



ANNUAL  
FINANCIAL  
REPORT  
2017-2018

## CONTENTS

	Page
<b>Introduction from the Managing Director</b>	1
<b>Strategic Report</b>	2
<b>Guide to the Financial Statements</b>	22
<b>Statement of Responsibilities</b>	24
<b>Auditors' Report</b>	25
<b>Statement of Accounts</b>	27
<b>Financial Statements and Notes</b>	
Index	28
Core Financial Statements	31
Notes to the Core Statements	35
Housing Revenue Account	66
Collection Fund Account	71
Accounting Policies	74
<b>Annual Governance Statement</b>	86
<b>Terminology and Definitions</b>	99

# Introduction from the Managing Director

It gives me great pleasure to introduce the Annual Financial Report for 2017/18.

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 it operates. This will require us to continue a journey of transformation.

Despite the challenges we face our ambition will remain. The council has set a medium term financial strategy and we are working hard to deliver the financial outcomes required to support delivery of the Corporate Plan. The results set out in the financial statements demonstrate that we continue to **be financially well managed** and our prudent approach means we have a level of reserves that can help us to manage our risks and provide some resilience against future financial challenges. We are fully aware of the challenges we face over the coming years, including reductions in government funding, a less favourable new homes bonus scheme, the introduction of 75% retention of business rates and the outcomes of the fair funding review. We are confident that these challenges can be met in a managed way, though fully aware that some difficult decisions may have to be made.

The Corporate Plan was refreshed during the year and now covers the period 2017 to 2021. The plan recognises that the five towns of the borough (Basildon, Billericay, Laindon, Pitsea and Wickford) are good places to live and work and that the council's job is to ensure **continuous improvement and progression for all of our towns**. This will be realised in a way that ensures that the whole borough benefits.

The council is modernising the way it works with a focus on making a positive difference to people's lives while giving maximum value to all our taxpayers. Council agreed a **major investment in information technology infrastructure** in March 2018. This will provide a platform on which we can deliver our **digital strategy** to make services **simpler, smarter and safer**. This strategy is not just about making our services and information easily available online and improving our business processes but also ensuring that our residents have access to the tools and the skills they need to use those services.

**Encouraging inclusive growth and supporting a thriving economy** are central to the council's objectives. The **Breakthrough Basildon Borough Commission** has been established to get to the bottom of why we have so many people in our community locked out of the opportunities our local economy offers and marginalised by our society. The commission is tasked with making policy recommendations to encourage more inclusive growth. While the council supports businesses to create job and training opportunities, local young people need to be aware of and be able to take advantage of these opportunities. The **Pathways to Success** programme has been established to deliver these objectives.

**Effective partnership working** is key if the council is to deliver its corporate plan outcomes. The relationship with Brentwood Council continues to develop. A memorandum of understanding was signed during the year with the local NHS trust aimed at delivering improvements to healthcare facilities through regeneration. The council has recognised it needs to work with its neighbours to deliver the infrastructure necessary to unlock growth potential across South Essex. It has entered into a memorandum of understanding creating the **Association of South Essex Local Authorities** to give a collective voice to the region and is working on a joint infrastructure and strategic plan.

We will ensure that the resources we have will be used to provide effective services to our community and, in particular, to deliver our strategic priority of **Creating Opportunity, Improving Lives** by promoting inclusive growth. 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 will support our staff through this period and in return we expect a commitment from them to manage the challenges we face to ensure continued positive outcomes for our residents. To this end the senior management arrangements of the council have been restructured during the year with the intention of ensuring that organisational resources are deployed towards achieving corporate plan outcomes.

We are realistic and recognise that the next few years will not be easy and that there will be difficult decisions to be made, but we are as well prepared as any council in the country to not only deal with the cuts in our funding but to improve services for the community at the same time.

Scott Logan  
Managing Director



# Strategic Report

## OPERATING ENVIRONMENT

### ECONOMY AND SOCIETY

Basildon Borough Council is the largest district authority in Essex with a population of approximately 180,000 people. It comprises five distinct towns, Basildon, Laindon, Pitsea, Billericay and Wickford. By 2031 the population is expected to have grown to in excess of 206,000 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 32% by 2031, there are almost 4,000 residents aged 85 and over and this is due to increase to nearly 7,000 over the same period.

The Basildon economy is one of the largest in Essex, producing up to 12% of the county's Gross Value Added and a quarter of its manufacturing outputs. The A127 corridor, which provides 40,000 jobs, is the second biggest source of employment in the Thames Gateway. 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. Basildon also has a higher proportion of small and medium enterprises than elsewhere in Essex. In order to maintain this competitive advantage the council seeks to attract investment which will stimulate growth in evolving and developing business sectors thus securing future prosperity and job density.

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. 71% of the borough's residents have NVQ2 level qualifications or above, which is equivalent to five GCSEs at grades A\*-C – this is lower than both the eastern region (72%) and Great Britain as a whole (74%). The skills gap becomes even greater when considering the proportion of residents that have an NVQ4 or above, which is equivalent to a professional BTEC level award or a certificate of higher education. 29% of Basildon's residents have this level of qualification, while 34% of people in the eastern region and 37% of the total population have an NVQ4 or above. This is also reflected in current levels of educational attainment at both primary and secondary school levels, as they fall just below the Essex average, although this is much more significant with regards to secondary schools in the borough.

There are around 76,000 homes in the borough – this is approximately 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 (although house prices rose by 3.5% in the year to September 2017), while offering many jobs and recreational activities in the borough itself for those who live and work more locally.

On a national level the continuing period of austerity has had a profound effect on the resources the council has to deliver services and it is expected that this 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 £1.5 million by 2019/20 and £7.4 million by 2027/28.

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.

Basildon is ranked as the 3rd most deprived of the Essex boroughs (after Tendring and Southend) according to the 2015 Index of Multiple Deprivation. 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.

### 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.

# Strategic Report

The Council owns and promotes the use of:

- Parks, recreation grounds and country parks – 513.9 hectares
- Open spaces (unrestricted access) – 207.8 hectares.

In addition it manages:

- Open spaces (restricted access) – 273.4 hectares
- Cemeteries – 15.25 hectares
- Allotments – 9.3 hectares.

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

## **CORPORATE PLAN – TRANSFORMING BASILDON**

The corporate plan covers the period 2017 to 2021.

The council's vision is: Basildon Borough Council is committed to improving the lives of all residents across our five towns and creating opportunity and prosperity for local people and local businesses.

In the Corporate Plan the council commits to concentrating the available resources on working together to shape a borough that has:

- Strong, safe and healthy communities with access to quality homes
- Vibrant town centres with a thriving economy for everyone
- An enhanced local environment and increased pride in our borough.

The plan sets out desired outcomes in respect of each of these promises and identifies a number of areas for action, including:

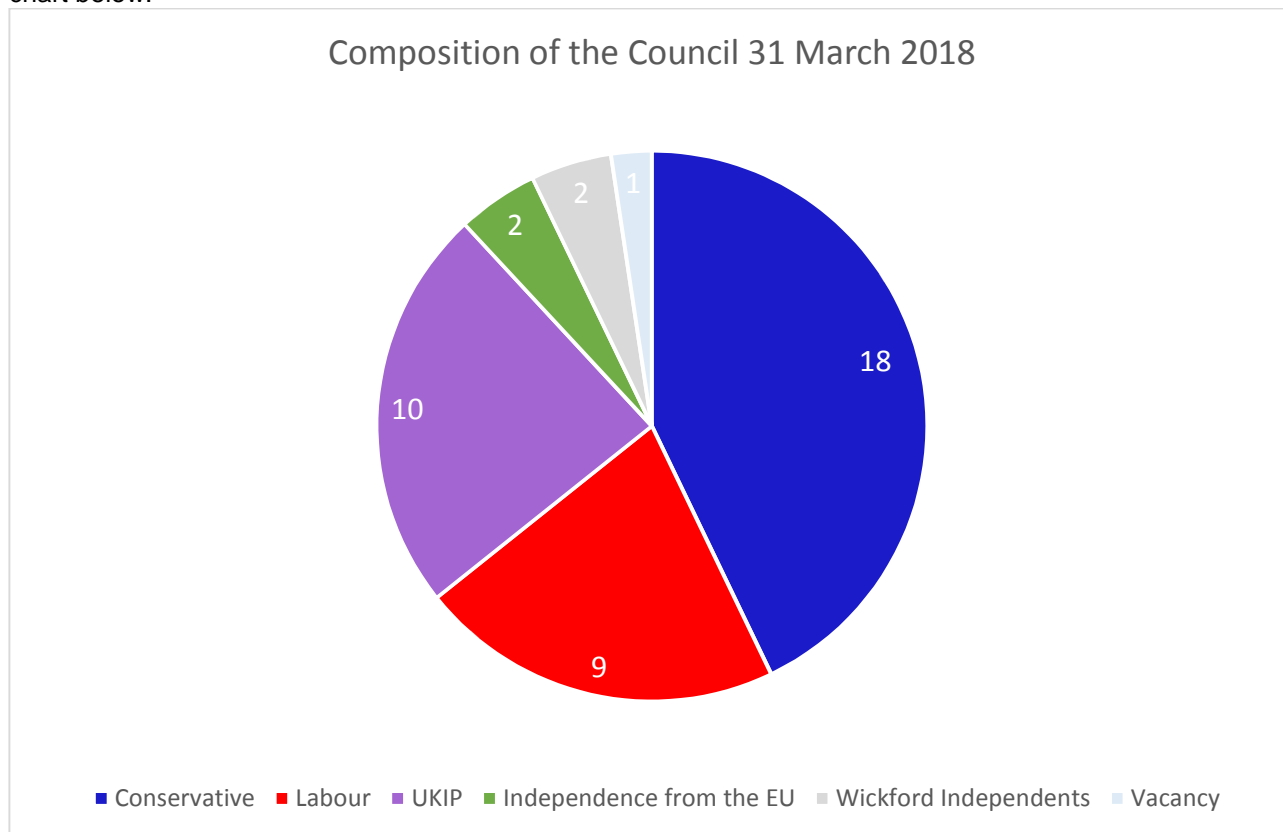
- Value for money
- Early help
- Technology
- Strong, resilient involved communities
- Clear decision making
- Encouraging growth and a thriving economy.

The full Corporate Plan can be found here [www.basildon.gov.uk/corporate-plan](http://www.basildon.gov.uk/corporate-plan)

# Strategic Report

## 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:



Councillor Harrison was Mayor of the Council for the municipal year 2017/18.

At its meeting on 15 December 2016 Council resolved in accordance with Section 21 of the Localism Act to cease operating the Leader and Cabinet form of governance and to operate a committee system from the earliest permitted time, which was from the Annual Council Meeting in May 2017. The council passed a resolution at an Extraordinary Council Meeting on 25 May 2017 implementing the new system which operated from the Annual General Meeting held on the same day.

Decisions on the council's strategic priorities, main policies, council tax levels and overall budget are the responsibility of Full Council.

The following committees have executive authority in respect of the council's activities that fall within their remit:

- Policy and Resources Committee – *Chairman Cllr Callaghan*
- Housing and Community Committee – *Chairman Cllr Smith*
- Infrastructure, Growth and Development Committee – *Chairman Cllr Allport-Hodge*
- Regeneration and Environment Committee – *Chairman Cllr Ball*

The Committees are responsible for delivering the council's priorities within the budget set by council and for ensuring that services are delivered to expected levels. The chairman of each committee is the council's spokesman on matters within that committee's remit with the chairman of Policy and Resources Committee being the spokesman on overarching and corporate matters. Committees are able to establish sub-committees to manage specific areas of activity.

Other standing committees dealt with a range of non-executive and quasi-judicial matters such as planning and licensing. The Audit and Risk Committee is a non-executive committee whose role is to provide independent assurance to the council on the adequacy of the overall corporate governance and internal control

# Strategic Report

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 more information on the current council, its councillors and committee structure, please visit the website at [www.basildon.gov.uk](http://www.basildon.gov.uk).

## ORGANISATIONAL STRUCTURE

The council's senior management arrangements have been reviewed and restructured during the year. The previous structure has been replaced with one consisting of a Managing Director and two other Directors supported by five Assistant Directors and two Heads of Service. The recruitment process to the new structure is largely complete. The role of Section 151 Officer is fulfilled by the Corporate Director. The role of monitoring officer is currently fulfilled by the Solicitor to the Council.

The aims of the restructure are to:

- Better align the organisational structure with the outcomes required by the Corporate Plan
- Enable more agility in the deployment of resources
- Define responsibilities and accountabilities more clearly
- Build career paths and potential for succession
- Encourage a collaborative working environment
- Deliver efficiencies.

The salaries paid to and benefits received by the council's senior officers in are set out in Note 14 to the Statement of Accounts.

## EMPLOYEES

At 31 March 2018, the Council had 906 employees (compared with 945 at 31 March 2017). The full time equivalent of these employees in 2017/18 was 828.5 (852.2 in 2016/17). 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. Overall staff costs were within the budget for both 2017/18 and 2016/17.

The average salary plus on-costs (employer's national insurance and pension contributions) for the year was £35,500 (£33,700 in 2016/17).

## Gender Pay Gap

Difference between males and females	Mean	Median
Hourly pay	2.90%	-6.50%
Performance related pay	51.30%	69.50%

The table above shows the mean and median pay gap between males and females based on hourly rates of pay as at 31 March 2017. It also captures the gap for performance related payments. The council has adopted a number of initiatives that have resulted in the relatively low difference. These initiatives include:

- A robust job evaluation scheme
- Fixed pay scales within a banded structure
- Pay progression is limited within the bands.

9% of the female workforce received a performance related payment in the year to 31 March 2017 compared with 8% of the male workforce.

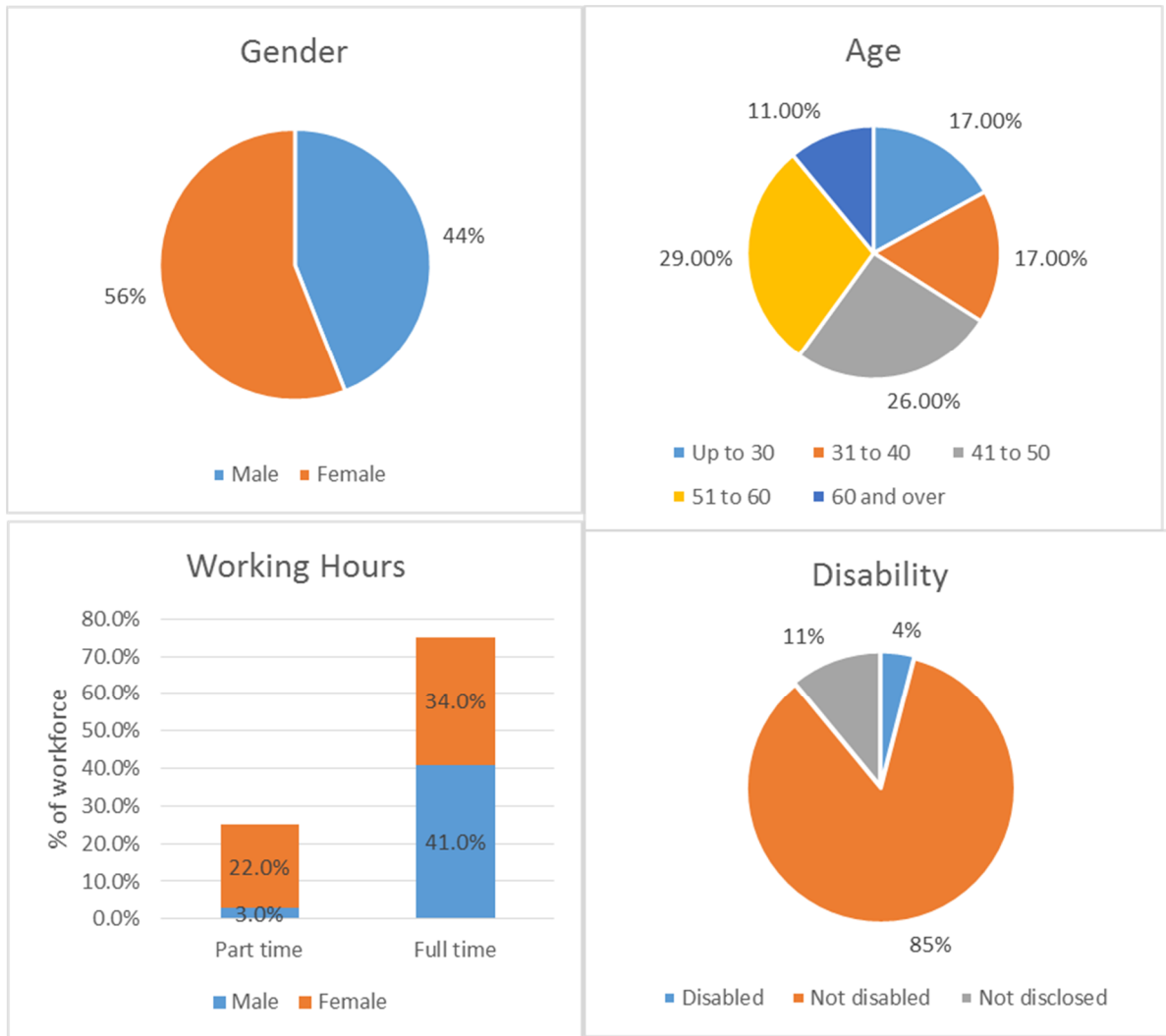
## Performance

To underpin effective delivery of the principles and promises set out in the Corporate Plan the council uses 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

# Strategic Report

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.

## Workforce profile



All figures relate to the 2016/17 year, which is the latest information available.

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 at [www.time-to-change.org.uk](http://www.time-to-change.org.uk).

Working days lost to sickness increased marginally in 2017/18 to an average of 10.4 days per annum compared with 10.3 days in 2016/17. Sickness levels are monitored and tracked in line with the departmental sickness action plans.

Further information on the profile of the council's workforce can be found here <https://bit.ly/2K2PqnZ>

## 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 4 – reported to Members and all teams below

Level 3 – reported to Executive Team and all teams below

Level 2 – reported to Departmental Management Teams and below



# Strategic Report

Level 1 – used for operational management purposes

The outcomes for selected key Level 4 financial performance indicators are set out in the table below

Title	Target	Value
% of business rates collected	98.80%	98.70%
% of council tax collected	97.00%	96.60%
% void rent loss (dwellings)	1.00%	0.98%
% of leaseholder service charges collected	77.00%	79.80%
% of rent collected	95.80%	95.30%

Performance that is not on target is addressed through the implementation of agreed action plans. The income collection are all in year indicators and 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 it 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 Management Policy and a Risk Strategy. Both are available here <http://www.basildon.gov.uk/article/2834/Risk-Management-Policy-and-Strategy> .

The effectiveness of the Risk Management Policy, Strategy and related toolkit is monitored regularly as part of the council's governance assurance processes. All decision reports must include an analysis of the risks associated with the decision. The Annual Governance Statement provides assurance through its approval by Members and through the work of both Internal and External Audit. Additional assurance is provided to the Council's Audit & Risk Committee via quarterly corporate risk reports and by the operation of the Audit & Risk Committee's Working Group.

The key strategic risks and their mitigations that were considered by the Audit and Risk Committee working group during the year are set out in the table below:

Risk	Description	Mitigation
Fraud	Threat of fraud / corruption against the Council by officers / Members / residents / businesses, as defined in the Fraud Act 2006, resulting in financial loss and a lack of trust and confidence in the Council.	Audit & Counter Fraud Section are responsible for all internal fraud investigations. Dedicated Counter Fraud Specialist. A policy and strategy in place for Counter Fraud. A Whistleblowing Policy in place. Participation in the NFI.
Effective ICT Infrastructure	Threat that the Council fails to develop / maintain effective ICT technology and infrastructure, thereby adversely impacting on Officers, Customers and Service Delivery.	ICT strategy and infrastructure development plan and contract approved by Policy and Resources Committee on 15 March 2017. Implementation of plan will be monitored by senior officers.
Loss of Data	Threat that physical and ICT logical security arrangements are not robust enough to protect the Council's data. This includes but not limited to individuals, building and ICT systems and network infrastructure, including physical theft or cyber based event on or off premises, resulting in non-compliance with relevant legislation and other standards. This may affect service delivery or reputation.	Access security arrangements are in place to minimise where possible the risk of unauthorised access, loss or corruption. Citrix implementation to improve the security around application delivery and data storage. Annual external health check in place. Information Management Policy in place and reviewed and approved by Members in March 2018. Action plan in place to enhance existing Information Management procedures including moving towards General Data Protection Regulation (GDPR) compliance.
Unauthorised developments and encampments	Threat that prompt action is not taken to deal with unauthorised developments and encampments, which may result in lengthy, costly removal processes, have a negative impact on the Council's reputation, and lead to resident disquiet.	All vacancies have now been filled and prioritised enforcement projects are proceeding satisfactorily. There have been favourable outcomes to court actions and planning appeals. There is still a backlog of undetermined applications that needs addressing. Various legal actions continue to be pursued in respect of multiple sites with planning contraventions. An injunction preventing unlawful encampments in commercial areas is now in place. A budget provision has been made for land protection measures.

