



ANNUAL FINANCIAL REPORT

2018-2019

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Introduction from the Chief Executive

It gives me great pleasure to introduce the Annual Financial Report for 2018/19.

I am passionate about our borough and all that it has to offer. Hedgerows and fields, new town architecture and historic towns, close knit communities, thriving local businesses and the potential for significant economic growth, makes for a place that looks and feels like no other. It is this multifaceted identity that creates great opportunity and great challenges.

Our corporate plan seeks to build on opportunity and challenge what holds us back. The council's ambitions for the borough and the promises we make guide our conversations and our actions.

We are ambitious for all our residents – we want them to be the best they want to be.

We are ambitious for the place – we want the borough of Basildon to be a place people choose to live, to work, do business and to visit.

And we know that the borough will not stand still, it will change and it will grow – we want to shape that growth so that it creates opportunities for residents and improves the lives of everyone who makes this special place their home.

This report and the statement of accounts that it accompanies demonstrates how we have used our resources to begin to deliver the outcomes promised in our corporate plan

During the year we have

- Invested in new homes
- Opened an advice store to assist residents in making the most of employment opportunities in the borough
- Received the report of the Breakthrough Basildon Commission and started to use it to shape our strategic thinking
- Begun our year-long celebrations to mark the 70th anniversary of the founding of Basildon new town
- Entered into a significant contract that will bring a cinema to the centre of Basildon
- Submitted to the Government on 28 March 2019 the Submission Local Plan, its Sustainability Appraisal, Habitats Regulations Assessment and Service Impact Assessment for Examination in Public during 2019.
- Modernised our website
- Opened 3G football pitches and a state of the art gymnastics hall at Eversley Leisure Centre.
- Secured funding from the Government for domestic abuse hubs across South Essex
- Achieved the Customer Services Excellence award

Our future budgets provide for

- Further investment in new homes
- Significant investment in our customer focused digital strategy
- Significant capital investment to support economic growth
- Investment in the provision of swimming pools in the borough

We continue to work with our partners, the county council, health services, the police, our schools and colleges, and community and voluntary organisations pooling resources, acting together, influencing what others do, supporting one another – so that we can achieve the best possible outcomes for our residents.

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 well prepared to not only deal with the reductions in our resources but to improve services for the community at the same time.

Scott Logan
Chief Executive

Strategic Report

OPERATING ENVIRONMENT

ECONOMY AND SOCIETY

Basildon Council is the largest district authority in Essex with a population of approximately 184,500 people (2017). 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 borough has over 8,000 companies and 88,000 jobs, making it one of the largest economic hubs 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. 62% 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 (73%) and Great Britain as a whole (75%). 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. 28% of Basildon's residents have this level of qualification, while 35% of people in the eastern region and 39% 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 77,350 homes in the borough – this is approximately 10% of the housing stock in the Greater Essex area (including Southend and Thurrock). The borough of Basildon offers a cost effective housing option for those commuting into London for work (although house prices rose by 3.8% 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 £2.0 million by 2020/21 and £11.9 million by 2028/29.

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 for income (after Tendring and Southend) according to the 2015 Index of Multiple Deprivation. The borough has 11 lower layer super output areas (LSOAs) which are smaller areas within each ward that fall within the 10% most deprived in England – this accounts for 22% of all Essex areas 7 wards in Basildon rank in the least deprived half of the country for income, while 7 other wards rank in the top 30% most deprived wards in the country. 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, around 10,300 of our over 65s live alone and are at risk of being isolated from society and over 1,400 of this group have been diagnosed as having dementia.

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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 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 – People, Place, Growth

The corporate plan covers the period 2018 to 2021.

In the corporate plan the council commits to concentrating the available resources on working together to shape a borough that is:

- An attractive and welcoming place that people are proud to call home.
- A place where people are happy, healthy and active.
- A place that encourages businesses to grow and residents to succeed.

That is, the focus of the plan is people, place and growth

The plan sets out desired activities in respect of each of these areas, including:

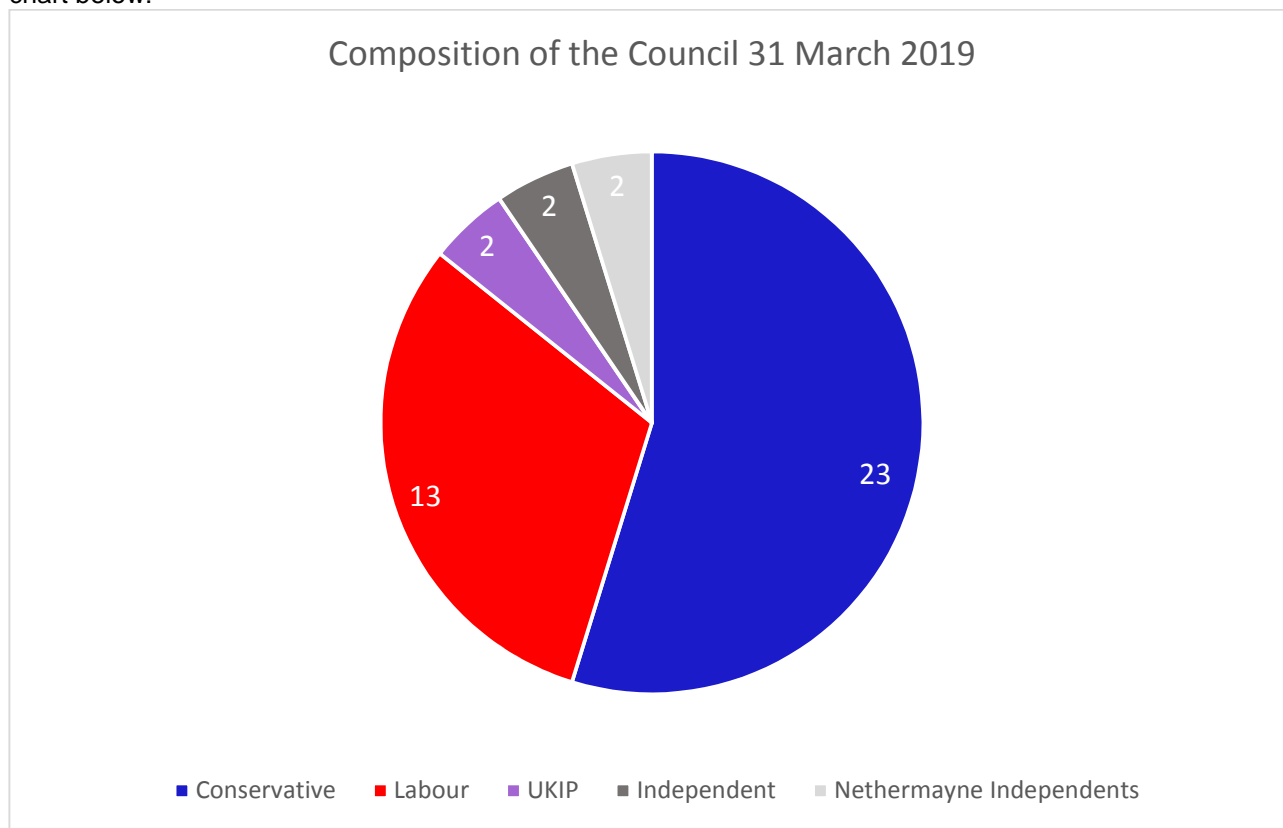
- Support for those who are vulnerable or less able to help themselves.
- Maintaining a range of leisure and community facilities.
- Keeping streets and neighbourhoods clean.
- Regenerating the borough through physical and economic regeneration.
- Continuing to secure value for money.
- Embracing digital technology.

The full Corporate Plan can be found here [Corporate Plan 2018-2021](#)

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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 Dadds was Mayor of the Council for the municipal year 2018/19.

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 Oversight and Strategy Committee – *Chairman Cllr Baggott*
- Resources Committee – *Chairman Cllr Sullivan*
- Communities Committee – *Chairman Cllr Barnes*
- Economic Development and Growth Committee – *Cllr Schrader*
- Housing Committee – *Chairman Cllr D Morris*
- Leisure, Culture and Environment Committee – *Chairman Cllr Blake*
- Regeneration Committee – *Chairman Cllr Hedley*
- Strategic Planning and Infrastructure Committee – *Chairman Cllr Moore*

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 Oversight and Strategy Committee being designated Leader of the Council. 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 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.

Strategic Report

Two scrutiny committees look at policy and performance matters and make recommendations to service committees on matters connected to both areas.

For more information on the current council, its councillors and committee structure, please visit the website at www.basildon.gov.uk.

ORGANISATIONAL STRUCTURE

The council's senior management arrangements, having been reviewed and restructured during 2017/18, have now been embedded in the organisation. The Senior Leadership Team consists of the Chief Executive and two other Directors supported by five Assistant Directors and two Heads of Service. The role of Section 151 Officer is fulfilled by the Corporate Director. The role of monitoring officer is fulfilled by the Assistant Director – Corporate Services.

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 2019, the council had 891 employees (compared with 906 at 31 March 2018). The full time equivalent of these employees in 2018/19 was 820.1 (828.5 in 2017/18) Temporary staff are also used as cover for vacancies when necessary. Overall staff costs were within the budget for both 2017/18 and 2018/19.

The average cost, salary plus on-costs (employer's national insurance and pension contributions), per employee for the year was £36,800 (£35,500 in 2017/18).

Gender Pay Gap

Difference between males and females

	Mean	Median
Hourly pay	-0.20%	-6.60%
Performance related pay	1.50%	60.10%

The table above shows the mean and median pay gap (where a positive figure indicates that male employees receive, on average, greater pay and a negative figure indicates that female employees receive greater pay) between males and females based on hourly rates of pay as at 31 March 2018. 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.

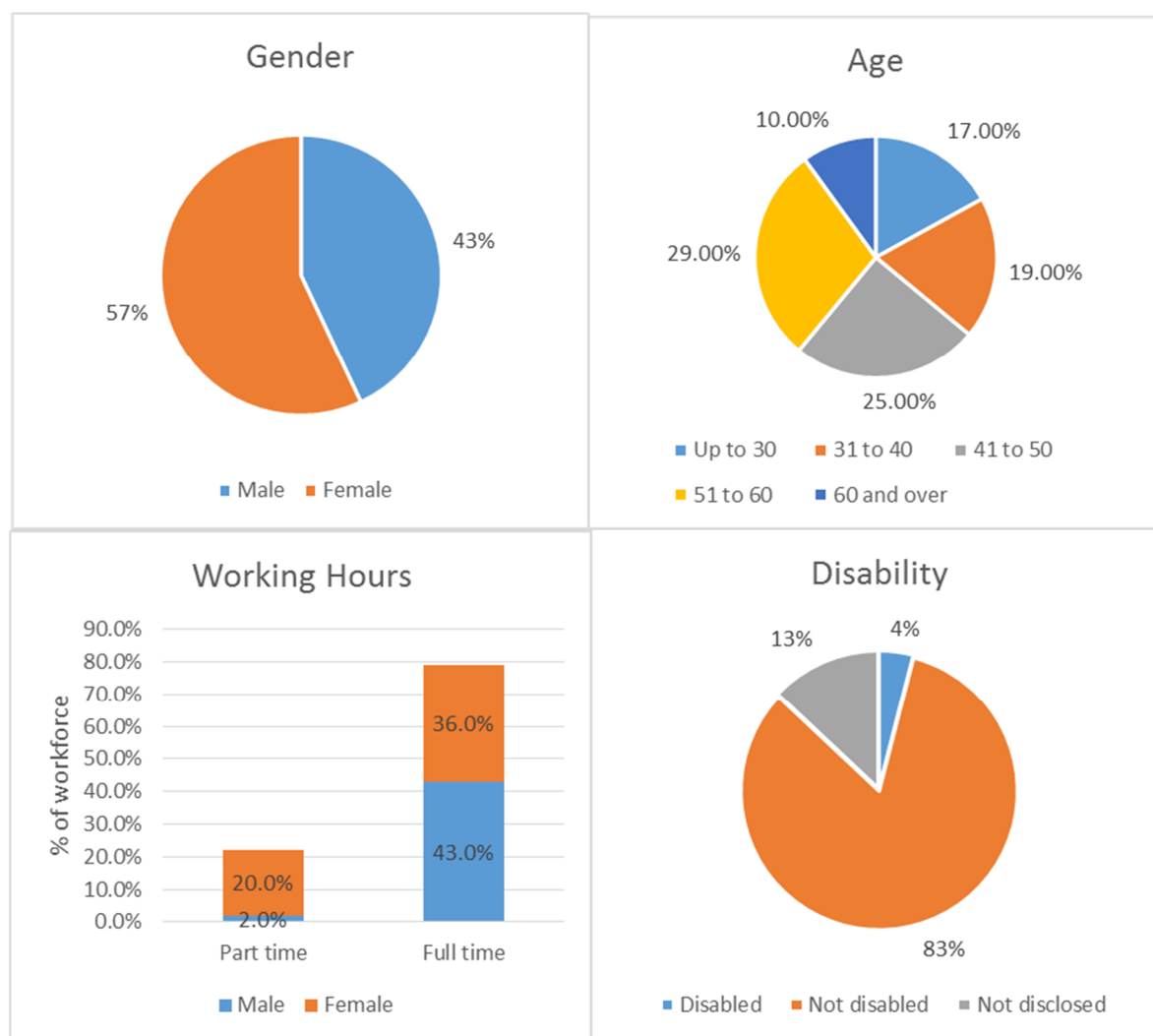
10% of the female workforce received a performance related payment in the year to 31 March 2018 compared with 6% of the male workforce.

People performance

To underpin effective delivery of the principles and promises set out in the Corporate Plan the council uses a behavioural competency framework for our employee lifecycle – recruitment and selection, learning and development, and talent and succession planning. That framework helps ensure we have people with the skills, knowledge and flexible attitude that are key to our future success.

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Workforce profile



All figures relate to the 2017/18 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.

Working days lost to sickness decreased in 2018/19 to an average of 9.8 days per annum compared with 10.4 days in 2017/18. 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 [workforce profile 2017/18](#).

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:

- 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
- Level 1 – used for operational management purposes

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

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Title	Target	Outturn
% of undisputed invoices paid within 30 days	97.0%	98.2%
Rent collected as % of rent due	96.1%	95.2%
% of rent lost through voids	1.0%	1.2%
% of in year business rates collected	98.8%	99.4%
% of in year council tax collected	96.6%	96.4%

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 that risk management is an essential element of good governance, acting as a key enabler for the organisation and adding value to how the council operates. Risk management is the process by which key strategic risks are identified, evaluated and managed and covers the whole spectrum of risks not just those associated with finance, health and safety, business continuity and insurance. The management of risk is essential for both the council and its partners to achieve the council's corporate plan ambitions and promises. The Council has corporate, project, partnership and operational risk registers to manage risk at a strategic and operational level on an ongoing basis.

The council has a Risk Management Policy and a Risk Strategy which are both available here <http://www.basildon.gov.uk/article/2834/Risk-Management-Policy-and-Strategy> .

The council's Risk Management Policy seeks to integrate risk management throughout the organisation to encourage robust, timely and proportionate decision making, and to improve strategic and operational planning and delivery. The effectiveness of the Risk Management Policy, Strategy and related toolkit is monitored regularly as part of the council's governance assurance processes, and all Committee reports must include an analysis of the risks associated with the decisions that are to be taken.

The Annual Governance Statement provides assurance through its approval by Members and through the work of both internal and external audit. The corporate risk register and high level operational risks are reported, as part of a Risk Management update report to the Audit and Risk Committee every six months. The Committee select specific risks to be examined and challenged by the Audit and Risk Committee's Working Group which met five times during 2018/19.

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

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Risk	Description	Mitigation
Ineffective Internal Audit Service	Non delivery of an effective and efficient Internal Audit and Counter Fraud Service due to non-compliance with the Public Sector Internal Audit Standards resulting in an adverse EQA.	<p>A dedicated and appropriately qualified/experienced in house Internal Audit team which works to an approved Annual Audit Plan, which is delivered in line with the Public Sector Internal Audit Standards and Local Government application note.</p> <p>Work of the Internal Audit team is reported to the Audit & Risk Committee and the Working Group regularly. The Internal Audit team liaises with the Council's External Auditors to enable them to rely on Internal Audits work wherever possible.</p>
Failure to maintain a sustainable financial position	Failure to maintain a sustainable financial position for the authority leading to a potential inability to deliver council priorities and services effectively	The Council has robust budget setting, monitoring and procedures. Potential efficiency gaps have been identified and appropriate plans have been put in place to enable the Council to set a balanced budget for 2019/20.
Health & Safety	Threat that the Council fails to embed suitable health & safety management systems, processes and culture, resulting in an increase in accidents / claims / prosecutions and a decline in performance / morale	<p>The Council has in place health and safety management systems and processes which manage this risk, these are regularly reviewed and amended to take into account changes in legislation and better ways of working. Where appropriate corrective action is highlighted and taken.</p> <p>It is not possible to completely eradicate this risk due to the complex nature of the Council, its activities, the availability of funding and actions of third parties, but the Council takes all reasonable steps to manage the risks.</p>
Failure to effectively manage the Council's Terrier	<p>The Council's terrier visually records the Council's land and property assets on Cadcorp mapping system. There is a threat that inaccuracies in the Council's Terrier, may result in:</p> <ul style="list-style-type: none"> - Inability for Council departments to rely on the terrier data to inform on up to date Council ownership of land and property assets - Failure of the Council to meet Transparency regulations on property data - Failure to meet the Council's insurance inspection policy with potential for increased insurance claims and costs against the council 	Controls have been put into place to reduce the risk of the terrier not being updated. Strategic Property Manager now in post and is assessing whether further controls are required including the continuation of the GIS role which is currently vacant.
Corporate Property Staff Resource	Risk that Asset Management and Corporate Property do not receive additional staffing/support when heavily involved with major projects. This may prevent the team from being able to deliver the day to day tasks alongside the project, completing inspections within timescales set by the Corporate Land Inspection Policy and updating the Council's Terrier	Corporate Property and Estates resource level is being reviewed by Strategic Property Manager against business needs, caseload, current team structure, management and number of qualified surveyors.

