 2015/16 sales totalled 121 yielding a gross receipt of £9.4 million (2014/15 134 sales with a gross receipt of £9.3 million). Of this receipt £1.1 million was paid to the Treasury under the pooling arrangements, £5.1 million was retained for use in the provision of affordable housing with the balance being available to the Council for any HRA capital purpose.

It is expected that the number of disposals of dwellings will rise in future years with the introduction by the pressure that the Government intends to place on the Council to sell higher value houses on the open market when they become vacant. The sums generated, after meeting Council's outstanding debt on those properties, will be remitted to the Government to resource the introduction of right to buy in the Housing Association sector.

PENSIONS LIABILITY AND 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. This deficit decreased from £110 million at 31 March 2015 to £101 million at 31 March 2016. This reduction is a combination of a reduction in the defined benefit liability and an increase in the fair value of the assets held within the scheme.

For further information on the basis of the valuation of the Council's pension assets and liabilities please see the notes to the accounts.

BALANCES AND RESERVES

In recent years 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 then through the Government's continued deficit reduction measures. This severely reduced central government financial support for local government comes at the same time as the introduction of a programme of reform in areas such as social housing, welfare benefits, planning and retained local business rates. 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 (the most significant of which are discussed below in the 'Major Influences on the Council's Finances' section) 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 revenue reserves (this is a trend that can be seen nationally). The table below compares the outturn balances and reserves at the year end with budgeted levels.

Strategic Report

Revenue Reserves at 31 March 2016	Original Budget £000	Outturn £000	Carry Forwards £000	Available Reserves £000
General Fund Balance	2,500	12,048	6,645	5,403
General Fund Earmarked Reserves	11,848	21,086	5,962	15,124
Sub-total: General Fund	14,348	33,134	12,607	20,527
Housing Revenue Account	4,000	8,798	4,798	4,000
HRA – Earmarked Balances	10,857	11,393	0	11,393
Sub-Total: Housing Revenue Account	14,857	20,191	4,798	15,393
Total Balances and Reserves	29,205	53,325	17,405	35,920

Capital Reserves

	31-Mar-16 £000	31-Mar-15 £000	Change £000
GF Capital receipts	1,934	853	1,081
HRA Capital receipts - any use	8,792	5,166	3,626
HRA Capital receipts – 1 for 1 use only	10,724	6,303	4,421
Major repairs	1,950	8,497	-6,547
Capital grants unapplied	3,761	3,303	458
Lifecycle Funds	1,267	795	472
Regeneration	1,743	1,739	4
Total capital reserves	30,171	26,656	3,515

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The table below describes the use to which each capital reserve can be put

Reserve	Use
GF Capital receipts	can be used for any GF capital purpose
HRA Capital receipts - any use	can be used for any HRA capital purpose and are programmed to be used over the next few years
HRA Capital receipts – 1 for 1 use only	can only be used to fund 30% of the costs of new affordable homes and have to be paid over to the Government if this does not happen within 3 years of their retention. Continuation of their retention is currently being reviewed.
Major repairs	can only be used for HRA capital purposes
Capital grants unapplied	represents unspent Section 106 receipts
Lifecycle Funds	can only be used to fund the replacement and renewal of plant and equipment at the Sporting Village and Wickford pool.
Regeneration	Generated from and can only be used to fund regeneration activity in Basildon town centre

MAJOR INFLUENCES ON THE COUNCIL'S FINANCES FOR 2015/16 AND THE FUTURE

The Council faced a number of challenges, risks and uncertainties during 2015/16, many of which could have medium or long-term financial implications. These were set out in the Section 151 Officer's report to the Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2015/16 Budget Report, a copy of which is available on the Council's website. Local government finance continues to experience unprecedented pressures and uncertainties as a result of the continued downward 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.

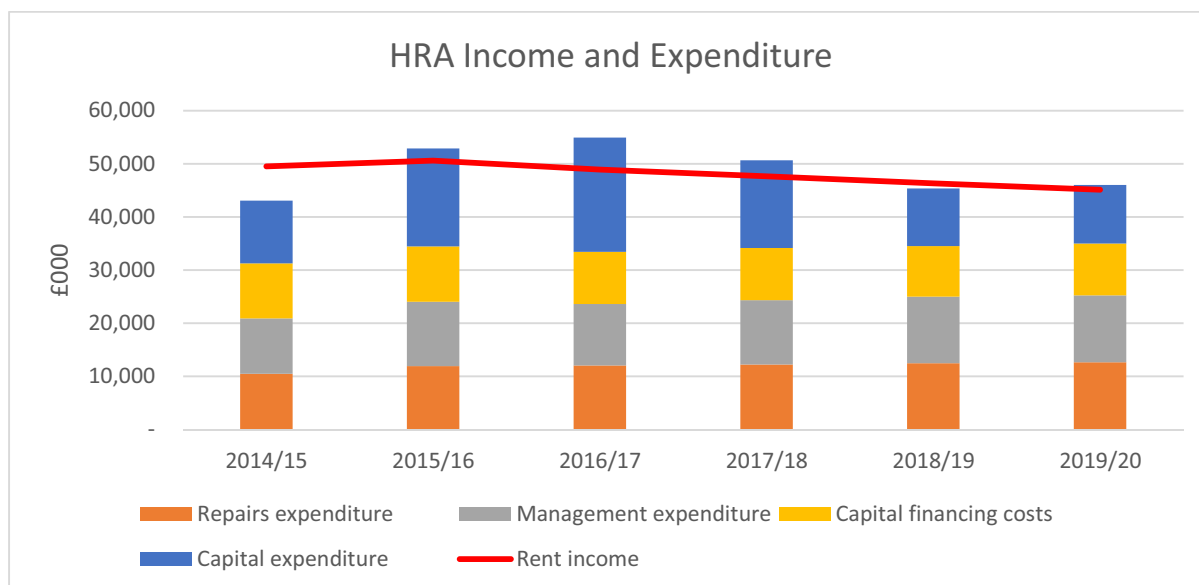
The Local Government Finance Settlement for 2016/17 confirmed that there will be continued significant reductions in Government funding for local authorities. As far as Basildon is concerned the funding for 2016/17 will be 4.25% lower than that for 2015/16. This will be followed by a further cut of 41% between 2016/17 and 2019/20. And, whilst the Government has offered local authorities a four year settlement (2016/17 to 2019/20) uncertainty remains given the proposals from Government to reform the new homes bonus funding stream and to permit local authorities (at a national aggregate level) to retain 100% of business rate income. Continued delivery of the Council's ambitions will be dependent upon the Council securing a sustainable financial position over the medium term by transitioning to a new operating model.

Factors that had either a significant influence on the finances of the authority in 2015/16 or will do so in the future include:

Rent Reduction

The rent reduction scheme which forms part of the Welfare Reform and Work Act, means that rents for council housing will fall by 1% a year for the years 2016/17 to 2019/20 which will benefit tenants. However this means that the money available for other purposes is significantly lower than was previously estimated.

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The graph shows the actual income and expenditure for the Housing Revenue Account for 2014/15 and the forecast position for the following five years. The red line is rental income and shows the impact of the rent reduction on income. Where the red line is lower than the bar in any year this means that the Council is using its reserves to support expenditure. The bars show that the main impact of the rent reduction will fall on the amounts available from rental income for (capital) investment in improving Council houses. Management costs include costs incurred in respect of services provided to tenants e.g. heating and the income from these charges has been netted off against the costs.

Funding mechanisms

Localisation of Council Tax Support

This scheme commenced in 2013/14 and a separately identifiable grant was provided to local authorities to meet the cost of the scheme. This grant has now been merged with the totality of Government funding such that there is no longer a link between any funding and the cost of the scheme. The cost is, therefore, managed as part of the Council's annual budget setting process.

Business Rates Retention

2015/16 was the third year of the localisation scheme for business rates income.

Under these arrangements a 50% central share of business rate income goes to the Government to help fund a number of specific grants to local government. The remaining 50% is shared 9% with Essex County Council and 1% with Essex Fire Authority, the balance of 40% being retained by the Borough. Each authority then has its own series of further financial adjustments - tariffs, top-ups, levies and safety-nets - to settle directly with the Government.

The scheme has a considerable degree of complexity and there is also a high degree of uncertainty as future income is dependent, at least in part, on the buoyancy of local business rate growth and the outcome of appeals against valuations and other changes to the rating list including applications for charitable relief. The provision for rating appeals totals £16.75 million of which the Council's share is £6.7 million. The number of appeals outstanding at 31 March 2016 was 979.

By the end of this Parliament local government will retain 100% of business rates revenue to fund local services. Any local area will be able to cut business rates at their discretion. The details of this proposal are currently being worked through and their impact on the Council is, therefore, difficult to assess at this time. The earliest the changes are likely to be implemented is 2020.

New Homes Bonus

New Homes Bonus (NHB) was introduced in 2011/12 as an incentive for planning authorities to increase their local housing stock.

Strategic Report

Each year's new entitlement is currently payable for six years. The Government has, however, issued a consultation paper on proposed changes to this approach with the aim of reducing the cost of the scheme from an estimated £1.5 billion in 2016/17 to £0.9 billion in 2019/20.

The changes being consulted on include:

- a) A reduction in the 6 year payment of the bonus to 4 years (and potentially to 2 or 3 years).
- b) Linking the payment of the bonus to the submission of a Local Plan.
- c) Payment not being made in respect of properties for which planning permission was given on appeal.
- d) A deduction for the number of homes that might be assumed to be built regardless of a scheme being in place.

The Council has estimated that the proposals if implemented in full could reduce the level of funding from NHB by £1.8 million by 2020. This assumption has been built into the medium term financial strategy.

Devolution

Work has been undertaken on developing a Greater Essex proposal. Essex council leaders have been meeting to explore and discuss how a deal with Government may look, which follows a letter submitted to Government in September 2015 signed by all Essex authorities. There is still much work to do and it is considered to be vital that any proposals put to government are acceptable to all councils across Greater Essex, providing benefit without creating additional bureaucracy. It remains to be seen how this will affect the resources available to the Council in the future.

Efficiencies and service transformation

Achieving efficiencies has always played a key part in the Council's financial strategy. For 2015/16 the General Fund target was £0.7 million and this is forecast to rise to £9.0 million by 2019/20. It is also 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.

The Council continued to deliver efficiency savings through the corporate transformation and service design programme. The target of £0.7 million for the year was, in the event, exceeded with approximately £0.3 million of additional efficiencies being identified. Moreover an exercise was carried out by the Corporate Development Team which resulted in the identification of a cumulative £3 million of efficiencies by the 2017/18 financial year. These have been included in the medium term financial forecast.

New Ways of Working

The Council has continued to invest in new ways of working to enhance the customer experience (for example by enabling self-service), as a means of delivering savings and efficiencies and as a way of improving the working environment for employees. Significant investment continues to be made in the Council's ICT infrastructure and systems (for example the Housing Management and HR and Payroll systems).

A new open plan working environment has been piloted since December 2014. This has seen investment in new hardware and software and furniture. The remainder of Basildon Centre is now being converted into this style of office thus freeing space that can be used for other purposes including occupation by third parties.

Co-location of DWP

From late 2016, Job Centre Plus staff will be based at the Basildon Centre alongside Basildon Council employees. This will enable customers to access a range of services – from council tax, housing benefits and leisure or environment services, to employment services offered by the Department for Work and Pensions – all in one central location. This will improve customer experience by facilitating joined-up services and will also generate income for the council to fund the continuation and improvement of these services.

Shared Services

The Council continues to work with neighbouring authorities to explore opportunities for the sharing of services. From 1 April 2015 a shared service arrangement has been agreed with Brentwood Borough Council for the

Strategic Report

delivery of Revenues and Benefits services. The Council is looking to further enhance its customer services by entering into a collaborative partnership arrangement with Colchester Council.

Income Generation and Value for Money

In addition to the new ways of working and shared services referred to above the Council has been exploring ways in which it can exploit its assets to generate additional income. During the year the Council continued to invest in the Towngate Theatre not only to ensure that it remains a key entertainment venue for the area but so that it can also cover the costs of being such a venue.

The Council strives to secure both value for money and added value in its procurement activities. Added value has been achieved by, for example, securing apprenticeships via contracts awarded by the Council. Whilst the reprocurement of contracts provides an opportunity to enhance value for money it also presents the risk that costs will be higher under a new contract due to changes in the relevant market. The Council ensures that value for money is obtained through its procurement strategy, contract procedure rules and benchmarking of services. Additionally a Value for Money strategy was approved alongside the budget for 2016/17.

Regeneration and investment schemes

Basildon Town Centre

Work has continued towards the delivery of the new college campus in the town centre, which will be facilitated by relocating the market to St Martin's Square. Ambitious plans with landscape architects continue as we refine a design guide for the public realm in the town centre which will include improvements to the Church Gardens and Bell Tower area and other areas as part the market relocation. Plans are underway to introduce a night time economy centred on East Square with a leisure offer including new restaurants which will create jobs and boost the local economy. To facilitate this, the Council invested £8.5m (In April 2016) in acquiring the retail block from East Square along to the end of East Walk.

Wickford

A £2 million project for a new health facility is being led by Basildon Council with a contribution from Essex Country Council. The project will increase the number of GPs and contribute to the wider regeneration strategy of the town which has included over £2m of improvements to the swimming pool as well as to the High Street, market and some shop fronts.

Pitsea

The Council worked with landowners London and Cambridge Properties to bring over £30m of improvements to Pitsea town centre. Developments include a new 75,000 square foot retail store 'The Range', an Aldi supermarket, a new market square, improvements to existing buildings and public realm improvements including new paving.

Laindon

Swan Housing acquired the town centre in May 2015 and has proposals to redevelop the area with a new retail and housing provision. The Council has proactively engaged with Swan to bring the development forward and worked with other partners such as the NHS to maximise the opportunities from the redevelopment and this is ongoing.

Other investment activity

Following two years of construction work undertaken by the Council's procured contractors, the new £2.1 million Triangle shopping parade in Langdon Hills officially opened in November 2015. This development included the 5 properties now managed by Sempra Homes.

A new sound system and state-of-the-art weight and cardiovascular machines were installed at the Eversley Leisure Centre.

Basildon Sporting Village has received an array of new equipment including seated cross trainers to make the gym more accessible for visitors with additional needs.

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The installation of Photo Voltaic panels at the Wat Tyler Country Park has benefits for the environment and also significantly reduces the cost of supplying electricity to the Green Centre. Eco-cladding has been introduced at Wick Country Park, alongside wildlife habitat development.

Wickford Memorial Park has seen significant improvements with the installation of a new perimeter path. This complements a planned refurbishment of the park's pavillion to enhance its accessibility to local people and its inherent heritage value. This funding is made up of contributions from Basildon Council, the Veolia North Thames Trust and Sport England.

Improvements have been made to Noak Bridge Nature Reserve, Pitsea Mount Local Nature Reserve, and Great Berry Open Space.

Housing Supply

The regeneration of Fryerns and Craylands estates continued during the year. The latest phase of affordable housing was completed by March 2015. Work is underway with the Council's partners (Swan Housing, the Homes and Communities Agency and Essex County Council) to gain planning permission for the remainder of the re-development that will see a further 570 new homes built and £2.2 million of environmental improvements.

Work has started on site at St Nicholas Mews, Ballards Walk, Basildon which will lead to the delivery of 135 homes, 25 of which will be affordable housing. It is expected that Phase 1, delivering 181 new homes, of the development at Nethermayne, Basildon will commence in June 2016.

Council owned dwellings

The Council has a HRA new build and acquisition programme funded through a mix of capital receipts retained to fund replacement affordable housing, HRA reserves and other contributions. During the year 10 dwellings were purchased on the open market. Three new build projects expected to deliver 5 dwellings are currently planned. Unfortunately the rent reduction scheme means that surpluses will not be available in future years to support further acquisitions and development.

The Council owns 10,900 dwellings and 2,200 leasehold flats. Since 2012 refurbished kitchens and/or bathrooms have been provided in over 4,500 properties. Customer satisfaction has remained continually high, between 97% and 98%. 98% homes within the Borough meet decent homes standards.

Sempra Homes

Sempra Homes Ltd was incorporated on 20 December 2014 and began trading in December 2015 with the transfer of 5 properties at Lincewood Court from the Council to the Company. These properties are let at a market rent. The Company has plans to ultimately deliver up to 300 new dwellings over the next four years in the Borough to be let on a mix of tenures (social, affordable and market rent and shared ownership) or sold to fund further development.

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Further particulars about the accounts can be obtained by writing to the Group Manager (Corporate Finance), Basildon Borough Council, The Basildon Centre, St Martin's Square, Basildon SS14 1DL or on the Council's website, <http://www.basildon.gov.uk/home> .