# Strategic Report

The remainder of the council's key corporate risks focus on financial sustainability, corporate governance matters, Brexit, partnership working, and staff matters.

## **Fire safety**

Following the tragic events at Grenfell Tower, the council undertook an urgent review of its fire safety management plan in relation to high rise accommodation. The main area of concern was focused on the council's only tower block, Brooke House, which is located in Basildon town centre. Following the installation of a fire suppression system in 2016, the closing off of bin chutes and the provision of a new waste disposal facility in the basement coupled with robust management and a security presence in the block, it was confirmed the block is safe for residents to live in.

Due to the high risk to life in case of fire, Brooke House receives an annual Fire Risk Assessment. This was also up to date with no outstanding actions, as were all other Fire Risk Assessments to the council's flat blocks and sheltered schemes.

## **Supplier resilience**

The collapse of Carillion in January 2018 had no direct consequences for the council's operations. However, the council has a number of significant contracts where delivery failure would impact on service performance. For this reason a review of supplier resilience will be undertaken during the first quarter of 2018/19 financial year.

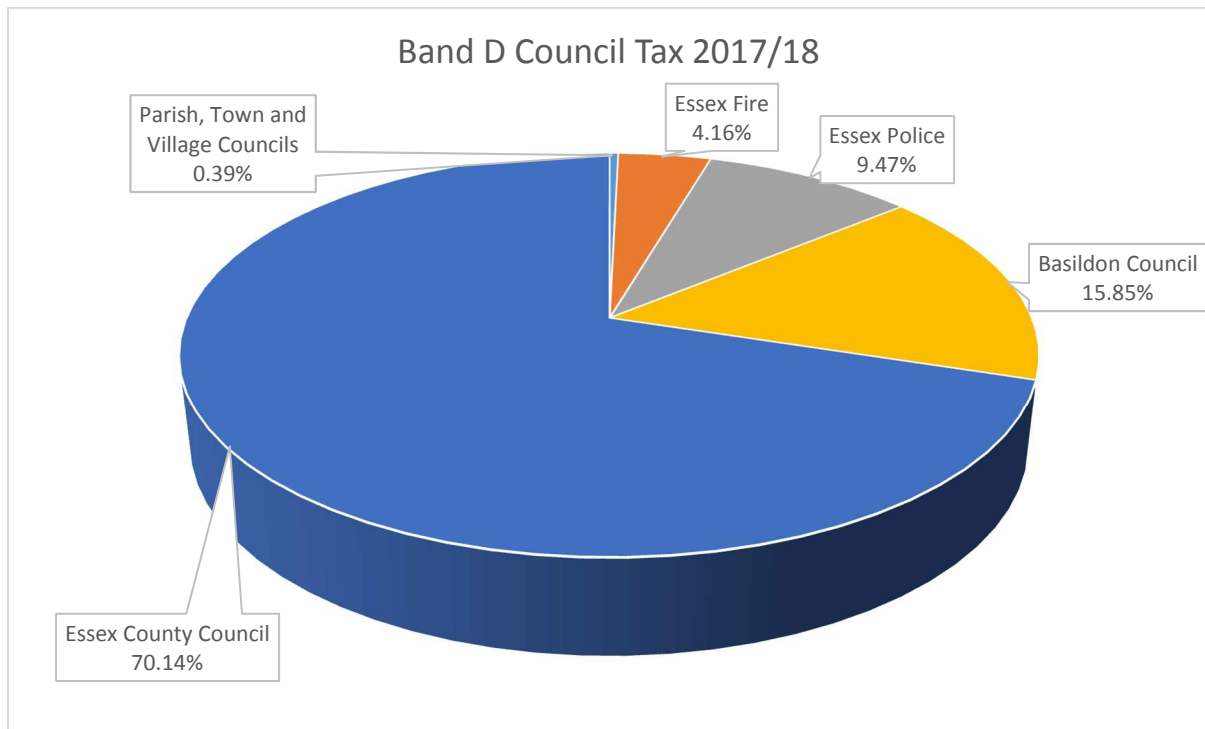
## **THE COUNCIL TAX 2017/18**

The net budget requirement for a council is the amount needed to finance council services after allowing for planned expenditure and income. For 2017/18, this was set by the council at £32.6 million. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £17million leaving £16.0million to be raised locally from Council Tax (the Council Tax Requirement).

The 2017/18 Band D council tax for Basildon Council services was £262.98 (an increase of 1.99% over the 2016/17 charge of £257.85). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverables and the local council tax support scheme) of 59,466 Band D equivalent properties.

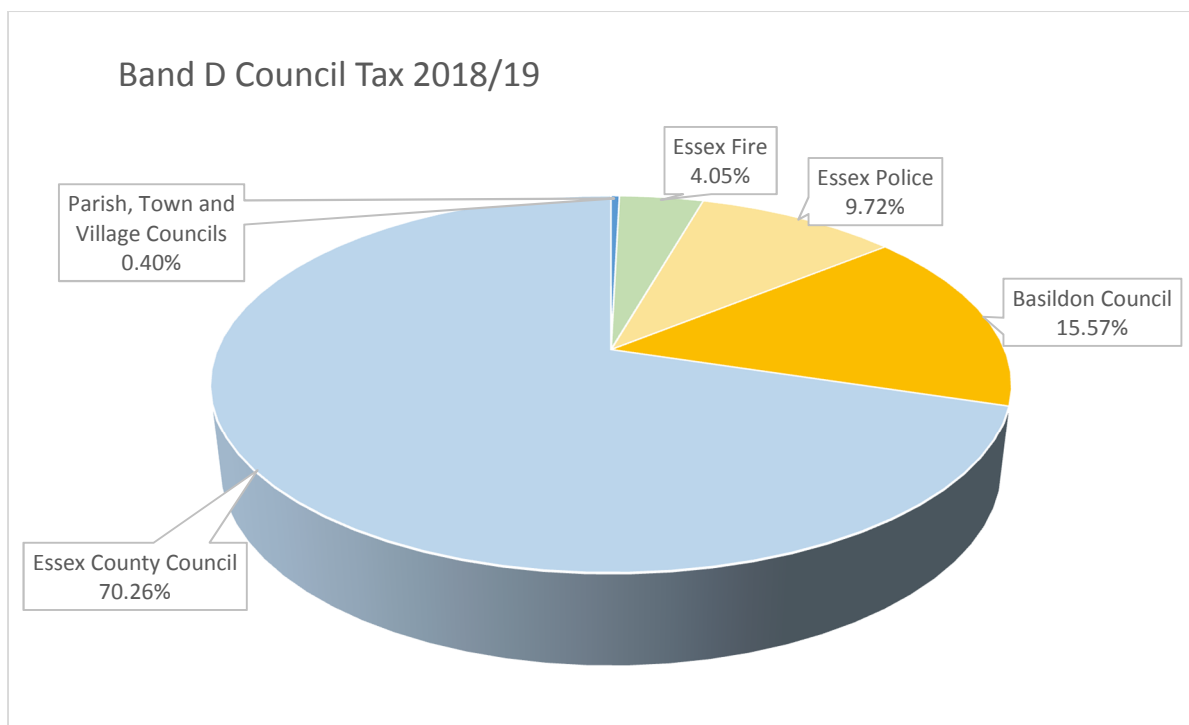
The total Band D council tax for the Borough was £1,659.19 distributed amongst the major and local preceptors as set out in the chart below.

# Strategic Report



## THE COUNCIL TAX 2018/19

The total Band D council tax for the borough for 2018/19 has been set at £1,738.99 distributed amongst the major and local preceptors as set out in the chart below.



## THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2017/18 financial year.

The tables below show the original budget for the year as approved by Council on 23 February 2017. This budget was revised during the year to take into account unspent budgets carried forward from 2016/17 and other approved budget changes. The result of these changes is the working budget column. The outturn

# Strategic Report

variance is calculated by comparing the actual outturn plus unspent budgets carried forward to 2018/19 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

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
<b>Service Net Expenditure</b>						
Community	1,576	1,794	1,857	63	17	80
Development and Regulation	-1,290	996	-1,034	-2,030	1,917	-113
Environment	8,419	8,444	8,145	-299	53	-246
Housing	2,298	2,776	1,951	-825	524	-301
Leisure	6,783	7,454	7,318	-136	264	128
Regeneration & Partnerships	2,770	3,216	2,671	-545	849	304
Corporate & Central	12,063	15,952	7,134	-8,818	6,619	-2,199
<b>Net Cost of Services</b>	<b>32,619</b>	<b>40,632</b>	<b>28,042</b>	<b>-12,590</b>	<b>10,243</b>	<b>-2,347</b>

The table above shows the overall net expenditure across the main General Fund activities of the Council for 2017/18. The General Fund is the main revenue fund of the Council. The Expenditure and Funding Analysis included before the core statements in the accounts takes the outturn figures reported above and translates them into the segmental analysis as disclosed in the Comprehensive Income and Expenditure Statement

Net expenditure was funded as set out in the table below

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
<b>Funding</b>						
Revenue Support Grant	-1,156	-1,156	-1,156	0	0	0
New Homes Bonus	-3,439	-3,439	-3,439	0	0	0
Other Grants	-226	-738	-945	-207	0	-207
Business Rates Income	-6,276	-6,900	-7,726	-826	0	-826
Council Tax surplus	-287	-287	-287	0	0	0
Business Rates deficit	1,401	1,531	1,401	-130	0	-130
Council Tax	-15,638	-15,638	-15,638	0	0	0
Transfer from/(to) reserves	-6,998	-14,005	-252	13,753	-10,243	3,510
<b>Total Funding</b>	<b>-32,619</b>	<b>-40,632</b>	<b>-28,042</b>	<b>12,590</b>	<b>-10,243</b>	<b>2,347</b>

# Strategic Report

The service variances are explained in the following table

	<b>£000</b>
<b>Income</b>	
Capital Financing - investment income	-248
Industrial & Commercial Premises - rental income	-180
Planning Services - fees income	-121
Housing Benefits	265
Parking	-93
<b>Total</b>	<b>-377</b>
<b>Expenditure</b>	
Transformation Programme*	-1,000
IT*	-330
Insurance Pool*	-277
Repairs and Maintenance*	-190
Support Services	-99
Towngate Theatre	132
All others (individually less than £100k)	-206
<b>Total</b>	<b>-1,970</b>
<b>Outturn after carry forwards</b>	<b>-2,347</b>

\* These items have been transferred to the appropriate earmarked reserve

## 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 2017/18.



# Strategic Report

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Management	16,918	18,202	15,735	-2,467	1,322	-1,145
Repairs	10,704	10,348	10,218	-130	0	-130
Depreciation and Financing costs	24,413	27,971	26,441	-1,530	3,211	1,681
<b>Total Expenditure</b>	<b>52,035</b>	<b>56,521</b>	<b>52,394</b>	<b>-4,127</b>	<b>4,533</b>	<b>406</b>
<b>Income</b>						
Rents	-48,158	-48,158	-48,518	-360	0	-360
Service charges and contributions	-4,516	-4,684	-4,981	-297	0	-297
<b>Total Income</b>	<b>-52,674</b>	<b>-52,842</b>	<b>-53,499</b>	<b>-657</b>	<b>0</b>	<b>-657</b>
<b>Total net cost</b>	<b>-639</b>	<b>3,679</b>	<b>-1,105</b>	<b>-4,784</b>	<b>4,533</b>	<b>-251</b>

The variances are explained in the following table

	£000
<b>Income</b>	
Right to Buy sales and Craylands demolitions lower than forecast (Rent)	-360
Brentwood Shared Services (Set up)	-117
Revised GF Contributions to HRA	-53
Other additional income	-127
<b>Expenditure</b>	
Increase in depreciation*	1,510
Savings in staff costs	-639
Savings in utility costs	-202
Reduction in bad debt Charge	-176
Savings on repairs costs	-130
Other (Net)	43
<b>Total</b>	<b>-251</b>

\* credited to Major Repairs Reserve

# Strategic Report

## CAPITAL EXPENDITURE

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

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Housing – General Fund	800	1,224	940	-284	284	0
Housing - HRA	20,843	17,458	14,247	-3,211	3,211	0
General Fund	697	46,032	8,861	-37,171	37,179	8
<b>Total Expenditure</b>	<b>22,340</b>	<b>64,714</b>	<b>24,048</b>	<b>-40,666</b>	<b>40,674</b>	<b>8</b>
<b>Financing</b>						
Capital Receipts	6,320	1,915	1,448	-467	467	0
Grants	550	9,403	5,787	-3,616	3,616	0
Contributions from Revenue	3,170	9,457	4,213	-5,244	5,244	0
Major Repairs Reserve	11,663	11,060	9,480	-1,580	1,580	0
Borrowing	637	32,879	3,120	-29,759	29,767	8
<b>Total Financing</b>	<b>22,340</b>	<b>64,714</b>	<b>24,048</b>	<b>-40,666</b>	<b>40,674</b>	<b>8</b>

## 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 2017.

	31-Mar-18 £m	31-Mar-17 £m	Change £m
Borrowing	210.5	215.1	-4.6
Finance leases	4.8	5.3	-0.5
<b>Total External Debt</b>	<b>215.3</b>	<b>220.4</b>	<b>-5.1</b>
Investments	-83.8	-86.5	2.7
<b>Net External Debt</b>	<b>131.5</b>	<b>133.9</b>	<b>-2.4</b>

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

Interest payable on external debt and other liabilities for the year amounted to £10.1 million. The average interest rate on external borrowing was 4.76% for the year. Investment income for year was £0.4 million at an average return of 0.46%. The borrowing rate is the product of taking loans at fixed rates with extended

# Strategic Report

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 2018 with those at 31 March 2017.

	31-Mar-18	31-Mar-17	Change
	£m	£m	£m
Long Term Assets	968	812	156
Current Assets	105	105	0
Current Liabilities	-38	-34	-4
Long Term Liabilities	-314	-354	32
<b>Net Assets</b>	<b>713</b>	<b>529</b>	<b>184</b>
Usable Reserves	109	104	5
Unusable Reserves	604	425	179
<b>Total Reserves</b>	<b>713</b>	<b>529</b>	<b>184</b>

Overall the value of the net assets of the Council rose by £184 million. This was largely the result of the revaluation of long term assets. The Council's pension liability (within long term liabilities) was assessed by the actuary to be £23 million lower than in the previous year.

Right to buy sales represent a significant set of transactions. In 2017/18 sales totalled 60 yielding a gross receipt of £6.6 million (2016/17 93 sales with a gross receipt of £7.4 million). Of this receipt £1.0 million was paid to the Treasury under the pooling arrangements, £2.7 million was retained for use in the provision of affordable housing with the balance being available to the Council for any HRA capital purpose.

## 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 £133 million at 31 March 2017 to £110 million at 31 March 2017. This reduction is largely the consequence of an increase in the fair value of the fund assets attributable to the council.

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

The Council's financial position is subject to a range of external influences and risks particularly in the current Government funding environment. The impact on the economy of the decision to leave the European Union creates further uncertainties. In addition, the Council remains ambitious and is continuing to deliver a number of significant investment and regeneration projects. These projects when combined with the current funding regime mean that the scale of risk and complexity that the Council is managing is significant. In this context it is essential that the Council maintains an adequate level of reserves.

The tables below set out the revenue reserves position at 31 March 2018.

# Strategic Report

	2016/17 Closing position	Outturn 2017/18 £000	Change in reserves in year £000	Carry Forwards £000	Reserves available after carry forwards £000
General Fund Balance	9,406	10,168	762	5,966	4,202
General Fund Earmarked Reserves	23,716	22,701	-1,015	4,277	18,424
<b>Sub-total: General Fund</b>	<b>33,122</b>	<b>32,869</b>	<b>-253</b>	<b>10,243</b>	<b>22,626</b>
Housing Revenue Account	4,760	8,533	3,773	4,533	4,000
HRA – Earmarked Balances	23,450	20,811	-2,639	0	20,811
<b>Sub-total: Housing Revenue Account</b>	<b>28,210</b>	<b>29,344</b>	<b>1,134</b>	<b>4,533</b>	<b>24,811</b>
<b>Total Balances and Reserves</b>	<b>61,332</b>	<b>62,213</b>	<b>881</b>	<b>14,776</b>	<b>47,437</b>

Earmarked reserves hold sums reserved for specific purposes and include sums in respect of insurance, asset management, treasury management, business rates, commercial activities and contingencies.

## Capital Reserves

	31-Mar- 18 £000	31-Mar- 17 £000	Change £000
GF Capital receipts	5,495	5,326	169
HRA Capital receipts - any use	11,795	10,284	1,511
HRA Capital receipts - 1 for 1 use only	13,102	14,379	-1,277
Major repairs	6,695	2,942	3,753
Capital grants unapplied	4,258	4,687	-429
Lifecycle Funds	2,094	1,609	485
Regeneration	3,510	3,310	200
<b>Total capital reserves</b>	<b>46,949</b>	<b>42,537</b>	<b>4,412</b>

# Strategic Report

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

<b>Reserve</b>	<b>Use</b>
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

## REVIEW OF 2017/18

### **Working with partners**

#### The Breakthrough Basildon Borough Commission

The Breakthrough Basildon Borough Commission has been established to explore the issues and barriers that prevent everyone benefiting fairly from growth. The commission will produce a detailed report presenting findings and recommendations setting out how the council, as well as other public sector organisations, the community and voluntary sector can work together to unlock ability, capacity, drive and inspire change. The report will be used to inform development of future council policy and associated allocation of resources. The Commission is independent of the council but is supported by it.

Further information can be found here <https://breakthroughbasildonborough.com/home-2/>

#### Pathways to Success

The Pathways to Success panel was launched in December 2017 to review the effectiveness of the pathways available to young people in order to access opportunities in the borough and beyond. The Panel will investigate how schools, businesses and other partners can work together to ensure young people are informed and aware of the opportunities to them and how to take advantage of these. It will analyse evidence and collect ideas which will result in a series of recommendations. Primary and secondary schools, further education providers, apprenticeships, council partners and employers have all been invited to participate.

#### Health

The council has a significant partnership with the health service in the borough. This involves identifying where plans for regeneration can also deliver improvements to the healthcare infrastructure in the borough. A Memorandum of Understanding (MoU) has been agreed between the council and Basildon and Thurrock University Hospitals Trust. The MoU sets out how the aims of the council and the hospital trust can be aligned so that the parties can work co-operatively to deliver improved health outcomes for the residents of Basildon. A number of potential projects and initiatives that can deliver these outcomes have been identified.

#### Shared Services

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



# Strategic Report

delivery of Revenues and Benefits services. From April 2017 the two services were formally merged and are based at the Basildon Centre. Using the contractual framework for these arrangements agreement has been reached for the council to provide the management of housing repairs for Brentwood. It is anticipated further arrangements will be put in place in the future.

## Strategic Asset Management

The council's Strategic Asset Management contract for housing repairs and investment worth up to £336 million over a 15 year period continues to deliver high quality outcomes. The contract brings together major work elements such as responsive repairs, servicing and maintenance of gas appliances, planned and cyclical maintenance, and improvement works. The contract runs on a Price per Property basis (with exclusions). From 1 April 2018 the repairs and maintenance of the council's corporate buildings is now included in the arrangements.

The delivery of social value forms a key part of the contract where the service provider is required to provide employment and training opportunities for local residents, including employing up to 30 apprentices and engaging local sub-contractors. They are also required to engage with local schools including the provision of work experience opportunities and to support local unemployed residents back into the workplace.

## Association of South Essex Local Authorities (ASELA)

On 10 January 2018 a Memorandum of Understanding was signed by six south Essex councils and Essex County Council creating ASELA. The core purpose of ASELA is to provide place leadership for south Essex. This recognises that it is through a collaborative approach that opportunities to secure the strategic infrastructure necessary to deliver the full economic and social potential of the area can best be exploited.

