

Statement of Accounts

2007 - 2008





Basildon District Council

Statement of Accounts 2007/08





BASILDON DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2007/08

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EXPLANATORY FOREWORD



1. FORM OF PUBLICATION

The Statement of Accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice ("SORP"), which defines proper accounting practices for local authorities.

The SORP requires adjustments to be made to the core financial statements to reflect the requirements of Financial Reporting Standard 17 (Retirement Benefits). Adjustments are then made via the Statement of the Movement on the General Fund Balance to reconcile back to the amount to be raised from Council Tax. The figures in this Explanatory Foreword ignore the FRS17 adjustments.

2. MAIN FINANCIAL CONSIDERATIONS

(a) Background

The Council faced a number of challenges and uncertainties – as well as opportunities – during 2007/08, many of which could have medium to longer-term financial implications and were ongoing at the year end.

Two significant examples of uncertain costs for the General Fund were planning enforcement in relation to travellers, and concessionary fares. In the latter case, claims from bus operators have escalated and the new national travel scheme introduced by the government from April 2008 will add further uncertainty. Examples of significant opportunities for the General Fund are the progress made during 2007/08 on procuring major development partners for the regeneration of Basildon and Wickford town centres and for the construction of a Sporting Village in Gloucester Park. These projects will provide replacements, over the next few years, for our main civic offices, theatre, two swimming pools, a sports centre and much more, as well as new housing and economic development and associated infrastructure. The initial procurement work was financed during 2007/08 from grants, supplemented from capital receipts. A major contract for development at Wat Tyler Country Park was out to tender at the year end, again to be financed from a mixture of local resources and capital grants. At the same time, a contract for a new day centre was nearing completion, to be handed over to the Council early in the new year in exchange for the site of the old George Hurd Centre.

To support its capital programme, the Council has attracted significant grants and contributions. In addition the asset management plan includes provision for the realisation of surplus assets, both routinely and to support particular projects, for example Wickford town centre regeneration and the Sporting Village. In appropriate cases too, the Council has approved a level of unsupported borrowing, for example £2 million to upgrade office accommodation in the Basildon Centre, which will enable the lease of Church Walk House to be surrendered in December 2008 with significant ongoing revenue savings to the Council. Going forward, the Council is due to receive some significant S.106 contributions, mostly to support affordable housing, the first £0.25 million of which was received in March 2008.

Another area of significant cost and uncertainty was the Single Status (equal pay) job evaluation scheme, to be implemented from April 2007 but with back pay and transitional pay implications. At the year end this remained subject to national sign-off by Unison, clarification of certain legal issues and a local ballot. Provision of £1.8 million has been made in the Council's accounts, of which £0.9 million was capitalised, following a direction by the Secretary of State. The balance of £0.9 million has been carried forward in an Equal Pay Back Pay Account, set up for the purpose in accordance with regulations, so that no charge falls on the General Fund or the HRA until 2008/09. The Council will apply again for a capitalisation direction but, if unsuccessful, will use reserves to meet the back pay cost in 2008/09.

An area of very significant opportunity, but with significant financial implications for both the Housing Revenue Account and the General Fund, was the setting up of St. Georges Community Housing Limited, an Arm's Length Management Organisation, which took over the management of the Council housing and Careline services from the Council in April 2007. These new arrangements had significant financial implications for the General Fund, following renegotiation during 2007/08 of service level agreements under which support services continued to be provided by the Council to the new company. A bid for £168 million of capital resources was made to the government in 2006 to support investment in Decent Homes, but the outcome of the bid has been delayed by the comprehensive spending review and a recent inspection of St. Georges by the Housing Inspectorate.

The Council has been very conscious of the need for careful financial planning, and as part of its Medium Term Financial Strategy has established reserves to deal with unbudgeted risks.

EXPLANATORY FOREWORD

(b) General Fund

The following statement compares the outturn for the year for the main activities of the General Fund with the original budget made by the Council when the Council Tax for 2007/08 was set.