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

Prior years' Statements of Accounts:

<http://www.basildon.gov.uk/index.aspx?articleid=529>

Current and prior years' budget information:

<http://www.basildon.gov.uk/index.aspx?articleid=530>

Invoices paid over £500 in value by month:

<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>

Corporate Plan 2012 to 2016

<http://www.basildon.gov.uk/CHttpHandler.ashx?id=4467&p=0>

Budget Report 2015/16

<http://www.basildonmeetings.info/ieListDocuments.aspx?CId=216&MId=5197&Ver=4>

Doing business with the Council:

<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>

Information published under the requirements of the Transparency Code:

<http://www.basildon.gov.uk/opendata>

Guide to the Financial Statements

THE PUBLISHED ACCOUNTS

The Statement of Accounts (comprising the financial statements and notes to the accounts), is part of a wider financial report (called the Annual Financial Report or AFR) which also includes the Annual Governance Statement (AGS), the Strategic Report and the Auditor's Report. The responsible financial officer's true and fair certification in the Statement of Responsibilities covers the Financial Statements and notes as does the Auditor's report.

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 2015/16 (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 2015/16. A full description of the contents of the accounts is given at the end of this Strategic Report.

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. 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.

The figures in this report are based on the statutory amounts that impact on council tax levels, housing rents, reserves and balances. They, therefore, include amounts reversed out through the Movement in Reserves Statement.

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

The Council's Auditor is Ernst and Young.

CONSOLIDATION

The accounts for 2015/16 have been prepared on both a single entity (i.e. the Council only) and a Group basis (i.e. the Council and its wholly owned subsidiary, Sempra Homes Ltd). As this is the first year of such a consolidation there are no comparative figures for 2014/15 for the Group. The notes to the accounts are all presented on a single entity basis except where it is helpful to present information on the Group as a whole.

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. 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

Guide to the Financial Statements

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 net cash flows arising from operating activities are 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

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.

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 and Place Shaping.

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 and Place Shaping (Section 151)

I am the Commissioning Director - Resourcing and Place Shaping 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 confirm 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 2016.

Signed:

Kieran Carrigan CPFA

Commissioning Director - Resourcing and Place Shaping (Section 151)

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 28 July 2016.

Signed:

Councillor G Canham

Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

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 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- and related notes 1 to 42,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 14, and
- Collection Fund and the related notes 1 to 3.

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 2015/16.

This report is made solely to the members of Basildon Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 and Place Shaping (Section 151) and auditor

As explained more fully in the Statement Responsibilities set out on page 24, the Commissioning Director – Resourcing and Place Shaping (Section 151) is responsible for the preparation of the Annual Financial Report 2015-16, 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 2015/16, 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioning Director – Resourcing and Place Shaping (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 2015-16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 and Group as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Financial Report 2015-16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the [name of body] had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Basildon Borough Council 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 issued by the C&AG in November 2015, 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 2016.

Certificate

We certify that we have completed the audit of the accounts of Basildon Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
29 July 2016

Index to Financial Statements and Notes to the Accounts

FINANCIAL STATEMENTS

All statements have been prepared in accordance with the 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 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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Comprehensive Income and Expenditure Statement (CIES)

	2014/15				2015/16					
	Council		Council		Council		Group			
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,290	(2,782)	1,508	Central services to the public	4,588	(2,955)	1,633		4,588	(2,955)	1,633
13,154	(3,530)	9,624	Cultural and related services	11,254	(3,322)	7,932		11,254	(3,322)	7,932
11,965	(5,817)	6,148	Environmental and regulatory services	12,110	(4,760)	7,350		12,110	(4,760)	7,350
6,350	(3,446)	2,904	Planning services	6,160	(1,926)	4,234		6,160	(1,926)	4,234
1,373	(590)	783	Highways and transport services	1,392	(566)	826		1,392	(566)	826
36,950	(55,117)	(18,167)	Local authority housing (HRA)	39,558	(55,269)	(15,711)		39,558	(55,269)	(15,711)
7,885	-	7,885	HRA impairment and revaluation	10,591	-	10,591		10,591	-	10,591
75,993	(73,331)	2,662	Other housing services	72,431	(70,331)	2,100		72,431	(70,216)	2,215
1,144	(785)	359	Adult social care	1,071	(850)	221		1,071	(850)	221
5,766	(424)	5,342	Corporate and democratic core	4,786	(972)	3,814		4,786	(972)	3,814
84	-	84	Non distributed costs - pension curtailment / settlement costs	-	-	-		-	-	-
164,954	(145,822)	19,132	Cost of Services	163,941	(140,951)	22,990		163,941	(140,836)	23,105
2,228		2,228	Other operating income and expenditure			39	16			39
12,724		12,724	Financing and investment income and expenditure			15,315	17			15,334
(48,974)		(48,974)	Taxation and non-specific grant income and expenditure			(31,259)	18			(31,259)
(14,890)		(14,890)	(Surplus) or Deficit on Provision of Services			7,085				7,219
-		-	Taxation of group entities			-	23			(27)
(14,890)		(14,890)	Group Surplus or deficit			7,085				7,192
(36,442)		(36,442)	Surplus or deficit on revaluation of non-current assets			(47,332)	33			(47,332)
(1,928)		(1,928)	Impairment losses on non-current assets charged to the Revaluation Reserve			(6,687)	33			(6,687)
12,943		12,943	Remeasurements of the net defined pensions liability			(13,163)	38			(13,163)
(25,427)		(25,427)	Other Comprehensive (Income) and Expenditure			(67,182)				(67,182)
(40,317)		(40,317)	Total Comprehensive (Income) and Expenditure			(60,097)				(59,990)

Movement in Reserves Statement

2015/16	Note	Usable Revenue Reserves						Usable Capital Reserves						Unusable Reserves					
		General Fund £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Other Unusable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Council's share of subsidiary's reserves £000	Total Group Reserves £000	
Balance at 1 April 2015		9,498	19,828	8,786	12,817	8,497	12,322	3,303	75,051	71,317	397,780	(110,467)	(504)	(243)	357,883	432,934	-	432,934	
Surplus or (deficit) on the provision of services (Accounting Basis)		(4,732)	-	(2,353)	-	-	-	-	(7,085)	-	-	-	-	-	-	(7,085)	(107)	(7,192)	
Surplus or deficit on revaluation of non-current assets (charged to the revaluation reserve)		-	-	-	-	-	-	-	-	47,332	-	-	-	-	47,332	47,332	-	47,332	
Impairment losses on non-current assets (charged to the revaluation reserve)		-	-	-	-	-	-	-	-	6,687	-	-	-	-	6,687	6,687	-	6,687	
Remeasurements of the net defined benefit liability		-	-	-	-	-	-	-	-	-	13,163	-	-	-	13,163	13,163	-	13,163	
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	54,019	13,163	-	-	-	67,182	67,182	-	67,182	
Total Comprehensive Income and Expenditure		(4,732)	-	(2,353)	-	-	-	-	(7,085)	54,019	13,163	-	-	-	67,182	60,097	(107)	59,990	
Adjustments between accounting basis & funding basis under regulations	10	11,550	-	941	-	(6,547)	9,128	458	15,530	(1,422)	(6,816)	(3,453)	(3,884)	45	(15,530)	-	-		
Net Increase before Transfers to Earmarked Reserves		6,818	-	(1,412)	-	(6,547)	9,128	458	8,445	52,597	(6,816)	9,710	(3,884)	45	51,652	(107)	59,990		
Transfers to/(from) Earmarked Reserves	11	(4,268)	4,268	1,424	(1,424)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase in year		2,550	4,268	12	(1,424)	(6,547)	9,128	458	8,445	52,597	(6,816)	9,710	(3,884)	45	51,652	(107)	59,990		
Balance at 31 March 2016 carried forward		12,048	24,096	8,798	11,393	1,950	21,450	3,761	83,496	123,914	390,964	(100,757)	(4,388)	(198)	409,535	493,031	(107)	492,924	

Further details of the nature and purpose of reserves can be found in Note 9.

Movement in Reserves Statement

2014/15

	Note	Usable Revenue Reserves						Usable Capital Reserves					Unusable Reserves					
		General Fund £000	Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Pensions Reserve £000	Collection Fund Account £000	Other Unusable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	
Balance at 1 April 2014		8,600	17,468	4,950	10,160	8,061	4,089	3,123	56,451	35,149	396,195	(94,580)	(367)	(231)	336,166	392,617		
Surplus or (deficit) on the provision of services (Accounting Basis)		(4,317)	-	19,207	-	-	-	-	14,890	-	-	-	-	-	-	14,890		
Surplus or deficit on revaluation of non-current assets (charged to the revaluation reserve)		-	-	-	-	-	-	-	-	36,442	-	-	-	-	36,442	36,442		
Impairment losses on non-current assets (charged to the revaluation reserve)		-	-	-	-	-	-	-	-	1,928	-	-	-	-	1,928	1,928		
Remeasurements of the net defined benefit liability		-	-	-	-	-	-	-	-	-	(12,943)	-	-	-	(12,943)	(12,943)		
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	38,370	-	(12,943)	-	-	25,427	25,427		
Total Comprehensive Income and Expenditure		(4,317)	-	19,207	-	-	-	-	14,890	38,370	-	(12,943)	-	-	25,427	40,317		
Net Increase/(Decrease) before Transfers		(4,317)	-	19,207	-	-	-	-	14,890	38,370	-	(12,943)	-	-	25,427	40,317		
Adjustments between accounting basis & funding basis under regulations	10	7,575	-	(12,714)	-	436	8,233	180	3,710	(2,202)	1,585	(2,944)	(137)	(12)	(3,710)	-		
Net Increase/(Decrease) before Transfers to Earmarked Reserves		3,258	-	6,493	-	436	8,233	180	18,600	36,168	1,585	(15,887)	(137)	(12)	21,717	40,317		
Transfers to/(from) Earmarked Reserves	11	(2,360)	2,360	(2,657)	2,657	-	-	-	-	-	-	-	-	-	-	-		
Increase/(Decrease) in year		898	2,360	3,836	2,657	436	8,233	180	18,600	36,168	1,585	(15,887)	(137)	(12)	21,717	40,317		
Balance at 31 March 2015 carried forward		9,498	19,828	8,786	12,817	8,497	12,322	3,303	75,051	71,317	397,780	(110,467)	(504)	(243)	357,883	432,934		

Further details of the nature and purpose of reserves can be found in Note 9.

Balance Sheet

31 March 2015 £000		Note	31 March 2016	
			Council £000	Group £000
682,270	Property, Plant & Equipment	33	753,919	754,794
20,840	Investment Property	34	-	-
-	Investment in Subsidiary	23	875	-
315	Long-term Debtors		301	328
703,425	Long Term Assets		755,095	755,122
46,521	Investments	29	61,047	61,047
11,365	Assets Held for Sale	36	3,340	3,340
208	Inventories		221	221
20,275	Short-term Debtors	24	18,860	18,745
6,044	Cash and Cash Equivalents	39	8,514	8,524
84,413	Current Assets		91,982	91,877
-	Bank Overdraft (Cash and Cash Equivalents)	39	(890)	(890)
(10,139)	Borrowing	29	(9,596)	(9,596)
(23,370)	Short Term Creditors	25	(17,352)	(17,381)
(5,421)	Provisions	26	(6,873)	(6,873)
(1,355)	Grants Receipts in Advance - Capital	20	(2,144)	(2,144)
(63)	Grants Receipts in Advance - Revenue	20	(163)	(163)
(40,348)	Current Liabilities		(37,018)	(37,047)
(3,745)	Provisions	26	(3,856)	(3,856)
(196,617)	Borrowing	29	(207,152)	(207,152)
(3,727)	Finance Lease Liabilities	28	(5,263)	(5,263)
(110,467)	Net Pensions Liability	38	(100,757)	(100,757)
(314,556)	Long Term Liabilities		(317,028)	(317,028)
432,934	Net Assets		493,031	492,924
9,498	General Fund Balance		12,048	12,048
19,828	GF Earmarked Reserves Balance		24,096	24,096
-	Subsidiary Reserves		-	(107)
8,785	Housing Revenue Account		8,798	8,798
12,817	HRA Earmarked Reserves Balance		11,393	11,393
8,497	Major Repairs Reserve		1,950	1,950
12,322	Capital Receipts Reserve		21,450	21,450
3,303	Capital Grants Unapplied		3,761	3,761
75,050	Usable reserves		83,496	83,389
71,317	Revaluation Reserve		123,914	123,914
397,780	Capital Adjustment Account		390,964	390,964
(315)	Financial Instruments Adjustment Account		(274)	(274)
284	Deferred Capital Receipts Reserve		284	284
(110,467)	Pensions Reserve		(100,757)	(100,757)
(504)	Collection Fund Adjustment Account		(4,388)	(4,388)
(212)	Unpaid Absences Account		(208)	(208)
357,883	Unusable Reserves		409,535	409,535
432,933	Total Reserves		493,031	492,924

These financial statements replace the unaudited financial statements that were certified by the Section 151 Officer on 3 June 2016.

Cash Flow Statement

2014/15		2015/16	
		Council £000	Group £000
£000	Note		
(14,890)	Net (surplus) or deficit on the provision of services	7,085	7,219
(14,152)	Depreciation	(16,749)	(16,749)
(10,044)	(Impairment and downward valuation) / Reversal of previous impairments	(11,508)	(11,508)
(1,718)	Movement in impairment provision for bad debts	(1,596)	(1,596)
(2,051)	Movement in creditors	2,479	2,450
(705)	Movement in debtors	4,636	4,521
39	Movement in inventories	13	13
(2,944)	Movement in pension liability	(3,453)	(3,453)
(10,570)	Carrying amount of non-current assets sold	(15,527)	(15,527)
-	Disposal costs of non-current assets sold	457	457
(2,126)	Movement in provisions	(1,563)	(1,563)
310	Movement in the value of Investment Properties	-	-
(43,961)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(42,811)	(42,955)
9,625	Proceeds from the sale of property, plant and equipment and investment property	17,557	17,557
20,901	Grants received for the financing of capital expenditure	3,353	3,353
30,526	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20,910	20,910
(28,325)	Net cash flows from Operating Activities	(14,816)	(14,826)
48,448	Net cash flows from Investing Activities	22,960	22,960
(19,650)	Net cash flows from Financing Activities	(9,724)	(9,724)
473	Net (increase) or decrease in cash and cash equivalents	(1,580)	(1,590)
6,517	Cash and cash equivalents at the beginning of the reporting period	6,044	6,044
6,044	Cash and cash equivalents at the end of the reporting period	7,624	7,634

Notes to the Core Statements

General Notes

1 DATE ACCOUNTS AUTHORISED

These accounts were authorised by the chairman of the Audit and Risk Committee on (31 July 2016), under delegated authority from the committee meeting held on (28 July 2016).

2 SIGNIFICANT ACCOUNTING POLICIES

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

For 2015/16 these proper accounting practices principally comprise :

- the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code)
- Update to the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (Code Update)
- the Service Reporting Code of Practice 2015/16 (SeRCoP)
- the Capital Finance and Accounting (England) Regulations 2003 as amended (2003 Regulations)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets:

Asset Class	Valuation Basis
Property, Plant and Equipment: Dwellings	Existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists, or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair value
Pensions Assets	Fair value

The Code requires local authorities with interests in subsidiaries to prepare group accounts in addition to their single entity financial statements. These accounts comprise the consolidated financial statements of the Council and its subsidiary Sempra Homes Limited. Consolidation has been performed on a line-by-line basis combining similar items, and any intra-group balances and transactions have been eliminated. The notes to the financial statements have been prepared for the consolidated accounts, unless there are material differences to the single entity accounts whereby separate disclosures are shown also.

Detailed Accounting policies for these and all other areas can be found on page 81.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Leases

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 substantially all 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 Note 28 for details of the Council's leasing arrangements.

Notes to the Core Statements

General Notes

Grants and contributions

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. Details of grants recognised during the year can be found in Note 20.

Investment Properties

The Council is required to judge whether or not it is holding property on an investment basis. The Code requires 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 e.g. other operational reasons. Applying this assessment, the Council does not currently hold any Investment Properties.

Accruals, provisions and contingent liabilities

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. See Notes 25 - 27 for more information.

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 38 sets out the main assumptions.

All leases are assessed under the requirements of IFRS. In order to represent the financial impact of lease arrangements, estimates are 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 Impairment 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 e.g. Welfare Reform, on peoples' ability to pay their debts.