## Regeneration and investment schemes

### Basildon Town Centre

Construction of the new market in St Martin's Square continues and it is anticipated that the market will open late Spring/early Summer 2018 following some challenging groundworks. This will be followed by improvements to the public realm including new church gardens, improvements to the Bell Tower area and paving and further enhancements outside the Basildon Centre and Towngate Theatre. Essex County Council is supporting the development with a financial contribution of £1.75m. The contractor for the public realm works has been appointed. The relocation of the market will enable South Essex College to deliver their new college in the town centre.

Plans continue to be developed to introduce a family-friendly night-time economy centred on East Square which will create jobs and boost the local economy. This will include a cinema led leisure offer with restaurants and approval has been given to enter into an agreement for lease with a cinema operator and negotiations for this are nearing completion. A planning application for a 10 screen cinema with 6 restaurants and public realm improvements has been submitted and is anticipated being presented to the Planning Committee in June 2018. These proposals are proving to be a catalyst for other investment in the town centre and new restaurants have already opened and other landowners have begun investment in their assets.

### Wickford

A new £2m health facility was completed in June 2017. This was developed by the council with a financial contribution from Essex County Council of £500,000. A lease has been agreed with a local surgery and the new facility allows for an increase in GP provision as well as providing training facilities. In September 2016 the strategy for the second phase of regeneration for Wickford Town Centre was approved and work commissioned to prepare options for future regeneration opportunities in the town centre. This work has been concluded and further work undertaken supported by Essex County Council Highways. Proposals for a number of options are being developed. Plans are being finalised for the reprovision of Wickford Community Centre to a new fit for purpose facility which will enable the redevelopment of an area of the town centre by a third party landowner.

### Pitsea

Following the £30m regeneration project completed by landowners London and Cambridge Properties Ltd, the strategy for the next phase of regeneration for Pitsea Town Centre includes the reprovision of community

# Strategic Report

facilities, the library, improved public realm and the delivery of new homes. Work continues with other landowners, on developing these plans.

## Laindon

Swan Housing acquired the town centre in May 2015 and, in February 2017, Planning Committee resolved to approve their planning application for the redevelopment of the town centre. The proposal will deliver over 224 new homes, a new supermarket, new retail space with parking to provide a new high street style shopping experience, enhanced public realm and the reprovision of the health facility into a new larger building. Enabling landscaping works have been completed and start on site is expected in May 2018. The council has proactively worked with Swan to bring the development forward and will continue to do so during delivery.

## **Housing Revenue Account and Housing Supply**

### Housing Revenue Account

The rent reduction scheme introduced by the Welfare Reform and Work Act 2016 has had a significant impact on the resources available to the Housing Revenue Account (HRA). However the Government's confirmation that rent increases can revert to CPI plus 1% from 2020/21 has allowed more optimistic assumptions to be made concerning the availability of resources to the HRA. It means that while the Council's ambition to repay all housing related debt over the life of the 30 year business plan is no longer achievable it is possible to halve it over that period. Moreover it has identified that it is possible to invest up to £45 million in the acquisition or development of new dwellings for local people in the period to 2022/23.

The new build and acquisition programme is funded through a mix of capital receipts retained to fund replacement affordable housing, HRA reserves, borrowing and other contributions. Two new build projects delivering eight new homes have been completed and a further project is expected to complete in May 2018 delivering a further three homes. In addition the council acquired 26 homes during the year. It is expected that up to 100 additional homes will be delivered over the next four years.

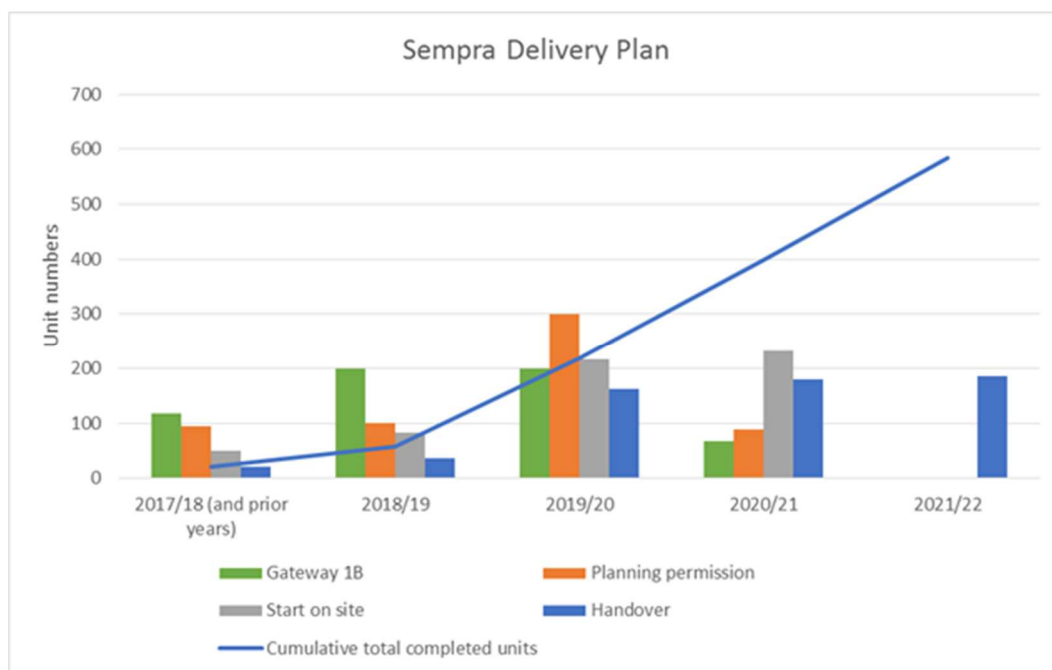
The Council owns 10,810 dwellings, including shares equivalent to 110 whole properties in shared ownership properties and manages approximately 2,200 leasehold flats.

### Sempre Homes

Sempre Homes Ltd was incorporated on 19 December 2014 and began trading in December 2015 with the transfer of five properties at Lincewood Court from the council to the company. These properties are let at a market rent. The company now manages 21 properties. The company has plans to ultimately deliver up to 584 new dwellings 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. It is expected that ten units at St Nicholas Mews will be handed over in mid-May. Work on 20 units at the Space site has started and start on site at Roman Way (15 units) is expected shortly.

A revised business plan was approved by Council in March 2018 and the company's delivery plan is set out below.

# Strategic Report



Gateway 1B – the project has progressed through Gateway 1B (feasibility) of the scheme progression process

Planning permission – full planning permission has been granted

Start on site – the contract has been procured and the contractor has mobilised

Handover – the unit is complete and has been handed over to Sempra

## Other housing

The regeneration of Fryerns and Craylands estates continued during the year with the engagement of the council's partners (Swan Housing, the Homes and Communities Agency and Essex County Council).

## Local Plan

Work started in December 2014 on a new Local Plan that will provide the planning framework for the future growth and development of the Basildon Borough area until 2034. It will identify land for housing, businesses, shops and leisure, as well as areas for protection, such as open space and sites important for wildlife. The Publication Local Plan, its Sustainability Appraisal, Habitats Regulations Assessment and Service Impact Assessment were approved for Regulation 19 consultation and submission to the Government in March 2018. Consultation will commence in mid May 2018 for 6 weeks and an Examination in Public before a Planning Inspector is scheduled by winter 2018.

## Information Technology

In March 2017 a major investment programme in the council's IT infrastructure was approved. This investment will ensure that the council has an appropriate platform on which to build the mechanisms it will need to deliver the digital strategy and manage its information.

## **The Future**

### The budget and financial forecast to 2020/21

The council faced a number of challenges, risks and uncertainties during 2017/18, many of which could have medium or long-term financial implications. These were set out in the Section 151 Officer's report to Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2017/18 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.

# Strategic Report

The Local Government Finance Settlement for 2018/19 confirmed that there has been no change to the trajectory of Government funding as set out in the settlement for 2017/18. The council accepted the Government's offer (made in the 2016/17 settlement) of an agreed four-year settlement and while this has introduced a degree of certainty in funding it does not cover the main variables in Government support i.e. the New Homes Bonus (NHB) and Business Rates Retention (BRR). Basildon is in the bottom quartile of authorities for government funding reductions between 2017/18 and 2018/19. Government funding is set to fall by 24.2% between 2017/18 and 2019/20. The current settlement runs until 2019/20 and the Government has given no indication of what the settlement will look like after that year. On current projections the Council is forecasting a budget gap of £3.5 million by 2021/22 and £7.4 million by 2027/28.

Achieving efficiencies has always played a key part in the council's financial strategy. For 2017/18 a balanced budget was set and the 2018/19 budget has been balanced without the need to find further efficiencies. 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. Continued delivery of the council's ambitions is dependent on the council securing a sustainable financial position over the medium-term.

## Sustainable finances

An approach has been developed to ensure that the council remains financially sustainable into the future. It comprises:

- 1) Continuation of the commercial programme
- 2) New ways of working, organisation design and restructuring
- 3) Capturing business rates growth
- 4) Commercial asset acquisition strategy (see below)
- 5) Focus on housing delivery to increase New Homes Bonus including Housing Revenue Account programmes and delivery through Sempra Homes Ltd
- 6) Continuing programme of service reviews including the waste strategy.

## Commercial asset acquisition

The council's commercial asset acquisition strategy provides for up to £80 million to be invested in commercial property to generate a return (after the cost of capital) of a minimum of 2% per annum. At the year end the council had approved the acquisition of 3 such properties the value of which totals in excess of £30 million. The acquisition process on all three properties is ongoing. It is expected that they will make a significant contribution to the future financial sustainability of the council.

## Value for Money

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. While the re-procurement 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.

## Fair Funding Review

The Fair Funding Review will set new funding baselines for every authority alongside the introduction of 75% business rate retention in 2019/20. It will not consider the overall quantum of funding available for local government which is a matter for the Spending Review. It will design a needs assessment methodology in support of these wider reforms, replacing the current approach which was designed over 10 years ago and has not been updated since 2013: there have since been demographic and other changes. The review will consider how the relative needs and resources of local authorities should be assessed in a world where local government spending is driven by local resources, not central grant, looking again at the factors that drive costs. The review will produce solutions that are sustainable for the duration of a reset period (future-proofed) for every council. It will also define appropriate transitional arrangements. Clearly, this has the potential to significantly affect (positively or negatively) the resources available to the council but it is not possible at this stage to assess what that impact might be.

# Strategic Report

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.

## **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 2017 to 2021

<http://www.basildon.gov.uk/corporate-plan>

Budget Report 2018/19

<http://www.basildonmeetings.info/ieListDocuments.aspx?CId=216&MId=6165&Ver=4>

Budget Report 2017/18

<http://www.basildonmeetings.info/ieListDocuments.aspx?CId=216&MId=5799&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>

Sempre Homes Ltd:

<http://www.semprahomes.co.uk/>



# 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 2017/18 (the Code), which defines proper accounting practices for local authorities.

The Code requires that the core financial statements and notes be prepared such that they are consistent 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 accounts have been prepared on a going concern basis. This reflects the economic and statutory environment in which the Council operates. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

The accounts for 2017/18 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). The notes to the accounts are all presented on a single entity basis except where it is helpful to also present information on the Group as a whole.

The figures in the accounts 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.

While 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 EY.

## THE CORE STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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 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.

# Guide to the Financial Statements

## **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, i.e. 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 Business Rates.

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

### **Opinion**

We have audited the financial statements of Basildon Borough Council for the year ended 31 March 2018 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,
- Related notes 1 to 43 and the Expenditure and Funding Analysis,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 9, and
- Collection Fund Account 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 2017/18.

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 2018 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 2017/18.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Annual Financial Report 2017/18, other than the financial statements and our auditor's report thereon. The Corporate Director (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

### **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

### **Responsibility of the Corporate Director (Section 151 Officer)**

As explained more fully in the Statement of Responsibilities set out on page 24, the Corporate Director (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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 2017, as to whether Basildon Borough Council 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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.

### **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.

### **Use of our report**

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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
09 July 2018

The maintenance and integrity of the Basildon Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# 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 Corporate Director (Section 151 Officer).

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.

## Corporate Director (Section 151 Officer)

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

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 2018.

Signed:

### **Richard Larkman FCCA**

Group Manager (Corporate Finance) (Deputy Section 151 Officer)  
On Behalf of Corporate Director (Section 151 Officer)

## 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 27 June 2018.

Signed:

### **Councillor L Mackenzie**

Vice-Chairman of the Audit and Risk Committee  
Chairman of the meeting approving the accounts



# Statement of Accounts

2017/18

# 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.

<b>Core Statements</b>	<b>Page</b>
o Comprehensive Income and Expenditure Statement	31
o Movement in Reserves Statement	32
o Balance Sheet	33
o Cash Flow Statement	34
o Notes to the Core Statements	35
<b>Supplementary Statements</b>	
o Housing Revenue Account	66
o Collection Fund Account	71
<b>Accounting Policies</b>	<b>74</b>

## 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.

### General Notes

Expenditure and Funding Analysis	30
1 Date Accounts Authorised	35
2 Significant Accounting Policies	35
3 Critical judgements in applying Accounting Policies	35
4 Assumptions made about the future and other major sources of estimation uncertainty	36
5 Material items of Income and Expense	36
6 Events after the Balance Sheet Date	36
7 Accounting Standards issued, not adopted	37
8 Reserves	37
9 Adjustments between Accounting Basis and Funding Basis under Regulations	38
10 Note to the Expenditure and Funding Analysis	42
11 Expenditure and Income analysed by nature	43
12 Transfers to/from Earmarked Reserves	44
13 External Audit Costs	44
14 Officers Remuneration	45
15 Termination Benefits (Exit Costs)	46
16 Councillors' Allowances	46
17 Other operating income and expenditure	46
18 Financing and investment income and expenditure	47
19 Taxation and non specific grant income	47
20 Business rates income and expenditure	47
21 Trading operations	47
22 Income from Grants and other contributions	48
23 Related party transactions	49
24 Interests in subsidiaries	49
25 Debtors	50
26 Creditors	51
27 Provisions	51

## NOTES TO THE CORE STATEMENTS

28	Contingent Liabilities	51
29	Leases	52

### Financial Instrument Notes

---

30	Categories of Financial Instruments	54
31	Income, Expense, Gains and Losses	54
32	Fair Values of Assets and Liabilities	55
33	Nature and Extent of Risks arising from Financial Instruments	55

### Capital Notes

---

34	Property, Plant and Equipment	57
35	Capital Commitments	59
36	Intangible Assets	59
37	Assets Held for Sale	59
38	Capital Expenditure and Capital Financing	60

### Pension Notes

---

39	Defined Benefit Pension Schemes	61
----	---------------------------------	----

### Cash Flow Notes

---

40	Cash and Cash Equivalents	65
41	Operating Activities	65
42	Investing Activities	65
43	Financing Activities	65

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

## Expenditure and Funding Analysis

This note shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by local authorities in comparison with those economic resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17			2017/18		
Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£000	£000	£000	£000	£000	£000
5,304	3,155	8,459	7,134	1,923	9,057
1,557	58	1,615	1,857	460	2,317
(1,205)	3,513	2,308	(1,034)	2,846	1,812
3,009	(113)	2,896	2,671	32	2,703
7,946	(484)	7,462	8,145	(243)	7,902
1,700	827	2,527	1,951	820	2,771
6,942	(1,244)	5,698	7,318	2,562	9,880
<b>25,253</b>	<b>5,712</b>	<b>30,965</b>	<b>28,042</b>	<b>8,400</b>	<b>36,442</b>
(8,019)	(644)	(8,663)	(1,105)	(7,066)	(8,171)
<b>17,234</b>	<b>5,068</b>	<b>22,302</b>	<b>26,937</b>	<b>1,334</b>	<b>28,271</b>
(25,242)	264	(24,978)	(27,790)	7,427	(20,363)
<b>(8,008)</b>	<b>5,332</b>	<b>(2,676)</b>	<b>(853)</b>	<b>8,761</b>	<b>7,908</b>
53,325			61,333		
8,008			853		
<b>61,333</b>			<b>62,186</b>		

\* For an analysis of this balance between the General Fund and HRA see the Movement in Reserves Statement.

*The Expenditure and Funding Analysis is a note to the Financial Statements, however it is positioned here as it provides a link from the figures reported in the Strategic Report to those in the Comprehensive Income and Expenditure Statement.*

## Comprehensive Income and Expenditure Statement (CIES)

2016/17						2017/18						
Council			Group			Council			Group			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	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
12,645	(4,186)	8,459	12,645	(4,186)	8,459		11,603	(2,546)	9,057	11,603	(2,525)	9,078
2,946	(1,331)	1,615	2,946	(1,331)	1,615		3,092	(775)	2,317	3,092	(775)	2,317
70,477	(68,169)	2,308	70,477	(68,169)	2,308		67,907	(66,095)	1,812	67,907	(66,095)	1,812
3,209	(313)	2,896	3,209	(106)	3,103		2,999	(296)	2,703	2,999	(146)	2,853
11,846	(4,384)	7,462	11,846	(4,384)	7,462		12,386	(4,484)	7,902	12,386	(4,484)	7,902
2,992	(465)	2,527	2,992	(465)	2,527		3,232	(461)	2,771	3,232	(461)	2,771
8,349	(2,651)	5,698	8,349	(2,651)	5,698		12,365	(2,485)	9,880	12,365	(2,485)	9,880
<b>112,464</b>	<b>(81,499)</b>	<b>30,965</b>	<b>112,464</b>	<b>(81,292)</b>	<b>31,172</b>		<b>113,584</b>	<b>(77,142)</b>	<b>36,442</b>	<b>113,584</b>	<b>(76,971)</b>	<b>36,613</b>
46,083	(54,746)	(8,663)	46,083	(54,731)	(8,648)		45,328	(53,499)	(8,171)	45,328	(53,471)	(8,143)
<b>158,547</b>	<b>(136,245)</b>	<b>22,302</b>	<b>158,547</b>	<b>(136,023)</b>	<b>22,524</b>		<b>158,912</b>	<b>(130,641)</b>	<b>28,271</b>	<b>158,912</b>	<b>(130,442)</b>	<b>28,470</b>
2,295	-	2,295	2,295	-	2,295	17	5,269	(613)	4,656	5,269	(690)	4,579
17,835	(5,118)	12,717	17,869	(5,133)	12,808	18	16,504	(5,218)	11,286	16,689	(5,366)	11,323
27,446	(67,436)	(39,990)	27,446	(67,436)	(39,990)	19	24,613	(60,918)	(36,305)	24,613	(60,918)	(36,305)
<b>206,123</b>	<b>(208,799)</b>	<b>(2,676)</b>	<b>206,157</b>	<b>(208,592)</b>	<b>(2,363)</b>		<b>205,298</b>	<b>(197,390)</b>	<b>7,908</b>	<b>205,483</b>	<b>(197,416)</b>	<b>8,067</b>
		-			(52)	24			-		219	219
	<b>(2,676)</b>			<b>(2,415)</b>				<b>7,908</b>				<b>8,286</b>
	(58,090)			(58,090)		34		(166,978)				(168,494)
	(5,116)			(5,156)		34		7				7
	30,009			30,009		39		(24,609)				(24,609)
	<b>(33,197)</b>			<b>(33,237)</b>				<b>(191,580)</b>				<b>(193,096)</b>
	<b>(35,873)</b>			<b>(35,652)</b>				<b>(183,672)</b>				<b>(184,810)</b>

## Movement in Reserves Statement

	Note	Usable Revenue Reserves		Usable Capital Reserves				Unusable Reserves							Council's share of subsidiary's reserves	Total Group Reserves	
		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Capital Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Collection Fund Adjustment Account	Other Unusable Reserves	Total Unusable Reserves			Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>2017/18</b>																	
<b>Balance at 1 April 2017</b>		33,122	28,211	2,942	29,989	4,689	4,919	103,872	185,033	370,962	(133,473)	2,390	120	425,032	528,904	(328)	528,576
Total Comprehensive Income and Expenditure		(5,732)	(2,176)	-	-	-	-	(7,908)	166,971	-	24,609	-	-	191,580	183,672	1,138	184,810
Adjustments between accounting basis & funding basis under regulations	9	5,477	3,281	3,753	403	(430)	685	13,169	(2,619)	(11,324)	(1,462)	1,717	519	(13,169)	-	-	-
<b>Increase/(Decrease) in year</b>		<b>(255)</b>	<b>1,105</b>	<b>3,753</b>	<b>403</b>	<b>(430)</b>	<b>685</b>	<b>5,261</b>	<b>164,352</b>	<b>(11,324)</b>	<b>23,147</b>	<b>1,717</b>	<b>519</b>	<b>178,411</b>	<b>183,672</b>	<b>1,138</b>	<b>184,810</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>32,867</b>	<b>29,316</b>	<b>6,695</b>	<b>30,392</b>	<b>4,259</b>	<b>5,604</b>	<b>109,133</b>	<b>349,385</b>	<b>359,638</b>	<b>(110,326)</b>	<b>4,107</b>	<b>639</b>	<b>603,443</b>	<b>712,576</b>	<b>810</b>	<b>713,386</b>
Of which:																	
Earmarked Reserves	12	22,701	20,783														
General Reserves		10,166	8,533														
<b>2016/17</b>																	
<b>Balance at 1 April 2016</b>		33,134	20,191	1,950	21,450	3,761	3,010	83,496	123,914	390,964	(100,757)	(4,388)	(198)	409,535	493,031	(107)	492,924
Total Comprehensive Income and Expenditure		2,874	(198)	-	-	-	-	2,676	63,206	-	(30,009)	-	-	33,197	35,873	(221)	35,652
Adjustments between accounting basis & funding basis under regulations	9	(2,886)	8,218	992	8,539	928	1,909	17,700	(2,087)	(20,002)	(2,707)	6,778	4,389	(17,700)	-	-	-
<b>Increase/(Decrease) in year</b>		<b>(12)</b>	<b>8,020</b>	<b>992</b>	<b>8,539</b>	<b>928</b>	<b>1,909</b>	<b>20,376</b>	<b>61,119</b>	<b>(20,002)</b>	<b>(32,716)</b>	<b>6,778</b>	<b>4,389</b>	<b>15,497</b>	<b>35,873</b>	<b>(221)</b>	<b>35,652</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>33,122</b>	<b>28,211</b>	<b>2,942</b>	<b>29,989</b>	<b>4,689</b>	<b>4,919</b>	<b>103,872</b>	<b>185,033</b>	<b>370,962</b>	<b>(133,473)</b>	<b>2,390</b>	<b>120</b>	<b>425,032</b>	<b>528,904</b>	<b>(328)</b>	<b>528,576</b>
Of which:																	
Earmarked Reserves	12	23,716	23,451														
General Reserves		9,406	4,760														

Further details of the nature and purpose of reserves can be found in Note 8.