Service	Budget £m	Outturn £m
Community	2.9	3.5
Development and Regulation	1.5	0.8
Environment	8.4	7.6
Housing	2.4	2.6
Leisure	6.4	6.5
Regeneration and Partnerships	1.0	0.9
Corporate and Central	6.0	5.5
Management and Administration	0.1	0.1
Contingency	0.2	-
Net spending on services (excluding parishes)	28.9	27.5
Transfer to Reserves	0.5	1.9
Budget requirement (excluding parishes)	29.4	29.4

General spending was some £1.4 million below the original Budget for the year. In large part, this was due to improved performance in services, particularly housing benefits, recycling and treasury management. There were however shortfalls in income in leisure services and additional costs in concessionary fares and planning enforcement. After allowing for budgets carried forward to 2008/09 (£2.7 million), available reserves at the end of March 2008 stood at £10.3 million, of which £2.7 million was unallocated.

Reference was made in (a) above to the challenges and uncertainties faced by the Council during 2007/08 and ongoing. The "Contingency Reserve" falls within overall General Fund reserves and was set up in 2005/06 to help meet any exceptional unbudgeted costs or additional investment in services that might arise in the future. Principles for the use of this reserve were set by the Council on 28 February 2008, and include (i) debt charges on spend-to-save schemes, e.g. the refurbished office accommodation in the Basildon Centre; (ii) unbudgeted costs arising on the concessionary fares scheme; (iii) any unbudgeted costs of planning enforcement in relation to travellers; (iv) Single Status back pay, to the extent this is not capitalised; and (v) to support initial procurement and other costs, if necessary, arising from major regeneration projects. Drawings on the reserve during 2007/08 amounted to £373,000, but these were substantially offset by a saving against the budget of £275,000 by changing the provision made for repayment of General Fund debt, in accordance with new regulations. The balance unapplied on the reserve stood at £5.8 million at the year end.

(c) Housing Revenue Account

The outturn for the Council's Housing Revenue Account was a surplus of £0.53 million, which compares with a budgeted surplus of £0.89 million. The working balance at 31 March 2008 was £2.62 million. After allowing for budgets to be carried forward to 2008/09 (£0.20 million), the available working balance stands at £2.42 million.

The average rent per dwelling per week in 2007/08 was £63.57. The government's "limit rent" for Basildon was £62.17, being the amount at which government subsidy towards the average cost of rent rebates was capped.

This was the sixth year of the government's rent policy, under which local authority landlords are encouraged to move the rents of their dwellings onto a common basis with all other social housing landlords, progressively over ten years to 2011/12. The formula approach takes account of relative property values, relative earnings and numbers of bedrooms. Under this policy, subsidy limitation will be phased out by year ten, provided rents are set at government policy levels. As part of the subsidy determination for 2008/09 however, the government introduced some uncertainty over the future direction of rent policy. They also announced a root and branch review of the regime governing local authority housing finance, to take place over the next few years.

The Council set up an Arms Length Management Organisation, St Georges Community Housing Limited, to manage the Council's landlord function from April 2007. The company made a surplus of £70,000 in 2007/08, or £263,000 when restated on the basis of the Council's own accounting policies. It is these latter results that are consolidated with the Council's results in the Group Accounts section of this Statement of Accounts.

EXPLANATORY FOREWORD

(d) Capital Expenditure

Total capital spending was £16.0 million in 2007/08, which was £2.9 million more than the original budget for the year. The additional items included initial investment in regeneration schemes (£1.4 million) and the capitalisation of Single Status costs (£0.9 million). Other significant capital investment in the year included stock improvement works to Council housing (£9.0 million), grants for housing improvements in the private sector (£1.4 million), a start on the renovation work to the Basildon Centre (£1.2 million) and an expansion of the Municipal Waste Strategy (0.8 million).

Investment in the housing stock relies heavily on the Major Repairs Allowance (MRA), which is retained by all local housing authorities from the HRA subsidy system to enable them to finance the replacement of building elements as they fall into disrepair. In Basildon's case the MRA for 2007/08 was £8.0 million, all of which was applied in the year. Other capital spending was financed from borrowing (£4.0 million, of which £2.8 million was unsupported), capital receipts, grants and contributions, including government funding (£3.7 million), leasing (£0.2 million) and revenue (£0.1 million).

Investment continues to be adversely affected by clawback arrangements governing the transfer of dwellings from the Commission for the New Towns (CNT), now English Partnerships, in 1994. A total of £2.6 million was payable to English Partnerships in 2007/08 out of sale proceeds totalling £3.2 million in respect of transferred dwellings, leaving the Council less than 20% of the original capital receipts. By comparison, receipts of £4.7 million from the disposal of other dwellings were unaffected by clawback arrangements. Since the transfer in 1994, a total of £29.1 million has been paid to the CNT in housing clawback out of total sales proceeds of £53.7 million, which is more than 50%. A memorandum of understanding concerning clawback on assets other than transferred dwellings was agreed between the Council and English Partnerships in May 2006 and this resulted in non-Housing clawback being reinvested back into the District by the CNT in 2007/08 in support of the regeneration scheme for the Five Links estate (£2.6 million).