Following the introduction of the localisation scheme for Business Rates it is 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. In order to arrive at a robust estimate the Council engaged the services of Wilks Head and Eve, a firm of Chartered Surveyors, with a specialism in Rating. They provided a detailed analysis of the financial risk which the Council faces under Rates Retention and this analysis was updated as at 31 March 2016. The methodology devised and delivered by Wilks Head and Eve derived from analysing each class of property within the Council's Rating List, together with an individual review of higher risk; higher value; or otherwise individual premises for which an individual property valuation assessment needs to be concluded. This analysis was then combined with local knowledge, the historical experience of appeals, details of appeals currently held by the Valuation Office Agency and statistical analysis to value the provision. This resulted in an overall provision of £16.75m which represents 9.0% of the total rateable value of hereditaments at 31 March 2016. Of this provision, Basildon's share is £6.7m. Should the value of appeals actually settled vary by +/- 1% of the total RV this would represent a £1.9m change compared to the sum provided of which Basildon's share would be £0.8m.

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 2015/16 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 EXPENDITURE

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 and Business rates - £47.4 million for Basildon Borough Council's proportion (£170.8 million across all preceptors). Housing Benefits involve paying out sums in the region of £67.0 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £10.9 million. The Council also relies heavily on Government Grants. The main "general" grants received from the Government totalled £8.2 million.

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. A separate disclosure of exceptional items also allows for the appreciation of material and unusual transactions and the year-on-year comparison of a service's regular activity. For this purpose HRA revaluation gains, losses and impairments are shown separately on the Comprehensive Income and Expenditure Statement.

6 EVENTS AFTER THE BALANCE SHEET DATE

Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised. There are no material events since 31 March 2016 requiring an adjustment to the accounts.

On 20 April 2016, the Council purchased the freehold interest in Freedom House, a block comprising office and retail units, in the town centre for £8.35m. As this transaction was past the Balance Sheet date, there is no adjustment required to the accounts.

Following the outcome of the EU Referendum held on 23 June 2016 there is a heightened level of volatility in financial markets and increased macroeconomic uncertainty in the UK. In response all three major rating agencies (S&P, Fitch and Moody's) took negative action on the UK Sovereign credit rating. Whilst it is likely that that future investment returns will be lower than forecast the management of treasury risks as set out in Note 32 means the Council's investments are well protected in the short to medium term. In terms of our borrowing strategy we have limited short-term debt maturities so exposure to refinancing risk is limited. The valuation of our defined benefit pension obligations may also be affected and some indication on the sensitivity of this obligation to changes in the financial environment is set out in Note 38. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the outcome of the Referendum is considered a non-adjusting event.

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

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. Following a review of the relevant standards it has been determined that there would be no material changes to the accounts if these were to have been adopted. The relevant standards are set out below.

Highways Network Asset

The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1 April 2016. It confirms that the changes arising do not require retrospective adjustment to the accounts. Under the Code, a Highways Network Asset will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The Highways Network Asset is required to cover all the roads, and the components associated with them, that are included in the register kept in accordance with Section 36 of the Highways Act 1980 (England and Wales) or the list in accordance with Section 1 of the Roads (Scotland) Act 1984. As the Council is not required to keep such a list, as a result of not being the Highways Authority for the area and that there is no requirement to include components associated with these roads owned by non-Highway Authorities, this change to the Code will not require any changes to the Councils accounts for 2016/17.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

Notes to the Core Statements

General Notes

8 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:

2015/16	Fees, Charges and Other Service Income £'000	Grants and Contributions £'000	Total Income £'000	Employee Expenses £'000	Other Operating Expenses £'000	Support Service Recharges £'000	Total Operating Expenses £'000	Cost of Services £'000
Community	(1,844)	(42)	(1,886)	1,708	1,206	614	3,528	1,642
Corporate & Central	(16,264)	(846)	(17,110)	4,715	14,003	4,315	23,033	5,923
Development & Regulation	(6,238)	(67,076)	(73,314)	2,204	68,156	3,284	73,644	330
Environment	(4,431)	(2,495)	(6,926)	6,000	6,915	1,563	14,478	7,552
Housing	(3,587)	(266)	(3,853)	1,397	2,850	731	4,978	1,125
Leisure	(2,509)	(760)	(3,269)	1,869	7,612	852	10,333	7,064
Management & Administration	(23,298)	(35)	(23,333)	13,802	3,655	5,876	23,333	-
Regeneration	(160)	(335)	(495)	695	631	606	1,932	1,437
General Fund	(58,331)	(71,855)	(130,186)	32,390	105,028	17,841	155,259	25,073
HRA	(53,873)	(1,396)	(55,269)	4,653	43,177	8,892	56,722	1,453
Cost of services	(112,204)	(73,251)	(185,455)	37,043	148,205	26,733	211,981	26,526

Notes to the Core Statements

General Notes

8 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:

2015/16	Service Analysis £'000	Not Reported to Management £'000	Allocation of Recharges & Other Charges £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(111,882)	(22)	41,453	2,161	(68,290)	(2,022)	(70,312)
Interest & Investment Income	(322)	-	-	322	-	(322)	(322)
Income from Council Tax	-	-	-	-	-	(15,060)	(15,060)
Income from Business Rates	-	-	-	-	-	(30,557)	(30,557)
Grants & Contributions	(73,252)	-	591	-	(72,661)	(11,596)	(84,257)
Total income	(185,456)	(22)	42,044	2,483	(140,951)	(59,557)	(200,508)
Employee Expenses	37,043	(96)	-	(10)	36,937	10	36,947
Other operating expenses	123,332	-	(15,446)	(6,224)	101,662	487	102,149
Support service recharges	26,732	-	(26,598)	(134)	-	-	-
Business Rates Tariff	-	-	-	-	-	25,954	25,954
Depreciation, Amortisation & Impairment	13,973	11,369	-	-	25,342	2,915	28,257
Interest Payments	10,902	-	-	(10,902)	-	14,447	14,447
Parish Precepts	-	-	-	-	-	376	376
Payments to Housing Capital Receipts Pool and Clawback	-	-	-	-	-	1,493	1,493
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(2,030)	(2,030)
Total operating expenses	211,982	11,273	(42,044)	(17,270)	163,941	43,652	207,593
Surplus or Deficit on the Provision of Services	26,526	11,251	-	(14,787)	22,990	(15,905)	7,085

Notes to the Core Statements

General Notes

8 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

2014/15	Fees, Charges and Other Service Income £'000	Grants and Contributions £'000	Total Income £'000	Employee Expenses £'000	Other Operating Expenses £'000	Support Service Recharges £'000	Total Operating Expenses £'000	Cost of Services £'000
Community	(1,762)	(65)	(1,827)	1,641	1,264	563	3,468	1,641
Corporate & Central	(15,876)	(208)	(16,084)	6,527	13,450	5,636	25,613	9,529
Development & Regulation	(8,520)	(69,119)	(77,639)	2,264	71,111	2,774	76,149	(1,490)
Environment	(5,386)	(2,409)	(7,795)	5,842	6,638	1,447	13,927	6,132
Housing	(2,299)	(1,138)	(3,437)	1,178	4,653	711	6,542	3,105
Leisure	(2,315)	(521)	(2,836)	1,680	7,474	887	10,041	7,205
Management & Administration	(19,079)	(97)	(19,176)	11,902	3,525	3,749	19,176	-
Regeneration	(309)	(279)	(588)	614	696	457	1,767	1,179
General Fund	(55,546)	(73,836)	(129,382)	31,648	108,811	16,224	156,683	27,301
HRA	(53,718)	(1,399)	(55,117)	4,665	36,326	7,365	48,356	(6,761)
Cost of services	(109,264)	(75,235)	(184,499)	36,313	145,137	23,589	205,039	20,540

Notes to the Core Statements

General Notes

8 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:

2014/15	Service Analysis to Management £'000	Not Reported to Management £'000	Allocation of Recharges & Other Charges £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(109,103)	(2,879)	41,983	(394)	(70,393)	(1,963)	(72,356)
Interest & Investment Income	(161)	-	-	161	-	(161)	(161)
Income from Council Tax	-	-	-	-	-	(14,662)	(14,662)
Income from Business Rates	-	-	-	-	-	(29,452)	(29,452)
Grants & Contributions	(75,235)	-	(310)	116	(75,429)	(30,327)	(105,756)
Total income	(184,499)	(2,879)	41,673	(117)	(145,822)	(76,565)	(222,387)
Employee Expenses	36,313	(1,039)	-	-	35,274	-	35,274
Other operating expenses	121,233	(56)	(18,084)	2,356	105,449	542	105,991
Support service recharges	23,589	-	(23,589)	-	-	-	-
Business Rates Tariff	-	-	-	-	-	25,467	25,467
Depreciation, Amortisation & Impairment	13,322	12,979	-	(2,104)	24,197	(310)	23,887
Interest Payments	10,582	-	-	(10,582)	-	14,616	14,616
Parish Precepts	-	-	-	-	-	368	368
Payments to Housing Capital Receipts Pool	-	-	-	-	-	916	916
Gain or Loss on Disposal of Fixed Assets	-	-	-	34	34	944	978
Total operating expenses	205,039	11,884	(41,673)	(10,296)	164,954	42,543	207,497
Surplus or Deficit on the Provision of Services	20,540	9,005	-	(10,413)	19,132	(34,022)	(14,890)

Notes to the Core Statements

General Notes

9 RESERVES

A brief description of the nature and purpose of Reserves is provided below:

Usable Reserves	Reserves that can be used to meet future expenditure.
General Fund Balance	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 and Business Rates income levels.
GF Earmarked Reserves	Resources earmarked for particular spending plans and contingencies.
Housing Revenue Account	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.
HRA Earmarked Reserves	Resources earmarked for particular spending plans and contingencies.
Major Repairs Reserve	A resource set aside to finance capital expenditure on dwellings and other property in the HRA.
Capital Receipts Reserve	Proceeds of non-current asset sales available to finance capital expenditure or repay debt.
Capital Grants Unapplied	These are grants received for specific purposes which remain unspent at the end of the year.
Unusable Reserves	Reserves that exist for technical accounting purposes that cannot be used for any other purpose.
Revaluation Reserve	Gains on revaluation of non-current assets accumulated since 1 April 2007 not yet realised.
Capital Adjustment Account	Capital resources applied to meet past capital expenditure.
Financial Instruments Adjustment Account	Unamortised premiums and discounts arising from premature redemption of debt.
Deferred Capital Receipts	Proceeds from the sale of non-current assets not yet received.
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions.
Collection Fund Adjustment Account	Difference between the Council's share of actual council tax and business rates income for the year and the statutory amount that can be released to the General Fund.
Unpaid Absences Account	Value of officers remuneration for annual leave accrual not yet borne by the General Fund or HRA balance under statutory regulations.

Notes to the Core Statements

General Notes

10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The resources available to the Council in any financial year, and the expenses that are charged against those resources, are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the end of the accounting period. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The adjustments are:

Property, Plant and Equipment

Depreciation and revaluation/impairment losses (that are not reversals of previous revaluation gains) are charged to the CIES under accounting rules, but are reversed through the Capital Adjustment Account and replaced by Revenue Provision to cover historical cost determined in accordance with the 2003 Regulations. In the HRA depreciation and impairments are proper charges to revenue. However, it is permitted to reverse certain elements of this charge to the Capital Adjustment Account via the Movement in Reserves Statement.

Revenue Expenditure funded from Capital under Statute

Expenditure incurred in the year charged to the CIES under accounting rules is reversed through the Capital Adjustment Account and replaced by Revenue Provision to cover historical cost determined in accordance with the 2003 Regulations.

Capital Grants, Contributions and Donated Assets

Unconditional Capital Grants received in the year, or grants that became unconditional in the current year, are recognised as income in the CIES under accounting rules. Where these grants have been applied to Capital Financing in the year they are reversed through the Capital Adjustment Account, where they are yet to be applied to capital expenditure in the year they are reversed to the Capital Grants Unapplied Reserve. Donated Assets with no conditions attached, are recognised as income in the CIES under accounting rules, and are reversed through the Capital Adjustment Account in accordance with the 2003 Regulations.

Disposal of Non Current Assets

Gains or (losses) based on sale proceeds less the carrying amount of the asset (net of disposal costs) are charged to Other operating expenditure in the CIES under accounting rules, are reversed to the Capital Adjustment Account (carrying amount) and the Capital Receipts Reserve (sale proceeds less disposal costs) in accordance with statutory requirements. Where sale proceeds are yet to be received the reversal is made to the Deferred Capital Receipts Reserve. When cash proceeds are eventually realised an adjustment is then made between the Deferred Capital Receipts Reserve to the Useable Capital Receipts Reserve where they will be available for application to capital expenditure.

Premiums and Discounts

Premiums payable and discounts receivable on the early repayment of borrowing in the current year are charged to the CIES under accounting rules. The 2003 regulations require this charge to reflect deferred debits and credits of premiums and discounts from earlier years. An adjustment is therefore made through the Financial Instruments Adjustment Account.

Pensions costs

Movements in the pension scheme assets and liabilities are charged to the CIES under accounting rules, but are reversed through the Pensions Reserve and replaced by Employers' contributions payable and direct payments made by the Council to pensioners in the current year under statutory requirements.

Council Tax and Business Rates

Accrued income billed in the current year is charged to the CIES under accounting rules, statutory regulations require this charge to reflect the demand on the Collection Fund/precept for the current year plus the recovery of the estimated share of the surplus/deficit pertaining to the prior year. An adjustment is therefore made through the Collection Fund Adjustment Account.

Unpaid Absences

The projected cost of untaken holiday leave entitlement at the end of the year is charged to services in the CIES under accounting rules. This charge is reversed through the Unpaid Absences Adjustment Account in accordance with statutory requirements.

Notes to the Core Statements

General Notes

10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16	Note	General Fund £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Other Unusable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	33	5,733	10,722	11,933	-	-	28,388	(1,422)	(26,966)	-	-	-	(28,388)	-
Revenue expenditure funded from capital under statute	37	1,165	-	-	-	-	1,165	-	(1,165)	-	-	-	(1,165)	-
Net (gain)/loss on sale of non-current assets		394	(2,904)	-	18,037	-	15,527	-	(15,527)	-	-	-	(15,527)	-
Costs of disposal funded from capital receipts		300	157	-	(457)	-	-	-	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		1,493	-	-	(1,493)	-	-	-	-	-	-	-	-	-
Capital Grants, Contributions and income in relation to Donated Assets credited to the CIES		(2,381)	(973)	-	-	458	(2,896)	-	2,896	-	-	-	2,896	-
Statutory Provision for the repayment of debt (Minimum revenue provision)	37	(1,129)	(157)	-	-	-	(1,286)	-	1,286	-	-	-	1,286	-
Capital expenditure charged against the General Fund and HRA Balances	37	(415)	(6,806)	-	-	-	(7,221)	-	7,221	-	-	-	7,221	-
Use of the capital receipts reserve to finance capital expenditure	37	-	-	-	(1,964)	-	(1,964)	-	1,964	-	-	-	1,964	-
Use of the capital receipts reserve to repay debt		-	-	-	(4,995)	-	(4,995)	-	4,995	-	-	-	4,995	-
Use of the Major Repairs Reserve to finance capital expenditure	37	-	-	(18,457)	-	-	(18,457)	-	18,457	-	-	-	18,457	-
Use of the Major Repairs Reserve to repay debt	37	-	-	(23)	-	-	(23)	-	23	-	-	-	23	-
Pensions costs (transferred to the Pensions Reserve)	38	2,551	902	-	-	-	3,453	-	-	(3,453)	-	-	(3,453)	-
Unpaid Absences (transferred to the Accumulated Absences Reserve)		(4)	-	-	-	-	(4)	-	-	-	-	4	4	-
Finance costs (transferred to the Financial Instruments Adjustments Account)		(41)	-	-	-	-	(41)	-	-	-	-	41	41	-
Council tax and business rate income (transferred to the Collection Fund Adjustment Account)		3,884	-	-	-	-	3,884	-	-	-	(3,884)	-	(3,884)	-
Adjustments between accounting basis & funding basis under regulations		11,550	941	(6,547)	9,128	458	15,530	(1,422)	(6,816)	(3,453)	(3,884)	45	(15,530)	-

Notes to the Core Statements General Notes

10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2014/15	Note	General Fund £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Other Unusable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	33	5,219	7,491	11,090	-	-	23,800	(2,202)	(21,598)	-	-	-	(23,800)	-
Movements in the fair value of Investment Property	34	(310)	-	-	-	-	(310)	-	310	-	-	-	310	-
Revenue expenditure funded from capital under statute	37	2,027	-	-	-	-	2,027	-	(2,027)	-	-	-	(2,027)	-
Net gain/loss on sale of non-current assets		2,997	(2,124)	-	9,699	-	10,572	-	(10,570)	-	-	(2)	(10,572)	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		916	-	-	(916)	-	-	-	-	-	-	-	-	-
Capital Grants, Contributions and income in relation to Donated Assets credited to the CIES		(3,343)	(18,573)	17,621	-	180	(4,115)	-	4,115	-	-	-	4,115	-
Statutory Provision for the repayment of debt (Minimum revenue provision)	37	(1,411)	(89)	-	-	-	(1,510)	-	1,510	-	-	-	1,510	-
Capital expenditure charged against the General Fund and HRA Balances	37	(740)	(280)	-	-	-	(1,020)	-	1,020	-	-	-	1,020	-
Use of the Capital Receipts Reserve to finance new capital expenditure	37	-	-	-	(550)	-	(550)	-	550	-	-	-	550	-
Use of the Major Repairs Reserve to finance capital expenditure	37	-	-	(27,955)	-	-	(27,955)	-	27,955	-	-	-	27,955	-
Use of the Major Repairs Reserve to repay debt	37	-	-	(320)	-	-	(320)	-	320	-	-	-	320	-
Pensions costs (transferred to the Pensions Reserve)	38	2,084	860	-	-	-	2,944	-	-	(2,944)	-	-	(2,944)	-
Unpaid Absences (transferred to the Accumulated Absences Reserve)		46	4	-	-	-	50	-	-	-	-	(50)	(50)	-
Finance costs (transferred to the Financial Instruments Adjustments Account)		(47)	7	-	-	-	(40)	-	-	-	-	40	40	-
Council tax and business rate income transferred to the Collection Fund Adjustment Account		137	-	-	-	-	137	-	-	-	(137)	-	(137)	-
Adjustments between accounting basis & funding basis under regulations		7,575	(12,714)	436	8,233	180	3,710	(2,202)	1,585	(2,944)	(137)	(12)	(3,710)	-

Notes to the Core Statements

General Notes

11 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 the year.