# Balance Sheet

31 March 2017				31 March 2018	
Council £000	Group £000		Note	Council £000	Group £000
810,904	812,167	Property, Plant & Equipment	34	965,246	968,629
-	-	Intangible Assets	37	1,028	1,028
875	-	Investment in Subsidiary	24	875	-
593	223	Long-term Debtors	25	1,106	202
-	79	Deferred Tax Asset		-	87
<b>812,372</b>	<b>812,469</b>	<b>Long-term Assets</b>		<b>968,255</b>	<b>969,946</b>
73,054	73,054	Investments	30	71,064	71,064
-	-	Assets Held for Sale	37	291	291
180	180	Inventories		175	175
19,322	18,940	Short-term Debtors	25	21,611	21,044
13,514	13,524	Cash and Cash Equivalents	40	12,030	12,030
<b>106,070</b>	<b>105,698</b>	<b>Current Assets</b>		<b>105,171</b>	<b>104,604</b>
(1,404)	(1,404)	Cash and Cash Equivalents (overdrawn)	40	(289)	(279)
(4,552)	(4,552)	Borrowing	30	(6,591)	(6,591)
(24,139)	(24,192)	Short Term Creditors	26	(25,786)	(25,884)
(3,771)	(3,771)	Provisions	27	(3,581)	(3,581)
(1,906)	(1,906)	Grants Receipts in Advance - Capital	22	(1,612)	(1,612)
(91)	(91)	Grants Receipts in Advance - Revenue	22	(442)	(442)
<b>(35,863)</b>	<b>(35,916)</b>	<b>Current Liabilities</b>		<b>(38,301)</b>	<b>(38,389)</b>
(3,122)	(3,122)	Provisions	27	(2,032)	(2,032)
(212,686)	(212,686)	Borrowing	30	(206,095)	(206,095)
(4,394)	(4,394)	Finance Lease Liabilities	29	(4,096)	(4,096)
-	-	Deferred Tax Liability		-	(226)
(133,473)	(133,473)	Net Pensions Liability	39	(110,326)	(110,326)
<b>(353,675)</b>	<b>(353,675)</b>	<b>Long Term Liabilities</b>		<b>(322,549)</b>	<b>(322,775)</b>
<b>528,904</b>	<b>528,576</b>	<b>Net Assets</b>		<b>712,576</b>	<b>713,386</b>
9,406	9,406	General Fund Balance		10,166	10,166
23,716	23,716	GF Earmarked Reserves Balance	12	22,701	22,701
-	(328)	Subsidiary Reserves		-	810
4,760	4,760	Housing Revenue Account		8,533	8,533
23,451	23,451	HRA Earmarked Reserves Balance	12	20,783	20,783
2,942	2,942	Major Repairs Reserve		6,695	6,695
29,989	29,989	Capital Receipts Reserve		30,392	30,392
4,689	4,689	Capital Grants Unapplied		4,259	4,259
4,919	4,919	Earmarked Capital Reserves	12	5,604	5,604
<b>103,872</b>	<b>103,544</b>	<b>Usable Reserves</b>		<b>109,133</b>	<b>109,943</b>
185,033	185,033	Revaluation Reserve		349,385	349,385
370,962	370,962	Capital Adjustment Account		359,638	359,638
(133,473)	(133,473)	Pensions Reserve		(110,326)	(110,326)
2,390	2,390	Collection Fund Adjustment Account		4,107	4,107
120	120	Other Unusable Reserves		639	639
<b>425,032</b>	<b>425,032</b>	<b>Unusable Reserves</b>		<b>603,443</b>	<b>603,443</b>
<b>528,904</b>	<b>528,576</b>	<b>Total Reserves</b>		<b>712,576</b>	<b>713,386</b>

These financial statements replace the unaudited financial statements confirmed by the Section 151 Officer on 7 May 2018.

# Cash Flow Statement

2016/17			2017/18	
Council £000	Group £000		Council £000	Group £000
(2,676)	(2,415)	<b>Net (surplus) or deficit on the provision of services</b>	<b>7,908</b>	<b>8,286</b>
(16,661)	(16,683)	Depreciation and amortisation	(17,667)	(17,667)
(12,998)	(12,998)	(Impairment and downward valuation) / Reversal of previous impairments	(11,891)	(12,002)
(1,132)	(1,132)	Movement in impairment provision for bad debts	(615)	(615)
(1,894)	(1,918)	Movement in creditors	1,480	1,210
2,595	2,380	Movement in debtors	2,108	1,930
(41)	(41)	Movement in inventories	(5)	(5)
(2,707)	(2,707)	Movement in pension liability	(1,462)	(1,462)
(11,851)	(11,851)	Carrying amount of non-current assets sold	(6,563)	(6,586)
(141)	(141)	Disposal costs of non-current assets sold	(78)	(78)
3,836	3,836	Movement in provisions	1,280	1,280
(40,994)	(41,255)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(33,413)	(33,995)
11,382	11,382	Proceeds from the sale of property, plant and equipment	7,254	7,354
7,590	7,590	Grants received for the financing of capital expenditure <b>22</b>	6,381	6,381
18,972	18,972	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,635	13,735
<b>(24,698)</b>	<b>(24,698)</b>	<b>Net cash flows from Operating Activities</b> <b>41</b>	<b>(11,870)</b>	<b>(11,974)</b>
<b>23,655</b>	<b>23,655</b>	<b>Net cash flows from Investing Activities</b> <b>42</b>	<b>9,211</b>	<b>9,315</b>
<b>(3,443)</b>	<b>(3,443)</b>	<b>Net cash flows from Financing Activities</b> <b>43</b>	<b>3,028</b>	<b>3,028</b>
<b>(4,486)</b>	<b>(4,486)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>369</b>	<b>369</b>
<b>7,624</b>	<b>7,634</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>12,110</b>	<b>12,120</b>
<b>12,110</b>	<b>12,120</b>	<b>Cash and cash equivalents at the end of the reporting period</b> <b>40</b>	<b>11,741</b>	<b>11,751</b>

# Notes to the Core Statements

## General Notes

### 1 DATE ACCOUNTS AUTHORISED

These accounts were authorised for issue by the Section 151 Officer on 27 June 2018.

### 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 2017/18 these proper accounting practices principally comprise :

- the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code)
- Update to the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (Code Update)
- the Service Reporting Code of Practice 2017/18 (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 single entity, where there are material differences to the single entity accounts separate disclosures are shown for the group position.

Detailed Accounting policies for these and all other areas can be found on page 71.

### 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 29 for details of the Council's leasing arrangements.

#### 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, see Accounting Policy 10. 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 22.

# Notes to the Core Statements

## General Notes

### **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 27 and 28 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 important to take account of the economic climate and the potential impact of legislation on peoples' ability to pay their debts.

The provision for losses in business rates income arising from appeals against assessed rateable values in the 2005 and 2010 lists is based on an assessment using local knowledge, the historical experience of appeals, the details of appeals held by the Valuation Office Agency and analysis of such data. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list. The level of checks is unknown, the Council is only aware of 5 challenges and is not aware of any appeals against properties on the Council's list. This does not represent a robust enough data set on which to base the calculation of an appeals provision. The methodology adopted for the 2017 list uses the Government's national assumption on losses through appeal and then layers on to that local factors that the Council is aware of. This results in an appeals provision of 4.22% against the 2017 list which is not markedly different from the experience to date on the 2010 list of 4.41%. This has resulted in an overall provision of £7.8 million (2016/17 £7.8 million). Of this provision Basildon's share is £3.1 million (2016/17 £3.1 million). Should the value of appeals actually settled vary by +/- 1% of the total rateable value this would represent approximately a £2.0 million difference from the sum provided of which Basildon's share would be £0.8 million.

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 2017/18 asset valuations, it is assumed that current levels of expenditure will be maintained.

## **5 MATERIAL ITEMS OF INCOME AND EXPENDITURE**

There are some regular items of income and expenditure in Basildon's accounts which are material due to their potential impact on the Council if there are significant fluctuations. These include figures for sums collected through Council Tax and Business rates - £46.7 million for Basildon Borough Council's proportion (£175.4 million across all preceptors). Housing Benefits involve paying out sums in the region of £59.3 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £10.1 million. During 2017/18 the Council paid £7.1m to the pension fund in respect of the triennial deficit payment.

## **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 for issue. On 10 May 2018 the council completed its first purchase under its Commercial Asset Acquisition Strategy. The total cost of the property (a retail park) was just under £19.5m including fees and taxes. The property is expected to generate a minimum net return of 2% per annum.

# Notes to the Core Statements

## General Notes

### 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. The new standards that would require additional disclosures in the 2018/19 financial statements are as follows:

*IFRS 9 Financial Instruments* has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 9 was devised to correct weaknesses in accounting practices that contributed to the global financial crisis. In particular it:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as fair value gains and losses arise;
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses.

The first of these changes is not anticipated to be relevant to the Council as it has no investments that are currently required to be measured at fair value (or will be so required after 1 April 2018). The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risk on debtors and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. It is currently estimated that impairment loss allowances will not increase materially in 2018/19 as a result.

*IFRS 15 Revenue from Contracts with Customers* has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council.

*IFRS 16 Leases* has been issued to come into effect on 1 January 2019. CIPFA are currently consulting on this standard for intended adoption into the 2019/20 edition of the Accounting Code.

### 8 RESERVES

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

<b>Usable Reserves</b>	<b>Reserves that can be used to meet future expenditure.</b>
General Fund Balance	The accumulated surplus of income over expenditure. Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax and Business Rates income levels.
GF Earmarked Reserves	Part of the General Fund Balance earmarked for particular spending plans and contingencies.
Housing Revenue Account	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	Part of the Housing Revenue Account 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	Grants received for specific purposes which remain unspent at the end of the year.
<b>Unusable Reserves</b>	<b>Reserves that exist for technical accounting purposes that cannot be used for any other purpose.</b>
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.
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions.

# Notes to the Core Statements

## General Notes

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.
Other unusable reserves comprising:	
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.
Unpaid Absences Account	Value of officers remuneration for annual leave accrual not yet borne by the General Fund or HRA balance under statutory regulations.

### 9 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. 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 costs as determined in accordance with the 2003 Regulations. In the HRA depreciation and impairments are proper charges to revenue. However, it is permitted to reverse these charges 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, but 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.



# Notes to the Core Statements

## General Notes

### **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

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

2017/18	Note	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked Capital Reserves £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Other Unusable Reserves £'000	Total Unusable Reserves £'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	34	9,219	7,106	13,233	-	-	-	29,558	(2,619)	(26,939)	-	(29,558)
Revenue expenditure funded from capital under statute	38	940	-	-	-	-	-	940	-	(940)	-	(940)
Net gain/loss on sale of non-current assets		198	(984)	-	6,816	-	-	6,030	-	(6,563)	533	(6,030)
Costs of disposal funded from capital receipts		-	78	-	(78)	-	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		4,887	-	-	(4,887)	-	-	-	-	-	-	-
Capital grants, contributions and income in relation to donated assets credited to the CIES		(6,050)	(131)	-	-	(430)	-	(6,611)	-	6,611	-	6,611
Statutory provision for the repayment of debt (Minimum revenue provision)	38	(1,281)	(84)	-	-	-	-	(1,365)	-	1,365	-	1,365
Capital expenditure charged against the General Fund and HRA Balances	38	(1,712)	(3,187)	-	-	-	685	(4,214)	-	4,214	-	4,214
<b>Capital Adjustments</b>		<b>6,201</b>	<b>2,798</b>	<b>13,233</b>	<b>1,851</b>	<b>(430)</b>	<b>685</b>	<b>24,338</b>	<b>(2,619)</b>	<b>(22,252)</b>	<b>533</b>	<b>(24,338)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	38	-	-	-	(1,448)	-	-	(1,448)	-	1,448	-	1,448
Use of the Major Repairs Reserve to finance capital expenditure	38	-	-	(9,480)	-	-	-	(9,480)	-	9,480	-	9,480
<b>Financing Adjustments</b>		<b>-</b>	<b>-</b>	<b>(9,480)</b>	<b>(1,448)</b>	<b>-</b>	<b>-</b>	<b>(10,928)</b>	<b>-</b>	<b>10,928</b>	<b>-</b>	<b>10,928</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services		8,585	4,113	-	-	-	-	12,698	-	-	(12,698)	(12,698)
Employer's contributions to Essex County Council Pension Scheme		(7,597)	(3,639)	-	-	-	-	(11,236)	-	-	11,236	11,236
<b>Pensions costs (transferred to the Pensions Reserve)</b>	<b>39</b>	<b>988</b>	<b>474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,462</b>	<b>-</b>	<b>-</b>	<b>(1,462)</b>	<b>(1,462)</b>
Unpaid Absences (transferred to the Accumulated Absences Reserve)		45	9	-	-	-	-	54	-	-	(54)	(54)
Finance costs (transferred to the Financial Instruments Adjustments Account)		(40)	-	-	-	-	-	(40)	-	-	40	40
Council tax and business rate income (transferred to the Collection Fund Adjustment Account)		(1,717)	-	-	-	-	-	(1,717)	-	-	1,717	1,717
<b>Other Adjustments</b>		<b>(1,712)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,703)</b>	<b>-</b>	<b>-</b>	<b>1,703</b>	<b>1,703</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>		<b>5,477</b>	<b>3,281</b>	<b>3,753</b>	<b>403</b>	<b>(430)</b>	<b>685</b>	<b>13,169</b>	<b>(2,619)</b>	<b>(11,324)</b>	<b>774</b>	<b>(13,169)</b>

# Notes to the Core Statements

## General Notes

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

2016/17	Note	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked Capital Reserves £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Other Unusable Reserves £'000	Total Unusable Reserves £'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	34	6,335	10,660	12,708	-	-	-	29,703	(2,087)	(27,616)	-	(29,703)
Revenue expenditure funded from capital under statute	38	980	-	-	-	-	-	980	-	(980)	-	(980)
Net gain/loss on sale of non-current assets		2,822	(2,468)	-	11,161	-	-	11,515	-	(11,800)	285	(11,515)
Costs of disposal funded from capital receipts		20	121	-	(141)	-	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		1,306	-	-	(1,306)	-	-	-	-	-	-	-
Capital grants, contributions and income in relation to donated assets credited to the CIES		(7,592)	-	-	-	2,391	-	(5,201)	-	5,201	-	5,201
Statutory provision for the repayment of debt (Minimum revenue provision)	38	(1,116)	(175)	-	-	-	-	(1,291)	-	1,291	-	1,291
Capital expenditure charged against the General Fund and HRA Balances	38	(815)	(642)	-	-	(1,463)	1,909	(1,011)	-	1,011	-	1,011
<b>Capital Adjustments</b>		<b>1,940</b>	<b>7,496</b>	<b>12,708</b>	<b>9,714</b>	<b>928</b>	<b>1,909</b>	<b>34,695</b>	<b>(2,087)</b>	<b>(32,893)</b>	<b>285</b>	<b>(34,695)</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	38	-	-	-	(1,175)	-	-	(1,175)	-	1,175	-	1,175
Use of the Major Repairs Reserve to finance capital expenditure	38	-	-	(11,700)	-	-	-	(11,700)	-	11,700	-	11,700
Use of the Major Repairs Reserve to repay debt	38	-	-	(16)	-	-	-	(16)	-	16	-	16
<b>Financing Adjustments</b>		<b>-</b>	<b>-</b>	<b>(11,716)</b>	<b>(1,175)</b>	<b>-</b>	<b>-</b>	<b>(12,891)</b>	<b>-</b>	<b>12,891</b>	<b>-</b>	<b>12,891</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services		6,640	2,407	-	-	-	-	9,047	-	-	(9,047)	(9,047)
Employer's contributions to Essex County Council Pension Scheme		(4,653)	(1,687)	-	-	-	-	(6,340)	-	-	6,340	6,340
<b>Pensions costs (transferred to the Pensions Reserve)</b>	<b>39</b>	<b>1,987</b>	<b>720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,707</b>	<b>-</b>	<b>-</b>	<b>(2,707)</b>	<b>(2,707)</b>
Unpaid Absences (transferred to the Accumulated Absences Reserve)		5	2	-	-	-	-	7	-	-	(7)	(7)
Finance costs (transferred to the Financial Instruments Adjustments Account)		(40)	-	-	-	-	-	(40)	-	-	40	40
Council tax and business rate income (transferred to the Collection Fund Adjustment Account)		(6,778)	-	-	-	-	-	(6,778)	-	-	6,778	6,778
<b>Other Adjustments</b>		<b>(6,813)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,811)</b>	<b>-</b>	<b>-</b>	<b>6,811</b>	<b>6,811</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>		<b>(2,886)</b>	<b>8,218</b>	<b>992</b>	<b>8,539</b>	<b>928</b>	<b>1,909</b>	<b>17,700</b>	<b>(2,087)</b>	<b>(20,002)</b>	<b>4,389</b>	<b>(17,700)</b>

# Notes to the Core Statements

## General Notes

### 10 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments to/from General Fund and HRA to arrive at the CIES amounts:

	2017/18				
	Adjustments for Capital purposes	Net change for Pensions adjustments	Allocation of Other income and expenditure	Other adjustments	Net Adjustments
	£000	£000	£000	£000	£000
Corporate and Central	2,963	(1,044)	(1)	5	1,923
Community	480	(20)	-	-	460
Development and Regulation	453	(82)	2,475	-	2,846
Regeneration and Partnerships	56	(24)	-	-	32
Environment	(118)	(125)	-	-	(243)
Housing	940	(25)	(95)	-	820
Leisure and Open Spaces	2,596	(34)	-	-	2,562
<b>General Fund</b>	<b>7,370</b>	<b>(1,354)</b>	<b>2,379</b>	<b>5</b>	<b>8,400</b>
Housing Revenue Account	3,834	(648)	(10,262)	10	(7,066)
<b>Cost of Services</b>	<b>11,204</b>	<b>(2,002)</b>	<b>(7,883)</b>	<b>15</b>	<b>1,334</b>
Other income and expenditure	(2,202)	3,464	7,883	(1,718)	7,427
<b>Adjustments to (Surplus) or Deficit on Provision of Services</b>	<b>9,002</b>	<b>1,462</b>	<b>-</b>	<b>(1,703)</b>	<b>8,761</b>
Adjustments to General Fund balances	6,203	988	-	(1,712)	5,479
Adjustments to Housing Revenue Account balances	2,798	474	-	9	3,281
	<b>9,001</b>	<b>1,462</b>	<b>-</b>	<b>(1,703)</b>	<b>8,760</b>

	2016/17				
	Adjustments for Capital purposes	Net change for Pensions adjustments	Allocation of Other income and expenditure	Other adjustments	Net Adjustments
	£000	£000	£000	£000	£000
Corporate and Central	3,686	(412)	(84)	(35)	3,155
Community	76	(18)	-	-	58
Development and Regulation	(15)	(21)	3,543	6	3,513
Regeneration and Partnerships	(97)	(16)	-	-	(113)
Environment	(405)	(79)	-	-	(484)
Housing	841	(14)	-	-	827
Leisure and Open Spaces	(1,221)	(23)	-	-	(1,244)
<b>General Fund</b>	<b>2,865</b>	<b>(583)</b>	<b>3,459</b>	<b>(29)</b>	<b>5,712</b>
Housing Revenue Account	9,842	(211)	(10,271)	(4)	(644)
<b>Cost of Services</b>	<b>12,707</b>	<b>(794)</b>	<b>(6,812)</b>	<b>(33)</b>	<b>5,068</b>
Other income and expenditure	(3,271)	3,501	6,812	(6,778)	264
<b>Adjustments to (Surplus) or Deficit on Provision of Services</b>	<b>9,436</b>	<b>2,707</b>	<b>-</b>	<b>(6,811)</b>	<b>5,332</b>
Adjustments to General Fund balances	1,940	1,987	-	(6,813)	(2,886)
Adjustments to Housing Revenue Account balances	7,496	720	-	2	8,218
	<b>9,436</b>	<b>2,707</b>	<b>-</b>	<b>(6,811)</b>	<b>5,332</b>

# Notes to the Core Statements

## General Notes

### Adjustments for Capital purposes:

- Depreciation, impairments and revaluation gains and losses are added in the service lines;
- Statutory charges for capital financing are deducted from service lines ie Minimum Revenue Provision and other revenue contributions;
- Net gains or losses on disposal of non-current assets are added to other operating expenditure;
- Capital Grants applied to capital expenditure are added to taxation and non-specific grant income.