3. FINANCIAL STATEMENTS

The **Statement of Accounting Policies** (pages 7 to 10) explains the basis on which the accounts have been prepared. The **Core Financial Statements** (pages 17 to 20) reflect Basildon District Council's activities for the year. Notes to the core statements then follow (pages 23 to 45), providing further detail. Supplementary financial statements with accompanying notes are also included for the **Housing Revenue Account** (pages 49 to 54) and the **Collection Fund** (pages 55 to 57). **Group Accounts** incorporating the activities of St Georges Community Housing Ltd, a wholly owned subsidiary company, follow (pages 61 to 66).

The 2007 SORP introduced a number of changes to the content of the annual Statement of Accounts. These principally concern the way Fixed Assets and Financial Instruments are accounted for, and further details are given in the Notes to the relevant statements. For Basildon, the need for Group Accounts is new this year.

Where appropriate, comparative figures for 2006/07 are shown throughout the accounts, including the Notes. A brief description of the purpose of each financial statement is given below.

(a) Income and Expenditure Account (page 17)

This statement reports the net cost, as defined by the SORP, of all functions carried out by the Council during the financial year and shows the contributions made by local taxation and government grants. After allowing for certain adjustments described below, the surplus or deficit is transferred to or from the Council's reserves.

Expenditure and income are measured for this purpose using Generally Accepted Accounting Practices (GAAP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). These measures are standardised across the public and private sectors and are not always appropriate for calculating the Council Tax implications. Adjustments are made in the **Statement of Movement on the General Fund Balance** to show the real impact on the General Fund.

(b) Statement of Movement on the General Fund Balance (page 17)

This statement reconciles the **Income and Expenditure Account**, produced using GAAP measurement techniques as explained above, with the General Fund balance, upon which the Council Tax level is set.

EXPLANATORY FOREWORD

(c) Statement of Total Recognised Gains and Losses (page 18)

This statement shows the aggregate change in the Council's net worth. It brings together the surpluses and deficits for the year on all the Council's various funds and activities, including gains and losses on the revaluation of fixed assets and re-measurement of the liability of the Council for the cost of retirement benefits.

(d) Balance Sheet (page 19)

Whereas the other financial statements represent the activities of the Council through the whole year, the Balance Sheet shows the Council's financial position on just the last day of the year. This statement is fundamental to understanding a local authority's overall financial position at the year-end. It shows its balances and reserves, its long-term indebtedness and the value of fixed and net current assets employed in its operations.

(e) Cash Flow Statement (page 20)

This statement summarises all the inflows and outflows of cash and bank funds arising from external transactions of the Council during the year. It ignores accruals, notional charges and other internal transactions otherwise recorded in the accounts.

(f) Housing Revenue Account (HRA) (page 49)

This statement records the expenditure associated with the Council's housing stock (e.g. management, repairs and capital financing costs) and shows how this has been financed from rents and charges, government subsidy and other income. The movements on this account are also included in the **Income and Expenditure Account**. Surpluses or deficits for the year are carried forward in the HRA working balance.

(g) Collection Fund Account (page 55)

This statement relates to the collection of Council Tax and local business rates and shows how such income has been distributed between the major precepting authorities (including Basildon) and central government.

(h) Group Accounts (page 61)

The core financial statements described above are here restated after consolidating the Single Entity accounts with those of St. Georges Community Housing Limited (SGCH), a wholly owned subsidiary. SGCH are the Council's contractor for managing its Council Housing and Careline services. There are no comparative figures for 2006/07 as the company did not commence trading until the 2007/08 financial year.