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The remainder of the council's key corporate risks focus on EU Exit, Corporate Governance, Partnership Working, Fraud, Corporate Plan, ICT, Loss of Data, Economic Inward Investment and Major Businesses, Local Plan, Staffing, Unauthorised Developments and Encampments and Air Pollution.

The Council's Governance and Assurance Board is responsible for monitoring the Council's Corporate and Strategic risks and ensuring action is being taken to manage risks effectively.

UK's exit from the European Union

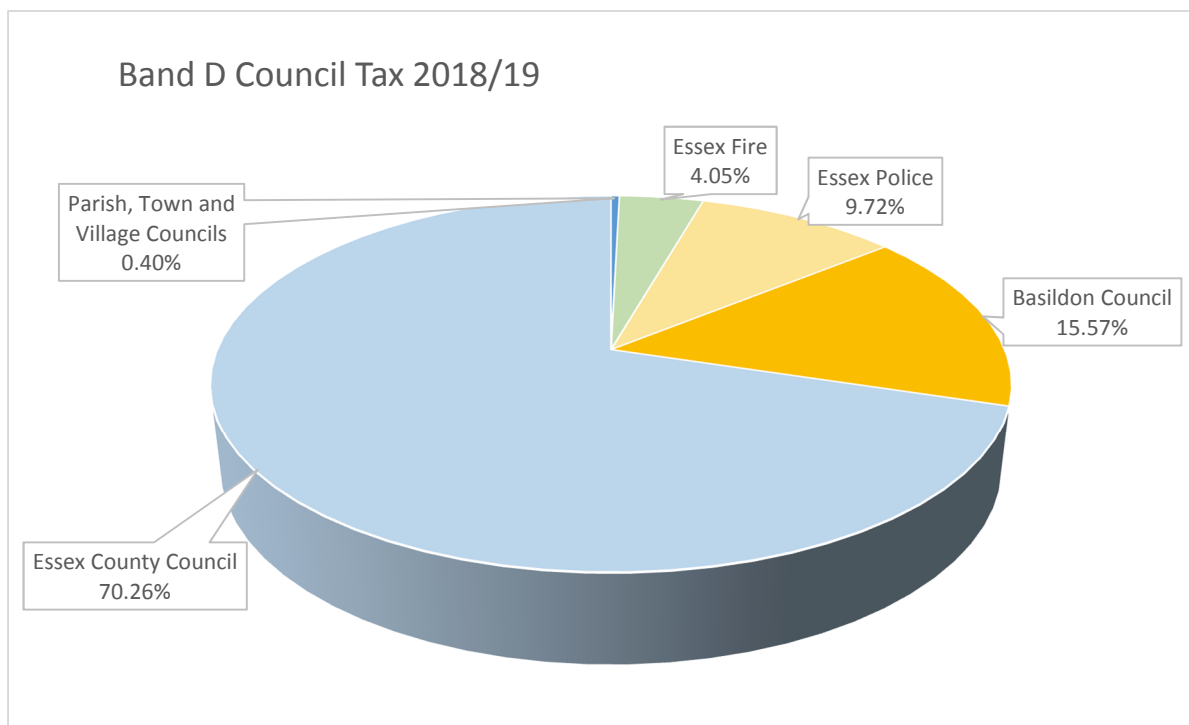
In addition to an Essex-wide working group, an officer working group has been established within the council to monitor developments and will report to the senior leadership team when and as it is appropriate to do so. A risk register has been developed and potential mitigations for the key risks are being considered.

COUNCIL TAX 2018/19

The net budget requirement for a council is the amount needed to finance council services after allowing for planned expenditure and income. For 2018/19, this was set by the council at £25.8 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 £9.5 million leaving £16.3 million to be raised locally from Council Tax (the Council Tax Requirement).

The 2018/19 Band D council tax for Basildon Council services was £270.81 (an increase of 2.99% over the 2017/18 charge of £262.98). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverables and the local council tax support scheme) of 60,135 Band D equivalent properties.

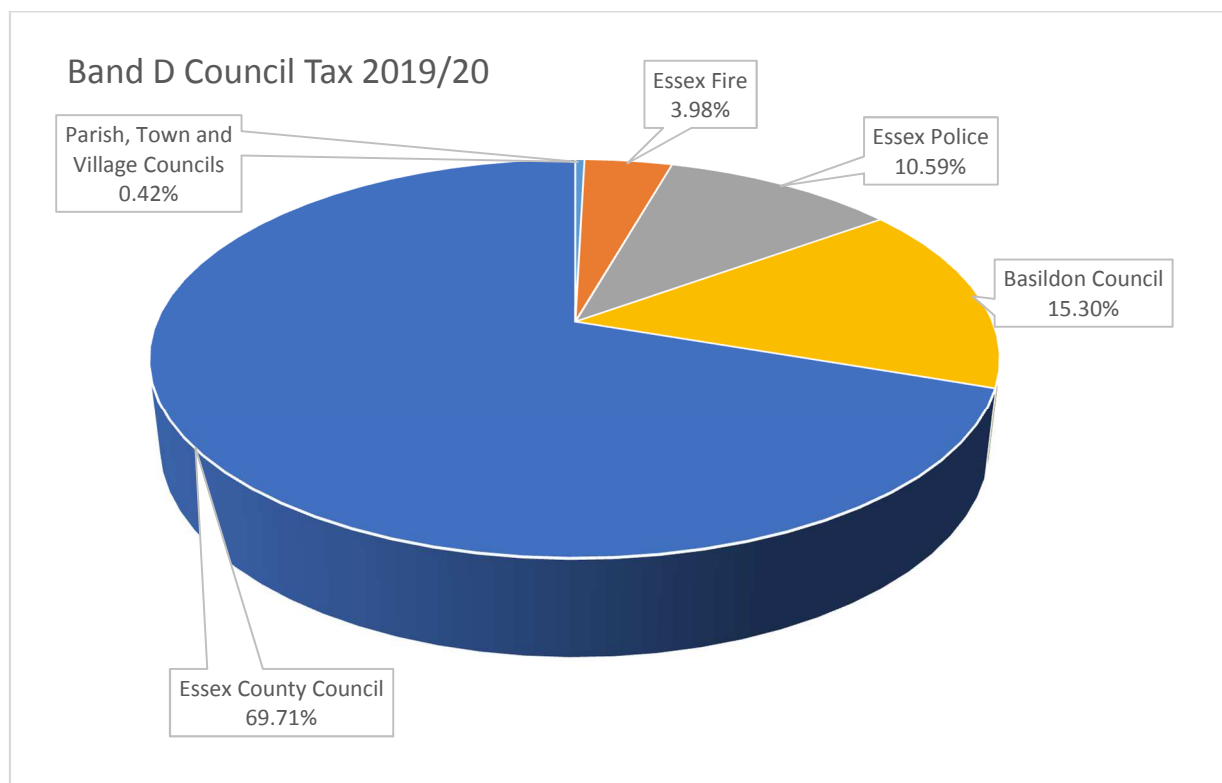
The total Band D council tax for the Borough was £1,738.99 distributed amongst the major and local preceptors as set out in the chart below.



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COUNCIL TAX 2018/19

The total Band D council tax for the borough for 2019/20 has been set at £1,822.35 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 2018/19 financial year.

The tables below show the original budget for the year as approved by Council on 8 February 2018. This budget was revised during the year to take into account unspent budgets carried forward from 2017/18 and other approved budget changes. The result of these changes is the working budget column. The outturn variance is calculated by comparing the actual outturn plus unspent budgets carried forward to 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.

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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
Service Net Expenditure						
Community	1,783	1,697	1,669	-28	17	-11
Development and Regulation	-935	1,064	-109	-1,173	1,807	634
Environment	8,345	8,250	8,340	90	12	102
Housing	2,132	2,254	1,868	-386	643	257
Leisure	7,419	7,781	7,727	-54	74	20
Regeneration & Partnerships	3,196	3,668	2,932	-736	1,018	282
Corporate & Central	3,824	9,567	2,520	-7,047	4,132	-2,915
Net Cost of Services	25,764	34,281	24,947	-9,334	7,703	-1,631

The table above shows the overall net expenditure across the main General Fund activities of the Council for 2018/19. 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
Funding						
Revenue Support Grant	-955	-282	-282	0	0	0
New Homes Bonus	-1,767	-1,767	-1,767	0	0	0
Other Grants	0	-759	-1,116	-357	0	-357
Business Rates Income	-7,181	-8,168	-8,950	-782	0	-782
Council Tax surplus	11	11	11	0	0	0
Business Rates deficit	-3,793	-3,793	-3,793	0	0	0
Council Tax	-16,285	-16,285	-16,285	0	0	0
Transfer from/(to) reserves	4,206	-3,238	7,235	10,473	-7,703	2,770
Total Funding	-25,764	-34,281	-24,947	9,334	-7,703	1,631

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The service variances are explained in the following table

	£000
Development and Regulation	
Housing Benefit & Council Tax Support - increase in bad debt provision	335
Industrial and Commercial Premises - additional running costs of facilities	240
Housing	
Housing Options - required carry forward above estimated outturn position	304
Regeneration & Partnerships	
Development & Investment - unrecovered development costs	273
Corporate & Central	
Insurance Pool - review of provisions and reserves	-1,172
Commercial Asset Acquisition - new rental income streams	-507
Transformation Programme - balance of carry forward from previous year not required	-448
Corporate Staffing Expenses - underspend on staff training programme	-205
Management and Administration - underspend on salary budgets	-178
Repairs and Maintenance - underspend on corporate repairs budget	-128
Other	-145
Total Outturn after carry forwards	-1,631

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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 2018/19

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
Expenditure						
Management	14,233	13,892	13,125	-767	662	-105
Repairs	11,130	10,972	11,012	40	0	40
Depreciation and Financing costs	28,116	31,414	24,315	-7,099	4,119	-2,980
Total Expenditure	53,479	56,278	48,452	-7,826	4,781	-3,045
Income						
Rents	-47,492	-47,492	-47,871	-379	0	-379
Service charges and contributions	-4,628	-4,761	-4,540	221	0	221
Total Income	-52,120	-52,253	-52,411	-158	0	-158
Total net cost	1,359	4,025	-3,959	-7,984	4,781	-3,203

The variances are explained in the following table

	£000
Income	
Acquisition programme and Craylands demolitions delayed (Rent)	-379
Service charges Including lower level of leaseholder major works (Net)	320
Other additional income	-99
Expenditure	
Reduced insurance charge	-225
Savings in utilities costs	-83
Reduction in capital financing costs	-2,980
Increased repairs costs	219
Other (Net)	24
Total	-3,203

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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
Expenditure						
Housing – General Fund	800	1,693	1,189	-504	504	0
Housing - HRA	25,543	30,335	26,216	-4,119	4,119	0
General Fund	677	43,118	8,807	-34,311	34,315	4
Total Expenditure	27,020	75,146	36,212	-38,934	38,938	4

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
Financing						
Capital Receipts	4,506	7,425	5,408	-2,017	2,017	0
Grants & Contributions	800	8,094	3,018	-5,076	5,076	0
Contributions from Revenue	6,440	5,596	2,189	-3,407	3,407	0
Major Repairs Reserve	14,737	21,400	21,358	-42	42	0
Borrowing	537	32,631	4,239	-28,392	28,396	4
Total Financing	27,020	75,146	36,212	-38,934	38,938	4

In addition to the above, the following items have been accounted for as capital expenditure in the accounts, but did not form part of the capital programme:

	£000
New Finance Leases	218
Commercial Asset Acquisitions	41,569
Sempra Homes Loans	5,345
Sempra Homes Shares	2,627
Donated asset	2,184
Total Expenditure	51,943

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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-19	31-Mar-18	Change
	£m	£m	£m
Borrowing	239.1	210.5	28.6
Finance leases	4.3	4.8	-0.5
Total External Debt	243.4	215.3	28.1
Investments	-68.3	-83.8	15.5
Net External Debt	175.1	131.5	43.6

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

Interest payable on external debt and other liabilities for the year amounted to £9.741 million. The average interest rate on external borrowing was 4.23% for the year. Investment income for year was £0.484 million at an average return of 0.64%. The borrowing rate is the product of taking loans at fixed rates with extended maturities as is appropriate when financing assets with long lives. The principal aim when the Council is investing is to ensure the security of the sum invested this results in relatively low returns.

ASSETS AND LIABILITIES

The table below compares the assets and liabilities of the Council at 31 March 2019 with those at 31 March 2018.

	31-Mar-19	31-Mar-18	Change
	£m	£m	£m
Long Term Assets	1,020	968	52
Current Assets	90	105	-15
Current Liabilities	-37	-38	2
Long Term Liabilities	-347	-322	-23
Net Assets	726	713	16
Usable Reserves	111	109	2
Unusable Reserves	615	604	14
Total Reserves	726	713	16

Overall the value of the net assets of the Council rose by £13.4 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 £6.4 million lower than in the previous year.

Right to buy sales represent a significant set of transactions. In 2018/19 sales totalled 53 yielding a gross receipt of £6.54 million (2017/18 60 sales with a gross receipt of £6.6 million). Of this receipt £1.0 million was

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paid to the Treasury under the pooling arrangements, £3.0 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 £110 million at 31 March 2018 to £104 million at 31 March 2019. 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. In addition, the Council is 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 2019

	2017/18 Closing position	Outturn 2018/19	Change in reserves in year	Carry Forwards	Reserves available after carry forwards
		£000	£000	£000	£000
General Fund Balance	10,168	11,696	1,528	7,714	3,982
General Fund Earmarked Reserves	22,701	28,408	5,707	0	28,408
Sub-total: General Fund	32,869	40,104	7,235	7,714	32,390
Housing Revenue Account	8,533	8,781	248	4,781	4,000
HRA – Earmarked Balances	20,811	24,494	3,683	0	24,494
Sub-total: Housing Revenue Account	29,344	33,275	3,931	4,781	28,494
Total Balances and Reserves	62,213	73,379	11,166	12,495	60,884

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.

Strategic Report

Capital Reserves

	31-Mar- 19 £000	31-Mar- 18 £000	Change £000
GF Capital receipts	3,757	5,495	-1,738
HRA Capital receipts - any use	12,551	11,795	756
HRA Capital receipts - 1 for 1 use only	13,305	13,170	135
Major repairs	1,806	6,695	-4,889
Capital grants unapplied	5,270	4,258	1,012
Lifecycle Funds	2,531	2,094	437
Regeneration	3,166	3,510	-344
Total capital reserves	42,386	47,017	-4,631

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

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

Strategic Report

REVIEW OF 2018/19

Working with partners

The Council is committed to working with public, private and voluntary sector organisations to improve the efficiency of services, to create income-generating opportunities and to support organisational resilience.

The Advice Store

In January 2019 the Council opened the Advice Store in an empty retail unit in Basildon town centre. The Council is committed to creating opportunities for all by supporting our residents to make sure they are aware of the options available to them and how to make the most of them. This store is for anyone who is looking for help finding work or wants to gain new skills or retrain to enter more fulfilling, secure and better paid employment.

The store provides an accessible and welcoming drop-in space. Organisations who are working in the store include the National Careers Service who give careers advice, Signpost who help people with employability skills, ITEC providing skills and training advice and Essex County Council providing advice on apprenticeships.

The Breakthrough Basildon Borough Commission

The Breakthrough Basildon Borough Commission was established to explore the issues and barriers that prevent everyone benefiting fairly from growth. The commission has produced a detailed report. Within the report, the commission set out a series of challenges to the council constituting a strategic roadmap and it was intended that the findings and recommendations would be used to inform development of the future council policy and associated allocation of resources, as well as informing the council's role as a community leader and place shaper. It set out initial proposals for a project facilitated by Basildon Council to engage residents, businesses and partners in shaping a new brand and place vision for the Borough.

The recommendations contained within the report have been referred to the relevant committee to consider and develop responses to. A report on these responses will be considered by the Policy Oversight and Strategy Committee by the end of July 2019.

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

Basildon at 70

On 4 January 1949 a designation order was signed that marked the start of transforming the small semi-rural and ancient outpost of Basildon and its neighbouring communities into a thriving town.