	31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	31 March 2016 £000
Contingency Reserve	6,399	(4,399)	4,189	6,189	(846)	1,919	7,262
Insurance Pool	3,000	-	463	3,463	-	37	3,500
Major Asset Refurbishment	1,757	(1,177)	851	1,431	(333)	-	1,098
IT Initiatives	1,177	(547)	353	983	(291)	-	692
Invest to Save	1,150	(1,150)	1,539	1,539	(179)	-	1,360
Employment Rationalisation	2,175	(675)	207	1,707	(238)	-	1,469
Treasury Management Reserve	250	-	120	370	-	-	370
Asset Management Reserve	-	-	-	-	-	500	500
Business Rates Equalisation	1,130	(876)	1,358	1,612	-	3,223	4,835
Regeneration Reserve	33	(90)	1,796	1,739	-	4	1,743
Lifecycle Funds	397	(13)	411	795	-	472	1,267
Total General Fund	17,468	(8,927)	11,287	19,828	(1,887)	6,155	24,096
Asset Management Reserve	9,169	-	2,989	12,158	(1,365)	-	10,793
Treasury Management Reserve	600	-	-	600	-	-	600
Bad Debts Earmarked Reserve	391	(332)	-	59	(59)	-	-
Total HRA	10,160	(332)	2,989	12,817	(1,424)	-	11,393
Total	27,628	(9,259)	14,276	32,645	(3,311)	6,155	35,489

Further details outlining the purpose of each of these Earmarked Reserves can be found in the section 'Terminology and Definitions' on page 91.

12 EXTERNAL AUDIT COSTS

The Council's costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the external auditors, Ernst and Young, are set out below:

	2015/16 £'000	2014/15 £'000
External audit services carried out under the Code of Audit Practice	67	89
Certification of grant claims and returns	23	25
Other services provided during the year	5	4
Total External Audit Costs	95	118

In addition to the above, the Group incurred £5,000 for the audit of the financial statements of Sempra Homes Ltd. The appointed auditor for this purpose was Rickard Luckin Limited.

13 COUNCILLORS' ALLOWANCES

The Councillors of Basildon Borough Council were paid the following allowances during the year. These costs are included within Corporate and Democratic Core in the Comprehensive Income and Expenditure Statement.

	2015/16 £'000	2014/15 £'000
Allowances	403	389
Expenses	1	1
Total	404	390

Notes to the Core Statements

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14 OFFICERS' REMUNERATION

		Salary, Fees and Allowances £	Performance Related Pay and other one off payments £	Expense Allowance £	Benefits in Kind £	Pension Contribution £	Total £
Corporate Management Team							
Bala Mahendran	2015/16	129,920	36,556	3,000	2,318	-	171,794
Chief Executive	2014/15	118,417	31,927	3,000	1,767	-	155,111
Interim Director from 26.1.16	2015/16	16,900	-	-	-	-	16,900
Commissioning Director - Corporate Support left 28.2.16	2015/16	100,369	12,676	2,750	1,205	15,975	132,975
	2014/15	101,492	5,637	2,100	-	15,353	124,582
Commissioning Director - Resourcing & Place Shaping	2015/16	108,203	11,741	3,000	2,027	17,233	142,204
	2014/15	101,154	6,577	3,000	1,617	15,460	127,808
Commissioning Director - People and Places	2015/16	108,672	11,538	2,000	446	17,223	139,879
	2014/15	99,752	5,389	3,000	908	15,065	124,114
Interim Director from 11.11.15	2015/16	44,700	-	-	-	-	44,700
Head of Executive Support Services part-time from 1.4.14	2015/16	60,194	4,449	152	2,426	-	67,221
	2014/15	58,703	5,343	912	1,823	-	66,781
Corporate Development Team							
Head of Street Scene and Leisure Services	2015/16	97,962	7,415	912	2,189	15,037	123,515
	2014/15	94,772	5,342	456	1,701	14,304	116,575
Head of Housing Services	2015/16	98,552	7,249	912	2,027	15,194	123,934
	2014/15	93,474	5,108	304	1,617	14,149	114,652
Head of Customer Services	2015/16	95,864	7,976	912	1,570	14,842	121,164
	2014/15	90,986	5,582	912	1,188	13,826	112,494
Head of Regeneration & Economic Development	2015/16	93,309	7,797	-	1,176	14,505	116,787
	2014/15	89,122	4,712	-	875	13,455	108,164
Group Manager (Corporate Finance)	2015/16	74,520	5,395	-	1,410	11,443	92,768
	2014/15	67,922	3,748	-	-	10,392	82,062
Group Manager (Corporate Governance & Support)	2015/16	76,097	5,395	76	1,118	1,788	84,474
	2014/15	68,683	3,575	-	-	5,007	77,265
Group Manager (Regulation)	2015/16	74,049	4,047	-	2,150	11,184	91,430
	2014/15	67,347	3,123	-	-	10,218	80,688
Group Manager (Human Resources) Agency to 5.1.15	2015/16	-	-	-	-	-	-
	2014/15	92,015	-	-	-	-	92,015
Group Manager (HR & OD) from 6.1.15	2015/16	72,240	1,261	-	1,587	10,471	85,559
	2014/15	15,895	-	-	-	2,305	18,200
Group Manager (Commercial Services) - moved to CMT	2015/16	46,200	-	-	-	-	46,200
Interim Director 11.11.15	2014/15	79,575	-	-	-	-	79,575
Marketing & Communications Interim Manager	2015/16	124,836	-	-	-	-	124,836
	2014/15	117,000	-	-	-	-	117,000
Group Manager (Legal & Procurement)	2015/16	69,374	6,784	-	-	10,539	86,697
	2014/15	61,946	3,025	-	-	9,710	74,681
Total 2015/16		1,491,961	130,279	13,714	21,649	155,434	1,813,037
Total 2014/15		1,418,255	89,088	13,684	11,496	139,244	1,671,767

Notes to the Core Statements

General Notes

14 OFFICERS' REMUNERATION (cont.)

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

Remuneration Band	Number of employees	
	2015/16	2014/15
£50,000 - £55,000	7	7
£55,001 - £60,000	4	5
£60,001 - £65,000	4	2
£65,001 - £70,000	7	7
£70,001 - £75,000	2	1
£75,001 - £80,000	1	-
Total	25	22

15 TERMINATION BENEFITS (EXIT COSTS)

These figures include strain on the pension fund (Curtailment Costs) and payments to individuals - incurred with a view to securing future savings and efficiencies. These costs are charged to the relevant service line in the CIES or, for the cost of pension curtailments, in the Non Distributed Costs line.

2015/16				
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	-	18	18	126,540
£20,001 - £40,000	-	3	3	93,099
Total	-	21	21	219,639

2014/15				
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	14	19	176,512
£20,001 - £40,000	-	3	3	89,015
£40,001 - £60,000	1	3	4	211,130
Total	6	20	26	476,657

Total cost of exits includes payments to individuals of £195,007 in 2015/16 (£412,237 2014/15) and strain on pension fund costs of £24,632 in 2015/16 (£64,419 2014/15) paid to the pension authority, Essex County Council.

16 OTHER OPERATING INCOME AND EXPENDITURE

	2015/16 £'000	2014/15 £'000
Parish council precepts	376	368
Payments to the Government Housing Capital Receipts Pool	1,048	916
Payments to the Homes and Communities Agency on sale of land (clawback)	445	-
Impairment losses on Assets held for sale	200	-
(Gains)/losses on the disposal of non current assets	(2,030)	944
Total	39	2,228

Notes to the Core Statements

General Notes

17 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	Note	2015/16 £'000	2014/15 £'000
Interest payable and similar charges		10,902	10,582
Net interest on the net defined benefit liability	38	3,545	4,034
Interest receivable and similar income		(322)	(160)
Surplus or deficit on trading operations	21	1,190	(1,732)
Total (Council)		15,315	12,724
(Surplus) or deficit on trading operations (Sempra Homes)	23	19	-
Total (Group)		15,334	12,724

18 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	Note	2015/16 £'000	2014/15 £'000
Council tax income		(15,060)	(14,662)
Business rates income and expenditure	19	(4,603)	(3,985)
Non-ringfenced government grants	20	(8,243)	(9,426)
Capital grants, contributions and donated assets	20	(3,353)	(20,901)
Total		(31,259)	(48,974)

19 BUSINESS RATES INCOME AND EXPENDITURE

Under the Business Rates Retention Scheme, introduced 1 April 2013, the Council may retain an element of any Business Rates growth above its allotted Baseline Funding level. The Council is also protected under the scheme by Safety Net funding below which level its retained income cannot fall.

	2015/16 £'000	2014/15 £'000
Credited to Taxation and Non Specific Grant Income		
Business Rates Income	(30,622)	(29,452)
Tariff	25,954	25,467
Contribution to Pool	65	-
Business Rates Income	(4,603)	(3,985)
Business Rates Compensation Grants included in Non-ringfenced government grants	(936)	(746)
Net Retained Income relating to Business Rates	(5,539)	(4,731)
Baseline Funding Allocation	(5,175)	(5,078)
Safety Net Funding (92.5%)	(4,787)	(4,697)

The Business Rates Retention scheme makes provision for local authorities to form pools. Pooling is entirely voluntary and the main advantage of doing so is in the netting off of tariff with top ups and the netting off of growth in some areas with decline in others. The Council joined a four authority pool with Thurrock, Havering and Barking and Dagenham from 1 April 2014. Under the arrangement the levy rate on the total growth earned by the pool is only 4.2% compared with 50% for Basildon on its own.

Notes to the Core Statements

General Notes

20 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement during the year.

	2015/16 £'000	2014/15 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(4,245)	(5,868)
New Homes Bonus	(2,833)	(2,396)
Business Rates Compensation Grants	(936)	(746)
Localising Council Tax Support Grants	(43)	(116)
Council Tax Freeze Grant	(165)	(162)
Social Housing Fraud	-	(91)
Other Non Ringfenced Grants	(21)	(47)
Non-ringfenced government grants	(8,243)	(9,426)
Government Contributions: Decent Homes Funding	-	(17,621)
Government Contributions: Disabled Facilities Grant	(552)	-
Local Authority Funding	(745)	-
Other Non-Government Contributions	(2,018)	(1,143)
Donated Assets	(38)	(2,137)
Capital Grants and Contributions	(3,353)	(20,901)
Total credited to Taxation and Non Specific Grant Income	(11,596)	(30,327)

	2015/16 £'000	2014/15 £'000
Credited to Services		
Central Government		
Department for Work and Pensions:		
Benefits Subsidy: Rent Allowances	(37,716)	(38,903)
Benefits Subsidy: Rent Rebates	(26,970)	(27,758)
Council Tax and Housing Benefit Administration Grant	(903)	(937)
Transitional Housing Benefit Subsidy Grant	-	(6)
Council Tax and Rent Allowances: discretionary grants	(364)	(488)
Housing Options	(74)	(974)
Department for Communities and Local Government:		
Disabled Facilities Grant	-	(457)
Property Searches Funding	(149)	-
Localising Council Tax Admin Subsidy	(233)	(285)
Other Government Funding (individually below £150k)	(175)	(58)
	(66,584)	(69,866)
Local Authorities		
Essex County Council:		
Housing Related Support	(858)	(918)
Election Funding	(179)	(9)
Recycling Credits	(2,427)	(2,408)
Highways Maintenance	(228)	(208)
Collection Fund Sharing Agreement	(905)	(283)
Other Local Authority Grants and Contributions (individually below £150k).	(295)	(210)
	(4,892)	(4,036)
Non-Government		
Basildon Town Centre Regeneration Project (Developer)	(320)	(300)
Developer Contributions - Affordable Housing	-	(570)
Other Non-Government Grants and Contributions (individually below £75k).	(865)	(657)
	(1,185)	(1,527)
Revenue Grants and Contributions credited to Services	(72,661)	(75,429)

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:

Notes to the Core Statements

General Notes

	31 March 2016 £'000	31 March 2015 £'000
Capital Grants & Contributions		
Government Funding	-	6
Local Authority Funding - Essex County Council	609	587
Non-Government Support: Developer Contributions	1,535	762
Credited to Receipts in Advance in the Balance Sheet	2,144	1,355
Revenue Grants & Contributions		
Government Funding	83	17
Local Authority Funding	50	42
Non-Government Support	30	4
Credited to Receipts in Advance in the Balance Sheet	163	63

21 TRADING OPERATIONS

The Council operates 11 industrial units, 142 shop premises and other miscellaneous properties, let on a commercial basis.

The following items of income and expense are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2015/16 £'000	2014/15 £'000
Rental income	(1,981)	(1,891)
Other Income	(55)	(71)
Direct operating expenses arising from trading operations	498	540
	(1,538)	(1,422)
Impairment and depreciation	2,728	(310)
Net (surplus)/deficit	1,190	(1,732)
Net deficit of subsidiary	19	-
Net (surplus)/deficit (Group)	1,209	(1,732)

Further details of the subsidiary trading operations reported in the Group accounts can be found in Note 23 below.

22 RELATED PARTY TRANSACTIONS

The Council 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 Council.

Central Government and other Public Bodies

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and other public bodies are set out in Note 20. Debtors and creditors are set out in Notes 24 and 25 respectively. Grant receipts not yet received but related to the current year are included in Note 20.

Members & Senior Officers

No Members (apart from Cllr Dadds - see below), or the Chief Executive, or Commissioning Directors of the Council had declared 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

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, excluding VAT, paid under the lease during 2015/16 were £25,625 (£25,279 2014/15).

Subsidiary Companies

Related party transactions with subsidiary companies can be found in note 23 below. There were no related party transactions between the Council and the subsidiary's directors .

23 INTERESTS IN SUBSIDIARIES

Sempra Homes Limited

The Council has established a wholly owned company, Sempra Homes Ltd (Company Number 09362729), for the development of residential properties for sale and letting. The Company was incorporated on 19 December 2014, and commenced trading on 4 December 2015. The financial statements were prepared for the accounting period 19 December 2014 to 31 March 2016 (audited by Rickard Luckin Ltd) and have been consolidated into the Group Financial Statements on a line by line basis, after eliminating inter company transactions and balances, as follows:

- The Council's investment in the subsidiary (£875,001) comprises 875,001 ordinary shares at £1 each, which has been eliminated on consolidation into the Group accounts;
- The Company reported a net loss (after tax) of £107,287 for the period which included transactions with the Council of £114,579 management fees plus £314 finance costs, both of which have been eliminated on consolidation into the Group accounts;
- Net assets of the Company at 31 March 2016 included a creditor balance with the Council of £116,946 which has been eliminated on consolidation against the Council's debtor balance, see note 24 debtors;

In calculating the net loss for the period the Company provided for deferred tax of £26,822, to be carried forward to net against future profits in calculating tax liabilities, which has been consolidated into the Group accounts.