4. REVENUE EXPENDITURE

Gross revenue expenditure in 2007/08 amounted to £142.1 million and related to the following services:

	£m	%
Community	4.6	3.2
Development and Regulation		
Benefits (including administration)	63.0	44.2
Other Services	6.2	4.4
Environment	10.7	7.5
Housing		
Council Housing Services	34.5	24.3
General Fund Housing Services	3.3	2.3
Leisure	9.2	6.5
Regeneration and Partnerships	2.9	2.1
Corporate and Central	7.2	5.1
Management and Administration	0.5	0.4
Total	142.1	100.0

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5. REVENUE INCOME

Expenditure was financed from the following sources:

	£m	%
<u>Government Grants</u>		
Revenue Support Grant	2.3	1.7
National Non Domestic Rates	13.0	9.1
Housing and Council Tax Benefits	61.2	43.0
Sub-total	76.5	53.8
<u>Council Tax Levy</u> (excluding Parish and Town Council precepts)	14.4	10.1
<u>Other Income</u>		
Housing Rents	40.2	28.3
Interest on Investments	1.1	0.8
Fees, charges & other income	9.9	7.0
Sub-total	51.2	36.1
Total	142.1	100.0

6. GENERAL FUND ACTIVITIES

The movement on General Fund reserves, including earmarked reserves, was as follows:

	Budget £m	Outturn £m
Balance brought forward for General Fund Activities	8.9	11.0
Levy and deficit on Collection Fund	14.6	14.6
Revenue Support Grant	2.2	2.2
National Non-Domestic Rates	13.0	13.0
Sub-total	38.7	40.8
Net cost of services & Parish and Town Council Precepts	29.2	27.8
Balance carried forward 31 March 2008	9.5	13.0

7. EXTERNAL DEBT


	31 March 2008 £m	31 March 2007 £m	Change £m
Short term borrowing	5.0	5.0	-
Long term borrowing	126.6	125.6	1.0
Deferred purchase and transferred debt	1.1	1.3	(0.2)
Finance leases	1.2	1.3	(0.1)
Sub-total	133.9	133.2	0.7
Investments	(5.2)	(7.4)	2.2
Net external debt	128.7	125.8	2.9

See Note 24 to the Core Financial Statements for further analyses of borrowing.

8. RESERVES AT 31 MARCH 2008

	Budget £m	Outturn £m
General Fund Reserve	1.7	5.1
Contingency Reserve	5.9	5.8
Insurance Pool Reserve	1.4	1.7
Other Earmarked Reserves	0.5	0.4
Sub-total: General Fund	9.5	13.0

EXPLANATORY FOREWORD



	Budget £m	Outturn £m
Housing Revenue Account – General Balance	2.1	2.1
Housing Revenue Account – Earmarked Balance	-	0.5
Sub-Total: Housing Revenue Account	2.1	2.6
Total Reserves	11.6	15.6

9. EMPLOYEES

At 31 March 2008, the Council had 980 employees in post (752 full-time and 228 part-time). St Georges Community Housing Ltd had 258 employees in post (180 full-time and 78 part-time).

10. PENSION RESERVE

In line with many other local authorities, this Council carries a deficit on its Pension Reserve. This reflects Basildon's share in the Pension Fund administered by Essex County Council. The deficit increased in 2007/08 from £45.1 million at March 2007 to £60.8 million at March 2008. The main reason for this movement is an actuarial loss of £18 million, which is the difference between the Fund Actuary's assumptions for the year and what actually materialised. The change was due principally to the performance of investment markets. Further information on Pensions is given in note 28.

11. GROUP ACCOUNTS

Each local authority is required to consolidate within its own accounts the accounts of any other organisations over which it has a significant level of control, influence or interest. Prior to 2007/08 no significant control, influence or interest was deemed to be present in any working relationships. However from 2 April 2007 an "arms length" company was set up by the Council to manage the Council's housing stock and the Careline service. The accounts of this company are now consolidated within the Council's overall accounts with effect from 2007/08 and full Group Accounts are now published.

An exercise has been undertaken analysing the relationship this Council has with its other various partnering/co-working entities and no significant control, influence or interest was deemed present.

12. FURTHER INFORMATION

Further particulars about the accounts can be obtained by writing to the Head of Financial Strategy and Services, Basildon District Council, The Basildon Centre, St Martin's Square, Basildon, Essex SS14 1DL, or by emailing: finance@basildon.gov.uk.

STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice ("SORP") and the Best Value Accounting Code of Practice and, except where indicated below, are consistent with the Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) for which the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance.

1. RESERVES AND PROVISIONS

Reserves resulting from revenue surpluses are set aside to meet future expenditure. Reserves of this nature can be spent at the discretion of the Council. Expenditure is not charged directly to the reserve but to the Income and Expenditure Account, which is then offset by an appropriation from reserves.