The Council is working alongside community groups and businesses to host a series of special activities throughout 2019 to celebrate this landmark birthday. Residents are have been encouraged to play their part in the birthday celebrations by sharing their memories and photographs of life in Basildon over the past seven decades on our social media pages.

Visit www.basildon.gov.uk/basildon70 to find out more about Basildon's 70th birthday.

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 delivery of Revenues and Benefits services. From April 2017 the two services were formally merged and are based at the Basildon Centre. It is anticipated further arrangements will be put in place in the future.

Strategic Report

Strategic Asset Management

The council's Strategic Asset Management contract for housing repairs and investment is now over 2 years in to a 15 year period and continues to deliver high quality outcomes. The repairs service achieves over 90% satisfaction with residents and over £20m of planned investment has been made into the boroughs housing stock.

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. So far the contract has created training programme placements for over 60 individuals; 36 apprenticeships are currently being undertaken or completed; local supply chain arrangements are in place for 80% of all works and new opportunities for local residents of all ages are being created.

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. A delivery programme is being developed covering activities under the themes of investment, connectivity, place and productivity. Resources to fund activity are being identified including the securing of funds from other agencies. Governance arrangements are being developed including consideration of the establishment of a joint committee.

Regeneration and investment schemes

Basildon Town Centre

Construction of the new market in St Martin's Square is now completed and market stalls relocated. The site of the former market is now being prepared for the development of South Essex College to deliver their new college in the town centre, with anticipated commencement in May 2019. Significant 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 are now substantially completed. Essex County Council is supporting the development with a financial contribution of £1.75m.

Plans to introduce a family-friendly night-time economy centred on East Square which will create jobs and boost the local economy are now gathering pace. A planning application for a 10 screen cinema with 6 restaurants and public realm improvements received planning in July 2018, and an Agreement for Lease has been secured with Empire Cinemas. These proposals are proving to be a catalyst for other investment in the town centre and new restaurants have already opened and there is increasing interest from landowners and developers in the town centre.

Wickford

Three new market kiosks were installed in Market Lane in October 2018, to complement the three existing ones installed in 2014. Public realm enhancements have also been undertaken with the installation of hanging baskets and planters. Planning permission was obtained in November 2018 for a new £2 million Community Centre in Nevendon Road Recreation Ground, with work due to commence on site in April 2019. Once completed, the Wickford Community Association will relocate into the new building, freeing up their existing site in Market Road for a mixed use scheme. Plans are also being developed to bring forward schemes on other key sites within the town centre.

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

Strategic Report

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 re-provision of the health facility into a new larger building. Significant progress has been made on site, with the first phases of the scheme now fully underway. The Council continues to work proactively with Swan to bring the development forward through the implementation stage of the project.

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 substantially reduce it over that period. Moreover it has identified that it is possible to invest up to £36 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. One new build project delivering three new homes has been completed. In addition the council acquired 48 homes during the year. It is expected that up to 150 additional homes will be delivered over the next four years.

The Council owns 10,600 dwellings, has 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 32 properties and has plans to ultimately deliver up to 584 new dwellings in the borough to be let on a mix of tenures (affordable and market rent and shared ownership) or sold to fund further development. During 2018, build work commenced at the sites of Maplewood Court (20 units) and Roman Way (15 units) with completion expected by autumn 2019. Sempra made its first third party land acquisition acquiring the site of the former Basildon Zoo; the company also acquired a residential, leasehold unit in Bath as part of the Council's acquisition programme.

Other matters

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 Submission Local Plan, its Sustainability Appraisal, Habitats Regulations Assessment and Service Impact Assessment were submitted to the Government on 28 March 2019 for Examination in Public during 2019.

Investment areas

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.

Strategic Report

Digital Strategy

The Council has embarked upon a programme of digital transformation with the following key outcomes identified

- 1) To improve the digital skills of the organisation's workforce and its customers to provide capability for everyone to embrace future technologies and to drive innovation
- 2) To utilise data to shape digital solutions to improve the customer's experience
- 3) To use modern online applications to engage and interact better with the community

To support this strategy the Council signed the Digital Declaration in September 2018. The text of the declaration can be found here <https://localdigital.gov.uk/declaration/>

Asset Management Strategy

The Council has had in place for a number of years a robust asset management plan and strategy for its housing stock. As part of the restructure of the senior leadership team all asset management responsibilities now lie within the same function. The asset management principles that have been applied to the housing stock are now being applied to the rest of the Council's property portfolio and an up to date and fit for purpose asset management strategy is emerging for those assets. Funding has been set aside in the budget and forward forecast to meet the anticipated cost of the strategy.

The Future

The budget and financial forecast to 2022/23

Government funding

The final Local Government Finance Settlement for 2019/20 was received in January. The key elements of the settlement as far as this council is concerned are:

- Basildon's Settlement Funding Assessment (the government's resource contribution to the council) has fallen for the fourth year in a row and is now just over 40% lower than it was in 2015/16.
- Core spending power (the settlement funding assessment plus council tax, assumed by the government to be increased by the maximum allowable) is over £2 million lower than it was in 2015/16.
- The government's contribution to Core Spending Power (i.e. excluding council tax) has fallen by £4.8 million or just under 40%.
- Adjusting the 2015/16 Core Spending Power (excluding council tax) for inflation means that in 2019/20 it would need to be 46% higher than forecast to maintain the same purchasing power.

Government funding post 2019/20

The position for funding post 2019/20 remains unclear. It is not likely to be any clearer until late 2019. The government published two consultation papers alongside the finance settlement

- A review of Local Authorities' Relative Needs and Resources (Fair Funding)
- Business Rates Retention Reform: Sharing risk and reward, managing volatility and setting up the reformed system.

The outcome of both sets of proposals will be implemented for funding from 2020/21. Both consultations closed on 21 February 2019 and technical responses to both were made.

Sustainable finances

On current projections the council is forecasting a budget gap of £3.0 million by 2022/23 and £11.9 million by 2028/29.

Achieving efficiencies has always played a key part in the council's financial strategy. For 2018/19 a balanced budget was set and the 2019/20 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.

Strategic Report

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

- 1) generating income through commercial activity and seeking to embed commercial thinking throughout the organisation while maintaining a public service ethos
- 2) the ongoing review and redesign of services
- 3) possible expansion of the commercial asset acquisition programme
- 4) possible expansion of the activity of Semptra Homes
- 5) a focus on growing income from business rates
- 6) reviewing fees and charges to ensure full cost recovery, where this is not possible reviewing how the associated services are delivered to reduce costs or accepting a discounted charge in return for an appropriate community benefit
- 7) revisiting previous proposals for generating efficiencies
- 8) generating new ideas for delivering efficiencies
- 9) optimising the council's use of technology to enable new ways of working and improving service quality for our residents
- 10) ensuring the council's assets are used effectively and efficiently.

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 acquired 4 such properties the value of which total approximately £42.1 million with rental income of approximately £2.2 million. The income from these acquisitions 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.

Strategic Report

Further particulars about the accounts can be obtained by writing to the Assistant Director Resources, 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:

<https://www.basildon.gov.uk/article/529/Annual-Financial-Reports>

Current and prior years' budget information:

<https://www.basildon.gov.uk/article/530/Council-Budgets>

Invoices paid over £500 in value by month:

<https://www.basildon.gov.uk/article/3400/Payments-to-Suppliers-over-500-Current-Financial-Year-2018-19>

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 2018 to 2021

<https://www.basildon.gov.uk/article/4351/Corporate-Plan-2018-2021->

Budget Report 2018/19

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

Budget Report 2019/20

<http://www.basildonmeetings.info/ieListDocuments.aspx?CId=216&MId=6438&Ver=4>

Doing business with the Council:

<https://www.basildon.gov.uk/article/4643/Doing-business-with-Basildon-Council>

The Council's Constitution, the internal rules under which the Council operates:

<https://www.basildon.gov.uk/article/2084/Political-Structure-Our-Constitution-and-the-way-we-work->

Information published under the requirements of the Transparency Code:

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

Sempra 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 2018/19 (the Code), which defines proper accounting practices for local authorities.

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

The 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 2018/19 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 present information on the Group as a whole.

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

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

The Council's Auditor is BDO LLP.

THE CORE STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the authority. The surplus or deficit on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and Rent setting purposes. The Net Increase / Decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain them at a prudent

Guide to the Financial Statements

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.

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 2019.

Signed:

Kieran Carrigan CPFA

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 31 July 2019.

Signed:

Councillor A Davies

Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

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

Opinion on the financial statements

We have audited the financial statements of Basildon Borough Council ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the Council and group Comprehensive Income and Expenditure Statement, Council and group Movement in Reserves Statements, the Council and group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and related numbered notes and the Expenditure and Funding Analysis note to the financial statements including a summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 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 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, 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's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council'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 Corporate Director is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the 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 National Audit Office has determined this criterion as that necessary for us to consider 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 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- 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.

Responsibilities of the Corporate Director and the Council

As explained more fully in the Statement of the Corporate Director's Responsibilities, the Corporate Director is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Corporate Director is responsible for assessing the Council's and group'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 Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

The Council 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

In respect of our 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 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

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 as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. 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.

David Eagles

For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Accounts

2018/19

Index to Financial Statements and Notes to the Accounts

FINANCIAL STATEMENTS

All statements have been prepared in accordance with the Accounting Policies and the Code of Practice on Local Authority Accounting in the United Kingdom.

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NOTES TO THE CORE STATEMENTS

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

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

Expenditure and Funding Analysis

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.

This note shows how 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.

2017/18				2018/19		
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
7,134	1,923	9,057	Corporate and Central	2,522	4,305	6,827
1,857	460	2,317	Community	1,668	139	1,807
(1,034)	2,846	1,812	Development and Regulation	(109)	3,298	3,189
2,671	32	2,703	Regeneration and Partnerships	2,932	(1,114)	1,818
8,145	(243)	7,902	Environment	8,341	845	9,186
1,951	820	2,771	Housing	1,867	1,397	3,264
7,318	2,562	9,880	Leisure and Open Spaces	7,726	(843)	6,883
28,042	8,400	36,442	General Fund	24,947	8,027	32,974
(1,105)	(7,066)	(8,171)	Housing Revenue Account	(3,959)	14,302	10,343
26,937	1,334	28,271	Cost of Services	20,988	22,329	43,317
(27,790)	7,427	(20,363)	Other income and expenditure	(32,184)	17,407	(14,777)
(853)	8,761	7,908	(Surplus) or Deficit on Provision of Services	(11,196)	39,736	28,540
(61,333)			Opening General Fund and HRA Balance	(62,183)		
(853)			(Surplus) or Deficit on Provision of Services	(11,196)		
(62,186)			Closing General Fund and HRA Balance *	(73,379)		

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

Comprehensive Income and Expenditure Statement (CIES)

2017/18						2018/19						
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
11,603	(2,546)	9,057	11,603	(2,525)	9,078		9,918	(3,091)	6,827	9,931	(3,039)	6,892
3,092	(775)	2,317	3,092	(775)	2,317		2,444	(637)	1,807	2,444	(637)	1,807
67,907	(66,095)	1,812	67,907	(66,095)	1,812		60,243	(57,054)	3,189	60,243	(57,054)	3,189
2,999	(296)	2,703	2,999	(146)	2,853		4,814	(2,996)	1,818	4,646	(2,560)	2,086
12,386	(4,484)	7,902	12,386	(4,484)	7,902		13,666	(4,480)	9,186	13,666	(4,480)	9,186
3,232	(461)	2,771	3,232	(461)	2,771		4,063	(799)	3,264	4,063	(799)	3,264
12,365	(2,485)	9,880	12,365	(2,485)	9,880		9,664	(2,781)	6,883	9,664	(2,781)	6,883
113,584	(77,142)	36,442	113,584	(76,971)	36,613		104,812	(71,838)	32,974	104,657	(71,350)	33,307
45,328	(53,499)	(8,171)	45,328	(53,471)	(8,143)		62,754	(52,411)	10,343	62,754	(52,387)	10,367
158,912	(130,641)	28,271	158,912	(130,442)	28,470		167,566	(124,249)	43,317	167,411	(123,737)	43,674
5,269	(613)	4,656	5,269	(690)	4,579	17	8,225	-	8,225	8,391	-	8,391
16,504	(5,218)	11,286	16,689	(5,366)	11,323	18	17,598	(6,779)	10,819	17,184	(6,814)	10,370
24,613	(60,918)	(36,305)	24,613	(60,918)	(36,305)	19	25,178	(58,999)	(33,821)	25,178	(58,989)	(33,811)
205,298	(197,390)	7,908	205,483	(197,416)	8,067		218,567	(190,027)	28,540	218,164	(189,540)	28,624
		-			219	24			-			(22)
	7,908			8,286				28,540				28,602
	(166,978)			(168,494)		34		(27,017)				(27,017)
	7			7		34		922				922
	-			-				-				-
	(24,609)			(24,609)		40		(15,839)				(15,839)
	(191,580)			(193,096)				(41,934)				(41,934)
	(183,672)			(184,810)				(13,394)				(13,332)

Movement in Reserves Statement

	Usable Revenue Reserves		Usable Capital Reserves				Unusable Reserves											
	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	Deferred Capital Receipts £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Other Unusable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Council's share of subsidiary's reserves £000	Total Group Reserves £000
2018/19																		
Balance at 1 April 2018		32,867	29,316	6,695	30,392	4,259	5,604	109,133	349,385	359,638	1,102	(110,326)	4,107	(463)	603,443	712,576	810	713,386
Total Comprehensive Income and Expenditure		(12,382)	(16,158)	-	-	-	-	(28,540)	26,095	-	-	15,839	-	-	41,934	13,394	(62)	13,332
Adjustments between accounting basis & funding basis under regulations	9	19,619	20,117	(4,889)	(5,733)	1,011	93	30,218	(7,522)	(13,528)	4,954	(9,383)	(4,797)	58	(30,218)	-	-	-
Increase/(Decrease) in year		7,237	3,959	(4,889)	(5,733)	1,011	93	1,678	18,573	(13,528)	4,954	6,456	(4,797)	58	11,716	13,394	(62)	13,332
Balance at 31 March 2019 carried forward		40,104	33,275	1,806	24,659	5,270	5,697	110,811	367,958	346,110	6,056	(103,870)	(690)	(405)	615,159	725,970	748	726,718
Of which:																		
Earmarked Reserves	12	28,408	24,493															
General Reserves		11,696	8,782															
2017/18																		
Balance at 1 April 2017		33,122	28,211	2,942	29,989	4,689	4,919	103,872	185,033	370,962	569	(133,473)	2,390	(449)	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)	533	(1,462)	1,717	774	(13,169)	-	-	-
Increase/(Decrease) in year		(255)	1,105	3,753	403	(430)	685	5,261	164,352	(11,324)	533	23,147	1,717	774	178,411	183,672	1,138	184,810
Balance at 31 March 2018 carried forward		32,867	29,316	6,695	30,392	4,259	5,604	109,133	349,385	359,638	1,102	(110,326)	4,107	(463)	603,443	712,576	810	713,386
Of which:																		
Earmarked Reserves	12	22,701	20,783															
General Reserves		10,166	8,533															

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

Balance Sheet

31 March 2018				31 March 2019	
Council £000	Group £000		Note	Council £000	Group £000
965,246	968,629	Property, plant & equipment	34	969,512	984,257
-	-	Investment property	35	39,329	39,329
1,028	1,028	Intangible assets	38	914	914
875	-	Investment in Subsidiary	24	3,502	-
1,106	202	Long term debtors	25	6,448	199
-	87	Deferred tax asset		-	151
968,255	969,946	Non current Assets		1,019,705	1,024,850
71,064	71,064	Investments	30	46,048	46,048
291	291	Assets held for sale	38	240	240
175	175	Inventories		170	170
21,611	21,044	Short-term debtors	25	21,966	19,820
12,030	12,030	Cash and cash equivalents	41	21,334	21,344
105,171	104,604	Current Assets		89,758	87,622
(289)	(279)	Cash and cash equivalents (overdrawn)	41	-	-
(6,591)	(6,591)	Borrowing	30	(3,025)	(3,025)
(25,786)	(25,884)	Short-term creditors	26	(25,193)	(27,186)
(3,581)	(3,581)	Provisions	27	(4,951)	(4,951)
(1,612)	(1,612)	Grants receipts in advance - Capital	22	(3,297)	(3,297)
(442)	(442)	Grants receipts in advance - Revenue	22	(153)	(153)
(38,301)	(38,389)	Current Liabilities		(36,619)	(38,612)
(2,032)	(2,032)	Provisions	27	(1,119)	(1,119)
(206,095)	(206,095)	Borrowing	30	(238,299)	(238,299)
(4,096)	(4,096)	Finance lease liabilities	29	(3,586)	(3,586)
-	(226)	Deferred tax liability		-	(268)
(110,326)	(110,326)	Net pensions liability	40	(103,870)	(103,870)
(322,549)	(322,775)	Long Term Liabilities		(346,874)	(347,142)
712,576	713,386	Net Assets		725,970	726,718
10,166	10,166	General Fund Balance		11,696	11,696
22,701	22,701	GF Earmarked Reserves Balance	12	28,408	28,408
-	810	Subsidiary Reserves		-	748
8,533	8,533	Housing Revenue Account		8,782	8,782
20,783	20,783	HRA Earmarked Reserves Balance	12	24,493	24,493
6,695	6,695	Major Repairs Reserve		1,806	1,806
30,392	30,392	Capital Receipts Reserve		24,659	24,659
4,259	4,259	Capital Grants Unapplied		5,270	5,270
5,604	5,604	Earmarked Capital Reserves	12	5,697	5,697
109,133	109,943	Usable Reserves		110,811	111,559
349,385	349,385	Revaluation Reserve		367,958	367,958
359,638	359,638	Capital Adjustment Account		346,110	346,110
1,102	1,102	Deferred Capital Receipts Reserve		6,056	6,056
(110,326)	(110,326)	Pensions Reserve		(103,870)	(103,870)
4,107	4,107	Collection Fund Adjustment Account		(690)	(690)
(463)	(463)	Other Unusable Reserves		(405)	(405)
603,443	603,443	Unusable Reserves		615,159	615,159
712,576	713,386	Total Reserves		725,970	726,718

These financial statements replace the unaudited financial statements confirmed by the Section 151 Officer on 13 May 2019.