Basildon Council has a floating charge over the assets of Sempra Homes Ltd in the form of a debenture, issued 2 March 2016.

Further information can be obtained from Manager of Sempra Homes on 01268 465234.

The deficit on trading operations comprises:	31 March 2016 £
Rental Income	(15,290)
Letting Fees	3,799
Insurance	2,186
Administrative expenses	23,520
Audit fees	5,000
Deficit from trading operations	19,215

St Georges Community Housing Limited

St Georges Community Housing Limited (SGCH) has remained dormant since its operations were brought back in house on 4 July 2011.

Notes to the Core Statements

General Notes

24 DEBTORS

Short Term Debtors (Amounts falling due within one year)	Central government bodies	Other local authorities	Other entities and individuals	Total
	£000	£000	£000	£000
31 March 2016				
Council Tenants Arrears	-	-	2,949	2,949
Housing Benefits	-	-	7,331	7,331
Trade Debtors	-	459	3,254	3,713
Sundry Debtors	3	-	347	350
Capital Debtors	-	800	-	800
Accrued Income	4	584	385	973
Financial Assets at contract amounts	7	1,843	14,266	16,116
Council Tax (Preceptors)	-	855	-	855
Business Rate Payers Arrears	-	-	819	819
Council Tax Payers Arrears	-	-	2,521	2,521
Housing Benefits Subsidy	-	-	1,832	1,832
HM Revenue & Customs (VAT)	1,619	-	-	1,619
Prepayments	-	-	1,520	1,520
	1,626	2,698	20,958	25,282
Less: Impairment Allowances				
Council Tax Payers Arrears	-	-	(825)	(825)
Business Rate Payers Arrears	-	-	(407)	(407)
Council Tenants	-	-	(1,613)	(1,613)
Housing Benefits	-	-	(2,915)	(2,915)
Trade and Sundry Debtors	-	-	(662)	(662)
	-	-	(6,422)	(6,422)
Total	1,626	2,698	14,536	18,860

Included within Sundry Debtors is a balance due from the Subsidiary of £117k which has been eliminated on consolidation, in addition the subsidiary's trade debtors and prepayments of £2k have been incorporated into Group Debtors of £18,745k.

25 CREDITORS

Short Term Creditors (Amounts falling due within one year)	Central government bodies	Other local authorities	Other entities and individuals	Total
	£000	£000	£000	£000
31 March 2016				
HRA Leaseholders	-	-	(1,082)	(1,082)
HRA Contractors	-	-	(1,470)	(1,470)
Trade Creditors	-	(136)	(1,913)	(2,049)
Sundry Creditors	-	-	(1,904)	(1,904)
Capital Creditors	-	-	(1,260)	(1,260)
Accrued Expenses	-	(41)	(2,144)	(2,185)
Financial Liabilities at contract amounts	-	(177)	(9,773)	(9,950)
Business Rates (Preceptors)	(3,044)	(609)	-	(3,653)
Council Tax & Business Rate Payers Prepayments	-	-	(978)	(978)
Business Rates (Pool)	-	(81)	-	(81)
Sundry Creditors	(1,409)	-	-	(1,409)
Council Tenants Prepayments	-	-	(646)	(646)
Receipts in Advance	-	(29)	(606)	(635)
Total	(4,453)	(896)	(12,003)	(17,352)

Total creditors in the consolidated accounts of £17,381k include accrued expenses £27k and receipts in advance £2k in relation to the subsidiary.

Notes to the Core Statements

General Notes

24 DEBTORS

Short Term Debtors (Amounts falling due within one year)	Central government bodies	Other local authorities	Other entities and individuals	Total
	£000	£000	£000	£000
31 March 2015				
Council Tenants Arrears	-	-	2,514	2,514
Housing Benefits	-	-	5,991	5,991
Trade Debtors	10	497	2,270	2,777
Sundry Debtors	6	-	272	278
Capital Debtors	4,405	-	-	4,405
Accrued Income	-	396	475	871
Financial Assets at contract amounts	4,421	893	11,522	16,836
Council Tax (Preceptors)	-	1,705	-	1,705
Business Rate Payers Arrears	-	-	812	812
Council Tax Payers Arrears	-	-	1,286	1,286
HM Revenue & Customs (VAT)	2,810	-	-	2,810
Prepayments	-	-	1,652	1,652
	7,231	2,598	15,272	25,101
Less: Impairment Allowances				
Council Tax Payers Arrears	-	-	(577)	(577)
Business Rate Payers Arrears	-	-	(367)	(367)
Council Tenants	-	-	(1,247)	(1,247)
Housing Benefits	-	-	(2,067)	(2,067)
Trade and Sundry Debtors	-	-	(568)	(568)
	-	-	(4,826)	(4,826)
Total	7,231	2,598	10,446	20,275

25 CREDITORS

Short Term Creditors (Amounts falling due within one year)

Short Term Creditors (Amounts falling due within one year)	Central government bodies	Other local authorities	Other entities and individuals	Total
	£000	£000	£000	£000
31 March 2015				
Business Rates (Preceptors)	(5,516)	(1,103)	-	(6,619)
Council Tax & Business Rate Payers Prepayments	-	-	(625)	(625)
Housing Benefits Subsidy	(805)	-	-	(805)
Council Tenants Prepayments	-	-	(890)	(890)
HRA Leaseholders	-	-	(919)	(919)
HRA Contractors	-	-	(1,846)	(1,846)
Trade Creditors	-	(63)	(3,480)	(3,543)
Sundry Creditors	(2,553)	(377)	(1,294)	(4,224)
Capital Creditors	-	-	(2,045)	(2,045)
Accrued Expenses	-	(138)	(1,097)	(1,235)
Receipts in Advance	-	(9)	(610)	(619)
Total	(8,874)	(1,690)	(12,806)	(23,370)

Notes to the Core Statements

General Notes

26 PROVISIONS

	Insurance Pool £'000	Land Charges £'000	Total Long-Term £'000	Business Rates Appeals £'000	Litigation & Other Costs £'000	Total Short-Term £'000
Balance at 1 April 2015	(3,498)	(247)	(3,745)	(5,320)	(101)	(5,421)
Additional provisions made in 2015/16	(779)	-	(779)	(2,789)	(72)	(2,861)
Amounts used in 2015/16	421	-	421	1,409	-	1,409
Unused amounts reversed in 2015/16	-	247	247	-	-	-
Balance at 31 March 2016	(3,856)	-	(3,856)	(6,700)	(173)	(6,873)

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 three years to ensure a proper reflection of the aggregate liabilities. (The next actuarial review is due in 2018/19). This is separate from the Insurance Pool Reserve, which is held as a protection against future exposure to risk.

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 2015/16 and is now included as a Short-Term provision under 'Litigation and other costs'.

Provision for Business Rates Appeals

The provision is calculated using information provided Wilks, Head and Eve, a firm of Chartered Surveyors with a specialism in rating. Their analysis is then combined with local knowledge, the historic experience of appeals and statistical analysis in order to arrive at an appropriate figure for the level of provision. The provision includes £2.1 million in respect of a major business that lodged an appeal with the Valuation Office Agency in 2014/15 to have all their hereditaments consolidated on to one list.

Provision for Litigation & Other Costs

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

27 CONTINGENT LIABILITIES

Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) ceased trading in September 1992 and remained liable for all claims arising from previous policy commitments. 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.

Since the SOA was triggered, two payments have been requested by the Scheme Administrator (Ernst & Young) from each authority, being 25% of the total potential clawback figure of £650,000 allowed for within the Insurance Pool Reserve. These two payments equated to £162,500 which have been paid. Now that this amount of clawback has been paid, each authority is still 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 (£487,500) to be paid if necessary.

Litigation and other costs

There were also a number of judicial processes and prospective challenges in progress in relation to planning, planning enforcement, land charges, contract disputes, property disputes, business rates matters 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.

Notes to the Core Statements

General Notes

28 LEASES

Council as Lessee

Finance Leases

The Council holds 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 2016 £'000	Repaid in year £'000	Additions in year £'000	31 March 2015 £'000
Other Land and Buildings	1,817	-	-	1,817
Vehicles, Plant, and Equipment	4,408	(845)	2,685	2,568
	6,225	(845)	2,685	4,385

Additions in year - these are in respect of embedded leases within existing contracts to supply vehicles and equipment 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 asset 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 2016 £'000	31 March 2015 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	962	658
Payable between two and five years	2,792	1,808
Payable after five years	2,471	1,919
	6,225	4,385
Finance costs payable in future years (not discounted)	14,798	13,930
Minimum lease payments	21,023	18,315

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	1,549	979	962	658
Later than one year and not later than five years	4,273	2,614	2,792	1,808
Later than five years	15,201	14,722	2,471	1,919
	21,023	18,315	6,225	4,385

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 2015/16, £70,874 in contingent rents was payable by the Council (2014/15 £84,973). 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 industrial units in Wickford held under a finance lease. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £1,094,304 (£1,389,687 at 31 March 2015).

Notes to the Core Statements

General Notes

Council as Lessee

Operating Leases

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

	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	5	6
Later than one year and not later than five years	5	10
Later than five years	8	9
Future minimum lease payments due under non-cancellable leases in future years	18	25

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 2016 amounts to £500 (£500 as at 31 March 2015).

	31 March 2015 £'000	31 March 2014 £'000
Minimum lease payments	6	6
Sub lease payments receivable	-	(1)
Expenditure charged to CIES	6	5

Council 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.

	31 March 2016 £'000	31 March 2015 £'000
Finance lease debtor (net present value of minimum lease payments):		
· non current	200	200
Unearned finance income	2,371	2,407
Unguaranteed residual value of property	65	65
Gross investment in the lease	2,636	2,672

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 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	36	36	-	-
Later than one year and not later than five years	143	143	1	1
Later than five years	2,457	2,493	199	199
	2,636	2,672	200	200

Notes to the Core Statements

General Notes

As there is a possibility that lease payments will not be received by the Council, an allowance for uncollectable amounts has been made of £24,000 as at 31 March 2016 (£24,000 at 31 March 2015).

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 2015/16, £79,834 was receivable by the Council in respect of contingent rents (£78,470 in 2014/15).

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, community centres and neighbourhood shops;
- for economic development purposes to provide suitable affordable accommodation for local businesses

	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	1,663	1,813
Later than one year and not later than five years	4,110	4,585
Later than five years	4,193	4,249
Future minimum lease payments due under non-cancellable leases in future years	9,966	10,647

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 2015/16 £135,552 contingent rents were receivable by the Council (2014/15 £148,680).

Notes to the Core Statements

Financial Instrument Notes

29 CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	Long Term		Current	
		31 March	31 March	31 March	31 March
		2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Investments (Fixed term deposits)		-	-	61,047	46,521
Cash Equivalents	39	-	-	11,370	9,454
Loans and receivables		-	-	72,417	55,975
Total Short Term Deposits		-	-	72,417	55,975
Debtors					
Loans and receivables		301	315	38	42
Financial assets carried at contract amounts		-	-	16,078	16,794
Total Debtors	24	301	315	16,116	16,836
Total Financial Assets		301	315	88,533	72,811
Borrowings					
Financial liabilities at amortised cost		(207,152)	(196,617)	(9,596)	(10,139)
Total Borrowings		(207,152)	(196,617)	(9,596)	(10,139)
Other Liabilities					
Finance lease liabilities	28	(5,263)	(3,727)	(962)	(658)
Total Other Liabilities		(5,263)	(3,727)	(962)	(658)
Creditors					
Cash Equivalents (overdrawn)		-	-	(3,759)	(3,426)
Financial liabilities carried at contract amounts	25	-	-	(8,989)	(10,601)
Total Creditors		-	-	(12,748)	(14,027)
Total Financial Liabilities		(212,415)	(200,344)	(23,306)	(24,824)

30 INCOME, EXPENSE, GAINS AND LOSSES

	2015/16			2014/15		
	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	(10,902)	-	(10,902)	(10,582)	-	(10,582)
Total Interest income in Surplus or Deficit on the Provision of Services	-	322	322	-	160	160
Net gain/(loss) for the year	(10,902)	322	(10,580)	(10,582)	160	(10,422)

The range of interest rates payable on borrowing at 31 March 2016 was from 2.91% to 15.25%, weighted average 4.78% (5.13% at 31 March 2015).

Notes to the Core Statements

Financial Instrument Notes

31 FAIR VALUES OF ASSETS AND LIABILITIES

Trade creditors and debtors are carried in the balance sheet at invoiced or billed amount. Financial assets and liabilities are carried at amortised cost i.e. the aggregate of the principal sum and accrued interest. The valuation basis adopted in calculating the fair value of these assets and liabilities, set out in the table below, uses Level 2 inputs of the fair value hierarchy i.e. inputs other than quoted prices that are observable for the financial asset/liability, as follows:

- For borrowing (including non-PWLB borrowing) by reference to PWLB redemption rules and redemption rates prevailing at the Balance Sheet date as an estimate of the market rate for the purchase of the loans as assets;
- Where an instrument will mature in the next 12 months the carrying amount is assumed to be approximate to fair value;
- For all other financial assets and liabilities the carrying amount is considered to be an appropriate measure of fair value.

	2015/16			2014/15		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(212,301)	(214,498)	(275,411)	(202,301)	(204,506)	(265,268)
Non PWLB long-term debt	(2,250)	(2,250)	(2,715)	(2,250)	(2,250)	(2,913)
Finance lease liabilities	(6,225)	(6,225)	(6,225)	(4,385)	(4,385)	(4,385)
Bank Current accounts	(3,759)	(3,759)	(3,759)	(3,426)	(3,426)	(3,426)
Trade Creditors	(8,989)	(8,989)	(8,989)	(10,601)	(10,601)	(10,601)
Total Financial Liabilities	(233,524)	(235,721)	(297,099)	(222,963)	(225,168)	(286,593)

	2015/16			2014/15		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
Short Term Deposits	72,370	72,417	72,439	55,952	55,975	55,967
Other Loans	339	339	339	357	357	357
Trade Debtors	16,078	16,078	16,078	16,794	16,794	16,794
Total Financial Assets	88,787	88,834	88,856	73,103	73,126	73,118

The fair value of PWLB Debt differs quite significantly from the Carrying Amount (£60.9 million). This is due to the impact of committing to long-term borrowing at fixed rates of interest, with the Fair Value reflecting the cost of repayment, or exit cost.

32 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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. Treasury management is carried out by a central team, under policies approved by the Council in the Annual Treasury Management and Investment Strategy Reports. These strategies provide principles for overall risk management, and are supplemented by written procedure notes.

The Treasury Management and Investment Strategy Reports for 2015/16 were approved by Full Council on 19.2.2015, and can be found on the Council's website.

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 operation of the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies and other criteria as appropriate.

The Annual Investment Strategy also imposes a maximum sum and duration of deposit that can be invested with any given financial institution that meets the counterparty criteria. The Annual Investment Strategy is contained within the Council's approved Treasury Management Strategy.

The Council's assessment of the credit quality of its debtors is reflected in the impairment allowance disclosed in Note 24. This assessment takes into account the age of the debt, the historical experience of default and, in appropriate cases, particular knowledge of the position of the debtor.

Notes to the Core Statements

Financial Instrument Notes

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

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 immediate access to liquid investments as well as ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

	31/03/2016 £'000	31/03/2015 £'000
Less than one year	9,500	10,000
Between one and two years	4,500	9,500
Between two and five years	13,000	14,000
Between five and ten years	22,075	18,575
Between ten and fifteen years	35,500	37,000
Between fifteen and twenty years	58,500	40,500
Between twenty and twenty five years	43,051	64,051
More than twenty five years	28,425	10,925
Principal Amount	214,551	204,551

Market Risk

Interest Rate Risk

The Council is exposed to changes in interest rates as a result of its borrowings being at long-term fixed rates and investments being short-term and, therefore, exposed to variable rates of interest. Consequently falls in interest rates will have an adverse impact on the Council's finances. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings do not have an impact on the resources available to the Council. However, changes in interest payable and receivable due to interest rate changes do have an impact such resources. In the Council's assessment, at 31 March 2016, if interest rates had been 0.25% lower with all other variables held constant, the financial effect would not have been material due to the low value of loans and investments held on a variable basis.

Price Risk

The Council does not hold any financial instruments the capital value of which may fluctuate as a result of market conditions.

Refinancing Risk

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 risk, 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.