The Council has established a number of "earmarked" reserves for specific General Fund purposes. Details are given in Note 26(h) to the Core Financial Statements, on page 39. Part of the HRA Working Balance has also been earmarked for a specific purpose. Details are given in Note 26(i).

Provisions are set aside for specific liabilities or losses that are likely to be incurred, or will be incurred, where there is uncertainty as to the amounts or the dates on which they will arise. Provisions are charged to the Income and Expenditure Account in the year in which the expected liability or loss arises. When expenditure is actually incurred or the loss is realised, it is borne directly by the provision.

The Revaluation Reserve started from a zero base on 1 April 2007. A balance in this reserve represents asset revaluations since this date. Further detail is given in note 26(a) pages 36 and 37.

2. FIXED ASSETS

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

Measurement

Fixed assets are classified into the groupings required by the SORP. 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 SORP, the Council revalues its fixed assets on a five year rolling programme. Valuations are undertaken by the Council's Principal Estates Surveyor and by Wilkes, Head & Eve, a leading firm of Chartered Surveyors.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following bases of measurement:

- specialised operational and non-operational assets: at depreciated replacement cost;
- non-specialised operational and non-operational assets: at open market value for existing use or open market value for alternative use, according to asset type; and
- short-life assets, infrastructure and community assets: at historical cost, net of depreciation.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are reviewed annually to assess whether there is a need for an impairment adjustment. Where an impairment in the value of an asset is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account. Otherwise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess amount charged to the relevant service revenue account.

STATEMENT OF ACCOUNTING POLICIES



Disposals

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Similarly, any receipts from disposal are credited to the Income and Expenditure Account 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 accumulated revaluation gains in the Revaluation Reserve for that asset are transferred to the Capital Adjustment Account.

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

Depreciation

Depreciation is charged to the General Fund and the HRA using the straight-line method on material fixed assets with a finite life. This excludes land, investment properties, community assets and assets under construction. Depreciation is not charged in respect of the first (part) year.

The following useful lives are assumed:

<u>Asset Category</u>	Estimated Useful Life
Buildings other than dwellings	10 – 80 years
Council Dwellings	25 years
Vehicles, Plant & Equipment	4 – 10 years

Revaluation gains are also depreciated, 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.

Provision for depreciation does not affect the sums raised from Council Tax or housing rents, as each charge is reversed out again to the Capital Adjustment Account in the Statement of Movement in the General Fund or Housing Revenue Account Balance, as the case may be.

Intangible assets

The Council does not have any intangible assets.

3. DEFERRED CHARGES

In accordance with accounting practice detailed in the SORP, the Council charges to revenue 100% of any capital expenditure that does not result in assets controlled by the Council. To ensure there is no impact on the Council Tax, these amounts are then written out to the Capital Adjustment Account.

4. CAPITAL RECEIPTS

Subject to any deductions for clawback payable to English Partnerships, the proceeds of sales of assets are normally held in the Usable Capital Receipts Reserve until applied to finance capital expenditure. The exception is sales of housing land and dwellings where, in accordance with regulations, a proportion of the sales proceeds, after deducting allowable expenses and any clawback, is paid into a government 'pool.' The aggregate of pooled receipts from all housing authorities is redistributed to support government housing policy.

5. GRANTS AND CONTRIBUTIONS

Grants and subsidies, including contributions from third parties, are credited to the appropriate revenue and capital accounts. Accruals are made for balances known to be receivable but not yet received at the Balance Sheet date. Similarly grants received in one year that relate to expenditure to be incurred in the next are carried forward as receipts deferred and credited to the new year to match the timing of the related expenditure.

STATEMENT OF ACCOUNTING POLICIES

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Capital Contributions Deferred account. The unapplied balance is then written down to revenue each year to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to those assets.

6. REDEMPTION OF DEBT

Regulations require local authorities to make prudent provision for the repayment of debt. It is for each authority to determine how it does this, though regard must be had to statutory guidance issued by the Secretary of State for Communities and Local Government. This Council has resolved to make minimum revenue provision in respect of all General Fund capital expenditure incurred before 1 April 2008 or which in future will be Supported Capital Expenditure, according to the Regulatory Method defined in the statutory guidance. Debt for this purpose includes the outstanding liability on finance leases.