Kieran Carrigan
Corporate Director (Section 151 Officer)
31 July 2019

Cash Flow Statement

2017/18			2018/19	
Council £000	Group £000		Council £000	Group £000
7,908	8,286	Net (surplus) or deficit on the provision of services	28,540	28,602
(17,558)	(17,558)	Depreciation	(20,642)	(20,642)
(11,891)	(12,002)	(Impairment and downward valuation) / Reversal of previous impairments	(21,454)	(20,876)
(109)	(109)	Amortisation	(114)	(114)
(615)	(615)	Movement in impairment provision for bad debts	(738)	(746)
1,480	1,210	Movement in creditors	(2,593)	(2,661)
2,108	1,930	Movement in debtors	(3)	(1,934)
(5)	(5)	Movement in inventories	(5)	(5)
(1,462)	(1,462)	Movement in pension liability	(9,383)	(9,383)
(6,563)	(6,586)	Carrying amount of non-current assets sold	(17,210)	(12,582)
(78)	(78)	Disposal costs of non-current assets sold	(69)	(69)
1,280	1,280	Movement in provisions	(457)	(457)
-	-	Movement in the value of investment properties	(2,240)	(2,240)
(33,413)	(33,995)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(74,908)	(71,709)
7,254	7,354	Proceeds from the sale of property, plant and equipment	7,442	7,602
6,381	6,381	Grants received for the financing of capital expenditure	6,013	7,101
13,635	13,735	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,455	14,703
(11,870)	(11,974)	Net cash flows from Operating Activities	(32,913)	(28,404)
9,211	9,315	Net cash flows from Investing Activities	46,380	41,871
3,028	3,028	Net cash flows from Financing Activities	(23,060)	(23,060)
369	369	Net (increase) or decrease in cash and cash equivalents	(9,593)	(9,593)
12,110	12,120	Cash and cash equivalents at the beginning of the reporting period	11,741	11,751
11,741	11,751	Cash and cash equivalents at the end of the reporting period	21,334	21,344

Notes to the Core Statements

General Notes

1 DATE ACCOUNTS AUTHORISED

These accounts were authorised for issue by the Section 151 Officer on 13 May 2019.

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 2018/19 these proper accounting practices principally comprise :

- the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)
- Update to the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (Code Update)
- the Service Reporting Code of Practice 2018/19 (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	Current value, comprising 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	Current value, comprising 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
Investment properties	Fair value
Pensions Assets	Fair value

The Code requires local authorities with interests in subsidiaries to prepare group accounts. These accounts comprise the consolidated financial statements of the Council and its subsidiary Sempra Homes Limited. In the Council's single-entirety accounts the interests in the company are recorded at cost, less any provision for losses. 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.

The accounting policies have been updated to incorporate IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Service Recipients following their adoption into the 2018/19 Code.

Detailed Accounting policies for these and all other areas can be found on page 80.

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.

Notes to the Core Statements

General Notes

Grants and contributions

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are deemed as restrictions or conditions and whether any conditions have been met, 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.

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. See Note 35 for details of the Council's 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 40 sets out the main assumptions.

In respect of the Council's pension arrangements a recent court ruling (known as the McCloud judgement) relates to age discrimination within the New Judicial Pension Scheme. It is likely that this judgement will affect LGPS members' past or future service benefits and as such, has been included within the obligations figures included in these accounts.

There are a number of potential outcomes to the case in how the remedy, and therefore how the additional obligation, could be calculated. The actuary acting for the Council's pension scheme has therefore assumed the following:

The case may find that unlawful discrimination has taken place and order the remedy to be applied to all members who were active at 31 March 2012 until their retirement.

IAS19 requires the actuary to place a best estimate value on liabilities and costs. Given the current uncertainty about the range of potential remedies the best estimate would require some judgement. The amounts included therefore represent a reasonable estimate of the costs likely to be incurred by the Council based on the above assumptions, rather than, at this stage, a matter of fact.

All leases are assessed under the requirements of International Financial Reporting Standards (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 2010 rating list is based on an assessment using local knowledge, the historical experience of appeals, information reported 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. At this stage the levels of checks and challenges are insignificant and no appeals have yet been made against properties on the Council's list, over the full life of the list however, exposure to losses could be substantial. Given the lack of any robust information, the Council's methodology adopted for the 2017 list uses the Government's national assumption on losses through appeal of 4.4% of yield, which is not markedly different from the experience to date on the 2010 list of 4.35%. The result is then adjusted for local factors that the Council is aware of. Taking both lists together, the overall provision at March 2019 is £11.5 million (2018 £7.8 million). Of this provision Basildon's share is £4.6 million (2018 £3.1 million). Should the appeals actually settled vary by +/- 1% this would represent approximately a £1.5 million difference from the sum provided of which Basildon's share would be £0.6 million.

Notes to the Core Statements

General Notes

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 2018/19 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 - £48.7 million for Basildon Borough Council's proportion (£184.6 million across all preceptors). Housing Benefits involve paying out sums in the region of £50.0 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £9.7 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. There are no material events since 31 March 2019 requiring an adjustment to the accounts.

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:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

It is not anticipated that these changes will be relevant to the Council.

IFRS 16 Leases has been issued to come into effect on 1 January 2019. Following the consultation on this standard CIPFA have deferred its adoption into the 2020/21 edition of the Accounting Code.

8 RESERVES

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

Usable Reserves	Reserves that can be used to meet future expenditure.
General Fund Balance	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.

Notes to the Core Statements

General Notes

Unusable Reserves	Reserves that exist for technical accounting purposes that cannot be used for any other purpose.
Revaluation Reserve	Gains on revaluation of non-current assets accumulated since 1 April 2007 not yet realised.
Capital Adjustment Account	Capital resources applied to meet past capital expenditure.
Deferred Capital Receipts	Proceeds from the sale of non-current assets not yet received.
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions.
Collection Fund Adjustment Account	Difference between the Council's share of actual council tax and business rates income for the year and the statutory amount that can be released to the General Fund.
Other unusable reserves comprising:	
Financial Instruments Adjustment Account	Unamortised premiums and discounts arising from premature redemption of debt.
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 (CIES), 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, or where any conditions have been met, 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.

Notes to the Core Statements

General Notes

Pensions costs

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

Council Tax and Business Rates

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

Unpaid Absences

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

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Note	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	Other Unusable Reserves	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	34	4,431	21,310	16,355	-	-	-	42,096	(7,522)	(34,574)	-	(42,096)
Amortisation of intangible assets		-	-	114	-	-	-	114	-	(114)	-	(114)
Movements in the fair value of investment properties	35	2,240	-	-	-	-	-	2,240	-	(2,240)	-	(2,240)
Revenue expenditure funded from capital under statute	39	1,189	-	-	-	-	-	1,189	-	(1,189)	-	(1,189)
Net gain/loss on sale of non-current assets		6,216	(2,858)	-	8,898	-	-	12,256	-	(17,210)	4,954	(12,256)
Costs of disposal funded from capital receipts		-	69	-	(69)	-	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		2,870	-	-	(2,870)	-	-	-	-	-	-	-
Capital grants, contributions and income in relation to donated assets credited to the CIES		(5,962)	(51)	-	-	1,011	(200)	(5,202)	-	5,202	-	5,202
Statutory provision for the repayment of debt	39	(1,267)	(91)	-	-	-	-	(1,358)	-	1,358	-	1,358
Capital expenditure charged against the General Fund and HRA Balances	39	(2,482)	-	-	-	-	293	(2,189)	-	2,189	-	2,189
Capital adjustments		7,235	18,379	16,469	5,959	1,011	93	49,146	(7,522)	(46,578)	4,954	(49,146)
Use of the Capital Receipts Reserve to finance capital expenditure	39	-	-	-	(11,692)	-	-	(11,692)	-	11,692	-	11,692
Use of the Major Repairs Reserve to finance capital expenditure	39	-	-	(21,358)	-	-	-	(21,358)	-	21,358	-	21,358
Financing adjustments		-	-	(21,358)	(11,692)	-	-	(33,050)	-	33,050	-	33,050
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services		11,024	2,515	-	-	-	-	13,539	-	-	(13,539)	(13,539)
Employer's contributions to Essex County Council Pension Scheme		(3,384)	(772)	-	-	-	-	(4,156)	-	-	4,156	4,156
Pensions costs (transferred to the Pensions Reserve)	40	7,640	1,743	-	-	-	-	9,383	-	-	(9,383)	(9,383)
Unpaid Absences (transferred to the Accumulated Absences Reserve)		(26)	(5)	-	-	-	-	(31)	-	-	31	31
Finance costs (transferred to the Financial Instruments Adjustments Account)		(27)	-	-	-	-	-	(27)	-	-	27	27
Council tax and business rate income (transferred to the Collection Fund Adjustment Account)		4,797	-	-	-	-	-	4,797	-	-	(4,797)	(4,797)
Other adjustments		4,744	(5)	-	-	-	-	4,739	-	-	(4,739)	(4,739)
Adjustments between accounting basis & funding basis under regulations		19,619	20,117	(4,889)	(5,733)	1,011	93	30,218	(7,522)	(13,528)	(9,168)	(30,218)

Notes to the Core Statements

General Notes

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Note	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	Other Unusable Reserves	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	34	9,219	7,106	13,124	-	-	-	29,449	(2,619)	(26,830)	-	(29,449)
Amortisation of intangible assets		-	-	109	-	-	-	109	-	(109)	-	-
Revenue expenditure funded from capital under statute	39	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	39	(1,281)	(84)	-	-	-	-	(1,365)	-	1,365	-	1,365
Capital expenditure charged against the General Fund and HRA Balances	39	(1,712)	(3,187)	-	-	-	685	(4,214)	-	4,214	-	4,214
Capital adjustments		6,201	2,798	13,233	1,851	(430)	685	24,338	(2,619)	(22,252)	533	(24,229)
Use of the Capital Receipts Reserve to finance new capital expenditure	39	-	-	-	(1,448)	-	-	(1,448)	-	1,448	-	1,448
Use of the Major Repairs Reserve to finance capital expenditure	39	-	-	(9,480)	-	-	-	(9,480)	-	9,480	-	9,480
Financing adjustments		-	-	(9,480)	(1,448)	-	-	(10,928)	-	10,928	-	10,928
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
Pensions costs (transferred to the Pensions Reserve)	40	988	474	-	-	-	-	1,462	-	-	(1,462)	(1,462)
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
Other adjustments		(1,712)	9	-	-	-	-	(1,703)	-	-	1,703	1,703
Adjustments between accounting basis & funding basis under regulations		5,477	3,281	3,753	403	(430)	685	13,169	(2,619)	(11,324)	774	(13,060)

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:

	2018/19				
	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	3,917	2,478	(2,035)	(55)	4,305
Community	(1)	140	-	-	139
Development and Regulation	373	801	2,124	-	3,298
Regeneration and Partnerships	(1,376)	262	-	-	(1,114)
Environment	(276)	1,121	-	-	845
Housing	1,144	253	-	-	1,397
Leisure and Open Spaces	(1,177)	334	-	-	(843)
General Fund	2,604	5,389	89	(55)	8,027
Housing Revenue Account	21,219	1,229	(8,141)	(5)	14,302
Cost of Services	23,823	6,618	(8,052)	(60)	22,329
Other income and expenditure	1,791	2,766	8,052	4,798	17,407
Adjustments to (Surplus) or Deficit on Provision of Services	25,614	9,384	-	4,738	39,736
Adjustments to General Fund balances	7,235	7,640	-	4,744	19,619
Adjustments to Housing Revenue Account balances	18,379	1,743	-	(5)	20,117
	25,614	9,383	-	4,739	39,736

	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
General Fund	7,370	(1,354)	2,379	5	8,400
Housing Revenue Account	3,834	(648)	(10,263)	11	(7,066)
Cost of Services	11,204	(2,002)	(7,884)	16	1,334
Other income and expenditure	(2,202)	3,464	7,884	(1,719)	7,427
Adjustments to (Surplus) or Deficit on Provision of Services	9,002	1,462	-	(1,703)	8,761
Adjustments to General Fund balances	6,204	988	-	(1,712)	5,480
Adjustments to Housing Revenue Account balances	2,798	474	-	9	3,281
	9,002	1,462	-	(1,703)	8,761

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.

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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

Expenditure	Council		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Employee expenses	42,474	41,176	42,474	41,176
Housing benefit	49,986	59,269	49,986	59,269
Other operating expenses	15,587	7,147	15,597	7,221
Support service recharges	19,992	24,099	19,992	24,099
Business rates tariff	24,692	23,972	24,692	23,972
Contribution to business rates pool	486	641	486	641
Depreciation, amortisation & impairment	42,210	29,558	41,631	29,669
Change in the fair value of investment properties	2,240	-	2,240	-
Interest payments - debt	9,960	10,703	9,960	10,703
Interest payments - pensions	2,766	3,464	2,766	3,464
Parish precepts	421	382	421	382
Loss on disposal of non-current assets	4,883	-	5,049	-
Payments to Housing Capital Receipts Pool	2,870	4,887	2,870	4,887
Total expenditure	218,567	205,298	218,164	205,483
Income				
Fees, charges & other service income	(73,719)	(71,251)	(73,435)	(71,264)
Gain on disposal of non-current assets	-	(613)	-	(690)
Interest & investment income	(712)	(440)	(519)	(376)
Income from council tax	(16,736)	(16,161)	(16,736)	(16,161)
Income from business rates	(31,013)	(31,164)	(31,013)	(31,164)
Grants & contributions	(67,847)	(77,761)	(67,837)	(77,761)
Total income	(190,027)	(197,390)	(189,540)	(197,416)
Surplus or Deficit on the Provision of Services	28,540	7,908	28,624	8,067

11a REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

	Council		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
General Fund	21,308	17,752	21,024	17,752
Housing Revenue Account	52,411	53,499	52,411	53,499
Revenue from contracts with service recipients	73,719	71,251	73,435	71,251
Impairment of receivables	(562)	(559)	(570)	(559)
Total	73,157	70,692	72,865	70,692

Amounts included in the balance sheet for contracts with service recipients are shown in the debtors note (receivables) and creditors note (receipts in advance).

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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 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	31 March 2019 £000
Pensions and Contingency Reserve	7,581	(4,036)	-	3,545	-	889	4,434
Insurance Pool	4,670	(415)	-	4,255	(100)	-	4,155
Development Equalisation	313	(313)	-	-	-	639	639
Sempra Equalisation	214	-	500	714	-	-	714
CAAS Equalisation ¹	-	-	300	300	-	500	800
IT Initiatives	1,419	-	2,161	3,580	(1,223)	-	2,357
Invest to Save	1,735	(40)	-	1,695	(195)	-	1,500
Employment Rationalisation	1,808	(566)	-	1,242	(710)	-	532
Treasury Management Reserve	850	(350)	-	500	-	-	500
Asset Management Reserve	1,802	-	855	2,657	(1,506)	-	1,151
Revenue Support	-	-	-	-	-	490	490
Business Rates Equalisation	3,324	-	889	4,213	-	6,923	11,136
Total General Fund	23,716	(5,720)	4,705	22,701	(3,734)	9,441	28,408
Asset Management Reserve	22,851	(2,668)	-	20,183	-	3,710	23,893
Treasury Management Reserve	600	-	-	600	-	-	600
Total HRA	23,451	(2,668)	-	20,783	-	3,710	24,493
Regeneration Reserve	3,310	-	200	3,510	(344)	-	3,166
Lifecycle Funds	1,609	(30)	515	2,094	-	437	2,531
Total Capital Reserves	4,919	(30)	715	5,604	(344)	437	5,697
Total	52,086	(8,418)	5,420	49,088	(4,078)	13,588	58,598

¹ 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 BDO (EY 2017/18) are set out below:

	2018/19 £'000	2017/18 £'000
External audit services carried out under the Code of Audit Practice	53	67
Other services provided during the year	16	34
Total External Audit Costs	69	101

In addition to the above, the Council received £9,950 PSAA Distribution in relation to the closure of the Audit Commission during 2017/18. The Group incurred a further £11,500 (£9,900 2017/18) for the audit of the financial statements of Sempra Homes Ltd plus £1,000 (£900 2017/18) for taxation compliance services. The appointed auditor for this purpose was Rickard Luckin Limited.