Notes to the Core Statements

Capital Notes

33 PROPERTY, PLANT AND EQUIPMENT

Movements in 2015/16

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Subsidiary Other Land & Buildings £000	Group Property, Plant & Equipment £000
Cost or Valuation:									
At 1 April 2015	585,758	83,566	13,149	8,368	2,566	188	693,595	-	693,595
Additions	24,877	1,751	2,738	10	3,135	-	32,511	875	33,386
Donations	-	38	-	-	-	-	38	-	38
Derecognition - Disposals	(6,959)	(883)	(722)	-	-	-	(8,564)	-	(8,564)
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	(24,338)	381	-	1	(122)	14	(24,064)	-	(24,064)
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-	6,713	-	(25)	-	(1)	6,687	-	6,687
Revaluation increases / (decreases) recognised in the Revaluation Reserve	36,650	-	-	-	-	-	36,650	-	36,650
Revaluation Increases / (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	12,166	-	-	-	-	-	12,166	-	12,166
Other Movements in Cost or Valuation - Reclassifications	-	22,531	-	4	(1,695)	-	20,840	-	20,840
At 31 March 2016	628,154	114,097	15,165	8,358	3,884	201	769,859	875	770,734
Accumulated Depreciation and Impairments:									
At 1 April 2015	-	5,317	5,992	-	-	16	11,325	-	11,325
Depreciation Charge for 2015/16	11,715	3,517	1,513	-	-	4	16,749	5	16,754
Depreciation Eliminated on Disposals	(139)	(1)	(722)	-	-	-	(862)	-	(862)
Depreciation Written Out to the Revaluation Reserve	(9,934)	(728)	-	-	-	(20)	(10,682)	(5)	(10,687)
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	(1,642)	1,052	-	-	-	-	(590)	-	(590)
At 31 March 2016	-	9,157	6,783	-	-	-	15,940	-	15,940
Net Book Value:									
At 31 March 2016	628,154	104,940	8,382	8,358	3,884	201	753,919	875	754,794
At 1 April 2015	585,758	78,249	7,157	8,368	2,566	172	682,270	-	682,270

Notes to the Core Statements

Capital Notes

33 PROPERTY, PLANT AND EQUIPMENT (cont.)

Comparative Movements in 2014/15

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation:								
At 1 April 2014	547,835	85,151	13,016	1,124	7,932	1,724	271	657,053
Additions	28,125	2,254	620	515	-	1,536	-	33,050
Donations	952	1,185	-	-	-	-	-	2,137
Derecognition - Disposals	(7,315)	(2,017)	(2,649)	(1,123)	-	-	-	(13,104)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(27,955)	(887)	-	(516)	-	-	-	(29,358)
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-	993	580	-	355	-	-	1,928
Revaluation increases / (decreases) recognised in the Revaluation Reserve	23,620	542	-	-	81	-	-	24,243
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	20,465	(48)	-	-	-	-	-	20,417
Other movements in cost or Valuation - Reclassifications	31	(3,607)	1,582	-	-	(694)	(83)	(2,771)
At 31 March 2015	585,758	83,566	13,149	-	8,368	2,566	188	693,595
Accumulated Depreciation and Impairments:								
At 1 April 2014	-	3,688	7,386	-	-	-	27	11,101
Depreciation Charge for 2014/15	10,957	2,131	1,060	-	-	-	4	14,152
Depreciation eliminated on Disposals	(146)	(78)	(2,620)	-	-	-	-	(2,844)
Depreciation written out to the Revaluation Reserve	(10,811)	(1,175)	(196)	-	-	-	(2)	(12,184)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	883	224	-	-	-	(4)	1,103
Other movements in cost or Valuation - Reclassifications	-	(132)	138	-	-	-	(9)	(3)
At 31 March 2015	-	5,317	5,992	-	-	-	16	11,325
Net Book Value:								
At 31 March 2015	585,758	78,249	7,157	-	8,368	2,566	172	682,270
At 1 April 2014	547,835	81,463	5,630	1,124	7,932	1,724	244	645,952

Notes to the Core Statements

Capital Notes

33 PROPERTY, PLANT AND EQUIPMENT (cont.)

Revaluations

The statement below shows the total of revaluations of non-current assets carried out by the Council during the financial year and for the previous four years. 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 14.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipmen £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	-	15,165	8,358	3,884	-	27,407
Carried at fair value as at:							
31.3.2016	628,154	99,570	-	-	-	201	727,925
31.3.2015	-	8,024	-	-	-	-	8,024
31.3.2014	-	4,667	-	-	-	-	4,667
31.3.2013	-	1,836	-	-	-	-	1,836
Gross Book Value at 31 March 2016	628,154	114,097	15,165	8,358	3,884	201	769,859

34 INVESTMENT PROPERTIES

	2015/16 £'000	2014/15 £'000
Balance at start of the year	20,840	18,947
Transfer (to)/from Other Land and Buildings	(20,840)	1,583
Net gains/(losses) from fair value adjustments	-	310
Balance at end of the year	-	20,840

All Investment Properties were reviewed in year as to the appropriateness of their classification. To meet the requirement of this class of asset, they must be used *solely* for rental income or capital appreciation purposes. International accounting standards allow for asset to be moved out of this category if they are used in the production or supply of goods or services or for administrative purposes. This review has concluded that these properties do, in fact, provide a wider community benefit, therefore all of these assets have been transferred to Other Land and Buildings, which forms part of the Property, Plant & Equipment balance in Note 33.

35 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2016 was £4,957,400 including fees (£20,913,400 at 31 March 2015).

36 ASSETS HELD FOR SALE

	2015/16 £'000	2014/15 £'000
Balance outstanding at start of year	11,365	10,475
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	1,185
Revaluation gains to Revaluation Reserve	-	15
Impairment losses	(200)	-
Assets sold	(7,825)	(310)
Balance outstanding at end of year	3,340	11,365

Notes to the Core Statements

Capital Notes

37 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.

	2015/16 £'000	2014/15 £'000
Opening Capital Financing Requirement	245,380	244,031
<u>Capital Expenditure</u>		
Property, Plant and Equipment:		
General Fund	5,496	3,686
Housing Revenue Account	27,015	29,364
	32,511	33,050
Investment in Subsidiary	875	-
<u>Revenue expenditure funded from capital under statute:</u>		
Private Sector Housing Grants	1,165	2,027
Total Capital Expenditure to be Financed	34,551	35,077
Sources of Finance:		
Capital receipts	1,964	550
Government grants and other contributions	2,858	1,978
Major Repairs Reserve	18,457	27,955
Direct revenue contributions	7,221	1,020
Sums set aside from revenue:		
Minimum Revenue Provision	1,286	1,510
HRA impairments / reversals of impairment	(131)	395
Use of Major Repairs Reserve to repay debt	23	320
Use of Capital Receipts to repay debt	4,995	-
Total Financing	36,673	33,728
Closing Capital Financing Requirement	243,258	245,380
Analysis by Fund:		
General Fund	37,095	39,478
HRA	206,163	205,902
Closing Capital Financing Requirement	243,258	245,380
Explanation of movements in year:		
Increase/(Decrease) in underlying need for borrowing (unsupported by government financial assistance)	(4,807)	770
Assets acquired under finance leases	2,685	579
Increase/(Decrease) in Capital Financing Requirement	(2,122)	1,349

Notes to the Core Statements

Pension Notes

38 DEFINED BENEFIT PENSION SCHEMES

Characteristics of the Pension Scheme

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 2013 and was effective from 1 April 2014. The next valuation will be at 31 March 2016 and will be effective from 1 April 2017.

Risks associated with the Pension Scheme

Investment Risk

The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest Rate Risk

The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation Risk

All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

Longevity Risk

In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the above risks may also benefit the employer e.g. higher than expected investment returns, or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Assets and Liabilities in relation to Post-employment Benefits

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2015/16 £'000	2014/15 £'000
Present value of the defined benefit obligation	270,805	276,097
Fair value of plan assets	(170,048)	(165,630)
Net liability arising from the defined benefit obligation	100,757	110,467

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2017 is £5.8 million (including £0.5m relating to discretionary benefits).

Notes to the Core Statements

Pension Notes

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:

Comprehensive Income and Expenditure Statement	2015/16 £'000	2014/15 £'000
<i>Cost of Services:</i>		
Service cost comprising:		
- Current service cost, including administration expense	6,043	4,800
- Past service costs, including curtailments	-	84
<i>Financing and Investment Income and Expenditure:</i>		
Net interest on the defined liability	3,545	4,034
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	9,588	8,918
<i>Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure:</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest cost)	1,484	(13,728)
- Experience gain (loss)	(51)	(224)
- Actuarial gains and losses arising from changes in demographic assumptions	-	-
- Actuarial gains and losses arising from changes in financial assumptions	(14,596)	26,895
- Other actuarial gains/(losses)	-	-
	(13,163)	12,943
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(3,575)	21,861
Movement in Reserves Statement		
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	9,588	8,918
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(3,453)	(2,944)
Actual amount charged against Council Tax for pensions in the year:		
Employers' contributions payable to the scheme	6,135	5,974
Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	2015/16 £'000	2014/15 £'000
Opening Balance at 1 April	276,097	240,080
Current Service Cost	5,962	4,733
Interest Cost	9,019	10,437
Contributions from scheme participants	1,476	1,349
Remeasurements of the net defined benefit liability:		
- Actuarial gains and losses arising from changes in financial assumptions	(14,596)	26,895
- Experience loss (gain)	(51)	(224)
Past Service Costs, including curtailments	-	84
Benefits Paid	(6,690)	(6,840)
Unfunded Pension Payments	(412)	(417)
Closing Balance at 31 March	270,805	276,097

Notes to the Core Statements

Pension Notes

Reconciliation of the Movements in the Fair Value of Scheme Assets	2015/16	2014/15
	£'000	£'000
Opening Balance at 1 April	165,630	145,500
Actual Return on scheme assets (less administrative expense)	3,909	20,064
Contributions by scheme participants	1,476	1,349
Employer Contributions including unfunded	6,135	5,974
Benefits Paid including unfunded	(7,102)	(7,257)
Closing Balance at 31 March	170,048	165,630

The estimated asset allocation for the Council consists of the following categories, expressed as a proportion of total assets held by value:

Asset Share - Bid value	31 March 2016		31 March 2015	
	£'000	%	£'000	%
Equity Investments	115,090	67%	111,421	67%
Gilts and Bonds	13,175	8%	23,130	14%
Property	20,251	12%	17,990	11%
Cash and Other Investments	21,532	13%	13,089	8%
	170,048	100%	165,630	100%

Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2016, the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death. The Essex Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries.

The principal assumptions used by the actuary are as follows:

Assumed life expectancy from age 65 (years)	31 March	31 March
	2016	2015
Assumed longevity retiring at current date		
- Males	22.9	22.8
- Females	25.3	25.2
Assumed longevity retiring in 20 years		
- Males	25.2	25.1
- Females	27.7	27.6

Financial assumptions:

Rate of inflation - RPI	3.2%	3.2%
Rate of inflation - CPI	2.3%	2.3%
Rate of increase in salaries	4.1%	4.1%
Rate of increase in pensions	2.3%	2.3%
Rate for discounting scheme liabilities	3.6%	3.3%

Other assumptions:

Take-up of option to pay 50% of contributions for 50% of benefits	10.0%	10.0%
Take-up of option to convert annual pension into retirement lump sum	60.0%	60.0%
Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.		

Notes to the Core Statements

Pension Notes

Sensitivity Analysis of major assumptions

The sensitivity analysis below shows the impact on the Council's obligations given the stated changes to the major assumptions used by the actuary. The change column is the change to the estimated base projected service cost of £5,562,000. Although the impact of a change in the longterm salary increase has an impact on the present value of the obligation it is relatively minor and, therefore, would have no impact on the projected service cost.

Adjustment to:		Present value of Total Obligation £'000	Change £'000	Projected Service Cost £'000
Discount Rate	+0.1%	266,205	(194)	5,368
	-0.1%	275,489	53	5,615
Long-term salary increase	+0.1%	271,219	(69)	5,493
	-0.1%	270,393	(75)	5,487
Pension increases and deferred revaluation	+0.1%	275,130	52	5,614
	-0.1%	266,555	(193)	5,369
Mortality age rating assumption	+ 1 year	279,108	68	5,630
	- 1 year	262,756	(209)	5,353

Effect on the Council's cashflows

The revised contribution rate and deficit payments that arose as a consequence of the 2013 valuation were implemented on 1 April 2014. The impact on the Council's future cashflows is as set out in the table below:

	2016/17 £'000
Ongoing rate	14.5% 3,143
Deficit payment	2,693
Total	5,836

The cost of the ongoing rate is based on an estimated pensionable payroll of £21.675 million and will change to the extent that the actual payroll differs from this figure. The deficit payments were fixed for 3 years and are intended, combined with payments for the next 14.5 years, to eliminate the deficit over a period of 17.5 years. Both figures will be revised at the next valuation.

Notes to the Core Statements

Cash Flow Notes

39 CASH AND CASH EQUIVALENTS

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

	31 March 2016 £'000	31 March 2015 £'000
Cash held by the Council	13	16
Bank current accounts	(3,759)	(3,426)
Special Interest Bearing Account (SIBA)	2,869	3,452
Short-term deposits (Money Market Funds)	8,501	6,002
Total Council Cash and Cash Equivalents	7,624	6,044
Subsidiary bank current account	10	-
Total Group Cash and Cash Equivalents	7,634	6,044

The Council does not have a bank overdraft facility. Any surplus or shortfall in the current accounts is automatically transferred to the SIBA.

40 CASH FLOW STATEMENT - OPERATING ACTIVITIES

Included in the cash flows for operating activities are the following items:

	2015/16 £'000	2014/15 £'000
Interest received	(297)	(140)
Interest paid	10,910	10,588
Net interest included in operating activities	10,613	10,448

41 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015/16 £'000	2014/15 £'000
Purchase of property, plant and equipment	33,296	32,447
Purchase of short-term investments	14,526	44,500
Other payments for investing activities	20	38
Proceeds from the sale of property, plant and equipment	(17,139)	(9,625)
Capital Grants Received	(7,709)	(18,891)
Other receipts from investing activities	(34)	(21)
Net cash flows from investing activities	22,960	48,448

42 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015/16 £'000	2014/15 £'000
Cash receipts of short and long-term borrowing	(22,685)	(20,579)
Other receipts from financing activities	2,116	(3,394)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	845	708
Repayments of short and long-term borrowing	10,000	3,615
Net cash flows from financing activities	(9,724)	(19,650)

Housing Revenue Account

HRA Income and Expenditure Statement

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

Expenditure	Note	2015/16 £'000	2014/15 £'000
Repairs and maintenance		11,944	10,476
Supervision and management		14,783	14,413
Rents, rates, taxes and other charges		317	222
Depreciation of non-current assets	7	11,933	11,090
Impairment of non-current assets (net of revaluation gains)	8	10,591	7,885
Debt management costs		63	65
Movement in the allowance for bad debts		518	684
Total Expenditure		50,149	44,835
Income			
Dwelling rents	1	(50,242)	(49,403)
Non-dwelling rents	3	(42)	(140)
Charges for services and facilities		(4,479)	(5,093)
Contributions towards expenditure		(506)	(481)
Total Income		(55,269)	(55,117)
Net (Income) / Expenditure of HRA Services as included in the whole authority Comprehensive Income & Expenditure Statement		(5,120)	(10,282)
HRA share of Non Distributed Costs		-	25
HRA share of Corporate and Democratic Core		331	312
Net (Income)/Expenditure of HRA Services		(4,789)	(9,945)
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(Gain)/Loss on sale of HRA non-current assets		(2,747)	(2,124)
Interest payable and similar charges		9,936	10,258
Net interest on the net defined benefit liability		926	1,177
Capital grants, contributions and donated assets		(973)	(18,573)
Surplus for the year on HRA services		2,353	(19,207)

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.