### Net change for Pensions adjustments:

- Employer contributions made by the Council are reversed from the service lines and replaced with current and past service costs as per IAS19;
- Net interest on the defined benefit liability is charged to financing and investment income and expenditure.

### Allocation of other income and expenditure:

- Interest payable and receivable reported under Corporate and Central moved to financing and investment income and expenditure;
- Trading operations reported under Development and Regulation moved to financing and investment income and expenditure;
- Disposals not linked to an asset are charged to the service line.

### Other adjustments:

- Timing differences for Council tax and Business rate income charged to taxation and non-specific grant income;
- Timing differences for premiums and discounts reported under Corporate and Central;
- Charge to service lines for Unpaid Absences.

The adjustments cover those set out in Note 9 and reclassifications of transactions that are managed by a particular service but are required to be reported corporately as Other Income and Expenditure in the CIES.

## 11 EXPENDITURE AND INCOME ANALYSED BY NATURE

	Council		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
<b>Expenditure</b>				
Employee expenses	43,481	36,574	43,481	36,574
Housing benefit	59,269	62,505	59,269	62,505
Other operating expenses	4,842	8,772	4,916	8,887
Support service recharges	24,099	24,595	24,099	24,595
Business rates tariff	23,972	26,170	23,972	26,170
Contribution to business rates pool	641	1,276	641	1,276
Depreciation, amortisation & impairment	29,558	29,659	29,669	29,689
Interest payments - debt	10,703	10,776	10,703	10,776
Interest payments - pensions	3,464	3,501	3,464	3,501
Parish precepts	382	379	382	379
Loss on disposal of non-current assets	-	610	-	610
Payments to Housing Capital Receipts Pool	4,887	1,306	4,887	1,306
<b>Total expenditure</b>	<b>205,298</b>	<b>206,123</b>	<b>205,483</b>	<b>206,268</b>
<b>Income</b>				
Fees, charges & other service income	(71,251)	(72,636)	(71,264)	(72,474)
Gain on disposal of non-current assets	(613)	-	(690)	-
Interest & investment income	(440)	(421)	(376)	(415)
Income from council tax	(16,161)	(15,672)	(16,161)	(15,672)
Income from business rates	(31,164)	(36,749)	(31,164)	(36,749)
Grants & contributions	(77,761)	(83,321)	(77,761)	(83,321)
<b>Total income</b>	<b>(197,390)</b>	<b>(208,799)</b>	<b>(197,416)</b>	<b>(208,631)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>7,908</b>	<b>(2,676)</b>	<b>8,067</b>	<b>(2,363)</b>

# Notes to the Core Statements

## General Notes

### 12 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 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	31 March 2018 £000
Contingency Reserve	7,262	-	319	7,581	(4,036)	-	3,545
Insurance Pool	3,500	-	1,170	4,670	(415)	-	4,255
Major Asset Refurbishment	1,098	(1,098)	-	-	-	-	-
Commercial Development	-	-	313	313	(313)	-	-
Sempra Equalisation	-	-	214	214	-	500	714
CAAS Equalisation <sup>1</sup>	-	-	-	-	-	300	300
IT Initiatives	692	-	727	1,419	-	2,161	3,580
Invest to Save	1,360	-	375	1,735	(40)	-	1,695
Employment Rationalisation	1,469	-	339	1,808	(566)	-	1,242
Treasury Management Reserve	370	-	480	850	(350)	-	500
Asset Management Reserve	500	-	1,302	1,802	-	855	2,657
Business Rates Equalisation	4,835	(1,511)	-	3,324	-	889	4,213
<b>Total General Fund</b>	<b>21,086</b>	<b>(2,609)</b>	<b>5,239</b>	<b>23,716</b>	<b>(5,720)</b>	<b>4,705</b>	<b>22,701</b>
Asset Management Reserve	10,793	-	12,058	22,851	(2,668)	-	20,183
Treasury Management Reserve	600	-	-	600	-	-	600
<b>Total HRA</b>	<b>11,393</b>	<b>-</b>	<b>12,058</b>	<b>23,451</b>	<b>(2,668)</b>	<b>-</b>	<b>20,783</b>
Regeneration Reserve	1,743	(71)	1,638	3,310	-	200	3,510
Lifecycle Funds	1,267	(96)	438	1,609	(30)	515	2,094
<b>Total Capital Reserves</b>	<b>3,010</b>	<b>(167)</b>	<b>2,076</b>	<b>4,919</b>	<b>(30)</b>	<b>715</b>	<b>5,604</b>
<b>Total</b>	<b>35,489</b>	<b>(2,776)</b>	<b>19,373</b>	<b>52,086</b>	<b>(8,418)</b>	<b>5,420</b>	<b>49,088</b>

<sup>1</sup> Commercial Asset Acquisition Strategy Equalisation Reserve

### 13 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, EY, are set out below:

	2017/18 £'000	2016/17 £'000
External audit services carried out under the Code of Audit Practice	67	67
Other services provided during the year	34	33
<b>Total External Audit Costs</b>	<b>101</b>	<b>100</b>

In addition to the above, the Council received £9,950 PSAA Distribution in relation to the closure of the Audit Commission. The Group incurred a further £9,900 (£7,500 2016/17) for the audit of the financial statements of Sempra Homes Ltd plus £900 (£720 2016/17) for taxation compliance services. The appointed auditor for this purpose was Rickard Luckin Limited.



# Notes to the Core Statements

## General Notes

### 14 OFFICERS' REMUNERATION

This Note sets out the remuneration of the senior officers of the Council and reflects, to the extent that it affects the 2017/18 financial year, the restructure of the senior management team. For further details on this, please refer to the Strategic Report on page 5.

		Salary, Fees and Allowances £	Performance Related Pay and other one off payments £	Expense Allowance £	Termination Payments £	Benefits in Kind £	Pension Contribution £	Total £
<b>Executive Team (from 13 Oct 17) <sup>1</sup></b>								
Scott Logan Managing Director	2017/18	77,474	-	1,854	-	-	12,368	<b>91,696</b>
Corporate Director	2017/18	60,045	-	1,854	-	1,202	9,860	<b>72,961</b>
Service Director	2017/18	49,718	-	1,790	-	1,161	7,977	<b>60,646</b>
<b>Corporate Management Team</b>								
Bala Mahendran Chief Executive	2017/18	77,708	51,315	1,520	133,804	1,051	-	<b>265,398</b>
Left 31 Jul 17	2016/17	133,185	39,564	4,411	-	2,830	-	<b>179,990</b>
Commissioning Director - Resourcing & Place Shaping	2017/18	63,051	14,712	2,109	-	1,368	12,181	<b>93,421</b>
Changed position 13 Oct 17	2016/17	114,799	8,394	3,963	-	2,365	17,863	<b>147,384</b>
Commissioning Director - People and Places	2017/18	63,827	11,267	2,109	-	-	11,973	<b>89,176</b>
Changed position 13 Oct 17	2016/17	114,670	5,246	3,963	-	-	17,388	<b>141,267</b>
<b>Corporate Development Team / Senior Leadership Team</b>								
Head of Street Scene and Leisure Services								
Acting up from 5 Feb 18	2017/18	14,307	-	371	-	-	2,289	<b>16,967</b>
Left 31 Jan 18 <sup>2</sup>	2017/18	108,760	17,913	2,000	-	-	99,752	<b>228,425</b>
	2016/17	98,792	5,264	2,269	-	837	15,088	<b>122,250</b>
Head of Housing Services								
Acting up from 11 Dec 17	2017/18	28,798	-	692	-	-	4,608	<b>34,098</b>
Changed position 19 Oct 17	2017/18	56,043	7,857	1,316	-	1,409	10,201	<b>76,826</b>
	2016/17	99,897	6,700	2,269	-	2,365	15,457	<b>126,688</b>
Head of Customer Services								
Acting up from 5 Feb 18	2017/18	128,570	17,422	2,400	45,370	2,059	19,048	<b>214,869</b>
Left 31 Mar 18	2016/17	98,151	5,614	2,269	-	1,868	15,167	<b>123,069</b>
Head of Regeneration & Economic Development								
Acting up from 5 Feb 18 (Regeneration 65%)	2017/18	31,234	-	-	-	-	4,997	<b>36,231</b>
Acting up from 5 Feb 18 (Planning Policy 35%)	2017/18	26,682	-	-	-	-	4,269	<b>30,951</b>
Left 4 Feb 18	2017/18	85,699	6,241	2,029	-	1,188	14,677	<b>109,834</b>
	2016/17	96,828	5,949	2,012	-	1,389	14,903	<b>121,081</b>
Group Manager (Corporate Finance)								
Acting up from 26 Feb 18	2017/18	7,234	-	221	-	-	1,134	<b>8,589</b>
Due to leave 10 Apr 18	2017/18	81,549	13,691	2,400	-	1,777	15,238	<b>114,655</b>
	2016/17	77,140	3,988	2,041	-	1,607	11,763	<b>96,539</b>
Group Manager (Corporate Governance & Support)								
Acting up from 26 Feb 18	2017/18	82,139	8,842	2,400	-	-	-	<b>93,381</b>
Due to leave 10 Apr 18	2016/17	79,632	3,626	2,269	-	983	-	<b>86,510</b>
Group Manager (Regulation)								
Acting up from 26 Feb 18	2017/18	80,437	5,326	2,400	-	2,671	13,722	<b>104,556</b>
Due to leave 10 Apr 18	2016/17	76,659	2,901	2,041	-	2,441	11,536	<b>95,578</b>
Group Manager (HR & OD)								
Acting up from 26 Feb 18	2017/18	92,260	4,674	1,200	20,272	-	14,827	<b>133,233</b>
Left 30 Sept 17	2016/17	78,476	3,871	2,041	-	583	11,940	<b>96,911</b>
Group Manager (Legal & Procurement)								
Acting up from 26 Feb 18	2017/18	77,887	8,575	2,400	-	286	14,301	<b>103,449</b>
Left 30 Sept 17	2016/17	73,660	3,351	2,041	-	-	11,526	<b>90,578</b>
Commerical Implementation and Change Manager								
Acting up from 26 Feb 18	2017/18	77,217	4,961	2,400	-	-	13,148	<b>97,726</b>
Left 30 Sept 17	2016/17	71,445	4,206	-	-	-	5,180	<b>80,831</b>
<b>Total 2017/18</b>		<b>1,370,639</b>	<b>172,796</b>	<b>33,465</b>	<b>199,446</b>	<b>14,172</b>	<b>286,570</b>	<b>2,077,088</b>
<b>Total 2016/17</b>		<b>1,213,334</b>	<b>98,674</b>	<b>31,589</b>	<b>-</b>	<b>17,268</b>	<b>147,811</b>	<b>1,508,676</b>

<sup>1</sup> The former 'Gold' tier of the Council was restructured during the year to become the Executive Team. All of the individuals are on revised terms and conditions and have been shown in a separate table to the original structure.

<sup>2</sup> Postholder took early retirement during 2017/18, a Strain on Fund in respect of this individual was paid to the Pension Fund, which is disclosed in the Pension Contribution column rather than the Termination Payments column.

# Notes to the Core Statements

## General Notes

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	
	2017/18	2016/17
£50,000 - £55,000	14	9
£55,001 - £60,000	6	10
£60,001 - £65,000	2	2
£65,001 - £70,000	1	6
£70,001 - £75,000	2	3
£75,001 - £80,000	-	1
£85,001 - £90,000	3	-
<b>Total</b>	<b>28</b>	<b>31</b>

### 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. The table below does not include exit costs already disclosed in Note 14 Officers Remuneration.

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	26	16	42	259,776
£20,001 - £40,000	8	2	10	282,501
£40,001 - £60,000	1	-	1	42,403
£60,001 - £80,000	-	1	1	78,931
<b>Total 2017/18</b>	<b>35</b>	<b>19</b>	<b>54</b>	<b>663,611</b>
Less than £20,000	9	10	19	90,105
£20,001 - £40,000	1	-	1	36,965
<b>Total 2016/17</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>127,070</b>

Total cost of exits includes payments to individuals of £461,218 in 2017/18 (£99,459 2016/17) and strain on pension fund costs of £202,393 in 2017/18 (£27,611 2016/17) paid to the pension authority, Essex County Council.

### 16 COUNCILLORS' ALLOWANCES

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

	2017/18 £'000	2016/17 £'000
Allowances	384	417
Expenses	1	1
<b>Total</b>	<b>385</b>	<b>418</b>

### 17 OTHER OPERATING INCOME AND EXPENDITURE

	Council		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Parish council precepts	382	379	382	379
Payments to the Government Housing Capital Receipts Pool	1,030	1,040	1,030	1,040
Payments to the Government 1:1 Capital Receipts	3,857	266	3,857	266
(Gains)/losses on the disposal of non current assets	(613)	610	(690)	610
<b>Total</b>	<b>4,656</b>	<b>2,295</b>	<b>4,579</b>	<b>2,295</b>

# Notes to the Core Statements

## General Notes

### 18 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	Note	Council		Group	
		2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Interest payable and similar charges		10,703	10,776	10,703	10,776
Net interest on the net defined benefit liability	39	3,464	3,501	3,464	3,501
Interest receivable and similar income		(440)	(421)	(376)	(415)
Surplus or deficit on trading operations	21	(2,441)	(1,139)	(2,468)	(1,054)
<b>Total</b>		<b>11,286</b>	<b>12,717</b>	<b>11,323</b>	<b>12,808</b>

### 19 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	Note	2017/18 £'000	2016/17 £'000
Council tax income		(16,161)	(15,672)
Business rates income and expenditure	20	(6,551)	(9,303)
Non-ringfenced government grants	22	(7,212)	(7,425)
Capital grants, contributions and donated assets	22	(6,381)	(7,590)
<b>Total</b>		<b>(36,305)</b>	<b>(39,990)</b>

### 20 BUSINESS RATES INCOME AND EXPENDITURE

Under the Business Rates Retention Scheme (BRRS), 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.

	2017/18 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Business rates income	(31,164)	(36,749)
Tariff	23,972	26,170
Contribution to pool	641	1,276
<b>Business Rates Income</b>	<b>(6,551)</b>	<b>(9,303)</b>
Business Rates Compensation Grants included in Non-ringfenced government grants	(1,733)	(706)
<b>Net Retained Income relating to Business Rates</b>	<b>(8,284)</b>	<b>(10,009)</b>

The BRRS 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 has been part of a four authority pool with Thurrock, Havering, and Barking and Dagenham since 1 April 2014. Under the arrangement the levy rate on the total growth earned by the pool is 0% compared with 50% for Basildon on its own.

### 21 TRADING OPERATIONS

The Council operates industrial units, 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:

	Council		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Rental income	(4,727)	(4,656)	(4,939)	(4,717)
Other income	(51)	(41)	(51)	(41)
Direct operating expenses arising from trading operations	1,064	1,053	1,138	1,169
	<b>(3,714)</b>	<b>(3,644)</b>	<b>(3,852)</b>	<b>(3,589)</b>
Impairment and depreciation	1,273	2,505	1,384	2,535
<b>Net (surplus)/deficit</b>	<b>(2,441)</b>	<b>(1,139)</b>	<b>(2,468)</b>	<b>(1,054)</b>

Further details of the subsidiary trading operations reported in the Group accounts can be found in Note 24 below.

# Notes to the Core Statements

## General Notes

### 22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

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

	2017/18 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(1,156)	(2,595)
New Homes Bonus	(3,439)	(3,789)
Business Rates Compensation Grants	(1,733)	(706)
Transition Grant	(115)	(139)
Homelessness Support Grants	(522)	-
New Burdens Grants	(181)	(139)
Other Non Ringfenced Grants	(66)	(57)
<b>Non-ringfenced government grants</b>	<b>(7,212)</b>	<b>(7,425)</b>

	2017/18 £'000	2016/17 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Government Contributions: Disabled Facilities Grant	(1,147)	(989)
Other Government Contributions	-	(635)
Local Authority Funding	(130)	(1,597)
Other Non-Government Contributions	(4,280)	(3,999)
Donated Assets	(824)	(370)
<b>Capital Grants and Contributions</b>	<b>(6,381)</b>	<b>(7,590)</b>
<b>Total credited to Taxation and Non Specific Grant Income</b>	<b>(13,593)</b>	<b>(15,015)</b>

	2017/18 £'000	2016/17 £'000
<b>Credited to Services</b>		
<b>Central Government</b>		
Department for Work and Pensions:		
Housing Benefit Subsidy	(58,740)	(62,252)
Discretionary grants	(600)	(462)
Ministry of Housing, Communities and Local Government	(665)	(643)
Election and Referendum Funding	(42)	(216)
Other Government Funding (individually below £75k)	(88)	(52)
	<b>(60,135)</b>	<b>(63,625)</b>
<b>Local Authorities</b>		
Essex County Council:		
Housing Related Support	-	(575)
Recycling Credits	(2,376)	(2,402)
Highways Maintenance	(217)	(217)
Collection Fund Sharing Agreement	(902)	(1,002)
Other Local Authority Grants and Contributions (individually below £75k).	(77)	(41)
	<b>(3,572)</b>	<b>(4,237)</b>
<b>Non-Government</b>		
Other Non-Government Grants and Contributions (individually below £75k).	(461)	(444)
	<b>(461)</b>	<b>(444)</b>
<b>Revenue Grants and Contributions credited to Services</b>	<b>(64,168)</b>	<b>(68,306)</b>

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

	31 March 2018 £'000	31 March 2017 £'000
<b>Capital Grants &amp; Contributions</b>		
Local Authority Funding - Essex County Council	28	29
Non-Government Support: Developer Contributions	1,584	1,877
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>1,612</b>	<b>1,906</b>

# Notes to the Core Statements

## General Notes

	31 March 2018 £'000	31 March 2017 £'000
<b>Revenue Grants &amp; Contributions</b>		
Government Funding	51	49
Local Authority Funding	41	41
Non-Government Support	350	1
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>442</b>	<b>91</b>

### 23 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 22. Debtors and creditors are set out in Notes 25 and 26 respectively. Grant receipts not yet received but related to the current year are included in Note 22.

#### Members & Senior Officers

No Members (apart from Cllr Dadds - see below), or the Directors of the Council had declared any material direct related party transactions during the year. However some Members are also trustees of Community Associations which received services and/or minor grant funding from the Council.

Councillor D. Dadds entered into a transaction with the Council, at open market value and following due process, which is deemed to be a related party transaction. It is in respect of a lease taken out by Councillor Dadds and two business partners, for the use of shop premises on the ground floor of the Lift Tower building in the Town Square which is owned by the Council. The rentals, excluding VAT, paid under the lease during 2017/18 were £25,625 (£25,625 2016/17).