Notes to the Core Statements

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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 2018/19 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 £	Benefits in Kind £	Pension Contribution £	Total £
Executive Team							
Scott Logan Managing Director to 13 June 2018 then Chief Executive	2018/19	166,025	21,831	3,963	-	30,034	221,853
	2017/18	77,474	-	1,854	-	12,368	91,695
Commissioning Director People and Places (to 13/10/17)	2017/18	63,827	11,267	2,109	-	11,973	89,176
Corporate Director	2018/19	138,508	11,980	3,963	3,299	24,078	181,828
	2017/18	60,045	-	1,854	1,202	9,860	72,961
Commissioning Director Resourcing & Place (to 13/10/17)	2017/18	63,051	14,712	2,109	1,368	12,181	93,422
Service Director	2018/19	127,619	10,373	3,963	3,299	22,079	167,332
	2017/18	49,718	-	1,790	1,161	7,977	60,646
Head of Housing Services (to 19/10/17)	2017/18	56,043	7,857	1,316	1,409	10,201	76,827
Senior Leadership Team							
Assistant Director Growth Started 13 Aug 18	2018/19	62,638	-	1,523	1,146	10,022	75,329
	2017/18	-	-	-	-	-	-
Assistant Director Public Spaces Changed position 13 Apr 18	2018/19	96,884	5,693	2,400	-	16,393	121,370
	2017/18	14,307	-	371	-	2,289	16,967
Assistant Director Communities Changed position 13 Apr 18	2018/19	96,542	5,892	2,400	-	16,390	121,224
	2017/18	28,798	-	692	-	4,608	34,098
Assistant Director Resources Started 28 Jun 18	2018/19	73,152	-	1,820	-	11,704	86,676
	2017/18	-	-	-	-	-	-
Assistant Director Corporate Services Changed position 13 Apr 18	2018/19	96,038	6,507	2,400	-	-	104,944
	2017/18	82,139	8,842	2,400	-	-	93,381
Head of People & Change Started 1 May 18	2018/19	84,565	-	2,200	-	13,530	100,296
	2017/18	-	-	-	-	-	-
Head of Engagement Started 18 Feb 19	2018/19	10,217	-	279	-	1,635	12,130
	2017/18	-	-	-	-	-	-
Total	2018/19	952,188	62,275	24,910	7,744	145,865	1,192,982
Total	2017/18	495,402	42,678	14,495	5,140	71,458	629,172
Reconciling amount to agree to 2017/18 Accounts (see detail below)							1,447,916
Revised	2017/18						2,077,088

In addition to the remuneration in the table above the Chief Executive received £8,117 for the year in respect of his duties as Returning Officer.

Appointment to the positions in the Senior Leadership Team above was approved by the Staffing Matters Sub-Committee on 12 April 2018. Where existing Council employees took up post straight away, these have been calculated accordingly. The remaining posts were appointed to or filled during the course of the year. The Code requires that prior year comparators are only disclosed where the person in post is the same as the current postholder, however, as all of these were new posts, this does not provide an appropriate comparison with the costs for the prior year. The following table provides a reconciliation between the figure for 2017/18 disclosed above and the amount that was actually disclosed as part of the Council's accounts for 2017/18.

Notes to the Core Statements

General Notes

The following posts were disclosed as part of the 2017/18 accounts, but no longer meet the definition of Senior Officers, however in comparing years, these additional costs should be taken into account:

Chief Executive Left 31 July 2017

Head of Street Scene and Leisure Services Left 31 January 2018

Head of Customer Services Left 31 March 2018

Head of Regeneration & Economic Development Left 4 February 2018

Head of Regeneration and Economic Development Acting Up from 5 Feb 2018 (65%)

Head of Regeneration and Economic Development Acting Up from 5 Feb 2018 (35%)

Group Manager (Corporate Finance) Left 10 April 2018

Group Manager (Corporate Finance) Acting Up from 26 February 2018

Group Manager (Regulation)

Group Manager (HR & OD) Left 30 September 2017

Group Manager (Legal and Procurement)

Commercial Implementation and Change Manager

The cost of the above posts disclosed in the 2017/18 was £1,447,916

Total to match the Senior Officers figure disclosed in the 2017/18 accounts (including the total from the table above) is £2,077,088

Most of the duties of the above posts were transferred to the new Assistant Director posts and costs for officers remaining in post have been disclosed in the table below for Officers earning more than £50,000 where applicable.

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	
	2018/19	2017/18
£50,000 - £55,000	10	14
£55,001 - £60,000	12	6
£60,001 - £65,000	2	2
£65,001 - £70,000	3	1
£70,001 - £75,000	4	2
£80,001 - £85,000	2	3
£85,001 - £90,000	4	-
£90,001 - £95,000	1	-
Total	38	28

Notes to the Core Statements

General Notes

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	1	12	13	60,341
£20,001 - £40,000	1	2	3	69,199
£60,001 - £80,000	1	1	2	142,614
£220,001 - £240,000	1	-	1	236,718
Total 2018/19	4	15	19	508,872
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
Total 2017/18	35	19	54	663,611

Total cost of exits includes payments to individuals of £295,360 in 2018/19 (£461,218 2017/18) and strain on pension fund costs of £213,512 in 2018/19 (£202,393 2017/18) 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 CIES.

	2018/19 £'000	2017/18 £'000
Allowances	414	384
Expenses	1	1
Total	415	385

17 OTHER OPERATING INCOME AND EXPENDITURE

	Council		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Parish council precepts	421	382	421	382
Payments to the Government Housing Capital Receipts Pool	1,030	1,030	1,030	1,030
Payments to the Government 1:1 Capital Receipts	1,840	3,857	1,840	3,857
Impairment losses on assets held for sale	51	-	51	-
(Gains)/losses on the disposal of non current assets	4,883	(613)	5,049	(690)
Total	8,225	4,656	8,391	4,579

The loss on disposal for 2018/19 includes the cost of disposing of the new market site in St Martin's Square to Basildon Town Centre Management following redevelopment. The cost of constructing the market was met from external sources of financing as part of the partnership arrangements for the forthcoming development of the new college on the former market site.

Notes to the Core Statements

General Notes

18 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	Note	Council		Group	
		2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Interest payable and similar charges		9,960	10,703	9,960	10,703
Net interest on the net defined benefit liability	40	2,766	3,464	2,766	3,464
Interest receivable and similar income		(712)	(440)	(519)	(376)
Income and expenditure in relation to investment properties and changes in their fair value	35	928	-	928	-
Surplus or deficit on trading operations	21	(2,123)	(2,441)	(2,765)	(2,468)
Total		10,819	11,286	10,370	11,323

19 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	Note	2018/19 £'000	2017/18 £'000
Council tax income		(16,736)	(16,161)
Business rates income and expenditure	20	(5,835)	(6,551)
Non-specific government grants	22	(5,237)	(7,212)
Capital grants, contributions and donated assets	22	(6,013)	(6,381)
Total		(33,821)	(36,305)

Further capital grants of £1.088 million were received by the group in relation to the Shared Ownership Affordable Homes Programme.

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.

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
Business rates income	(31,013)	(31,164)
Tariff	24,692	23,972
Contribution to pool	486	641
Business Rates Income	(5,835)	(6,551)
Business rates compensation grants included in non-specific government grants	(2,072)	(1,733)
Net Retained Income relating to Business Rates	(7,907)	(8,284)

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 joined the Essex Region Pool on 1 April 2018 following the disbandment of the four authority pool with Thurrock, Havering, and Barking and Dagenham which the Council had been part of since 1 April 2014. Under the arrangement the levy rate on the total growth earned by the pool is 0.6% compared with 50% for Basildon on its own.

Notes to the Core Statements

General Notes

21 TRADING OPERATIONS

The Council operates industrial units, shop premises and other miscellaneous properties within the borough, 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	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Rental income	(4,645)	(4,727)	(4,873)	(4,939)
Other income	(45)	(51)	(45)	(51)
Direct operating expenses arising from trading operations	1,207	1,064	1,325	1,138
	(3,483)	(3,714)	(3,593)	(3,852)
Development costs	-	-	47	-
Depreciation, impairment and revaluation	1,360	1,273	781	1,384
Net (surplus)/deficit	(2,123)	(2,441)	(2,765)	(2,468)

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

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.

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(282)	(1,156)
New Homes Bonus	(1,767)	(3,439)
Business Rates Compensation Grants	(2,072)	(1,733)
Business Rates Levy Surplus	(86)	-
Transition Grant	-	(115)
Homelessness Support Grants	(798)	(522)
Other non specific grants	(232)	(247)
Non-ringfenced government grants	(5,237)	(7,212)
Credited to Taxation and Non Specific Grant Income		
Government contributions: Disabled Facilities Grant	(1,244)	(1,147)
Contributions towards market relocation	(74)	(3,990)
Contributions towards Eversley Sports Centre	(875)	-
Local Authority funding	-	(130)
Other non Government contributions	(1,636)	(290)
Donated assets	(2,184)	(824)
Capital Grants and Contributions	(6,013)	(6,381)
Total credited to Taxation and Non Specific Grant Income	(11,250)	(13,593)

Notes to the Core Statements

General Notes

	2018/19 £'000	2017/18 £'000
Credited to Services		
Central Government		
Department for Work and Pensions:		
Housing Benefit Subsidy	(49,892)	(58,740)
Discretionary grants	(824)	(600)
Ministry of Housing, Communities and Local Government	(966)	(665)
Election and Referendum funding	(42)	(42)
Other Government funding (individually below £75k)	(25)	(88)
	(51,749)	(60,135)
Local Authorities		
Essex County Council:		
Recycling Credits	(2,375)	(2,376)
Highways Maintenance	(217)	(217)
Collection Fund Sharing Agreement	(878)	(902)
Other Local Authority grants and contributions (individually below £75k).	(51)	(77)
	(3,521)	(3,572)
Non-Government		
Go Trade contributions	(471)	(59)
Developer contributions	(538)	(64)
Other non Government grants and contributions (individually below £80k).	(318)	(338)
	(1,327)	(461)
Revenue Grants and Contributions credited to Services	(56,597)	(64,168)

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 2019 £'000	31 March 2018 £'000
Capital Grants & Contributions		
Local Authority funding - Essex County Council	28	28
Market relocation	1,750	-
Developer contributions	1,518	1,584
Credited to Receipts in Advance in the Balance Sheet	3,296	1,612

	31 March 2019 £'000	31 March 2018 £'000
Revenue Grants & Contributions		
Government funding	12	51
Local Authority funding	88	41
Non Government support	53	350
Credited to Receipts in Advance in the Balance Sheet	153	442

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.

Notes to the Core Statements

General Notes

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 2018/19 were £25,625 (£25,625 2017/18).

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:

	2018/19 £'000	2017/18 £'000
<u>Long-term assets</u>		
Investment in subsidiary (ordinary shares of £1)	3,502	875
Loan	6,249	903
<u>Short-term debtors</u>		
Cash management borrowings	978	256
Other amounts due to the Council	1,616	326
<u>Comprehensive Income and Expenditure</u>		
Administrative expenses	181	189
Finance costs	101	64
Other costs	163	10

During the year non-current assets of £4,728k were transferred to Sempra at a cost of £4,954k.

In calculating the net loss for the period the Company provided for income tax of £20k (£219k deferred tax 2017/18) to be offset against tax losses brought forward, which has been consolidated into the Group accounts.

The consolidated balance sheet shows a balance of £745k in respect of Subsidiary Reserves. This is made up of retained profits at start of year of £810k, to which the loss for the year of £65k is added. To follow proper accounting practice, a value of £1,676k 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.

Sempra Homes Ltd

	31 March 2019 £000	31 March 2018 £000
Comprehensive Expenditure Statement		
Gain on disposal of property	(60)	(77)
Rental income	(228)	(212)
Cost of sales	47	62
Gross Profit	(241)	(227)
Development costs	208	-
Administrative expenses	277	211
Finance costs	101	64
Change in fair value of investment properties	(261)	(1,406)
(Surplus)/Deficit from trading operations	84	(1,358)
Income tax (deferred)	(22)	219
Total Comprehensive (income) / expenditure	62	(1,139)

Notes to the Core Statements

General Notes

	31 March 2019 £000	31 March 2019 £000
Statement of Shareholder's Equity		
Shareholder's Equity at 1 April	3,502	875
Retained gains / (losses) at 1 April	810	(329)
Income / (expenditure) for the year	(62)	1,139
Shareholder's Equity at 31 March	4,250	1,685

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

	Council		Group	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Non current debtors				
Loan to Subsidiary	6,249	904	-	-
Other entities and individuals	199	202	199	202
Total non current debtors	6,448	1,106	199	202

	31 March 2019			
	Council		Group	
	Receivables £'000	Impairment Allowance £'000	Net £'000	Net £'000
Amounts falling due within one year				
Council tenants arrears	4,157	(2,191)	1,966	1,966
Housing benefit overpayments	7,627	(3,050)	4,577	4,577
Trade debtors	4,421	(1,888)	2,533	1,191
Capital debtors	718	-	718	1,142
Amounts due from subsidiary	2,593	-	2,593	1,360
Accrued income	1,071	-	1,071	1,071
Financial assets at contract amounts	20,587	(7,129)	13,458	11,307
Business rates and council tax payers arrears	3,996	(1,778)	2,218	2,218
Amounts due from government	2,168	-	2,168	2,168
Amounts due from preceptors	2,227	-	2,227	2,227
Prepayments	1,895	-	1,895	1,900
Total short term debtors	30,873	(8,907)	21,966	19,820

	31 March 2018			
	Council		Group	
	Receivables £'000	Impairment Allowance £'000	Net £'000	Net £'000
Amounts falling due within one year				
Council tenants arrears	4,259	(2,191)	2,068	2,068
Housing benefit overpayments	7,953	(3,181)	4,772	4,772
Trade debtors	4,749	(1,339)	3,410	3,410
Capital debtors	48	-	48	48
Amounts due from subsidiary	582	-	582	-
Accrued income	917	-	917	924
Financial assets at contract amounts	18,508	(6,711)	11,797	11,222
Business rates and council tax payers arrears	3,962	(1,458)	2,504	2,504
Amounts due from government	3,534	-	3,534	3,534
Amounts due from preceptors	1,814	-	1,814	1,814
Prepayments	1,962	-	1,962	1,970
Total short term debtors	29,780	(8,169)	21,611	21,044

Notes to the Core Statements

General Notes

26 CREDITORS

	Council		Group	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Amounts falling due within one year				
Trade creditors	(6,687)	(5,408)	(6,687)	(5,408)
Capital creditors	(3,415)	(2,453)	(5,366)	(2,535)
Accrued expenses	(2,466)	(1,702)	(2,491)	(1,716)
Financial liabilities at contract amounts	(12,568)	(9,563)	(14,544)	(9,659)
Amounts due to government and preceptors for business rates	(6,644)	(10,947)	(6,644)	(10,947)
Other amounts due to government and preceptors	(3,361)	(3,065)	(3,361)	(3,065)
Receipts in advance	(2,620)	(2,211)	(2,637)	(2,213)
Total short term creditors	(25,193)	(25,786)	(27,186)	(25,884)

27 PROVISIONS

	Long-term	Short-term		
	Insurance Pool £'000	Business Rates Appeals £'000	Litigation & Other Costs £'000	Total Short-Term £'000
Balance at 1 April 2018	(2,032)	(3,130)	(451)	(3,581)
Additional provisions	(686)	(1,942)	-	(1,942)
Amounts used	205	472	-	472
Unused amounts reversed	1,394	-	100	100
Balance at 31 March 2019	(1,119)	(4,600)	(351)	(4,951)

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 2021/22). 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.

Notes to the Core Statements

General Notes

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.

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 2019 £'000	Repaid in year £'000	Additions in year £'000	31 March 2018 £'000
Other land and buildings	1,817	-	-	1,817
Vehicles, plant and equipment	2,483	(724)	218	2,989
	4,300	(724)	218	4,806

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 2019 £'000	31 March 2018 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	714	710
Payable between two and five years	1,590	2,089
Payable after five years	1,996	2,007
	4,300	4,806
Finance costs payable in future years (not discounted)	13,615	13,973
Minimum lease payments	17,915	18,779

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	1,122	1,206	714	710
Later than one year and not later than five years	2,479	3,218	1,590	2,089
Later than five years	14,314	14,355	1,996	2,007
	17,915	18,779	4,300	4,806

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 2018/19, £232,829 in contingent rents was payable by the Council (£213,585 2017/18). 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 2019 the minimum payments expected to be received under non-cancellable sub-leases was £881,963 (£1,104,067 at 31 March 2018).

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 2019 £'000	31 March 2018 £'000
Finance lease debtor (net present value of minimum lease payments)	198	198
Unearned finance income	2,266	2,302
Unguaranteed residual value of property	65	65
Gross investment in the lease	2,529	2,565

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 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	36	36	-	-
Later than one year and not later than five years	143	143	-	-
Later than five years	2,350	2,386	198	198
	2,529	2,565	198	198

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 2019 (£24,000 at 31 March 2018).