	Note	2015/16 £'000	2014/15 £'000
Balance on the HRA at the end of the previous year		(8,786)	(4,950)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		2,353	(19,207)
Adjustments between Accounting basis and Funding basis under the legislative framework		(941)	12,714
Net increase before transfers to or from reserves		1,412	(6,493)
Transfers to or from earmarked reserves	13	(1,424)	2,657
Increase in year on the HRA		(12)	(3,836)
Balance on the HRA at the end of the current year		(8,798)	(8,786)

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:

	Note	2015/16 £'000	2014/15 £'000
Reversal of items debited or credited to the HRA Income and Expenditure Statement			
(Gain)/Loss on sale of HRA non-current assets		(2,747)	(2,124)
HRA share of contributions to or from the Pensions Reserve		902	860
Transfer to Major Repairs Reserve: Decent Homes backlog funding	10	-	(17,621)
Capital grants transferred to the Capital Adjustment Account		(973)	
Donated Assets transferred to the Capital Adjustment Account		-	(952)
Revaluation gains and impairment losses (charged to SDPS)	8	10,722	7,490
Statutory Provision for the repayment of debt (Minimum revenue provision)		(157)	(99)
Capital expenditure charged against the HRA Balance		(6,806)	(279)
Depreciation transferred to the Capital Adjustment Account	7	11,933	11,090
Absences accrual transferred to the Accumulated Absences Account		-	4
		12,874	(1,631)
Insertion of items not debited or credited to the HRA Income and Expenditure Statement			
Transfer to Major Repairs Reserve		(11,933)	(11,090)
Transfer to Financial Instruments Adjustment Account, amortisation of deferred discounts		-	7
		(11,933)	(11,083)
Net additional amount required by statute to be debited (credited) to the HRA		941	(12,714)

Further details of the adjustments between accounting basis and funding basis can be found in the Movement in Reserves Statement.

Housing Revenue Account

Notes

1 DWELLING RENTS

	2015/16 £'000	2014/15 £'000
Dwellings	(50,754)	(49,796)
Less: Void properties	512	393
Total Income from Dwelling Rents	(50,242)	(49,403)

Rent loss due to void dwellings was 1.0% in the year (0.8% in 2014/15). The average weekly rent in 2015/16 was £87.69, which was £1.86 above the average for the previous year (£85.83).

2 RENT REBATES

About 57% 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 councils, the General Fund is subsidised for the difference directly from the HRA.

3 NON-DWELLING RENTS

	2015/16 £'000	2014/15 £'000
Garages	(78)	(1,076)
Less: Void properties	36	941
	(42)	(135)
Land and Other Buildings	-	(5)
Total Income from Non-Dwelling Rents	(42)	(140)

4 RENT ARREARS

	31 March 2016 £'000	31 March 2015 £'000
Current tenants	2,497	2,136
Former tenants	789	476
Total gross rent arrears	3,286	2,612
Less: Allowance for uncollectable rents	(1,612)	(1,247)
Total net rent arrears	1,674	1,365

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 £645,753 at 31 March 2016 (£890,239 at 31 March 2015).

Housing Revenue Account

Notes

5 ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,049 dwellings at the start of the year (11,173 at 1 April 2014). Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2016	31 March 2015
<i>Analysis by Type of Dwelling :</i>		
Houses and Bungalows	6,183	6,252
Flats and Maisonettes	4,752	4,797
Total Dwellings	10,935	11,049
<i>Change in Stock during the Year :</i>		
Stock at 1 April	11,049	11,173
Purchases and donations	10	11
Sales and other Disposals	(124)	(135)
Total Dwellings	10,935	11,049

The number of dwellings at 31 March 2016 includes the Council's interest in shared ownership properties, which is equivalent to 114 wholly owned dwellings (119 at 31 March 2015).

6 VALUATION OF HOUSING ASSETS

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

	31 March 2016 £'000	31 March 2015 £'000
<i>Operational Assets :</i>		
Dwellings	628,154	585,758
Other land and buildings	471	651
Vehicles, plant and equipment	182	361
<i>Non Operational Assets :</i>		
Asset under construction	3,024	927
Total Value of Housing Assets	631,831	587,697

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 £1,610.7 million at 31 March 2015. The difference of £982.6 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

	31 March 2016 £'000	31 March 2015 £'000
<i>Operational Assets :</i>		
Dwellings	11,588	10,835
Shared Ownership Dwellings	127	122
Other land and buildings	23	25
Vehicles, plant and equipment	195	108
Total Depreciation	11,933	11,090

Housing Revenue Account

Notes

8 REVALUATION GAINS, LOSSES AND IMPAIRMENTS

	31 March 2016 £'000	31 March 2015 £'000
<i>Operational Assets:</i>		
Dwellings	(13,616)	(20,465)
Shared Ownership Dwellings	(192)	-
Total Revaluation (gains)/losses	(13,808)	(20,465)
<i>Operational Assets:</i>		
Dwellings	24,338	27,955
Other land and buildings	61	321
Vehicles, plant and equipment	-	74
Total Impairments	24,399	28,350

Whilst impairments and revaluations charged to the Surplus or Deficit on Provision of Services for council dwellings are reversed through the Movement in Reserves Statement, this is not permissible for non-dwellings and shared ownership dwellings that remain as a charge to the HRA.

9 CAPITAL EXPENDITURE AND FINANCING

	Note	2015/16 £'000	2014/15 £'000
Analysis of Expenditure and Financing			
Housing		24,877	28,125
Other Property		2,138	1,239
Total Capital Expenditure to be Financed		27,015	29,364
<i>Financed from:</i>			
Major Repairs Reserve	10	18,457	27,955
Capital Contributions		973	-
Usable Capital Receipts		468	132
Borrowing – unsupported		311	997
Revenue contributions		6,806	280
Total Financing		27,015	29,364

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).

	2015/16 £'000	2014/15 £'000
Balance on 1 April	(8,497)	(8,061)
Transfer from the HRA	(11,933)	(11,090)
Decent Homes Backlog Funding received	-	(17,621)
Decent Homes Backlog Funding applied to Capital Expenditure	-	17,621
Amount applied to Capital Expenditure	18,457	10,334
Amount applied to repay debt	23	320
Balance on 31 March	(1,950)	(8,497)

Housing Revenue Account

Notes

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. A sum of £4,889k has been retained in 2015/16 for the 1:1 replacement of social housing (£4,617k during 2014/15).

	2015/16 Total £'000	2014/15 Total £'000
Gross receipt	9,720	9,312
Pooled amount	(1,048)	(916)
Usable element	8,672	8,396

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 74% General Fund and 26% Housing Revenue Account.

13 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 £11,393,000 at 31 March 2016 (£12,817,000 at 31 March 2015).

	2015/16 Total £'000	2014/15 Total £'000
Asset Management Reserve	10,793	12,158
Treasury Management Reserve	600	600
Bad Debts Earmarked Reserve	-	59
Total HRA Earmarked Reserves	11,393	12,817

14 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

	2015/16			2014/15		
	Council Tax £'000	Business Rates £'000	Total £'000	Council Tax £'000	Business Rates £'000	Total £'000
Income:						
Amounts receivable (net of discounts and reliefs)	92,181	84,398	176,579	89,830	83,477	173,307
Collection of previous year's deficit:						
- Central Government		-	-		1,095	1,095
- Essex County Council		-	-		197	197
- Essex Fire Authority		-	-		22	22
- Basildon Borough Council		-	-		876	876
		-	-		2,190	2,190
Total Income	92,181	84,398	176,579	89,830	85,667	175,497
Expenditure:						
Precepts and shares						
- Central Government	-	40,633	40,633	-	38,161	38,161
- Essex County Council	62,359	7,314	69,673	60,934	6,869	67,803
- Police & Crime Commissioner for Essex	8,444	-	8,444	8,089	-	8,089
- Essex Fire Authority	3,811	813	4,624	3,724	763	4,487
- Basildon Borough Council	14,882	32,506	47,388	14,543	30,529	45,072
	89,496	81,266	170,762	87,290	76,322	163,612
Transitional protection payment receivable	-	315	315	-	1,451	1,451
Impairment of debts/appeals:						
- Write-offs of uncollectable amounts	207	222	429	301	485	786
- Allowance for impairment	1,418	100	1,518	1,519	(12)	1,507
Allowance for losses on appeals	-	6,973	6,973	-	7,683	7,683
	1,625	7,295	8,920	1,820	8,156	9,976
Charge to General Fund for allowable collection costs		234	234		238	238
Distribution of previous year's estimated surplus:						
- Central Government	-	2,328	2,328	-	-	-
- Essex County Council	1,319	419	1,738	234	-	234
- Police & Crime Commissioner for Essex	175	-	175	30	-	30
- Essex Fire Authority	80	47	127	14	-	14
- Basildon Borough Council	315	1,862	2,177	56	-	56
	1,889	4,656	6,545	334	-	334
Total Expenditure	93,010	93,766	186,776	89,444	86,167	175,611
Movement on Fund Balance	(829)	(9,368)	(10,197)	386	(500)	(114)
Opening Fund Balance	(1,969)	2,077	108	(1,583)	1,577	(6)
Closing Fund Balance	(1,140)	11,445	10,305	(1,969)	2,077	108
Movement on fund balance	(829)	(9,368)	(10,197)	386	(500)	(114)

Collection Fund Account

Notes

1 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 2015/16 was calculated as follows:

Tax Band	No. of Properties in Band	No. of Properties after Discounts	Ratio to Band D	Equivalent No. of Band D Properties
A (Disabled)	8	7	5/9	4
A	8,567	7,135	6/9	4,757
B	15,527	13,895	7/9	10,808
C	23,579	21,594	8/9	19,195
D	14,020	13,277	9/9	13,277
E	7,219	6,877	11/9	8,405
F	4,479	4,329	13/9	6,253
G	1,919	1,858	15/9	3,098
H	145	136	18/9	272
	75,463	69,108		66,069
Less: Net impact of Local Council Tax Support Scheme				(8,148)
				57,921
Less: Allowance for irrecoverables			0.93%	(540)
Total Council Tax Base				57,381

2 INCOME FROM COUNCIL TAX

For 2015/16 the Council set an average Council Tax levy of £1,556.81 per Band D equivalent property, made up of precepts from authorities as follows:

	2015/16 £	2014/15 £
Basildon Borough Council	252.81	252.81
Parish and Town Councils in the Basildon Borough (average)	6.55	6.56
Essex County Council	1,086.75	1,086.75
Police & Crime Commissioner for Essex	147.15	144.27
Essex Fire Authority	66.42	66.42
Total average Council Tax Band D	1,559.68	1,556.81

The Council Tax requirement is made up of the sum of all precepts levied on this Council as Billing Authority. Basildon's own precept for the year 2015/16 (£14.88 million) included £375,568 (£367,965 in 2014/15) 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.

Specific reductions in Council Tax liability are made in accordance with regulations for households on low income (Council Tax Support). The cost to the Council is no longer met by government grant. The amount credited to the Collection Fund is analysed as follows:

	2015/16 £'000	2014/15 £'000
Council Tax	103,562	101,882
Less: Council Tax Support	(11,381)	(12,052)
Net Income to Collection Fund	92,181	89,830

Collection Fund Account

Notes

3 INCOME FROM BUSINESS 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 shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority (1%), with the remainder being retained by the council (40%). Police and Crime Commissioners are not included in the scheme.

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

	2015/16 £'000	2014/15 £'000
Business Rate (including voids and exemptions)	85,935	84,284
<i>Add</i> : Appeals settled	3,523	3,283
<i>Less</i> : Reliefs, and Other Adjustments	(5,060)	(4,090)
Net Income to Collection Fund	84,398	83,477

The total rateable value for the Basildon Borough at 31 March 2016 was £186.9m (£187.7 million, 2015). The business rate for 2015/16 was 48.0p per £ of rateable value for small businesses and 49.3p for other businesses (47.1p and 48.2p respectively for 2014/15).

Accounting Policies

1. 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. Otherwise they are accounted for as outlined in Section 10.
- Supplies that are held in inventories 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 is not been accrued in respect of loans raised before 1 April 1987, the interest on which is accounted for on a cash basis.

2. Cash and Cash Equivalents

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

A financial instrument will be treated as a cash equivalent if it meets the definition given in IAS 7; “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.

3. Exceptional Items

When items of income and expense are material and significant to an understanding of the Council’s financial performance 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.

Accounting Policies

4. 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, i.e. 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 e.g. on grounds of materiality) 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.

Should any of the above instances arise, the appropriate disclosures will be made within the accounts.

5. 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 charged.

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.

It is for each authority to determine a prudent level of MRP, though regard must be had to statutory guidance issued by the Secretary of State for Communities and Local Government. This Council has resolved to make revenue provision in respect of General Fund capital expenditure in accordance with the methods stated below as defined in the statutory guidance:

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

The only exception to these arrangements are

- No MRP is charged in respect of loans to third parties
- Finance lease debt is written down in line with the principal element of the rental payments (i.e. on an annuity basis)

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

Depreciation, revaluation and 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, revaluation and impairment losses. Impairments in respect of dwellings have been reversed through the movement in reserves statement. A balance equivalent to the

Accounting Policies

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 2015.

6. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly 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 (e.g. Private Health Care) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 Unpaid Absences Account with the transaction being reversed in the following year.

Termination Benefits

Termination benefits, are amounts payable as a result of a decision by Basildon Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept an offer of voluntary redundancy in exchange for those benefits. 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate deemed to be appropriate for the scheme (usually 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 pension liability is analysed into the following components:

- Service cost comprising:
 - 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

Accounting Policies

Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net Interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated using the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 estimated liabilities that 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.

7. 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.

8. Financial Instruments

Fair Value

The Council measures some of its non-financial assets, such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

Accounting Policies

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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 the interest on which is accounted for on a cash basis.

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

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

Financial Assets

All of Basildon Council's financial assets are classified as "loans and receivables". These are assets that have fixed or determinable payments but are not quoted in an active market.

Soft Loans

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

The Council has made soft loans which 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.

Accounting Policies

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.

9. 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.

10. 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 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.

11. Investment Property

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

Accounting Policies

12. 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 are 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. The Council's initial indirect costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases are 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. (See policy number 6)

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 Council.

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 premiums received upon entry to a lease are treated as Capital Receipts.

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).

Accounting Policies

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 non-current 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.

13. 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 2015/16 (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 – for example the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale

These costs are disclosed on the face on the Comprehensive Income and Expenditure Statement

14. 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 once every five years as a minimum, unless evidence suggests that this would lead to a significant difference between the true valuation and the balance sheet value, in which case valuations are

Accounting Policies

carried out more frequently as required. Valuations are undertaken mainly by the Council's Principal Estates Surveyor, with the support of external Chartered Surveyors as required.

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 – current value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – current 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 current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

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

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

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.

De Minimis

Certain assets because of their nature fall to be classed as de minimis. Assets that fall into this category are

- Areas of amenity space – mainly but not exclusively providing landscaping around the Borough
- Land under highways
- Areas of land that undeveloped and are regarded as undevelopable due to their size, location or nature
- Areas of land that whilst owned by the authority are subject to occupation by a third party who may be able to register possessory title due to their previous long term uninterrupted occupation.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset value 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.

Accounting Policies

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, with the exception of assets acquired through a Finance Lease, where they are depreciated on an annuity basis, in line with the principal repayment of the lease.
- 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 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 and are measured at fair value.

Disposals and Capital Receipts

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 under 'Right to Buy' are 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 (after deductions are made for any liability arising from the disposal to the extent that these are permitted by statute) are 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

Accounting Policies

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.

Repayments to the Council of grants and loans given for capital purposes are also credited to the Capital Receipts Reserve.

Donated Assets

Where the purchase price of an asset has been reduced to nil or a nominal amount for non-commercial reasons (e.g. a property bequeathed to the Council), the property, plant or equipment is brought onto the Balance Sheet at its fair value. The difference between fair value and the price paid for the donated asset is not treated as a revaluation gain – it is credited to the Comprehensive Income and Expenditure Statement as income in the Taxation and Non-specific Grant Income and Expenditure line, unless there are conditions attached to the transfer of the asset, in which case it is credited to the Donated Assets Account until such conditions have been met at which point the difference will then be recognised in the Comprehensive Income and Expenditure Statement.

15. 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.

16. 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.

17. 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

Accounting Policies

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.

18. 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.

19. Deferred Capital Receipts

Future rentals due under a Finance Lease, where the Council is the lessor, were included as a deferred capital receipt. These are written down each year to the Capital Receipts Reserve by the amount of capital debt repaid. This treatment also relates to sums due from repayments on other loans.

20. 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, Essex County Council and Essex Fire and Rescue. 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 business ratepayers.

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.

**Annual Governance Statement
2015-2016**



Leader and Chief Executive Foreword

Basildon Borough Council is committed to improving the lives of our residents and creating opportunity and prosperity for local people and business. This is supported by its three Core principles and five promises to local people, which is formalised in the Council's Corporate Plan 2016-2020.

One of the key core principles engrained within the Corporate Plan is "Value for Money and Strong Governance". Ensuring that we get our governance arrangements right is essential to allow us to deliver the Corporate Plan. In this way, we can deliver good services to our residents whilst ensuring that we do things properly and with the right checks and balances in place.