#### Subsidiary Companies

Related party transactions with subsidiary companies can be found in Note 24 below. There were no related party transactions between the Council and the subsidiaries' directors.

### 24 INTERESTS IN SUBSIDIARIES

#### Sempra Homes Limited

Sempra Homes Ltd (Company Number 09362729), is a wholly owned subsidiary of the Council 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 have been consolidated into the Group Financial Statements on a line by line basis, after eliminating inter-company transactions and balances, as follows:

##### Long term assets

- Elimination of the Council's investment in the subsidiary (£875,001) comprising 875,001 ordinary shares at £1 each;
- Elimination of a £903,500 loan to Sempra Homes.

##### Short-term Debtors

- Elimination of £255,934 short-term borrowing (£161,066 2016/17) and other amounts due to the Council of £326,211 (£230,293 2016/17).

##### Comprehensive Income and Expenditure

- The Company reported a net profit (after tax) of £1,138,722 (£221,427 loss 2016/17) which included transactions with the Council of £188,692 administrative expenses (£222,206 2016/17), £64,064 finance costs (£6,298 2016/17) and £10,092 other costs, all of which have been eliminated on consolidation into the Group accounts;

In calculating the net profit for the period the Company provided for deferred tax of £218,903 (£52,470 2016/17) to be carried forward, which has been consolidated into the Group accounts.

# Notes to the Core Statements

## General Notes

The consolidated balance sheet shows a balance of £810k in respect of Subsidiary Reserves. This is made up of a retained loss at start of year of £329k, to which profits for the year of £1,139k is added. To follow proper accounting practice, a value of £1,517k is then moved from this balance to a Revaluation Reserve as this is in respect of increases in asset valuations. These movements culminate in the balance in Subsidiary Reserves.

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 the website at [www.semprahomes.co.uk](http://www.semprahomes.co.uk).

<b>Sempra Homes Ltd</b>	<b>31 March 2018 £</b>	<b>31 March 2017 £</b>
<b>Comprehensive Expenditure Statement</b>		
Gain on disposal of property	(76,875)	-
Rental income	(212,077)	(60,737)
Cost of sales	61,931	4,952
<b>Gross Profit</b>	<b>(227,021)</b>	<b>(55,785)</b>
Administrative expenses	211,149	332,660
Finance costs	64,222	6,339
Change in fair value of investment properties	(1,405,975)	(9,317)
<b>(Surplus)/Deficit from trading operations</b>	<b>(1,357,625)</b>	<b>273,897</b>
Income tax (deferred)	218,903	(52,470)
<b>Total Comprehensive (income) / expenditure</b>	<b>(1,138,722)</b>	<b>221,427</b>

### Statement of Shareholder's Equity

Shareholder's Equity at 1 April	875,001	875,001
Retained losses at 1 April	(328,714)	(107,287)
Income / (expenditure) for the year	1,138,722	(221,427)
<b>Shareholder's Equity at 31 March</b>	<b>1,685,009</b>	<b>546,287</b>

### 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.

## 25 DEBTORS

	<b>Council</b>		<b>Group</b>	
	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
<b>Long-term debtors</b>				
Loan to Sempra Homes	904	370	-	-
Other entities and individuals	202	223	202	223
<b>Total Long-term Debtors</b>	<b>1,106</b>	<b>593</b>	<b>202</b>	<b>223</b>

	<b>Council</b>		<b>Group</b>	
	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
<b>Amounts falling due within one year</b>				
Central government bodies	4,568	2,414	4,568	2,414
Other local authorities	2,934	1,973	2,934	1,973
Other entities and individuals	22,278	22,489	21,711	22,107
<b>Short-term Debtors</b>	<b>29,780</b>	<b>26,876</b>	<b>29,213</b>	<b>26,494</b>
Impairment allowance	(8,169)	(7,554)	(8,169)	(7,554)
<b>Total Short-term Debtors</b>	<b>21,611</b>	<b>19,322</b>	<b>21,044</b>	<b>18,940</b>

# Notes to the Core Statements

## General Notes

### 26 CREDITORS

	Council		Group	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
<b>Amounts falling due within one year</b>				
Central government bodies	(11,551)	(8,975)	(11,551)	(8,975)
Other local authorities	(3,564)	(3,475)	(3,564)	(3,475)
Other entities and individuals	(10,671)	(11,689)	(10,769)	(11,742)
<b>Total Short-term Creditors</b>	<b>(25,786)</b>	<b>(24,139)</b>	<b>(25,884)</b>	<b>(24,192)</b>

### 27 PROVISIONS

	Long-term	Short-term		
	Insurance Pool £'000	Business Rates Appeals £'000	Litigation & Other Costs £'000	Total Short-Term £'000
<b>Balance at 1 April 2017</b>	(3,122)	(3,120)	(651)	(3,771)
Additional provisions	(720)	(1,480)	(300)	(1,780)
Amounts used	324	1,141	371	1,512
Unused amounts reversed	1,486	329	129	458
<b>Balance at 31 March 2018</b>	<b>(2,032)</b>	<b>(3,130)</b>	<b>(451)</b>	<b>(3,581)</b>

#### Provision for Known Insurance Claims

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

The methodology used to arrive at an appropriate provision is described in Note 4.

#### 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.

### 28 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

### 29 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 2018 £'000	Repaid in year £'000	Additions in year £'000	31 March 2017 £'000
Other land and buildings	1,817	-	-	1,817
Vehicles, plant and equipment	2,989	(1,031)	502	3,518
	<b>4,806</b>	<b>(1,031)</b>	<b>502</b>	<b>5,335</b>

Additions in year 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 2018 £'000	31 March 2017 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	710	941
Payable between two and five years	2,089	2,425
Payable after five years	2,007	1,969
	<b>4,806</b>	<b>5,335</b>
Finance costs payable in future years (not discounted)	13,973	14,273
<b>Minimum lease payments</b>	<b>18,779</b>	<b>19,608</b>

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

	Minimum Lease Payments		Liabilities	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	1,206	1,446	710	941
Later than one year and not later than five years	3,218	3,636	2,089	2,425
Later than five years	14,355	14,526	2,007	1,969
	<b>18,779</b>	<b>19,608</b>	<b>4,806</b>	<b>5,335</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18, £213,585 in contingent rents was payable by the Council (2016/17 £194,606). 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 2018 the minimum payments expected to be received under non-cancellable sub-leases was £1,104,067 (£1,104,372 at 31 March 2017).

# Notes to the Core Statements

## General Notes

### 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 2018 £'000	31 March 2017 £'000
Finance lease debtor (net present value of minimum lease payments)	198	200
Unearned finance income	2,302	2,335
Unguaranteed residual value of property	65	65
<b>Gross investment in the lease</b>	<b>2,565</b>	<b>2,600</b>

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	36	36	-	-
Later than one year and not later than five years	143	143	-	1
Later than five years	2,386	2,421	198	199
	<b>2,565</b>	<b>2,600</b>	<b>198</b>	<b>200</b>

As there is a possibility that lease payments will not be received by the Council, an allowance for uncollectable amounts has been made of £24,000 as at 31 March 2018 (£24,000 at 31 March 2017).

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 2017/18, £98,346 was receivable by the Council in respect of contingent rents (£91,945 in 2016/17).

#### 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

Minimum lease payments include sums that are due within existing leases to the extent that these are guaranteed within the contract e.g. up to any break clause or termination date, as follows:

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	2,038	1,663
Later than one year and not later than five years	4,760	4,110
Later than five years	5,506	4,193
<b>Future minimum lease payments due under non-cancellable leases in future years</b>	<b>12,304</b>	<b>9,966</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £172,292 contingent rents were receivable by the Council (£192,353 2016/17).

# Notes to the Core Statements

## Financial Instrument Notes

### 30 CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	Long Term		Current	
		31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Investments (Fixed term deposits)		-	-	71,064	73,054
Cash Equivalents	40	-	-	12,005	13,502
Loans and receivables		-	-	83,069	86,556
<b>Total Short Term Deposits</b>		-	-	<b>83,069</b>	<b>86,556</b>
<b>Debtors</b>					
Loans and receivables		1,106	593	4	15
including financial assets carried at contract amounts		-	-	18,512	18,989
<b>Total Debtors</b>		<b>1,106</b>	<b>593</b>	<b>18,516</b>	<b>19,004</b>
<b>Total Financial Assets</b>		<b>1,106</b>	<b>593</b>	<b>101,585</b>	<b>105,560</b>
<b>Borrowings</b>					
Financial liabilities at amortised cost		(206,095)	(212,686)	(6,591)	(4,552)
<b>Total Borrowings</b>		<b>(206,095)</b>	<b>(212,686)</b>	<b>(6,591)</b>	<b>(4,552)</b>
<b>Other Liabilities</b>					
Finance lease liabilities	29	(4,096)	(4,394)	(710)	(941)
<b>Total Other Liabilities</b>		<b>(4,096)</b>	<b>(4,394)</b>	<b>(710)</b>	<b>(941)</b>
<b>Creditors</b>					
Cash Equivalents (overdrawn)		-	-	(289)	(1,404)
Financial liabilities carried at contract amounts		-	-	(8,853)	(9,269)
<b>Total Creditors</b>		<b>-</b>	<b>-</b>	<b>(9,142)</b>	<b>(10,673)</b>
<b>Total Financial Liabilities</b>		<b>(210,191)</b>	<b>(217,080)</b>	<b>(16,443)</b>	<b>(16,166)</b>

### 31 INCOME, EXPENSE, GAINS AND LOSSES

	2017/18			2016/17		
	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	(10,152)	-	(10,152)	(10,776)	-	(10,776)
Total Interest income in Surplus or Deficit on the Provision of Services	-	440	440	-	421	421
<b>Net gain/(loss) for the year</b>	<b>(10,152)</b>	<b>440</b>	<b>(9,712)</b>	<b>(10,776)</b>	<b>421</b>	<b>(10,355)</b>

The range of interest rates payable on borrowing at 31 March 2018 was from 2.86% to 15.25%, weighted average 4.76% (4.81% at 31 March 2017).

# Notes to the Core Statements

## Financial Instrument Notes

### 32 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.

	2017/18			2016/17		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(209,801)	(211,936)	(279,502)	(214,301)	(216,488)	(291,548)
Non PWLB long-term debt	(750)	(750)	(1,024)	(750)	(750)	(1,122)
Finance lease liabilities	(4,806)	(4,806)	(4,806)	(5,335)	(5,335)	(5,335)
Bank Current accounts	(289)	(289)	(289)	(1,404)	(1,404)	(1,404)
Trade Creditors	(8,853)	(8,853)	(8,853)	(9,269)	(9,269)	(9,269)
<b>Total Financial Liabilities</b>	<b>(224,499)</b>	<b>(226,634)</b>	<b>(294,474)</b>	<b>(231,059)</b>	<b>(233,246)</b>	<b>(308,678)</b>

	2017/18			2016/17		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
Short Term Deposits	83,000	83,069	83,059	86,500	86,556	86,569
Other Loans	1,110	1,110	1,110	608	608	608
Trade Debtors	18,512	18,512	18,512	18,989	18,989	18,989
<b>Total Financial Assets</b>	<b>102,622</b>	<b>102,691</b>	<b>102,681</b>	<b>106,097</b>	<b>106,153</b>	<b>106,166</b>

The fair value of PWLB Debt differs significantly from the carrying amount. 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 at the balance sheet date.

### 33 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of risk 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 2017/18 were approved by Full Council on 23 February 2017, 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.

# Notes to the Core Statements

## Financial Instrument Notes

The Council's assessment of the credit quality of its debtors is reflected in the impairment allowance. 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.

### 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 March 2018 £'000	31 March 2017 £'000
Less than one year	6,500	4,500
Between one and two years	3,000	6,500
Between two and five years	11,750	11,750
Between five and ten years	35,325	23,325
Between ten and fifteen years	25,000	34,500
Between fifteen and twenty years	71,051	73,051
Between twenty and twenty five years	30,000	29,500
More than twenty five years	27,925	31,925
<b>Principal Amount</b>	<b>210,551</b>	<b>215,051</b>

### 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 2018, 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 where the capital value 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

### 34 PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18	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	Subsidiary Consolidation £000	Group Property, Plant & Equipment £000
<b>Cost or Valuation:</b>										
At 1 April 2017	652,691	133,969	16,661	-	8,361	7,358	201	819,241	1,263	820,504
Additions	13,384	2,561	945	-	-	7,042	-	23,932	204	24,136
Donations	-	824	-	-	-	-	-	824	-	824
Disposals	(5,778)	(796)	(409)	-	-	(33)	-	(7,016)	510	(6,506)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(10,723)	(2,432)	-	-	-	-	-	(13,155)	-	(13,155)
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	(2)	-	-	-	-	(5)	(7)	-	(7)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	159,228	(7,285)	-	-	-	-	-	151,943	1,517	153,460
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	3,661	(2,896)	-	-	-	-	-	765	(111)	654
Other movements in cost or valuation - Reclassifications	2,054	1,389	(1,082)	-	-	(3,586)	(148)	(1,373)	-	(1,373)
<b>At 31 March 2018</b>	<b>814,517</b>	<b>125,332</b>	<b>16,115</b>	<b>-</b>	<b>8,361</b>	<b>10,781</b>	<b>48</b>	<b>975,154</b>	<b>3,383</b>	<b>978,537</b>
<b>Accumulated Depreciation and Impairments:</b>										
At 1 April 2017	-	65	8,269	-	-	-	3	8,337	-	8,337
Depreciation Charge for year	13,093	2,958	1,505	-	-	-	2	17,558	-	17,558
Depreciation eliminated on Disposals	(115)	(3)	(335)	-	-	-	-	(453)	-	(453)
Depreciation written out to the Revaluation Reserve	(12,978)	(2,057)	-	-	-	-	-	(15,035)	-	(15,035)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(499)	-	-	-	-	-	(499)	-	(499)
Other Movements in Cost or Valuation - Reclassifications	-	4	-	-	-	-	(4)	-	-	-
<b>At 31 March 2018</b>	<b>-</b>	<b>468</b>	<b>9,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>9,908</b>	<b>-</b>	<b>9,908</b>
<b>Net Book Value:</b>										
<b>At 31 March 2018</b>	<b>814,517</b>	<b>124,864</b>	<b>6,676</b>	<b>-</b>	<b>8,361</b>	<b>10,781</b>	<b>47</b>	<b>965,246</b>	<b>3,383</b>	<b>968,629</b>
<b>At 1 April 2017</b>	<b>652,691</b>	<b>133,904</b>	<b>8,392</b>	<b>-</b>	<b>8,361</b>	<b>7,358</b>	<b>198</b>	<b>810,904</b>	<b>1,263</b>	<b>812,167</b>

# Notes to the Core Statements

## Capital Notes

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

Comparative Movements in 2016/17	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	Subsidiary Consolidation £000	Group Property, Plant & Equipment £000
<b>Cost or Valuation:</b>										
At 1 April 2016	628,154	114,097	15,165	-	8,358	3,884	201	<b>769,859</b>	875	<b>770,734</b>
Additions	12,660	4,788	567	24	-	13,489	-	<b>31,528</b>	378	<b>31,906</b>
Donations	-	370	-	-	-	-	-	<b>370</b>	-	<b>370</b>
Disposals	(5,284)	(3,491)	(26)	-	-	-	-	<b>(8,801)</b>	-	<b>(8,801)</b>
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of	(12,068)	(5,145)	-	(24)	-	-	-	<b>(17,237)</b>	(8)	<b>(17,245)</b>
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	5,116	-	-	-	-	-	<b>5,116</b>	-	<b>5,116</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	27,758	13,819	-	-	-	-	-	<b>41,577</b>	18	<b>41,595</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,471	(4,642)	-	-	-	-	-	<b>(3,171)</b>	-	<b>(3,171)</b>
Other movements in cost or valuation - Reclassifications	-	9,057	955	-	3	(10,015)	-	<b>-</b>	-	<b>-</b>
<b>At 31 March 2017</b>	<b>652,691</b>	<b>133,969</b>	<b>16,661</b>	<b>-</b>	<b>8,361</b>	<b>7,358</b>	<b>201</b>	<b>819,241</b>	<b>1,263</b>	<b>820,504</b>
<b>Accumulated Depreciation and Impairments:</b>										
At 1 April 2016	-	9,157	6,783	-	-	-	-	<b>15,940</b>	-	<b>15,940</b>
Depreciation Charge for year	12,563	2,609	1,486	-	-	-	3	<b>16,661</b>	22	<b>16,683</b>
Depreciation eliminated on Disposals	(106)	(235)	-	-	-	-	-	<b>(341)</b>	-	<b>(341)</b>
Depreciation written out to the Revaluation Reserve	(12,457)	(4,056)	-	-	-	-	-	<b>(16,513)</b>	(22)	<b>(16,535)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(7,410)	-	-	-	-	-	<b>(7,410)</b>	-	<b>(7,410)</b>
<b>At 31 March 2017</b>	<b>-</b>	<b>65</b>	<b>8,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>8,337</b>	<b>-</b>	<b>8,337</b>
<b>Net Book Value:</b>										
<b>At 31 March 2017</b>	<b>652,691</b>	<b>133,904</b>	<b>8,392</b>	<b>-</b>	<b>8,361</b>	<b>7,358</b>	<b>198</b>	<b>810,904</b>	<b>1,263</b>	<b>812,167</b>
<b>At 1 April 2016</b>	<b>628,154</b>	<b>104,940</b>	<b>8,382</b>	<b>-</b>	<b>8,358</b>	<b>3,884</b>	<b>201</b>	<b>753,919</b>	<b>875</b>	<b>754,794</b>

# Notes to the Core Statements

## Capital Notes

### 34 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 the previous year. The valuations were carried out by the Council's Principal Estates Surveyor and GVA, a leading firm of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies, item 13.

	Council dwellings £'000	Other land & buildings £'000	Vehicles, plant & equipment £'000	Community assets £'000	Assets under construction £'000	Surplus assets £'000	Total £'000
Carried at historical cost:	-	-	16,115	8,361	10,781	-	35,257
Carried at fair value as at:							
31.3.2018	814,517	122,896	-	-	-	48	937,461
31.3.2017	-	2,436	-	-	-	-	2,436
<b>Gross Book Value at 31 March 2018</b>	<b>814,517</b>	<b>125,332</b>	<b>16,115</b>	<b>8,361</b>	<b>10,781</b>	<b>48</b>	<b>975,154</b>

### 35 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2018 was £2,900,117 including fees (£12,721,100 at 31 March 2017). The decrease from last year is due, in the main, to works to the new market in St Martin's Square being largely complete, the completion of Wickford Surgery and the refurbishment of the Basildon Centre.

In addition, Sempra Homes Ltd was committed to £3,337,877 for construction and land transfer at the Space site. Therefore, capital commitments of the Group at 31 March were £6,237,944 (£12,721,100 2016/17).

### 36 INTANGIBLE ASSETS

The Council has accounted for its Housing Management System as an intangible asset. It has been given a finite useful life of 10 years, based on assessment of the period that the software is expected to be of use to the Council.

	2017/18 £'000	2016/17 £'000
Additions	55	-
Other movements and reclassifications	1,082	-
Amortisation for the period	(109)	-
<b>Net carrying amount at end of year</b>	<b>1,028</b>	<b>-</b>
Comprising:		
Gross carrying amount	1,137	-
Accumulated amortisation	(109)	-
<b>Balance outstanding at end of year</b>	<b>1,028</b>	<b>-</b>

### 37 ASSETS HELD FOR SALE

	2017/18 £'000	2016/17 £'000
<b>Balance outstanding at start of year</b>	<b>-</b>	<b>3,340</b>
Assets newly classified as held for sale:		
- Donated Asset	291	-
Assets sold	-	(3,340)
<b>Balance outstanding at end of year</b>	<b>291</b>	<b>-</b>



# Notes to the Core Statements

## Capital Notes

### 38 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, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. It is analysed in the second part of this Note.