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 2018/19, £103,162 was receivable by the Council in respect of contingent rents (£98,346 2017/18).

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 2019 £'000	31 March 2018 £'000
Not later than one year	4,156	2,038
Later than one year and not later than five years	14,009	4,760
Later than five years	20,990	5,506
Future minimum lease payments due under non-cancellable leases in future years	39,155	12,304

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 2018/19 £139,606 contingent rents were receivable by the Council (£172,292 2017/18).

Notes to the Core Statements

Financial Instrument Notes

30 CATEGORIES OF FINANCIAL INSTRUMENTS

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

	31 March 2019					
	Council			Group		
	Financial assets/ liabilities £000	Non-financial assets / liabilities £000	Total £000	Financial assets/ liabilities £000	Non-financial assets / liabilities £000	Total £000
Investment in subsidiary	3,502	-	3,502	-	-	-
Debtors	6,448	-	6,448	199	-	199
Total non-current assets	9,950	-	9,950	199	-	199
Investments (fixed term deposits)	46,048	-	46,048	46,048	-	46,048
Debtors	13,458	8,508	21,966	11,307	8,513	19,820
Cash equivalents	21,321	13	21,334	21,331	13	21,344
Total current assets	80,827	8,521	89,348	78,686	8,526	87,212
Borrowing	(238,299)	-	(238,299)	(238,299)	-	(238,299)
Finance lease liabilities	(3,586)	-	(3,586)	(3,586)	-	(3,586)
Total non-current liabilities	(241,885)	-	(241,885)	(241,885)	-	(241,885)
Borrowing	(3,025)	-	(3,025)	(3,025)	-	(3,025)
Creditors	(12,568)	(12,625)	(25,193)	(14,544)	(12,642)	(27,186)
Total current liabilities	(15,593)	(12,625)	(28,218)	(17,569)	(12,642)	(30,211)

	31 March 2018					
	Council			Group		
	Total financial assets/ liabilities £000	Non-financial assets / liabilities £000	Total £000	Total financial assets/ liabilities £000	Non-financial assets / liabilities £000	Total £000
Investment in subsidiary	875	-	875	-	-	-
Debtors	1,106	-	1,106	202	-	202
Total non-current assets	1,981	-	1,981	202	-	202
Investments (fixed term deposits)	71,064	-	71,064	71,064	-	71,064
Debtors	11,797	9,814	21,611	11,222	9,822	21,044
Cash equivalents	12,005	25	12,030	12,005	25	12,030
Total current assets	94,866	9,839	104,705	94,291	9,847	104,138
Borrowing	(206,095)	-	(206,095)	(206,095)	-	(206,095)
Finance lease liabilities	(4,096)	-	(4,096)	(4,096)	-	(4,096)
Total non-current liabilities	(210,191)	-	(210,191)	(210,191)	-	(210,191)
Borrowing	(6,591)	-	(6,591)	(6,591)	-	(6,591)
Creditors	(9,563)	(16,223)	(25,786)	(9,659)	(16,225)	(25,884)
Cash equivalents	(289)	-	(289)	(279)	-	(279)
Total current liabilities	(16,443)	(16,223)	(32,666)	(16,529)	(16,225)	(32,754)

Notes to the Core Statements

Financial Instrument Notes

31 INCOME, EXPENSE, GAINS AND LOSSES

The following items are included in the Surplus or Deficit on provision of services.

	Council		Group	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Borrowing	9,192	9,622	9,192	9,622
Finance lease liabilities	496	526	496	526
Interest expense on financial liabilities measured at amortised cost	9,688	10,148	9,688	10,148
Non-financial liabilities	272	555	272	555
Total interest expense	9,960	10,703	9,960	10,703
Interest and similar income				
Investments (fixed term deposits)	(333)	(287)	(333)	(287)
Debtors	(228)	(101)	(36)	(37)
Cash equivalents	(151)	(52)	(150)	(52)
Interest income on financial assets measured at amortised cost	(712)	(440)	(519)	(376)
Total interest income	(712)	(440)	(519)	(376)

The range of interest rates payable on PWLB borrowing at 31 March 2019 was from 2.06% to 15.25%, weighted average 3.99% (4.76% at 31 March 2018).

32 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Council invests in low volatility net asset value (LVNAV) money market funds, which can be withdrawn at anytime, and as such there is no significant difference between fair value and amortised cost. All financial assets and liabilities are therefore 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.

	2018/19			2017/18		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
Borrowing (PWLB)	(238,301)	(240,574)	(315,955)	(209,801)	(211,936)	(279,502)
Borrowing (non-PWLB)	(750)	(750)	(778)	(750)	(750)	(1,024)
Finance lease liabilities	(4,300)	(4,300)	(4,300)	(4,806)	(4,806)	(4,806)
Bank current accounts	-	-	-	(279)	(279)	(279)
Creditors	(13,830)	(13,830)	(13,830)	(8,949)	(8,949)	(8,949)
Total financial liabilities held at amortised cost (Group)	(257,181)	(259,454)	(334,863)	(224,585)	(226,720)	(294,560)
Investments	46,000	46,048	46,064	71,000	71,064	71,054
Cash equivalents	21,331	21,331	21,331	12,005	12,005	12,005
Debtors	11,506	11,506	11,506	11,424	11,424	11,424
Total financial assets held at amortised cost (Group)	78,837	78,885	78,901	94,429	94,493	94,483

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.

Notes to the Core Statements

Financial Instrument Notes

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 Capital, Treasury and Investment Strategy Report. These strategies provide principles for overall risk management, and are supplemented by written procedure notes.

The Capital, Treasury and Investment Strategy Report for 2018/19 was approved by Full Council on 8 February 2018, and can be found on the Council's website.

Credit Risk

Asset Type	Credit Risk Management Practices	Estimation of Impairment Loss Allowance
Loans to other local authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks and other financial institutions	Deposits are restricted by the Council's investment strategy to institutions that meet minimum credit ratings from the three major credit ratings agencies, there are also restrictions on the amounts and duration of deposits that can be invested with any given financial institution. All deposits held at 31 March 2019 therefore have low credit risk.	All of the investments made by the Council are either on call (available for same day withdrawal) or for fixed durations of less than 12 months with government backed institutions (other local authorities and Debt Management Office) and as such, no credit losses are expected.
Loans to subsidiary	Loans are subject to internal credit rating, based on an assessment of the audited accounts. A significant increase in credit risk since initial recognition arises when a loan's categorisation changes adversely.	To the extent that any investments with the Council's subsidiary company remain below the carrying value of the assets of the company, no credit loss is calculated. To protect its position in this regard, the Council has a floating charge over the assets of Sempra Homes Ltd in the form of a debenture.
Other debtors	Debtors are not subject to internal credit rating and have been grouped for the purposes of calculating expected credit losses. The groupings used relate to the nature of the debt. Balances are written off when there is no realistic prospect of recovery.	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.

Financial assets are deemed to be in default when the Council assesses that a borrower becomes unlikely to pay any contractual amounts of principal or interest (or at the latest when payments have not been made more than 30 days after they were due).

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 2019 £'000	31 March 2018 £'000
Less than one year	3,000	6,500
Between one and two years	3,500	3,000
Between two and five years	11,662	11,750
Between five and ten years	50,413	35,325
Between ten and fifteen years	47,000	25,000
Between fifteen and twenty years	69,051	71,051
Between twenty and twenty five years	33,000	30,000
More than twenty five years	21,425	27,925
Principal amount (borrowing)	239,051	210,551

Notes to the Core Statements

Financial Instrument Notes

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 on such resources. In the Council's assessment, at 31 March 2019, 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 2018/19	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant & Equipment	Subsidiary Consolidation	Group Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:									
At 1 April 2018	814,517	125,332	16,115	8,361	10,781	48	975,154	3,383	978,537
Additions	24,506	1,816	1,470	60	7,390	-	35,242	6,156	41,398
Donations	-	2,184	-	-	-	-	2,184	-	2,184
Disposals	(4,116)	(4,550)	(169)	-	(8,653)	-	(17,488)	4,628	(12,860)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(13,767)	(321)	-	-	(757)	-	(14,845)	-	(14,845)
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	(922)	-	-	-	-	(922)	-	(922)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,993	2,092	-	-	-	-	9,085	-	9,085
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,862)	(604)	-	-	-	-	(7,466)	578	(6,888)
Other movements in cost or valuation - Reclassifications	12	-	-	-	(12)	-	-	-	-
At 31 March 2019	821,283	125,027	17,416	8,421	8,749	48	980,944	14,745	995,689
Accumulated Depreciation and Impairments:									
At 1 April 2018	-	468	9,439	-	-	1	9,908	-	9,908
Depreciation Charge for year	16,323	2,999	1,320	-	-	-	20,642	-	20,642
Depreciation eliminated on Disposals	(82)	(37)	(159)	-	-	-	(278)	-	(278)
Depreciation written out to the Revaluation Reserve	(16,137)	(1,795)	-	-	-	-	(17,932)	-	(17,932)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(104)	(804)	-	-	-	-	(908)	-	(908)
At 31 March 2019	-	831	10,600	-	-	1	11,432	-	11,432
Net Book Value:									
At 31 March 2019	821,283	124,196	6,816	8,421	8,749	47	969,512	14,745	984,257
At 1 April 2018	814,517	124,864	6,676	8,361	10,781	47	965,246	3,383	968,629
Group Net Book Value:									
At 31 March 2019	821,283	130,211	6,816	8,421	17,479	47	984,257		
At 1 April 2018	814,517	128,247	6,676	8,361	10,781	47	968,629		

Notes to the Core Statements

Capital Notes

34 PROPERTY, PLANT AND EQUIPMENT (cont.)

Comparative Movements in 2017/18	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant & Equipment	Subsidiary Consolidation	Group Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:									
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	(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)
At 31 March 2018	814,517	125,332	16,115	8,361	10,781	48	975,154	3,383	978,537
Accumulated Depreciation and Impairments:									
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)	-	-	-
At 31 March 2018	-	468	9,439	-	-	1	9,908	-	9,908
Net Book Value:									
At 31 March 2018	814,517	124,864	6,676	8,361	10,781	47	965,246	3,383	968,629
At 1 April 2017	652,691	133,904	8,392	8,361	7,358	198	810,904	1,263	812,167
Group Net Book Value:									
At 31 March 2018	814,517	128,043	6,676	8,361	10,985	47	968,629		
At 1 April 2017	652,691	135,167	8,392	8,361	7,358	198	812,167		

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:	-	-	17,416	8,421	8,749	-	34,586
Carried at fair value as at:							
31.3.2019	821,283	106,641	-	-	-	48	927,972
31.3.2018	-	18,386	-	-	-	-	18,386
Gross Book Value at 31 March 2019	821,283	125,027	17,416	8,421	8,749	48	980,944

35 INVESTMENT PROPERTIES

The Council carries assets as investment properties when they are held solely for rental income generation or capital appreciation and for no other purpose. The table below reflects the value of commercial assets purchased during the year by the Council in Stevenage, Bath, Richmond and Tunbridge Wells.

	2018/19 £'000
Balance at start of the year	-
Additions	41,569
Net gains/(losses) from fair value adjustments	(2,240)
Balance at end of the year	39,329

The reduction in fair value for the table above reflects the costs of purchasing the assets, including fees and administrative expenses that are not included in the carrying value of the assets. The Council did not borrow for these elements of the purchase price.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

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

	2018/19 £'000
Rental income	(1,347)
Other income	(30)
Direct operating expenses	65
	(1,312)
Change in the fair value of investment properties	2,240
Net (surplus)/deficit	928

Fair value measurement

The fair value for the commercial properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Notes to the Core Statements

Capital Notes

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Fair values are measured annually at each reporting date. The valuations were carried out by the Council's Principal Estates Surveyor and CBRE, a leading firm of Chartered Surveyors.

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

36 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2019 was £22,721,688 including fees (£2,900,117 at 31 March 2018). The increase from last year is due, in the main, to works to East Square, Wickford Community Centre and programmed works to other council facilities.

In addition, Semptra Homes Ltd was committed to £5,909,960 including sums for construction and land transfer at the Space site, Bowers Terrace, and phase 5 of the New Build Housing programme. Therefore, capital commitments of the Group at 31 March were £28,631,648 (£6,237,944 2017/18).

37 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.

The carrying amount of the intangible asset is amortised over its useful life. Amortisation for the period is charged to the Housing Revenue Account in the Cost of Services and reversed to the Capital Adjustment Account in the Movement in Reserves Statement.

	2018/19 £'000	2017/18 £'000
Balance outstanding at start of year	1,028	-
Additions	-	55
Other movements and reclassifications	-	1,082
Amortisation for the period	(114)	(109)
Net carrying amount at end of year	914	1,028
Comprising:		
Gross carrying amount	1,137	1,137
Accumulated amortisation	(223)	(109)
Balance outstanding at end of year	914	1,028

38 ASSETS HELD FOR SALE

	2018/19 £'000	2017/18 £'000
Balance outstanding at start of year	291	-
Assets newly classified as held for sale - Donated Asset	-	291
Impairment losses	(51)	-
Balance outstanding at end of year	240	291

Notes to the Core Statements

Capital Notes

39 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.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	259,322	256,156
<u>Capital Expenditure</u>		
Property, Plant and Equipment and Intangible Assets:		
General Fund	11,209	10,226
Housing Revenue Account	26,217	14,585
Investment Properties	41,569	-
	78,995	24,811
Investment in Subsidiary	2,627	-
Loan to Subsidiary	5,345	533
<u>Revenue expenditure funded from capital under statute:</u>		
Disabled Facilities Grants	1,189	940
Total Capital Expenditure to be Financed	88,156	26,284
Sources of Finance:		
Capital receipts	11,692	1,448
Government grants and other contributions	5,202	6,611
Major Repairs Reserve	21,358	9,480
Direct revenue contributions	2,189	4,214
Sums set aside from revenue:		
Minimum Revenue Provision	1,358	1,365
Total Financing	41,799	23,118
Closing Capital Financing Requirement	305,679	259,322
Analysis by Fund:		
General Fund	100,651	53,763
HRA	205,028	205,559
Closing Capital Financing Requirement	305,679	259,322
Explanation of movements in year:		
Increase/(Decrease) in underlying need for borrowing	46,139	2,664
Assets acquired under finance leases	218	502
Increase/(Decrease) in Capital Financing Requirement	46,357	3,166

Notes to the Core Statements

Pension Notes

40 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 at 31 March 2019 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:

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	336,406	328,570
Fair value of plan assets	(232,536)	(218,244)
Net liability arising from the defined benefit obligation	103,870	110,326

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2020 is £4.0 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:

	2018/19 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Service cost comprising:		
- Current service cost	8,016	8,473
- Administration expense	89	79
- Settlements	-	145
- Past service costs, including curtailments	2,668	537
<i>Financing and Investment Income and Expenditure:</i>		
Net interest on the defined liability	2,766	3,464
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	13,539	12,698
<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)	(12,248)	(9,201)
- Actuarial gains and losses arising from changes in demographic assumptions	(18,562)	-
- Actuarial gains and losses arising from changes in financial assumptions	14,971	(15,408)
	(15,839)	(24,609)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(2,300)	(11,911)
Movement in Reserves Statement	2018/19 £'000	2017/18 £'000
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	13,539	12,698
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(9,383)	(1,462)
Actual amount charged against Council Tax for pensions in the year:		
Employers' contributions payable to the scheme	4,156	11,236
Reconciliation of the movements in the Fair Value of Scheme Assets	2018/19 £'000	2017/18 £'000
Opening Balance at 1 April	218,244	199,659
Actual return on scheme assets (less administrative expense)	12,248	9,201
Interest income	5,522	5,445
Administration expenses	(89)	(79)
Contributions by scheme participants	1,509	1,506
Employer contributions including unfunded	4,156	11,236
Settlement prices paid	-	92
Benefits paid including unfunded	(9,054)	(8,816)
Closing Balance at 31 March	232,536	218,244

Notes to the Core Statements

Pension Notes

	2018/19 £'000	2017/18 £'000
Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)		
Opening Balance at 1 April	328,570	333,132
Current service cost	8,016	8,473
Interest cost	8,288	8,909
Contributions from scheme participants	1,509	1,506
Remeasurements of the net defined benefit liability:		
- Actuarial gains and losses arising from changes in demographic assumptions	(18,562)	-
- Actuarial gains and losses arising from changes in financial assumptions	14,971	(15,408)
Past service costs, including curtailments	2,668	537
Liabilities extinguished on settlements	-	237
Benefits paid	(9,054)	(8,816)
Closing Balance at 31 March	336,406	328,570

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 2019		31 March 2018	
	£'000	%	£'000	%
Equity investments	144,775	62%	142,438	65%
Gilts and bonds	25,932	11%	22,626	10%
Property	20,676	9%	20,702	10%
Cash and other investments	41,153	18%	32,478	15%
	232,536	100%	218,244	100%

Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2019, 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.

Allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. The estimated potential impact on the total liabilities at 31 March 2019 has been allowed for as a past service cost. It is currently unclear how this judgement may affect LGPS members' past or future service benefits.