In addition to ensuring value for money and strong governance, we maintain a very ambitious agenda. Our governance arrangements ensure that whilst we embark on often challenging programmes and take up exciting opportunities to improve the lives of residents and create opportunity, these are all embedded on the foundation of solid governance ensuring that we do things correctly and secure value for money.

This Annual Governance Statement considers the effectiveness of our existing governance arrangements. It identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its promises and to ensure that the public and residents of Basildon receive quality services.

This statement sets out that in the main, we have effective arrangements in place and that processes are continually reviewed, streamlined and improved to ensure that these arrangements remain effective now and for the future. Whilst we do have effective arrangements in place we are striving for continuous improvement.

This statement is an honest appraisal of our arrangements, but it is important to recognise that we have met again this year our legal and statutory obligations to our residents and that there have not been any major failings. The External Auditor has continued to provide a positive opinion over our arrangements to secure Value for Money and provide an unqualified opinion on the Council's Statement of Accounts.

In conclusion, good governance and financial arrangements are giving us the solid foundation on which we build our whole programme of work and services, and deliver our vision of improving the lives of residents and creating opportunity for local people and businesses.

Cllr Turner, Leader of the Council

Bala Mahendran, Chief Executive

ANNUAL GOVERNANCE STATEMENT 2015-16

SCOPE OF RESPONSIBILITY

Basildon Borough Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, is properly accounted for, and is 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 Local 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 2015/16 code is on our website at www.basildon.gov.uk. This statement demonstrates how the Council has complied with its code and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015, which require the Council to prepare an annual governance statement.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, 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 Corporate Plan 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 on-going process designed to identify and prioritise risks related to the achievement of the Council’s policies, aims and objectives, evaluate the likelihood and impact should risks be realised, and efficiently, effectively and economically manage such risks.

This statement gives assurances on compliance with Basildon Borough Council’s governance framework for the year ending 31 March 2016 and up to the date of approval of the statement of accounts.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

The Council has responsibility for conducting an annual review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the senior managers responsible for the development and maintenance of the governance environment, Corporate Development Team as the Corporate Governance Group, the Audit and Governance Manager's annual Audit Opinion and also by comments made by the External Auditors and other review agencies.

In preparing the Annual Governance Statement for 2015/16, the assurance gathering processes detailed within Appendix A of the Local Code have been applied to review the effectiveness of the Council's governance framework. Areas of improvement have been identified and are detailed within the next section.

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

The review of compliance with the governance framework has involved:

1. review of assurances provided by Service Managers and Key Corporate Assurers on the latest position with regards to compliance with the core principles.
2. review of the draft compliance assessment and significant governance issues with Commissioning Directors and at Corporate Management Team.
3. review of the draft Annual Governance Statement by the Audit & Risk Committee.

Specific assurances obtained to support this statement:

1. Chief Financial, Section 151 Officer

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) 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 requirements.

2. 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 a positive opinion, but there are opportunities for improving the internal control environment to further mitigate risks.

3. Head of Internal Audit

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards, the Audit & Governance Manager 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 Audit & Governance Manager 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 2015/16 and other sources of assurance, the Audit & Governance Manager can provide adequate assurance that the Council's risk management, control, counter fraud and governance processes, in operation during the year to 31 March 2016, generally accord with proper practice and are fundamentally sound, although there are opportunities to improve the arrangements to enhance the Council's governance framework. These key areas are identified in the next section. Full details of the assurance provided by the Audit and Governance Manager is detailed within the Internal Audit Annual Report for 2015/16.

Under the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards, the Council is required to undertake a review of the effectiveness of its Internal Audit function and to report the results in 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. An independent readiness assessment against the Public Sector Internal Audit Standards was undertaken in March 2016 where it was identified that the service is predominantly compliant with only a few areas for improvement. An action plan has been developed accordingly and full details of the areas for improvement are included within the Internal Audit Annual Report. The service is considered to be fully compliant with the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit in local government.

How the Council has performed against its Local Code of Corporate Governance:

The Council considers that its governance arrangements for 2015/16 continue to be regarded as fit for purpose. The Council's Local Code of Corporate Governance sets out in detail the Council's Governance Framework, which is consistent with the Delivering Good Governance in Local Government 2016. A copy of the Council's Local Code of Corporate Governance for 2015/16 is available on the Council's website.

The Council has assessed and can confirm that the arrangements detailed within the Local Code are in place. There are no significant weaknesses to report, however, the Council has identified a number of areas that, whilst we have arrangements in place, we consider they could be further developed. These areas have been highlighted below as "comments" under the relevant Principle.

Principle		Overall Assessment	Rec Ref
1	Focusing on the purpose of Basildon Council and on outcomes for the community and creating and implementing a vision for the local area.		
1.1	<p>Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.</p> <p><u>Comments:</u></p> <ul style="list-style-type: none"> - CIPFA have issued a new Framework and associated guidance on delivering good governance in Local Government. The new framework comes into force for 2016/17 and, as such, there is a requirement for the Council to review and update its Local Code of Governance and associated Assurance Framework in line with the new guidance. - The Borough Community Strategy is due to be reviewed to ensure that it is fit for purpose. - Whilst key financial, performance and governance information has been published within the Borough Diary, the Council has not published a formal annual report for the last few years. This is currently being addressed for 2015/16. 		1, 2, 3
1.2	<p>Ensuring that users receive a high quality service whether directly, or in partnership, or by commissioning.</p> <p><u>Comments:</u></p> <ul style="list-style-type: none"> - The Council is currently reviewing its Performance Management Framework to ensure that it is fit for purpose. This includes identifying the key activities and performance measures for each service, which support delivery of the Council's Corporate Plan and Key Service Provision. 		4,

	1.3	Ensuring that the authority makes the best use of resources and that tax payers and service users receive excellent value for money.		
2	Members and officers working together to achieve a common purpose with clearly defined functions and roles.			
	2.1	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.		
	2.2	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. <u>Comments:</u> - In addition to the constitution which is reviewed annually, the Council maintains a database of delegated authority to officers. This database is not, however, reviewed formally on an annual basis. Arrangements are to be put in place to ensure that this is reviewed annually.		5
	2.3	Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the others.		
3	Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
	3.1	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.		
	3.2	Ensuring that organisational values are put into practice and are effective. <u>Comments:</u> - Whilst the Council has not set a formal set of values for the organisation and published these within the Corporate Plan, the Council does have accepted values which are implied within the Code of Conduct for Staff and demonstrated through the results of the staff survey: Trust, Integrity and Teamwork. In addition, the Council is incorporating management through competency (behaviour). Values are enacted through behaviour and, as such, the Council will consider how values can be incorporated within the Council's competency framework, and any future revisions of the Corporate Plan.		6
4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk			
	4.1	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.		
	4.2	Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.		

4.3	<p>Ensuring that an effective risk management system is in place</p> <p>Comments:</p> <ul style="list-style-type: none"> - Whilst the Council has in place a risk management policy, strategy and toolkit, there is concern that risk management is not fully embedded within the culture of the organisation. As a result, the Council has commissioned an independent review of risk management to review the current processes and their application. The Council is currently awaiting the report detailing findings of this review - The Council has highlighted the need to review information governance across the organisation to ensure that appropriate arrangements are in place. As such, a review is currently being undertaken in relation to information governance. The Council has reported to the Information Commissioners Office a breach of the Data Protection Act and this is currently being investigated. - It is considered that the application of Project Management has been inconsistently applied across the organisation. As such, work has commenced on reviewing the Council's Project Management Framework and the role of the Performance, Programme and Risk Management Team in supporting Programme/Project Boards and key Corporate Projects. - Whilst the Council has arrangements in place to prevent, investigate and identify fraud. These arrangements are silo based, with different services being responsible for investigating different types of fraud. There is currently a concern that not all areas of potential fraud are subject to proactive reviews to identify and maximise fraud identification and investigation. As a result the Council has commissioned an independent review of the Council's Counter Fraud Arrangements to ensure compliance with CIPFA's guidance on managing the risk of fraud and corruption. - Significant progress has been made to develop a Contract Management Framework for the Council, this will be finalised and issued during 2016/17. 		7, 8, 9, 10,11
4.4	Using their legal powers to the full benefit of the citizens and communities in their area		
5	Developing the capacity and capability of members and officers to be effective		
5.1	Making sure that members and officers have the skills, knowledge, experience and resources they will need to perform well in their roles.		
5.2	Developing capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.		
5.3	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.		

6	Engaging with local people and other stakeholders to ensure robust public accountability		
6.1	<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p> <p><u>Comments:</u></p> <ul style="list-style-type: none"> - Whilst assurance has been provided that the Council supports diversity forums, there are concerns that there is inconsistency in monitoring the use of our service users by protected groups. Relevant services need to ensure that such data is appropriately collected, analysed and acted upon as appropriate. 		12
6.2	<p>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.</p> <p><u>Comments:</u></p> <ul style="list-style-type: none"> - Whilst the Council has a Consultation and Engagement Policy and some services have clear channels of communication with their community and stakeholders, such as Housing, there is a need across the Council to ensure clear consistent channels of communication are in place with all sections of the community and other stakeholders. 		13
6.3	<p>Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.</p>		

PROGRESS ON ADDRESSING GOVERNANCE AREAS FROM 2015/16

The Council's Annual Governance statements in 2014/15 and 2015/16 identified areas for improvement; the Council is able to report that good progress has been made to advance these areas with the majority of recommendations being completed. There are a few areas highlighted within the previous Annual Governance Statements where further work is still to be undertaken to strengthen the Council's arrangements. As a result these have been included within the assessment for this year and feature in the action plan for 2015/16, detailed in the next section. Note these actions are highlighted with an * for ease of reference.

GOVERNANCE AREAS TO BE DEVELOPED IN 2016/17

This Annual Governance Statement identifies that the council has effective arrangements in place, but that we recognise the need to continuously review, adapt and develop our governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed, it is important to recognise that there are no significant weaknesses. The particular governance areas that the Council wishes to further develop in 2016/17 are set out in the table below. It should be noted that the majority of these areas are already being progressed.

	Action to Improve Governance Arrangements	Responsible Officer	Link to Principle
1	Revise the Council's Local Code of Corporate Governance and Assurance Framework, in line with the new guidance recently published.	Paul Burkinshaw	1.1
2	Review the Borough Community Strategy.	Paul Burkinshaw	1.1
3	Publish an Annual Report for 2015/16.*	Paul Burkinshaw	1.1
4	Finalise the review of the Council's Performance Management Framework to ensure consistent and effective performance management arrangements across the Council.*	Paul Burkinshaw	1.2
5	Formally review the Council's delegation to officers' database on an annual basis.	Paul Burkinshaw; all service managers	2.2
6	The Council to consider how values can be incorporated within the Council's competency/behavioural framework, procedures and any future revisions of the Corporate Plan.	Stuart Brian	3.2
7	Following receipt of the findings from the independent review of the Council's Risk Management arrangements, develop an appropriate action plan to assist in the development of the Council's approach to the proactive identification and management of key risks.*	Paul Burkinshaw	4.3
8	Finalise the review of the Council's Project Management Framework.*	Paul Burkinshaw	4.3
9	Finalise the independent review of Information Governance across the Council and address issues identified. Identify lessons to be learnt following the outcome of the investigations into the Breach of Data Protection.	Paul Burkinshaw Lorraine Browne	4.3
10	Following receipt of the findings from the independent review of the Council's Counter Fraud Arrangements, develop an appropriate action plan to ensure compliance with CIPFA's guidance on managing the risk of fraud and corruption.*	Paul Burkinshaw	4.3
11	Finalise the Contract Management Framework*	Lorraine Browne	4.3
12	Relevant service areas to collect, analyse and monitor service user data in respect of protected groups.	Paul Burkinshaw; All relevant Service Managers	6.1
13	Relevant service areas to ensure clear channels of communication are in place with all sections of the community and other stakeholders, to ensure that effective engagement takes place.	Paul Burkinshaw; All relevant Service Managers	6.2

Timescales to be determined once the nature of the work has been established, including key tasks and milestones and consideration of priorities across the Council.

CERTIFICATION

We have been advised on the implications of the review of the effectiveness of the governance framework by Senior Management and the Audit & Risk Committee. Actions identified to further develop the Council's Governance arrangements 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

Date: 30th June 2016



Chief Executive

Date: 30th June 2016

Terminology and Definitions

Accrual

An amount of income or expenditure entered into the accounts for the relevant financial year in respect of goods or services which have been received or provided but for which payment has not yet been made or received.

Appropriations

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

Balance Sheet

A summary of all the assets and liabilities of the Council at the end of a financial year. The statement shows the Council's assets and liabilities matched by total reserves.

Billing Authority

This refers to Basildon Borough Council as the authority responsible for the invoicing and collection of the Council Tax from all residential properties and non-domestic rates from businesses in the Borough. This is undertaken on behalf of Basildon Borough Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils. In respect of non-domestic rates the billing authority also acts as an agent for the 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 Government and any surplus or deficit on the Collection Fund.

Capital Charge

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

Capital Expenditure

This generally relates to expenditure on the acquisition or enhancement of non-current 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 and towards the repayment of debt.

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.

Cash Equivalents

Cash equivalents are short-term investments that are readily convertible to cash with an insignificant risk of changes in value. The 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 professional accountancy body for public services. It publishes the Code of Practice which defines how local authority accounts are prepared.

Terminology and Definitions

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 Council Tax precepts and shares of non domestic rates of Basildon Borough Council, Essex County Council, Essex Police Authority, Essex Fire Authority, the Government and Parish and Town Councils are met as appropriate. 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

These are the result of a past event which may mean that that the Council is liable to incur costs but this 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 after adjusting for the local **council tax support** scheme.

Council tax support

Council tax support replaced council tax benefit from 1 April 2013. Each billing authority is required to have a published scheme in place setting out the entitlement to support.

Creditors

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

Debtors

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

Deferred Liabilities

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

Depreciation

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

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Terminology and Definitions

Fees and Charges

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

Financial Regulations

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

Financial Year

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

General Fund

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

Going Concern

The assumption that at the balance sheet date the Council will continue to operate its services for the foreseeable future

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 is largely covered by Government subsidy.

Housing Revenue Account (HRA)

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

IAS (International Accounting Standards)

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

IFRIC (International Financial Reporting Interpretation Committee)

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

IFRS (International Financial Reporting Standards)

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

Impairment

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

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use,

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.

Leasing - Finance and Operating

A method of acquiring the use of 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.

Terminology and Definitions

Long Term Assets

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

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. Any balance on the reserve may be carried forward to future years. Interest earned on the MRR balance is credited directly to the HRA.

Management and Administration

Services provided by central departments to front-line services. The term also includes office accommodation and other central overheads associated with staff directly employed by the service. The costs are recharged on an appropriate basis to services.

Materiality

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

Minimum Revenue Provision (MRP)

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

Net Book Value

The amount at which Property, Plant and Equipment are included in the balance sheet i.e. their gross value less accumulated depreciation.

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

Non-Domestic Rates (NDR), 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 are collected by all Billing Authorities on behalf of other preceptors and the Government.

Non specific grant income

Government grants received to fund the generality of the Council's services

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.

Preceptor

A body that levies a precept.

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.

Terminology and Definitions

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.

Reserves – earmarked

Reserves set aside for specific purposes as follows:

General Fund Reserves

	Purpose
Contingency Reserve	To be used for one-off purposes or to meet unforeseen expenditure
Insurance Pool	To meet future potential insurance costs
Major Asset Refurbishment	To meet the cost of asset refurbishments when the need arises
IT Initiatives	To fund future development of IT provision
Regeneration Reserve	Sums set aside to meet future regeneration costs
Invest to Save	Funding to initiate projects that will, in due course, either increase income or reduce costs
Employment Rationalisation	To fund the cost of future, as yet unapproved, reorganisations
Treasury Management Reserve	A resource to help manage future interest rate changes
Business Rates Equalisation	To equalise changes in resources arising from business rates regime that arise as a consequence of the timing of recognition in revenue of certain elements of the funding
Lifecycle Fund	Sums set aside to meet the cost of lifecycle replacements and refurbishment at the Sporting Village, as required by the management agreement

HRA Reserves

	Purpose
Asset Management Reserve	Sums set aside to meet the cost of major repairs to Council dwellings in future years
Treasury Management Reserve	As for the General Fund
Bad Debts Reserve	Sums set aside to meet the cost of an unexpected but possible increase in bad debts

Reserves – usable

Reserves that can be used to meet future expenditure e.g. the General Fund and the Housing Revenue Account

Reserves – unusable

Reserves that exists for technical accounting purposes and that cannot be used for any other purpose e.g. Revaluation Reserve and Pension Reserve

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.

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.

UK GAAP

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

Terminology and Definitions

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.