	2017/18 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	<b>256,156</b>	<b>243,258</b>
<u>Capital Expenditure</u>		
Property, Plant and Equipment:		
General Fund	10,226	18,216
Housing Revenue Account	14,585	13,682
	<b>24,811</b>	<b>31,898</b>
Loan to Subsidiary	533	370
<u>Revenue expenditure funded from capital under statute:</u>		
Disabled Facilities Grants	940	980
<b>Total Capital Expenditure to be Financed</b>	<b>26,284</b>	<b>33,248</b>
<b>Sources of Finance:</b>		
Capital receipts	1,448	1,175
Government grants and other contributions	6,611	5,201
Major Repairs Reserve	9,480	11,700
Direct revenue contributions	4,214	1,011
Sums set aside from revenue:		
Minimum Revenue Provision	1,365	1,291
HRA impairments / reversals of impairment	-	(44)
Use of Major Repairs Reserve to repay debt	-	16
<b>Total Financing</b>	<b>23,118</b>	<b>20,350</b>
<b>Closing Capital Financing Requirement</b>	<b>259,322</b>	<b>256,156</b>
<b>Analysis by Fund:</b>		
General Fund	53,763	50,851
HRA	205,559	205,305
<b>Closing Capital Financing Requirement</b>	<b>259,322</b>	<b>256,156</b>
<b>Explanation of movements in year:</b>		
Increase/(Decrease) in underlying need for borrowing	2,664	12,803
Assets acquired under finance leases	502	95
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>3,166</b>	<b>12,898</b>

# Notes to the Core Statements

## Pension Notes

### 39 DEFINED BENEFIT PENSION SCHEMES

#### Characteristics of the Pension Scheme

The Council offers retirement benefits to its 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 2016 and was effective from 1 April 2017. The next valuation will be at 31 March 2019 and will be effective from 1 April 2020.

#### Risks associated with the Pension Scheme

##### Investment Risk

The Fund holds investments 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:

	2017/18 £'000	2016/17 £'000
Present value of the defined benefit obligation	328,570	333,132
Fair value of plan assets	(218,244)	(199,659)
<b>Net liability arising from the defined benefit obligation</b>	<b>110,326</b>	<b>133,473</b>

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2019 is £3.9 million (including £0.4m 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:

	2017/18 £'000	2016/17 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
Service cost comprising:		
- Current service cost	8,473	5,585
- Administration expense	79	71
- Settlements	145	(135)
- Past service costs, including curtailments	537	25
<i>Financing and Investment Income and Expenditure:</i>		
Net interest on the defined liability	3,464	3,501
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>12,698</b>	<b>9,047</b>
<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)	(9,201)	(27,007)
- Experience gain (loss)	-	(4,711)
- Actuarial gains and losses arising from changes in demographic assumptions	-	(4,837)
- Actuarial gains and losses arising from changes in financial assumptions	(15,408)	64,794
- Other actuarial gains/(losses)	-	1,770
	(24,609)	30,009
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(11,911)</b>	<b>39,056</b>
<b>Movement in Reserves Statement</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	12,698	9,047
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(1,462)	(2,707)
<b>Actual amount charged against Council Tax for pensions in the year:</b>		
Employers' contributions payable to the scheme	<b>11,236</b>	<b>6,340</b>
<b>Reconciliation of the movements in the Fair Value of Scheme Assets</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
<b>Opening Balance at 1 April</b>	<b>199,659</b>	<b>170,048</b>
Actual return on scheme assets (less administrative expense)	14,567	33,030
Actuarial gains (losses)	-	(1,770)
Contributions by scheme participants	1,506	1,519
Employer contributions including unfunded	11,236	6,340
Settlement prices paid	92	(402)
Benefits paid including unfunded	(8,816)	(9,106)
<b>Closing Balance at 31 March</b>	<b>218,244</b>	<b>199,659</b>

# Notes to the Core Statements

## Pension Notes

	2017/18 £'000	2016/17 £'000
<b>Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)</b>		
<b>Opening Balance at 1 April</b>	<b>333,132</b>	<b>270,805</b>
Current service cost	8,473	5,585
Interest cost	8,909	9,595
Contributions from scheme participants	1,506	1,519
Remeasurements of the net defined benefit liability:		
- Actuarial gains and losses arising from changes in demographic assumptions	-	(4,837)
- Actuarial gains and losses arising from changes in financial assumptions	(15,408)	64,794
- Experience loss (gain)	-	(4,711)
Past service costs, including curtailments	537	25
Liabilities extinguished on settlements	237	(537)
Benefits paid	(8,429)	(8,702)
Unfunded pension payments	(387)	(404)
<b>Closing Balance at 31 March</b>	<b>328,570</b>	<b>333,132</b>

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 2018		31 March 2017	
	£'000	%	£'000	%
Equity investments	142,438	65%	136,371	68%
Gilts and bonds	22,626	10%	15,669	8%
Property	20,702	10%	19,424	12%
Cash and other investments	32,478	15%	28,195	12%
	<b>218,244</b>	<b>100%</b>	<b>199,659</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2018, the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016 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.

Current service costs have increased from the previous year. The current service cost is determined by the payroll over the year and the financial assumptions at the beginning of the year. As can be seen in the financial assumptions table below the discount rate has decreased significantly from the beginning of 2016/17 to the beginning of 2017/18. A rough rule of thumb is that a 1% decrease in the discount rate can increase the service cost by approximately 20%. The pension increases assumption has also increased further compounding the increase in the current service cost.

The principal assumptions used by the actuary are as follows:

	31 March 2018	31 March 2017
<b>Assumed life expectancy from age 65 (years)</b>		
Assumed longevity retiring at current date		
- Males	22.2	22.1
- Females	24.7	24.6
Assumed longevity retiring in 20 years		
- Males	24.4	24.3
- Females	27.0	26.9

# Notes to the Core Statements

## Pension Notes

	31 March 2018	31 March 2017
<b>Financial assumptions:</b>		
Rate of inflation - RPI	3.3%	3.6%
Rate of inflation - CPI	2.3%	2.7%
Rate of increase in salaries	3.8%	4.2%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	2.55%	2.7%
<b>Other assumptions:</b>		
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	50.0%	50.0%

### 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 £7,888,000. Although the impact of a change in the long-term 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%	322,679	(186)	7,702
	-0.1%	334,574	191	8,079
Long-term salary increase	+0.1%	329,114	-	7,888
	-0.1%	328,029	-	7,888
Pension increases and deferred revaluation	+0.1%	334,038	191	8,079
	-0.1%	323,200	(187)	7,701
Mortality age rating assumption	+ 1 year	341,067	252	8,140
	- 1 year	316,545	(244)	7,644

### Effect on the Council's cashflows

The revised contribution rate and deficit payments that arose as a consequence of the 2016 valuation were implemented on 1 April 2017. The impact on the Council's future cashflows is as set out in the table below:

		2018/19 £'000	2019/20 £'000
Ongoing rate	16.0%	3,504	3,504
<b>Total</b>		<b>3,504</b>	<b>3,504</b>

The cost of the ongoing rate is based on an estimated pensionable payroll of £21.903 million and will change to the extent that the actual payroll differs from this figure. A deficit payment of £7.057m was made during 2017/18 to cover the three years to 2019/20. These figures will be revised at the next valuation.

# Notes to the Core Statements

## Cash Flow Notes

### 40 CASH AND CASH EQUIVALENTS

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

	Council		Group	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Cash held by the Council	25	12	25	12
Short-term deposits (Money Market Funds)	12,005	13,502	12,005	13,512
<b>Cash and Cash Equivalents</b>	<b>12,030</b>	<b>13,514</b>	<b>12,030</b>	<b>13,524</b>
Bank current accounts	(1,080)	(2,692)	(1,070)	(2,692)
Special Interest Bearing Account (SIBA)	791	1,288	791	1,288
<b>Cash and Cash Equivalents (overdrawn)</b>	<b>(289)</b>	<b>(1,404)</b>	<b>(279)</b>	<b>(1,404)</b>
<b>Total Cash and Cash Equivalents</b>	<b>11,741</b>	<b>12,110</b>	<b>11,751</b>	<b>12,120</b>

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

### 41 CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	2017/18 £'000	2016/17 £'000
Interest received	(430)	(406)
Interest paid	10,624	10,786
<b>Net interest included in operating activities</b>	<b>10,194</b>	<b>10,380</b>

### 42 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	Council		Group	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Purchase of property, plant and equipment, and intangible assets	23,254	30,922	23,458	30,922
Purchase of short-term investments	-	12,000	-	12,000
Other payments for investing activities	-	15	-	15
Proceeds from the sale of property, plant and equipment	(6,656)	(11,584)	(6,756)	(11,584)
Proceeds from short-term investments	(2,000)	-	(2,000)	-
Capital grants received	(5,357)	(7,641)	(5,357)	(7,641)
Other receipts from investing activities	(30)	(57)	(30)	(57)
<b>Net cash flows from investing activities</b>	<b>9,211</b>	<b>23,655</b>	<b>9,315</b>	<b>23,655</b>

### 43 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Cash receipts of short and long-term borrowing	-	(10,095)
Other receipts from financing activities	(2,503)	(3,833)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	1,031	985
Repayments of short and long-term borrowing	4,500	9,500
<b>Net cash flows from financing activities</b>	<b>3,028</b>	<b>(3,443)</b>

# Housing Revenue Account

## HRA Income and Expenditure Statement

<b>Expenditure</b>	<b>Note</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Repairs and maintenance		10,187	9,198
Supervision and management		14,139	12,483
Rents, rates, taxes and other charges		233	279
Depreciation and impairment of non-current assets (net of revaluation gains)	5	20,339	23,324
Debt management costs		57	64
Movement in the allowance for bad debts		373	735
<b>Total Expenditure</b>		<b>45,328</b>	<b>46,083</b>
<b>Income</b>			
Dwelling rents	1	(48,528)	(49,545)
Charges for services and facilities		(4,463)	(4,724)
Contributions towards expenditure		(508)	(477)
<b>Total Income</b>		<b>(53,499)</b>	<b>(54,746)</b>
<b>Net (Income) / Expenditure of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(8,171)</b>	<b>(8,663)</b>
HRA share of expenditure charged to Corporate and Central in the CIES		322	335
<b>Net (Income)/Expenditure of HRA Services</b>		<b>(7,849)</b>	<b>(8,328)</b>
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>			
(Gain)/Loss on sale of HRA non-current assets		(906)	(2,347)
Interest payable and similar charges		9,940	9,942
Net interest on the net defined benefit liability		1,122	931
Capital grants, contributions and donated assets		(131)	-
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>2,176</b>	<b>198</b>

# Housing Revenue Account

## Movement on the Housing Revenue Account Statement

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

Note	2017/18 £'000	2016/17 £'000
<b>Balance on the HRA at the end of the previous year</b>	(4,760)	(8,798)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	2,176	198
Adjustments between accounting basis and funding basis under the legislative framework	(3,281)	(8,218)
<b>Net (increase)/decrease before transfers to or from reserves</b>	<b>(1,105)</b>	<b>(8,020)</b>
<b>Transfers to or from earmarked reserves:</b>	<b>(2,668)</b>	<b>12,058</b>
<b>(Increase)/decrease in year on the HRA</b>	<b>(3,773)</b>	<b>4,038</b>
<b>Balance on the HRA at the end of the current year</b>	<b>(8,533)</b>	<b>(4,760)</b>

## ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Note	2017/18 £'000	2016/17 £'000
(Gain)/loss on sale of HRA non-current assets	906	2,347
HRA share of contributions to or from the Pensions Reserve	(474)	(720)
Revaluation gains and impairment losses (charged to SDPS)	5 (7,106)	(10,660)
Provision for the repayment of debt	84	175
Capital expenditure funded by the HRA	3,187	642
Capital grants transferred to the Capital Adjustment Account	131	-
Depreciation transferred to the Capital Adjustment Account	5 (13,233)	(12,708)
Absences accrual transferred to the Accumulated Absences Account	(9)	(2)
Transfer to Major Repairs Reserve	13,233	12,708
<b>Net additional amount required by statute to be debited (credited) to the HRA</b>	<b>(3,281)</b>	<b>(8,218)</b>

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



# Notes to the Housing Revenue Account

## 1 DWELLING RENTS

	2017/18 £'000	2016/17 £'000
Dwellings	(49,058)	(50,024)
Less: Void properties	530	479
<b>Total income from dwelling rents</b>	<b>(48,528)</b>	<b>(49,545)</b>

Rent loss due to void dwellings was 1.1% in the year (1.0% in 2016/17). The average weekly rent in 2017/18 was £87.05, which was £0.24 above the average for the previous year (£86.81).

## 2 RENT ARREARS

	31 March 2018 £'000	31 March 2017 £'000
Current tenants	2,530	2,666
Former tenants	1,456	1,128
<b>Total gross rent arrears</b>	<b>3,986</b>	<b>3,794</b>
Less: Allowance for uncollectable rents	(2,100)	(2,100)
<b>Total net rent arrears</b>	<b>1,886</b>	<b>1,694</b>

The arrears relate to rents, heating charges, tenants' effects insurance premiums and other service charges due from tenants. Current arrears include secure and temporary tenancies and shared ownership dwellings.

All figures ignore prepayments of rent amounting to £702,036 at 31 March 2018 (£782,642 at 31 March 2017).

## 3 ANALYSIS OF HOUSING STOCK

The Council was responsible for 10,810 dwellings at the end of the year (10,844 at 31 March 2017) including the Council's share of shared ownership dwellings (equivalent to 110 wholly owned dwellings at 31 March 2018, (111 at 31 March 2017)).

	31 March 2018	31 March 2017
<i>Analysis by type of dwelling:</i>		
Houses and bungalows	6,115	6,139
Flats and maisonettes	4,695	4,705
<b>Total dwellings</b>	<b>10,810</b>	<b>10,844</b>
<i>Change in stock during the year:</i>		
Stock at 1 April	10,844	10,935
Purchases and donations	26	5
Sales and other disposals	(60)	(96)
<b>Total dwellings</b>	<b>10,810</b>	<b>10,844</b>

# Notes to the Housing Revenue Account

## 4 VALUATION OF HOUSING ASSETS

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

	31 March 2018 £'000	31 March 2017 £'000
<i>Property, plant and equipment</i>		
Dwellings	814,517	652,691
Other land and buildings	-	495
Vehicles, plant and equipment	413	1,157
Assets under construction	1,253	2,513
<i>Intangible assets</i>	1,028	-
<b>Total value of housing assets</b>	<b>817,211</b>	<b>656,856</b>

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 £2,143.5m at 31 March 2018. The difference of £1,329.0m between the vacant possession value and the Balance Sheet value shown in the table above represents the economic cost of providing council housing at less than open market rents.

## 5 DEPRECIATION, IMPAIRMENT, REVALUATION GAINS AND LOSSES

	31 March 2018			31 March 2017		
	Depreciation £'000	Impairment £'000	Revaluation £'000	Depreciation £'000	Impairment £'000	Revaluation £'000
<i>Property, plant and equipment</i>						
Dwellings	13,093	10,723	(3,619)	12,430	12,068	(1,408)
Shared ownership dwellings	-	-	(42)	133	-	(63)
Other land and buildings	-	44	-	16	19	-
Vehicles, plant and equipment	31	-	-	129	-	-
<i>Intangible assets</i>	109	-	-	-	-	-
<b>Total</b>	<b>13,233</b>	<b>10,767</b>	<b>(3,661)</b>	<b>12,708</b>	<b>12,087</b>	<b>(1,471)</b>

Whilst impairments and revaluations charged to the Surplus or Deficit on Provision of Services for HRA assets are reversed through the Movement in Reserves Statement, this was not permitted for non-dwellings and shared ownership dwellings during 2016/17 and therefore remained as a charge to the HRA in the prior year.

## 6 CAPITAL EXPENDITURE AND FINANCING

	Note	2017/18 £'000	2016/17 £'000
<b>Analysis of expenditure and financing</b>			
Housing		13,384	12,660
Other property including intangible assets		1,201	1,022
<b>Total capital expenditure to be financed</b>		<b>14,585</b>	<b>13,682</b>
<i>Financed from:</i>			
Major Repairs Reserve		9,480	11,700
Capital contributions		131	-
Usable capital receipts		1,448	1,175
Borrowing		339	165
Revenue contributions		3,187	642
<b>Total financing</b>		<b>14,585</b>	<b>13,682</b>

# Notes to the Housing Revenue Account

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

In common with all housing authorities, the Council is required to sell dwellings to tenants who meet the requirements to exercise their right to buy.

	2017/18 Total £'000	2016/17 Total £'000
Sale of dwellings under right to buy	6,527	7,356
Shared ownership sales	120	290
<b>Total capital receipts</b>	<b>6,647</b>	<b>7,646</b>

## 8 EARMARKED BALANCE

The Council has earmarked part of the HRA balance for Treasury Management Risk, and Asset Investment.

	2017/18 Total £'000	2016/17 Total £'000
Asset Management Reserve	20,183	22,851
Treasury Management Reserve	600	600
<b>Total HRA Earmarked Reserves</b>	<b>20,783</b>	<b>23,451</b>

## 9 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

	2017/18			2016/17		
	Council Tax £'000	Business Rates £'000	Total £'000	Council Tax £'000	Business Rates £'000	Total £'000
<b>Income:</b>						
Amounts receivable (net of discounts and reliefs)	100,773	83,652	184,425	96,897	85,141	182,038
Collection of previous year's deficit:						
- Central Government	-	1,752	1,752	-	3,976	3,976
- Essex County Council	-	315	315	-	716	716
- Essex Fire Authority	-	35	35	-	79	79
- Basildon Borough Council	-	1,401	1,401	-	3,180	3,180
	-	3,503	3,503	-	7,951	7,951
<b>Total Income</b>	<b>100,773</b>	<b>87,155</b>	<b>187,928</b>	<b>96,897</b>	<b>93,092</b>	<b>189,989</b>
<b>Expenditure:</b>						
Precepts and shares						
- Central Government	-	38,377	38,377	-	41,439	41,439
- Essex County Council	69,201	6,908	76,109	66,200	7,459	73,659
- Police & Crime Commissioner for Essex	9,339	-	9,339	8,910	-	8,910
- Essex Fire Authority	4,105	767	4,872	3,964	829	4,793
- Basildon Borough Council	16,020	30,701	46,721	15,483	33,152	48,635
	98,665	76,753	175,418	94,557	82,879	177,436
Transitional protection payment receivable	-	2,116	2,116	-	227	227
Impairment of debts/appeals:						
- Write-offs of uncollectable amounts	186	1,060	1,246	390	112	502
- Allowance for impairment	1,050	(539)	511	796	243	1,039
- Allowance for losses on appeals	-	2,877	2,877	-	(7,559)	(7,559)
	1,236	3,398	4,634	1,186	(7,204)	(6,018)
Charge to General Fund for allowable collection costs	-	229	229	-	245	245
Distribution of previous year's estimated surplus:						
- Central Government	-	-	-	-	-	-
- Essex County Council	1,226	-	1,226	794	-	794
- Police & Crime Commissioner for Essex	165	-	165	108	-	108
- Essex Fire Authority	73	-	73	49	-	49
- Basildon Borough Council	287	-	287	189	-	189
	1,751	-	1,751	1,140	-	1,140
<b>Total Expenditure</b>	<b>101,652</b>	<b>82,496</b>	<b>184,148</b>	<b>96,883</b>	<b>76,147</b>	<b>173,030</b>
<b>Movement on Fund Balance</b>	<b>(879)</b>	<b>4,659</b>	<b>3,780</b>	<b>14</b>	<b>16,945</b>	<b>16,959</b>
<b>Opening Fund Balance</b>	<b>(1,154)</b>	<b>(5,500)</b>	<b>(6,654)</b>	<b>(1,140)</b>	<b>11,445</b>	<b>10,305</b>
<b>Closing Fund Balance</b>	<b>(275)</b>	<b>(10,159)</b>	<b>(10,434)</b>	<b>(1,154)</b>	<b>(5,500)</b>	<b>(6,654)</b>
<b>Movement on fund balance</b>	<b>(879)</b>	<b>4,659</b>	<b>3,780</b>	<b>14</b>	<b>16,945</b>	<b>16,959</b>

# Collection Fund Account

## 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 2017/18 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)	9	8	5/9	4
A	8,866	7,201	6/9	4,801
B	16,046	14,219	7/9	11,059
C	24,355	22,180	8/9	19,716
D	14,514	13,484	9/9	13,484
E	7,368	6,983	11/9	8,535
F	4,560	4,394	13/9	6,347
G	1,969	1,908	15/9	3,181
H	150	146	18/9	292
	<b>77,837</b>	<b>70,523</b>		<b>67,419</b>
Less: Net impact of Local Council Tax Support Scheme				(7,158)
				<b>60,261</b>
Less: Allowance for irrecoverables			1.32%	(795)
<b>Total Council Tax Base</b>				<b>59,466</b>

## 2 INCOME FROM COUNCIL TAX

For 2017/18 the Council set an average Council Tax levy of £1,659.19 per Band D equivalent property, made up of precepts from authorities as follows:

	2017/18 £	2016/17 £
Basildon Borough Council	262.98	257.85
Parish and Town Councils in the Basildon Borough (average)	6.43	6.47
Essex County Council	1,163.70	1,130.13
Police & Crime Commissioner for Essex	157.05	152.10
Essex Fire Authority	69.03	67.68
<b>Total average Council Tax Band D</b>	<b>1,659.19</b>	<b>1,614.23</b>

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 2017/18 (£16.02 million) included £382,251 (£379,032 in 2016/17) 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 amount credited to the Collection Fund is analysed as follows:

	2017/18 £'000	2016/17 £'000
Council Tax	111,699	108,244
Less: Council Tax Support	(10,926)	(11,347)
<b>Net Income to Collection Fund</b>	<b>100,773</b>	<b>96,897</b>

# Collection Fund Account

## 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:

	2017/18 £'000	2016/17 £'000
Business Rates (including voids and exemptions)	85,736	85,697
<i>Add:</i> Appeals settled	2,852	1,391
<i>Less:</i> Reliefs, and other adjustments	(4,936)	(1,947)
<b>Net Income to Collection Fund</b>	<b>83,652</b>	<b>85,141</b>

The total rateable value for the Basildon Borough at 31 March 2018 was £195.7m (£187.6 million, 2017). The business rate for 2017/18 was 46.6p per £ of rateable value for small businesses and 47.9p for other businesses (48.4p and 49.7p respectively for 2016/17).