The principal assumptions used by the actuary are as follows:

	31 March 2019	31 March 2018
Assumed life expectancy from age 65 (years)		
Assumed longevity retiring at current date		
- Males	21.3	22.2
- Females	23.6	24.7
Assumed longevity retiring in 20 years		
- Males	22.9	24.4
- Females	25.4	27.0

The mortality projections above have been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure.

Notes to the Core Statements

Pension Notes

	31 March 2019	31 March 2018
Financial assumptions:		
Rate of inflation - RPI	3.40%	3.30%
Rate of inflation - CPI	2.40%	2.30%
Rate of increase in salaries	3.90%	3.80%
Rate of increase in pensions	2.40%	2.30%
Rate for discounting scheme liabilities	2.40%	2.55%
Other assumptions:		
Take-up of option to pay 50% of contributions for 50% of benefits	10.0%	10.0%
Take-up of option to convert annual pension into retirement lump sum	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 £8.194 million. 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%	330,367	(194)	8,000
	-0.1%	342,563	199	8,393
Long-term salary increase	+0.1%	336,998	-	8,194
	-0.1%	335,819	-	8,194
Pension increases and deferred revaluation	+0.1%	341,965	199	8,393
	-0.1%	330,948	(194)	8,000
Mortality age rating assumption	+ 1 year	348,651	271	8,465
	- 1 year	324,596	(263)	7,931

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:

		2019/20 £'000
Ongoing rate	16.0%	3,562
Total		3,562

The cost of the ongoing rate is based on an estimated pensionable payroll of £22.260 million and will change to the extent that the actual payroll differs from this figure. A deficit payment of £7.057 million 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

41 CASH AND CASH EQUIVALENTS

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

	Council		Group	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Cash held by the Council	13	25	13	25
Short-term deposits	19,014	12,005	19,014	12,005
Bank current accounts	(970)	-	(960)	-
Special Interest Bearing Account (SIBA)	3,277	-	3,277	-
Cash and cash equivalents	21,334	12,030	21,344	12,030
Bank current accounts	-	(1,080)	-	(1,070)
Special Interest Bearing Account (SIBA)	-	791	-	791
Cash and cash equivalents (overdrawn)	-	(289)	-	(279)
Total cash and cash equivalents	21,334	11,741	21,344	11,751

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

42 CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	Council		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Interest received	(714)	(430)	(521)	(366)
Interest paid	9,953	10,624	9,953	10,624
Net interest included in operating activities	9,239	10,194	9,432	10,258

43 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	Council		Group	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	75,631	23,254	79,918	23,458
Purchase of long-term investment	7,972	-	-	-
Proceeds from the sale of property, plant and equipment	(6,824)	(6,656)	(6,984)	(6,756)
Proceeds from short-term investments	(25,000)	(2,000)	(25,000)	(2,000)
Capital grants received	(5,393)	(5,357)	(6,057)	(5,357)
Other receipts from investing activities	(6)	(30)	(6)	(30)
Net cash flows from investing activities	46,380	9,211	41,871	9,315

44 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Cash receipts of short and long-term borrowing	(35,000)	-
Other receipts from financing activities	-	(3,424)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	724	1,031
Repayments of short and long-term borrowing	6,500	4,500
Other payments for financing activities	4,716	921
Net cash flows from financing activities	(23,060)	3,028

Notes to the Core Statements

Cash Flow Notes

44A RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 March 2018 £'000	Financing cashflows £'000	Non-cash acquisitions £'000	Other non- cash changes £'000	31 March 2019 £'000
Long-term borrowings	(206,095)	(35,000)	-	2,796	(238,299)
Short-term borrowings	(6,591)	6,500	-	(2,934)	(3,025)
Finance lease liabilities	(4,806)	724	-	-	(4,082)
Total liabilities from financing activities	(217,492)	(27,776)	-	(138)	(245,406)

	31 March 2017 £'000	Financing cashflows £'000	Non-cash acquisitions £'000	Other non- cash changes £'000	31 March 2018 £'000
Long-term borrowings	(212,686)	-	-	6,591	(206,095)
Short-term borrowings	(4,552)	4,500	-	(6,539)	(6,591)
Finance lease liabilities	(5,335)	1,031	(502)	-	(4,806)
Total liabilities from financing activities	(222,573)	5,531	(502)	52	(217,492)

Other non-cash changes include movements between short-term and long-term borrowings and movements in accrued interest.

Housing Revenue Account

HRA Income and Expenditure Statement

Expenditure	Note	2018/19 £'000	2017/18 £'000
Repairs and maintenance		11,258	10,187
Supervision and management		12,908	14,139
Rents, rates, taxes and other charges		226	233
Depreciation and impairment of non-current assets (net of revaluation gains)	5	37,779	20,339
Debt management costs		54	57
Movement in the allowance for bad debts		529	373
Total Expenditure		62,754	45,328
Income			
Dwelling rents	1	(47,871)	(48,528)
Non-dwelling rents		(19)	-
Charges for services and facilities		(4,024)	(4,463)
Contributions towards expenditure		(497)	(508)
Total Income		(52,411)	(53,499)
Net (Income) / Expenditure of HRA Services as included in the whole authority Comprehensive Income & Expenditure Statement		10,343	(8,171)
HRA share of expenditure charged to Corporate and Central in the CIES		329	322
Net (Income)/Expenditure of HRA Services		10,672	(7,849)
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(Gain)/Loss on sale of HRA non-current assets		(2,789)	(906)
Interest payable and similar charges		7,812	9,940
Net interest on the net defined benefit liability		514	1,122
Capital grants, contributions and donated assets		(51)	(131)
(Surplus)/Deficit for the year on HRA services		16,158	2,176

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	2018/19 £'000	2017/18 £'000
Balance on the HRA at the end of the previous year	(8,533)	(4,760)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	16,158	2,176
Adjustments between accounting basis and funding basis under the legislative framework	(20,117)	(3,281)
Net (increase)/decrease before transfers to or from reserves	(3,959)	(1,105)
Transfers to or from earmarked reserves:	3,711	(2,668)
(Increase)/decrease in year on the HRA	(248)	(3,773)
Balance on the HRA at the end of the current year	(8,781)	(8,533)

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	2018/19 £'000	2017/18 £'000
(Gain)/loss on sale of HRA non-current assets	2,789	906
HRA share of contributions to or from the Pensions Reserve	(1,743)	(474)
Revaluation gains and impairment losses (charged to SDPS)	5 (21,310)	(7,106)
Provision for the repayment of debt	91	84
Capital expenditure funded by the HRA	-	3,187
Capital grants transferred to the Capital Adjustment Account	51	131
Depreciation transferred to the Capital Adjustment Account	5 (16,469)	(13,233)
Absences accrual transferred to the Accumulated Absences Account	5	(9)
Transfer to Major Repairs Reserve	16,469	13,233
Net additional amount required by statute to be debited (credited) to the HRA	(20,117)	(3,281)

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

	2018/19 £'000	2017/18 £'000
Dwellings	(48,511)	(49,058)
Less: Void properties	640	530
Total income from dwelling rents	(47,871)	(48,528)

Rent loss due to void dwellings was 1.3% in the year (1.1% in 2017/18). The average weekly rent in 2018/19 was £86.82, which was £0.23 below the average for the previous year (£87.05).

2 RENT ARREARS

	31 March 2019 £'000	31 March 2018 £'000
Current tenants	2,490	2,530
Former tenants	1,731	1,456
Total gross rent arrears	4,221	3,986
Less: Allowance for uncollectable rents	(2,100)	(2,100)
Total net rent arrears	2,121	1,886

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 £842,521 at 31 March 2019 (£702,036 at 31 March 2018).

3 ANALYSIS OF HOUSING STOCK

The Council was responsible for 10,804 dwellings at the end of the year (10,810 at 31 March 2018) including the Council's share of shared ownership dwellings, equivalent to 107 wholly owned dwellings at 31 March 2019, (110 at 31 March 2018).

	31 March 2019	31 March 2018
<i>Analysis by type of dwelling:</i>		
Houses and bungalows	6,120	6,115
Flats and maisonettes	4,684	4,695
Total dwellings	10,804	10,810
<i>Change in stock during the year:</i>		
Stock at 1 April	10,810	10,844
Purchases and donations	50	26
Sales and other disposals	(56)	(60)
Total dwellings	10,804	10,810

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 2019 £'000	31 March 2018 £'000
<i>Property, plant and equipment</i>		
Dwellings	821,283	814,517
Other land and buildings	15	-
Vehicles, plant and equipment	371	413
Assets under construction	564	1,253
<i>Intangible assets</i>	914	1,028
Total value of housing assets	823,147	817,211

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 £2,161.3 million at 31 March 2019. The difference of £1,340.0 million 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 2019			31 March 2018		
	Depreciation £'000	Impairment £'000	Revaluation £'000	Depreciation £'000	Impairment £'000	Revaluation £'000
<i>Property, plant and equipment</i>						
Dwellings	16,323	13,767	6,758	13,093	10,723	(3,619)
Shared ownership dwellings	-	-	-	-	-	(42)
Other land and buildings	-	28	-	-	44	-
Vehicles, plant and equipment	32	-	-	31	-	-
Assets under construction	-	757	-	-	-	-
<i>Intangible assets</i>	114	-	-	109	-	-
Total	16,469	14,552	6,758	13,233	10,767	(3,661)

6 CAPITAL EXPENDITURE AND FINANCING

	Note	2018/19 £'000	2017/18 £'000
Analysis of expenditure and financing			
Housing		24,506	13,384
Other property including intangible assets		1,711	1,201
Total capital expenditure to be financed		26,217	14,585
<i>Financed from:</i>			
Major Repairs Reserve		21,358	9,480
Capital contributions		51	131
Usable capital receipts		4,808	1,448
Borrowing		-	339
Revenue contributions		-	3,187
Total financing		26,217	14,585

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.

	2018/19	2017/18
	Total	Total
	£'000	£'000
Sale of dwellings under right to buy	6,622	6,527
Sale of shared ownership properties	270	120
Sale of other HRA property	10	-
Total capital receipts	6,902	6,647

8 EARMARKED BALANCE

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

	2018/19	2017/18
	Total	Total
	£'000	£'000
Asset Management Reserve	23,893	20,183
Treasury Management Reserve	600	600
Total HRA Earmarked Reserves	24,493	20,783

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

	2018/19			2017/18		
	Council Tax £'000	Business Rates £'000	Total £'000	Council Tax £'000	Business Rates £'000	Total £'000
Income:						
Amounts receivable (net of discounts and reliefs)	106,306	83,275	189,581	100,773	83,652	184,425
Collection of previous year's deficit:						
- Central Government	-	-	-	-	1,752	1,752
- Essex County Council	48	-	48	-	315	315
- Police & Crime Commissioner for Essex	7	-	7	-	-	-
- Essex Fire Authority	3	-	3	-	35	35
- Basildon Borough Council	11	-	11	-	1,401	1,401
	69	-	69	-	3,503	3,503
Total Income	106,375	83,275	189,650	100,773	87,155	187,928
Expenditure:						
Precepts and shares						
- Central Government	-	40,016	40,016	-	38,377	38,377
- Essex County Council	73,470	7,203	80,673	69,201	6,908	76,109
- Police & Crime Commissioner for Essex	10,164	-	10,164	9,339	-	9,339
- Essex Fire Authority	4,232	800	5,032	4,105	767	4,872
- Basildon Borough Council	16,708	32,013	48,721	16,020	30,701	46,721
	104,574	80,032	184,606	98,665	76,753	175,418
Transitional protection payment receivable	-	104	104	-	2,116	2,116
Impairment of debts/appeals:						
- Write-offs of uncollectable amounts	571	308	879	186	1,060	1,246
- Allowance for impairment	990	305	1,295	1,050	(539)	511
- Allowance for losses on appeals	-	4,856	4,856	-	2,877	2,877
	1,561	5,469	7,030	1,236	3,398	4,634
Charge to General Fund for allowable collection costs	-	280	280	-	229	229
Distribution of previous year's estimated surplus:						
- Central Government	-	4,742	4,742	-	-	-
- Essex County Council	-	854	854	1,226	-	1,226
- Police & Crime Commissioner for Essex	-	-	-	165	-	165
- Essex Fire Authority	-	95	95	73	-	73
- Basildon Borough Council	-	3,793	3,793	287	-	287
	-	9,484	9,484	1,751	-	1,751
Total Expenditure	106,135	95,369	201,504	101,652	82,496	184,148
Movement on Fund Balance	240	(12,094)	(11,854)	(879)	4,659	3,780
Opening Fund Balance	(275)	(10,159)	(10,434)	(1,154)	(5,500)	(6,654)
Closing Fund Balance	(515)	1,935	1,420	(275)	(10,159)	(10,434)
Movement on fund balance	240	(12,094)	(11,854)	(879)	4,659	3,780

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 2018/19 was calculated as follows:

Tax Band	No. of Properties in Band	No. of Properties after Discounts	Ratio to Band D	Equivalent No. of Band D Properties
A (Disabled)	8	7	5/9	4
A	8,890	7,213	6/9	4,809
B	16,069	14,230	7/9	11,068
C	24,398	22,182	8/9	19,717
D	14,600	13,558	9/9	13,558
E	7,449	7,042	11/9	8,607
F	4,579	4,403	13/9	6,360
G	1,969	1,905	15/9	3,175
H	154	149	18/9	298
	78,116	70,689		67,596
Less: Net impact of Local Council Tax Support Scheme				(6,884)
				60,712
Less: Allowance for irrecoverables			0.95%	(577)
Total Council Tax Base				60,135

2 INCOME FROM COUNCIL TAX

For 2018/19 the Council set an average Council Tax levy of £1,738.99 per Band D equivalent property, made up of precepts from authorities as follows:

	2018/19 £	2017/18 £
Basildon Borough Council	270.81	262.98
Parish and Town Councils in the Basildon Borough (average)	7.03	6.43
Essex County Council	1,221.75	1,163.70
Police & Crime Commissioner for Essex	169.02	157.05
Essex Fire Authority	70.38	69.03
Total average Council Tax Band D	1,738.99	1,659.19

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 2018/19 (£16.71 million) included £421,031 (£382,251 in 2017/18) 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:

	2018/19 £'000	2017/18 £'000
Council Tax	117,370	111,699
Less: Council Tax Support	(11,064)	(10,926)
Net Income to Collection Fund	106,306	100,773

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:

	2018/19 £'000	2017/18 £'000
Business Rates (including voids and exemptions)	89,810	85,736
<i>Add: Appeals settled</i>	1,180	2,852
<i>Less: Reliefs, and other adjustments</i>	(7,715)	(4,936)
Net Income to Collection Fund	83,275	83,652

The total rateable value for the Basildon Borough at 31 March 2019 was £193.8m (£195.7 million, 2018). The business rate for 2018/19 was 48.0p per £ of rateable value for small businesses and 49.3p for other businesses (46.6p and 47.9p respectively for 2017/18).

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.

Where the Council is due to receive income from contractual arrangements with its customers, it is required to consider the following 5 steps before disclosing income:

1. Identify the contract with a customer
2. Identify all the individual performance obligations within the contract
3. Determine the transaction price
4. Allocate the price to the performance obligations
5. Recognise revenue as the performance obligations are fulfilled

If these are deemed to be applicable to any existing arrangement, income will not be recognised in the financial statements until the relevant performance obligations have been met.

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

Accounting Policies

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

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.

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

The Council's MRP policy for 2018/19 can be found in the 2018/19 budget report here

<http://www.basildonmeetings.info/documents/s92355/Enc.%202%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.

Accounting Policies

6. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. private health care) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, such entitlements being termed 'accumulated absences') earned by employees but not taken before the year-end and which employees can carry forward to the next financial year. The accrual is made at an average salary rate estimated to be applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then taken out of the General Fund through the Movement in Reserves Statement into the Unpaid Absences Account with the transaction being reversed in the following year.

Termination Benefits

Termination benefits, are amounts payable as a result of a decision by Basildon Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept an offer of voluntary redundancy in exchange for those benefits, 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 (CIES) 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 (CIES) 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 CIES to the services for which the employees worked.

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- 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 CIES. This is calculated using the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

7. Events After the Balance Sheet Date

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

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

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

8. Financial Instruments

Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to their contractual provisions 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 (CIES) 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 CIES is the amount

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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 CIES 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 CIES 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 CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the CIES 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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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:

- 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.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a

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lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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:

- 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 (CIES) 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 CIES. Donated Assets received unconditionally are debited in the Council's Balance Sheet at Fair Value and credited to the CIES.

Where capital grants and donated assets are credited to the CIES, 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

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- 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 (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 (CIES) 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 CIES 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 CIES).

The gain credited to the CIES 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.

Accounting Policies

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.

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.

Accounting Policies

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

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.

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

Accounting Policies

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

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

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

The Council has assets which have been categorised as Surplus Assets under section 4.1.2.2 of the Code. These are defined as assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties under section 4.4 of the Code or non-current assets held for sale under section 4.9 of the Code and are measured at fair value.