For further information on Business Rates Appeals see Note 4.

# 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 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.

The statutory guidance can be found here

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

The Council's MRP policy for 2017/18 can be found in the 2017/18 budget report here

<http://www.basildonmeetings.info/documents/s92355/Enc.%20%20for%20General%20Fund%20Revenue%20and%20Capital%20Budget%20201819%20and%20Forecast%20to%20202122.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 have been reversed through the movement in reserves statement. A balance equivalent to the depreciation charged to the HRA is transferred from the Capital Adjustment Account to the Major Repairs Reserve as required by the Accounts and Audit 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



# Accounting Policies

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, or in the event of compulsory redundancy. These are charged on an accruals basis to the appropriate Service 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 Provision of Services in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- 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.

# Accounting Policies

- 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:

- 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:

# Accounting Policies

- 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.

### 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. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 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:

# Accounting Policies

- 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. 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 5)

#### 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

# Accounting Policies

(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).

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.

## 12. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the absorption costing principle.

## 13. 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.

# Accounting Policies

## 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 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 current 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 current 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 are 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.



# Accounting Policies

## 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.

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 the cost of which 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.



# Accounting Policies

## 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, specifically to fund replacement social housing or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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.

## 14. Intangible Assets

Intangible Assets are defined as expenditure on non-cash assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised when they will bring benefits to the Council for more than one financial year. Intangible assets are carried at amortised cost. The assets are amortised over their useful life with the annual charge going to the relevant service line in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal of an intangible asset is recorded as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## 15. Capitalisation of Borrowing Costs

As permitted under the Code, the Council has chosen to follow IAS 23 in respect of the capitalisation of borrowing costs for qualifying assets. These costs will only be capitalised during the construction phase and once the asset becomes operational, all costs will revert to revenue expenses as defined in **Policy 1**. The rate applied to the interest cost shall be the weighted average of the borrowing costs that are outstanding during the period.

# Accounting Policies

To meet the requirement of a qualifying asset, the following must be true of the project:

- The asset must take more than one financial year to complete.
- The financing of the total scheme cost must include at least 75% borrowing.
- The borrowing requirement must be at least £2m.

In all other circumstances, the borrowing costs will be expensed as outlined in **Policy 1**.

## 16. 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.

## 17. 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, council tax and business rates, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council.

## 18. Revenue Expenditure Funded from Capital under Statute

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

## 19. 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.

# Accounting Policies

## **20. Deferred Capital Receipts**

Future rentals due under a Finance Lease, where the Council is the lessor, are 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.

## **21. 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 business rates. 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. 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 business rates 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 2017-2018

---

# ANNUAL GOVERNANCE STATEMENT 2017-18

## FOREWORD

Basildon Borough Council is committed to improving the lives of all residents across our five towns and creating opportunity and prosperity for local people and business. This commitment is set out, together with three promises to local people that underpin it, in the Council's Corporate Plan 2017–2021.

Together they describe an ambitious agenda to build a bright future for our borough. To be successful the programmes of work and the services that will shape that future must have a solid foundation of good governance and sound financial management. We must not only do the right things, we must also do things in the right way, in line with our values.

That means we must also focus on sustainability, value for money, clear accountability and sound and inclusive decision-making.

This Annual Governance Statement considers the effectiveness of our governance arrangements during 2017/18. 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 high quality, value-for-money services.

The statement shows that, in the main, we have effective arrangements in place. We continually review, streamline and improve our processes to ensure these arrangements remain effective, now and into the future.

This statement is an honest appraisal of our arrangements. It shows that this year we have met our legal and statutory obligations to our residents. The External Auditor has continued to be positive about our arrangements to secure value for money and has provided an unqualified opinion on the Council's Statement of Accounts for 2016/17. The 2017/18 opinion is pending and this statement will be updated once received.

## 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 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

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

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. Our Local Code of Corporate Governance is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government 2016’ and gives examples of actions showing how we have taken account of the Framework’s principles. A copy of the authority’s Local Code is available on our website at <http://www.basildon.gov.uk/governance>. The Annual Governance Statement (AGS) demonstrates how the Council has complied with its code and meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, which require the Council to prepare an annual governance statement.

The Council’s Local Code is supported by an Assurance Framework that sets out how and what the Council seeks to obtain assurance on. A copy of the authority’s Assurance Framework is available on our website at <http://www.basildon.gov.uk/governance>

## PURPOSE OF THE GOVERNANCE FRAMEWORK

The Council’s Governance Framework comprises all the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives, manage risks and address issues that have a significant impact on the Council’s finances, reputation or the achievement of its objectives.

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, 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 2018 and up to the date of approval of the statement of accounts.



## SIGNIFICANT CHANGES TO THE COUNCIL'S GOVERNANCE ARRANGEMENTS

As raised in last year's Annual Governance Statement the Council resolved at its Extraordinary Meeting of 25 May 2017 to change from a Leader and Cabinet form of governance, to a Committee System with effect from the Annual Council Meeting which took place with effect from 25 May 2017. As a result the Council has operated for the last year under the Committee System.

During 2017/18 the Policy and Resources Committee agreed a revised senior management restructure to put in place a collaborative leadership of a Managing Director (the designated Head of Paid Service), a Corporate Director (designated Chief Financial Officer) and a Service Director, and for the Chief Executive role to be deleted.

A new senior management structure sitting under these posts has been established to better align resources to the Corporate Plan. The Council has recruited to six of the seven new posts which form the Strategic Leadership Team.

## 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, the Manager of Strategic and Executive Support's annual Audit Opinion and also by comments made by the Section 151 Officer, the Monitoring Officer, External Auditors and other review agencies.

In preparing the Annual Governance Statement for 2017/18, the processes detailed within Appendix A of the Local Code have been applied, to review the effectiveness of the Council's governance framework. The outcomes of the review is presented to the Audit and Risk Committee, for review and endorsement.

## HOW THE COUNCIL HAS PERFORMED AGAINST ITS LOCAL CODE OF CORPORATE GOVERNANCE

The Council considers that its governance arrangements in place during 2017/18 are regarded as fit for purpose and generally comply with the Council's Local Code of Corporate Governance. The Council's Local Code of Corporate Governance is consistent with the CIPFA/SOLACE 'Delivering Good Governance in Local Government'.

The review has not identified any new significant issues that have not already being addressed in the action plan, however, the Council is currently aware of some issues that could affect the financial position of the council. These issues can relate to insurance claims, data protection matters, planning decisions, contract disputes, appeals against housing/homeless decisions, business rates appeals, enforcement and other matters.

Whilst the Council has strong financial management it is important to reflect in this statement that the Council does have financial gaps in the Medium Term Financial Strategy of £1.5 million in 2019/20 and £3.5 million in 2021/22. The Council's Corporate Programme outlines plans to manage this deficit through a combination of service efficiencies, creating new income streams and delivery of its commercial programme.

Whilst a number of assurances have been obtained to support this conclusion, it is important that the following specific assurances are considered 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, the 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 and the Section 151 Officer has no significant concerns.

2. Monitoring Officer

The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 89). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report. The Monitoring Officer has, however, highlighted the need for improvements in terms of Information Governance, and as such this issue has been specifically highlighted in the action plan.

3. Chief Audit Executive

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Manager of Strategic and Executive Support, who is the Chief Audit Executive for the Council, is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control, counter fraud and governance processes.

The Manager of Strategic and Executive Support is satisfied that sufficient work has been undertaken during 2017/18 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based on the work performed during 2017/18 and other sources of assurance The Manager of Strategic and Executive Support is of the opinion that adequate assurance can be taken that the Council's risk management, internal control and governance processes, in operation during the year to 31 March 2018, generally accord with proper practice and are fundamentally sound, although there are opportunities to improve the arrangements to enhance the Council's governance framework, particularly in relation to information governance. Full details of the assurance provided by the Manager of Strategic and Executive Support is detailed within the Internal Audit Annual Report for 2017/18.

Under the Accounts and Audit (England) Regulations 2015 and the PSIAS, 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.



## RATIONALE FOR 'REASONABLE ASSURANCE' OPINION

### Strengths

- Effective Codes of Conduct for Members and Officers and induction training that includes standards of behaviour expected (Principle A and E)
- Effective procedures for the Declaration of Interests (Principle A)
- Effective Counter Fraud and Whistleblowing policies and procedures (Principle A and E)
- The Council's values are reflected in the behaviours outlined as part of the competency framework (Principle A)
- Detailed Constitution covering powers of Committees, Members and Senior Officers, statutory officers and decision making processes (Principle A, E)
- Transparent decision making through the committee system, with standard report formats, options available, supporting information, publication of reports, minutes of meetings and recordings of Basildon Council meetings and live webcasts from 2018/19 (Principle B, D, E and G)
- Revised Corporate Plan setting out the priorities, values and strategic direction for the Council (Principle A, B and C)
- Revised Communications strategy and the use of formal and informal consultation to inform decisions made (Principle B)
- Effective complaints handling procedures (Principle B)
- Effective Corporate Risk Management arrangements (Principle C, F and G)

### Challenges

- In the process of delivering a new ICT Delivery Model and supporting infrastructure (Principle A and B)
- Reviewing policy guidance and associated templates to ensure they remain fit for purpose (Principle A)
- The use of informal and formal partnerships to effectively deliver outcomes. Whilst significant progress has been made to review our partnerships further, work is planned to ensure these remain effective and associated governance arrangements are in place (Principle B, D, E and G)
- Whilst consultation and engagement activity takes place our Consultation and Engagement policy and supporting strategy requires reviewing (Principle B and D)
- Finalisation of the Corporate Programme to deliver the outcomes detailed within the Corporate Plan (Principle C)
- The Council has good performance management arrangements in place for Members and Services, we are, however, reviewing the content and frequency of monitoring reports to the Senior Leadership Team (Principle C, E, F and G)
- We are reviewing our committee reports, policies and project templates to ensure that effective consideration is given to Health and Wellbeing, Ethical Standards, Sustainable Economic, Social and Environmental Benefits, Long term view and Value for Money (Principle C)

- Robustness of our arrangements for information governance, in particular the safe collection, storage, use and sharing of data, including processes to safeguard personal data, in preparation for GDPR from May 2018. We are currently reviewing our information governance policy and associated supporting procedures (Principle F)

- Challenging budget delivered for 17/18 and a balanced budget for 18/19. Detailed budget & Medium Term Financial Strategy report outlining risks, reasons and future sustainability for the Council (Principle D and F)
- The Council operates an Apprenticeship Programme (Principle E)
- Performance Management Meetings and development programmes in place for staff (Principle E)
- Effective Internal Audit Service delivered in line with the Public Sector Internal Auditing Standards, supported by a robust Audit & Risk Committee (Principle F and G)
- Roles and Responsibilities are clear to effectively deliver Council services and hold the Council to account (Principle E)
- Effective arrangements in place to produce the Annual Governance Statement, with Local Code of Governance and Combined Assurance Framework reviewed and updated annually (Principle G)

- Publication Local Plan approved for Regulation 19 consultation and Submission to Government (Principle C)
- We are currently developing a new Asset Management Strategy (Principle E)
- The Council has a Scheme of Delegation which is subject to an ongoing review following a change in governance arrangements and the implementation of a new Management structure and ways of working (Principle E)
- We are reviewing the Councils project management arrangements to support new ways of working and delivery of the Corporate Programme (Principle F)
- Review and update of the Councils Publication Scheme (Principle B and G)

## PROGRESS ON ADDRESSING GOVERNANCE IMPROVEMENT AREAS FROM PREVIOUS YEARS

What we said we would do	Progress
Review the Borough Community Strategy as part of the review of partnership arrangements and to put into effect appropriate actions.	The Executive team is currently in the process of identifying the key themes which support the Corporate Plan which will be used to reconfirm the key areas of focus for partnership working and the key partnerships that are required to support this work.
Review Consultation and Engagement Policy and develop the supporting Strategy	We are currently drafting a revised Consultation and Engagement Policy. It is anticipated that the policy will be submitted to the Policy and Resources Committee for consideration and approval during the 2018/9 municipal year.
Submit Local Plan to Government	Full Council met on 22nd March 2018 and the publication Local Plan was approved for regulation 19 consultation and subsequent submission to the Secretary of State.
Finalise the review of the Council's Performance Management Framework to ensure consistent and effective performance management arrangements across the Council	<p>A complete review of the Council's Performance Management Framework has now been completed, in line with a Balanced Scorecard.</p> <p>Further work is now being undertaken to consider the reporting arrangements to the Executive Team and Assistant Directors.</p>
Finalise the independent review of Information Governance and address issues identified.	The Information Governance steering group meet regularly to provide an update on progress of the agreed key actions to address the issues identified. Privacy Notice Workshops have been held with key service representatives, GDPR training sessions have been scheduled for April and May 2018, an Information Governance Framework has been developed and the Information Policy has been reviewed and is fit for purpose.

## WHAT ARE THE KEY 2017/18 GOVERNANCE MATTERS IDENTIFIED?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2018/19.

Governance Area	Governance matters identified/actions taken	Target Date	Lead Officer
Effective Information Governance	<p><b>Complete delivery of the Information Governance Action Plan.</b></p> <p>Action: To agree and monitor a detailed action plan which includes a number of procedures to underpin the Information Management Policy.</p>	31 March 2019	Assistant Director Corporate Services
Local Plan	<p><b>Submit Local Plan to Government</b></p> <p>Action: Monitor the Regulation 19 Consultation and submission to Government</p>	30 September 2018	Assistant Director Growth
Technology	<p><b>ICT Strategy</b></p> <p>The Policy &amp; Resources committee approved the ICT Transformation report in March 2018 and the contract award has been completed.</p> <p>Actions: To monitor the transformation programme.</p>	31 March 2019	Assistant Director Corporate Services
Delegation of Decisions and Duties	<p><b>Scheme of Delegation</b></p> <p>Actions: To complete a detailed review to provide assurance of the delegations in place.</p>	31 August 2018	Assistant Director Corporate Services

<b>Governance Area</b>	<b>Governance matters identified/actions taken</b>	<b>Target Date</b>	<b>Lead Officer</b>
Risk Management Arrangements	<p><b>Project Management</b></p> <p>Action: To review the approach to Project Management across the Council and the Corporate Programme.</p>	31 March 2019	Head of People and Change
Corporate Performance Management arrangements	<p><b>Performance Management</b></p> <p>Action: To consider the reporting arrangements to the Executive and Senior Leadership Teams.</p>	31 March 2019	Head of People and Change
Access to Information	<p><b>Freedom of Information</b></p> <p>Action: To monitor progress of the update the Publication Scheme</p>	31 March 2019	Assistant Director Corporate Services
Partnership Working	<p><b>Borough Community Strategy</b></p> <p>Action: To revise the Community Strategy</p>	31 March 2019	Head of Policy and Public Affairs
Consultation & Engagement	<p><b>Consultation and Engagement Policy</b></p> <p>Action: To review progress of the draft policy.</p>	30 July 2018	Head of Policy and Public Affairs
Asset Management	<p><b>Asset Management Strategies</b></p> <p>Action: Following key stakeholder meetings a draft strategy will be produced and will be subject to consultation in the summer.</p>	31 December 2018	Assistant Director Communities
Effective Policies, Strategies and Procedures	<p><b>Policy guidance and associated templates</b></p> <p>Action: To review policy guidance and associated templates to ensure they remain fit for purpose</p>	31 March 2019	Head of Policy and Public Affairs
Corporate Performance Management Arrangements	<p><b>Corporate Programme</b></p> <p><b>Action:</b> Finalisation of the Corporate Programme to deliver the outcomes detailed within the Corporate Plan</p>	31 March 2019	Head of People and Change

Governance Area	Governance matters identified/actions taken	Target Date	Lead Officer
Decision Making and Evidence	<p><b>Decision Making Consideration</b></p> <p>The Council is reviewing its committee reports, policies and project templates to ensure that effective consideration is given to Health and Wellbeing, Ethical Standards, Sustainable Economic, Social and Environmental Benefits, Long term view and Value for Money</p> <p>Action: To monitor progress of the review</p>	31 March 2019	Senior Leadership Team



## HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Throughout the year, the Council regularly reviews the effectiveness of its governance framework, including its system of internal control. Activity undertaken includes:

- Consideration of governance issues by the Audit and Risk working Group – including risk register and internal audit reports
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Internal Audit, primarily based on an assessment of the Council's risk profile, and review of the plan by the Audit and Risk working Group
- Preparation of the quarterly assurance report by the Manager, Strategic and Executive Support, setting out her opinion on the Council's overall control environment and approval of the report by the Senior Leadership Team
- Quarterly updates to the Audit and Risk Committee on the work of Internal Audit
- Consideration of external audit reports by the Audit and Risk Committee
- The external auditor reviews each year the council's arrangements for securing economy, efficiency and effectiveness in the use of resources

## CERTIFICATION

We have been advised of 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:** 28.6.18

**Chief Executive**

**Date:** 28.6.18



# 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.

## **Actuary**

A business professional who measures and manages risk and uncertainty.

## **Annuity**

A series of equal payments made at regular intervals, usually for a fixed length of time (usually in return for an upfront lump sum).

## **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 business 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 business rates the billing authority also acts as an agent for the Government.

## **Bonds**

A debt investment where the investor loans money to an entity, which borrows for a defined period of time, either at a fixed or variable rate of interest.

## **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.

# Terminology and Definitions

## **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.

## **CLG**

Department for Communities and Local Government now **MHCLG**.

## **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 business 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.

## **Consumer Price Index (CPI)**

A measure calculated by taking the price changes for each item in a predetermined 'basket' of consumer goods/services and averaging them. They are weighted according to each item's importance.

## **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.

# Terminology and Definitions

## **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.

## **Default**

Failure to meet the obligations on a loan or other debt, i.e. being unable to make payments due.

## **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.

## **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.

## **Gross Value Added (GVA)**

GVA is the measure of the value of goods and services produced in an area, industry or sector of an economy.

**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*).

# Terminology and Definitions

## **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.

## **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.

## **MHCLG**

Ministry of Housing, Communities and Local Government.

## **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.

## **Monitoring Officer**

Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000 requires a local authority to appoint a monitoring officer. The Monitoring Officer has three main duties:

1. To report on matters they believe are, or are likely to be, illegal or amount to maladministration.
2. To be responsible for matters relating to the conduct of Councillors and Officers.
3. To be responsible for the correct operation of the Council's Constitution.

# Terminology and Definitions

## **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.

## **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.

## **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.

## **Retail Price Index (RPI)**

The same as the **Consumer price index** however it includes the cost of housing.

# Terminology and Definitions

## **Running Expenses**

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

## **Section 151 Officer**

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint an Officer to have responsibility for those arrangements. The Officer appointed under this requirement is called the Section 151 Officer.

## **Section 31 Compensation**

Grant provided by central government. Section 31 of the Local Government Act 2003, allows ministers to grant monies to local authorities for any purpose, more information can be found at <http://www.legislation.gov.uk/ukpga/2003/26/section/31>

## **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 1<sup>st</sup> April 2010, this has been replaced by a Code of Practice based on international accountancy standards.

## **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.