Disposals and Capital Receipts

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals under 'Right to Buy' are payable to the Government under the pooling arrangements set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The balance of receipts (after deductions are made for any liability arising from the disposal to the extent that these are permitted by statute) are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, 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

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reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

15 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

16. 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.

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**.

17. 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.

Accounting Policies

Contingent Liabilities

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

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

18. 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.

19. 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.

20. 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.

21. 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.

22. 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 2018-2019

EXECUTIVE SUMMARY

Basildon Borough Council is committed to improving the lives of all residents and creating opportunity and prosperity for local people and business. This commitment is set out in the Council's Corporate Plan and describes how the Council will meet the challenges ahead and make the most of opportunities.

To be successful the Council must have a solid foundation of good governance and sound financial management. Basildon's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code is supported by an Assurance Framework that sets out how and what the Council will seek to obtain assurance on.

A copy of the authority's Local Code and Assurance Framework is available on our website at <http://www.basildon.gov.uk/governance>

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Local Code have been working. This statement gives assurances on compliance for the year ending 31 March 2019 and up to the date of approval of the statement of accounts.

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this statement, and to further enhance our governance arrangements.

The Leader and Chief Executive confirm they have been advised of the implications of the review by Senior Management and the Audit & Risk Committee and are satisfied that the steps outlined in this document will address the areas for improvement.

Signed on behalf of Basildon Borough Council

Leader of the Council

Date:

Chief Executive

Date:

REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

Throughout the year, the Council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and into the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, External Auditors and other review agencies. In reviewing the effectiveness of the Council's governance framework, the commitments detailed within Appendix A of the Local Code are assessed.

Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, shared service arrangements and arm's length bodies.

Over the last 18 months the Council has undergone significant change in relation to its Political Leadership and Senior Management Structure, which together with the pace of change within Local Government has had an impact on the Council's Governance Framework. To ensure that these impacts have been assessed a detailed review of the Council's Local Code was undertaken in March 2019.

The Annual Governance Statement incorporates the continuous review of the effectiveness of our governance arrangements throughout 2018/19. 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 commitment to improving lives of all residents and creating opportunity and prosperity for local people and businesses.

This statement is an honest appraisal of our governance framework and shows that, we have **adequate¹ arrangements** in place that generally comply with the Council's Local Code of Corporate Governance, and shows that 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 2017/18. The 2018/19 opinion is pending and this statement will be updated once received.

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 Council has good foundations in place and the 2018/19 governance review has not identified any significant issues of concern. The Council recognises that there are areas where we wish to enhance our arrangements to ensure that we continue to do the right things, in the right way, in line with our values and to take into account significant challenges we face.

The Council is currently aware of some issues that could also affect its financial position such as, but not limited to, insurance claims, planning decisions, appeals against housing/homeless decisions, business rates appeals, enforcement and other matters.

¹ There are areas for improvement but most key controls are in place and are operating effectively. Adequate assurance can be given that the system, process or activity should achieve its objectives.

Sempre Homes is a commercial arm of Basildon Borough Council. It is building and providing quality homes for local people. Whilst Sempra has its own code of governance which is based upon the Articles of Association of the Company, this mirrors the spirit and accords with the Councils Governance arrangements.

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. Head of Paid Service

The Head of Paid Service is responsible for the overall corporate and operational management of the Council.

These responsibilities have been considered within the context of this Statement and the Head of Paid Service can confirm that proper arrangements have been put in place for the overall operation and management of the Council.

The Head of Paid Service has no significant concerns to report and highlights that a new senior management structure setting out the posts responsible for delivering the Councils Corporate Plan and services was completed in 2018, and that the next phase of this restructure is currently under way and due to be completed in 2019/20.

2. Chief Financial, Section 151 Officer

The Chief Finance Officer is responsible for the development and maintenance of the Councils governance, risk and control framework, ensuring lawfulness and financial prudence of decision making and the administration of financial affairs, in accordance with Section 151 of the Local Government Act 1972.

These responsibilities have been considered within the context of this Statement and the Chief Finance Officer can confirm that the Council's arrangements conform to Section 151 of the Local Government Act 1972 and that the Council complies with the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016).

The Chief Finance Officer has no significant concerns to report. Whilst the Council has strong financial management it is important to reflect in this statement that the Council does have budget reductions to achieve in the Medium Term Financial Strategy of £2.0 million in 2020/21 and £2.6 million in 2021/22. The Council's Corporate Programme outlines plans to manage this deficit through a combination of service efficiencies, process reviews, digital transformation, creating new income streams and delivery of its commercial programme.

3. 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 responsibilities 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. In addition, whilst the Council has robust processes for decision making, there is a need to ensure that all relevant matters are considered in the development of policies, projects and when making decisions.

4. 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 independent assurance and opinion on the adequacy and effectiveness of the Councils' risk management and control framework, and through the internal audit service deliver an annual programme of risk based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control.

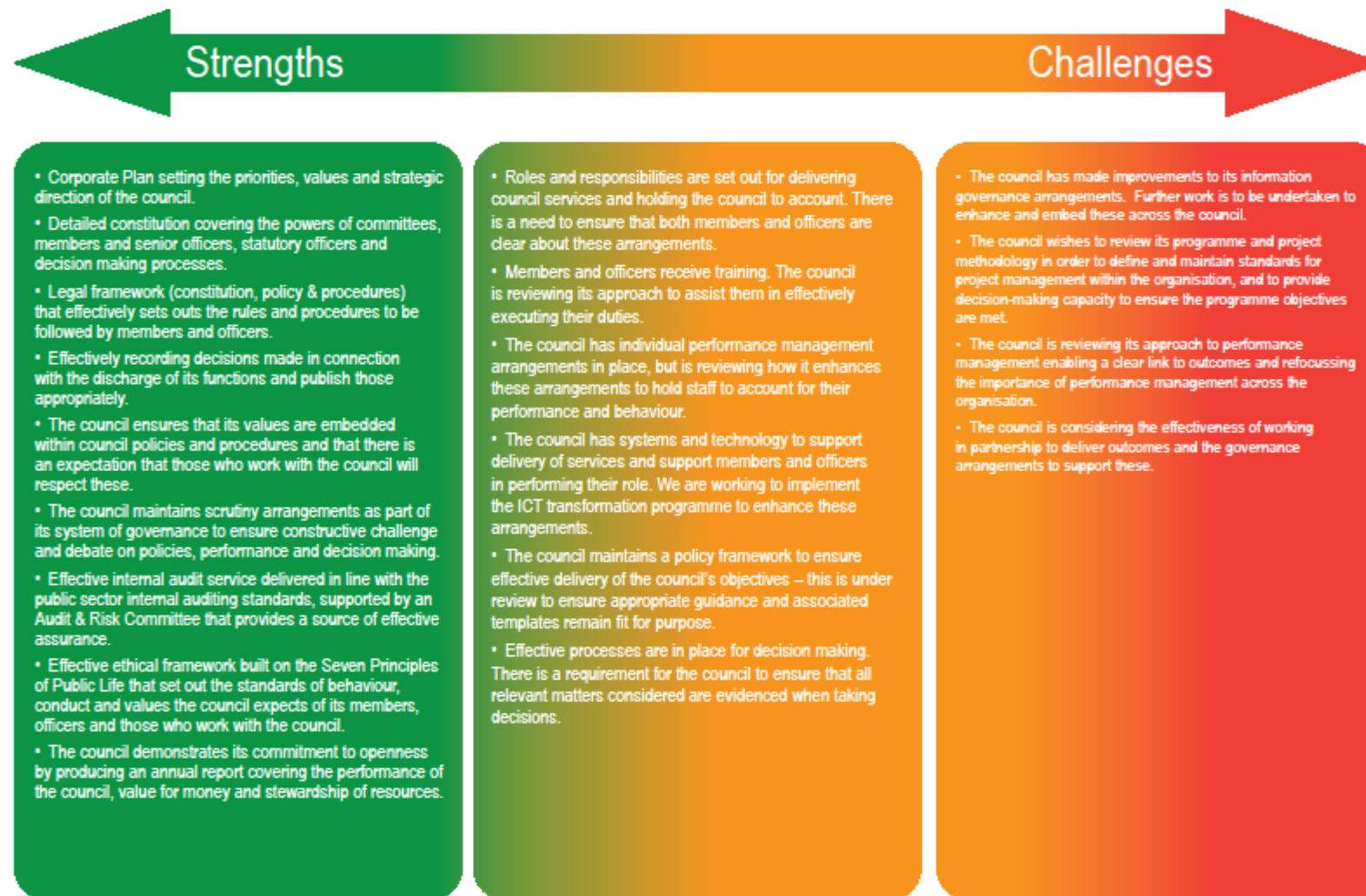
The Chief Audit Executive is satisfied that sufficient work has been undertaken during 2018/19 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based on the work performed during 2018/19 and other sources of assurance The Chief Audit Executive is of the 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 2019, generally accord with proper practice and are fundamentally sound. Although there are opportunities to improve the arrangements to enhance the Council's governance framework

Although an adequate assurance opinion has been provided, the Audit Service reports that there has been significant change across the authority over the past 12 months and that this has had an impact on the overall control environment and governance arrangements. A significant piece of work has been undertaken to review the Council's Governance Framework to ensure that it remains fit for purpose. This has resulted in a detailed improvement and development plan covering the following core themes:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law
- Ensuring openness and comprehensive stakeholder engagement
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Full details of the assurance provided in this statement can be found within the Internal Audit Annual Report for 2018/19, submitted to the Audit and Risk Committee on the 26 June 2019. 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 'ADEQUATE ASSURANCE' OPINION



- Effective counter fraud and corruption arrangements and whistleblowing policies and procedures.
- Effective arrangements in place to produce the Annual Governance Statement, with Local Code of Corporate Governance and Combined Assurance Framework reviewed and updated annually.
- Effective financial management arrangements are embedded across the council which supports short, medium and long term achievement of the council's ambitions and service provision.
- Effective Asset Management framework that ensures all of the council's assets are compliant, sustainable, fit for purpose and support the delivery of the council's strategic objectives.
- Effective complaints handling procedures.
- Submission of Local Development Plan which sets overall strategic direction for the borough for up to the next 15 years.
- Effectively recognises and values the diversity of our communities and workforce, supported by an Inclusion and Diversity Policy and Strategy.
- Effective health and safety management framework which seeks to ensure compliance with the law.
- Effective business continuity/emergency planning processes in place to continue to provide services and respond to an emergency or event.
- Actively promotes safeguarding to prevent harm and reduce the risk of abuse or neglect.

- The council has effective Risk Management arrangements in place. Further work is being done to ensure it is embedded across the council and in the decision making process.
- The council has a Consultation and Engagement Policy in place and is currently working to develop and embed the strategy to support this.
- The council maintains a Publication Scheme, which is in need of review, in order to continue to provide transparency in access to information.
- The council has effective procurement arrangements in place. Further work is being done to ensure it is embedded across the council to demonstrate good practice, compliance with legislation, realise value for money and public accountability.
- The council is developing a workforce plan in order to better understand its workforce, plan to appropriately resource its services, grow talent and improve resilience across the organisation.



* Detailed action plans have been developed to support those areas above where further work is being undertaken to enhance, review or embed arrangements. These action plans outline the specific tasks, due date and responsible officer and will be monitored by the Governance and Assurance Board. Key challenges for the Council have been highlighted in the AGS Action plan and will be monitored by the Audit & Risk Committee.

THE KEY GOVERNANCE ACTIONS IDENTIFIED AS PART OF THE 2018/19 ANNUAL REVIEW ACTION PLAN

Governance Area	Activity Description	Target Due Date	Responsible Officer
Partnership Arrangements	To assist in delivering its outcomes the Council needs to review the effectiveness of partnership working and the associated Governance arrangements to support these.	30 September 2020	Head of Engagement
Governance Area	Activity Description	Target Due Date	Responsible Officer
Information Governance	To embed Information Governance arrangements to underpin the Council's recently approved information management policy.	31 December 2020	Assistant Director Corporate Services
Developing and Maintaining the Corporate Programme and Service Plans (Performance Management)	To effectively embed and raise the importance of performance management across the organisation the Council needs to review its approach to enable a clear link to outcomes and refocussing reporting arrangements.	31 December 2019	Head of People and Change
Programme and Project Management	To define and maintain standards for project management the Council needs to develop its project management methodology in order to strengthen accountability and decision-making to ensure the Corporate Plan and service objectives are met	30 June 2020	Head of People and Change

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.	An overarching partnership structure has been established for the organisation, which identified a range of partnership meetings and has instigated a review of our strategic partnerships. Essex Chief Executives have commissioned a review of the range of Essex partnership arrangements by the LGA to inform where improvements can be made to ensure effective partnership working, this will include whether Basildon Council requires to have an independent Community Strategy or whether this should be Essex wide. Discussions will take place with the Service Director on the requirement and timing of the development of a Community Strategy/Strengthening Community Strategy within the next few months.
Review Consultation and Engagement Policy and develop the supporting Strategy	A revised Consultation and Engagement Policy has been developed and was considered by the Policy Scrutiny Committee on 15 November 2018 and approved by the Communities Committee on 28 November 2018. A supporting strategy is in development to ensure positive delivery of the consultation and engagement function.
To monitor the review of progress of 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	Work has commenced on the review of the templates for committee reports, policies and projects.
Finalisation of the Corporate Programme to deliver the outcomes detailed within the Corporate Plan	Draft project and programme definition documents are in place for the Corporate Programme. A quality assurance review has taken place along with a review of the construct of the programme. Interdependency mapping, resource mapping and prioritising the corporate programme year 1,2,3,4 activity is the next phase of the activity.
Submit Local Plan to Government	Submission of Plan on 28 March 2019 and received by the Planning Inspectorate
Finalise the review of the Council's Performance Management Framework to ensure consistent and effective performance management arrangements across the Council	Work continues with services to review their performance data to ensure that it is fit for purpose. The Performance Management review has been completed, and is awaiting SLT approval along with the proposed Service Planning process which aligns performance activity and indicators to the Corporate Plan.

To review the approach to Project Management across the Council and the Corporate Programme.	Project templates and processes in place for the delivery of the Corporate Programme which will be rolled out to services to use for service level programmes and projects that do not feature in the Corporate Programme. Following the review of the governance framework the team will establish the key requirements for both delivery and monitoring of corporate projects and service projects.
To agree and monitor a detailed action plan which includes a number of procedures to underpin the Information Management Policy.	The organisation has undertaken a significant amount of work during the 2018/19 year in connection with information governance. At the start of the year, a long term project to ensure compliance with GDPR and improve the Council's information governance arrangements was initiated comprising 3 distinct stages. Stages 1 and 2 which focused on GDPR compliance, but which also improved information governance in general, were completed as planned. Stage 3 is a longer term project and focuses on information governance procedures. This is in the process of being initiated and is planned to run for 18 months. The project will focus on information architecture, developing a records library, privacy by design and will look at the next steps thereafter, and will underpin the Council's recently approved Information Management Policy. This project will deliver significant improvements in the Council's information governance arrangements and more effective and efficient working practices.
To review policy guidance and associated templates to ensure they remain fit for purpose	The Council has in place a process for the review and development of Council policy. This is set out in corporate guidance and is supported by appropriate templates. The review of the guidance and templates is now due to be complete by June 2019. The review will include updating the documents to take account of the revised Committee governance arrangements and recommendations arising from the review of governance arrangements, currently underway.
To update the Publication Scheme	A review of the Publication Scheme has commenced and a revised scheme is scheduled to be developed in the new municipal year.
To complete a detailed review to provide assurance of the Scheme of Delegations.	A great deal of work has been undertaken to ensure that appropriate and accurate delegations to officers in services exist. A revised Delegations Database has been populated and engagement has taken place with service management teams to ensure it is reviewed and kept up to date. Remaining elements of work continue to be progressed. Continual and ongoing monitoring and training will be required and undertaken to ensure the scheme of delegation remains appropriate and effective.
To effectively implement the ICT service transformation programme.	The project overall has had challenges to the delivery of Vodafone circuits to link the new Data Centre securely to the Basildon Centre. This is currently unresolved and will then affect all other milestones until this is resolved.

Note that residual activity from previous year's action plans will continued to be monitored through the Governance and Assurance Board

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.

Amortisation

The action or process of gradually writing off the initial cost of an asset.

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.

Terminology and Definitions

Carry Forwards

Budget provision for specific items that are committed or planned for a year where the specific goods or services are not received by 31 March and for which there is no provision in the following year. Such budgets may be formally carried forward to the following year to match the committed or planned expenditure.

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

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.

Commutated 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.

Terminology and Definitions

Council tax support

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

Creditors

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

Debenture

A long-term security issued by a company and secured against assets.

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.

Historical Cost Convention

A measure of value used, in which the price of an asset is based on its nominal or original cost when acquired.

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.

Terminology and Definitions

IAS (International Accounting Standards)

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

IFRIC (International Financial Reporting Interpretation Committee)

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

IFRS (International Financial Reporting Standards)

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

Impairment

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

Inventories

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

Insurance Pool

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

Leasing - Finance and Operating

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

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.

Terminology and Definitions

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.

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

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.

Terminology and Definitions

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 / Section 151 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.

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>

Standards Interpretation Committee (SIC)

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

UK GAAP

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

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.