There is no requirement for a minimum revenue provision to be set aside from the HRA. Housing Revenue Account deferred purchase repayments are charged to capital in accordance with established principles.

7. LEASES

Operating lease rentals are charged to the appropriate revenue account when the payments fall due. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being charged to revenue over the life of the lease.

8. FINANCIAL LIABILITIES

Financial liabilities, typically borrowings and other forms of debt, are initially measured at fair value and carried at their amortised cost. The Council does not have any financial liabilities that require an effective interest rate calculation to be made. The amount presented in the Balance Sheet is the outstanding principal repayable together with accrued interest. The interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

9. FINANCIAL ASSETS

The financial assets of the Council, typically sums deposited with banks and other financial institutions, are loans and receivables that have fixed or determinable payments and are not quoted in an active market. The Council has no "available-for-sale" assets, i.e. assets that have a quoted market price and/or do not have fixed or determinable payments. Nor does the Council have any "soft loans", for example to voluntary organisations at less than market rates.

Loans and receivables are measured at fair value and carried at their amortised cost. The Council does not have any financial assets that require an effective interest rate calculation to be made. The amount presented in the Balance Sheet is the outstanding principal receivable together with accrued interest. The interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

STATEMENT OF ACCOUNTING POLICIES

10. FOREIGN CURRENCY TRANSACTIONS

Any transactions in foreign currency are converted to pounds sterling at the rate applicable on the date the transaction takes place.

11. DEBTORS AND CREDITORS

The Council's accounts are prepared on an accruals basis. This means that debtors (sums due to the Council) are accounted for when the sums become due, not when received, and creditors (sums due to be paid by the Council) are raised at the year end for the cost of goods received and services rendered but not paid for by 31 March.

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

- (i) 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.
- (ii) Interest payable on borrowings has not been accrued in respect of loans raised before 1 April 1987, the interest on which is accounted for on a cash basis.

12. STOCKS AND WORK IN PROGRESS

Stocks are valued on an average cost basis. Work in progress on uncompleted contracts is valued at cost.

13. COST OF MANAGEMENT, ADMINISTRATION AND OTHER OVERHEADS

In order that the revenue accounts reflect as accurately as possible the cost of providing individual services, overheads such as salaries and associated administrative, training and office expenses are fully recharged to front-line services or to the Corporate & Democratic Core, as appropriate according to the CIPFA Best Value Accounting Code of Practice.

14. PENSION COSTS

Pension costs are shown in the format required by Financial Reporting Standards (FRS 17). Further detail is given in Note 28 to the Core Financial Statements.

15. GROUP ACCOUNTS

Group accounts have been prepared on the basis of implementing the 2007 SORP's Group Accounts requirements.

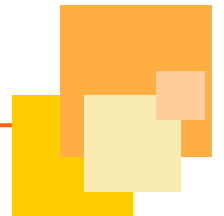
16. REPORTING REQUIREMENTS

The Accounts and Audit Regulations 2003 require the accounts to be prepared and approved by the Council before 30 June following the financial year end. In order to achieve this deadline, a number of items have been included in the accounts based on estimates. The effect of these on the annual accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

17. VALUE ADDED TAX (VAT)

Value Added Tax (VAT) is included in the accounts only to the extent that it is irrecoverable.

STATEMENT OF RESPONSIBILITIES



Basildon District 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 ensure that one of its Officers has the responsibility for the administration of those affairs. In this authority, that Officer is a named Executive Director.

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.

Executive Director

I am the Executive Director with legal and professional responsibility for the preparation of the authority's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). Where necessary I have to make judgements and estimates, and these must be both reasonable and prudent. The accounts are to present fairly the financial position of the Council at 31 March and its income and expenditure for the year ending on that date.

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

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

Signed:

MJ Nice CPFA
Executive Director

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 26th June 2008.

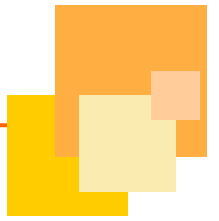
Signed:

Councillor A Hedley
Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

Date: 26th June 2008

STATEMENT OF RESPONSIBILITIES



AUDITOR'S REPORT

Independent auditor's report to the Members of Basildon District Council

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Basildon District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

AUDITOR'S REPORT



Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

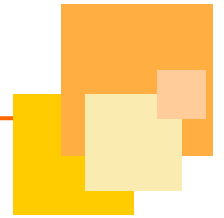
I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Basildon District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

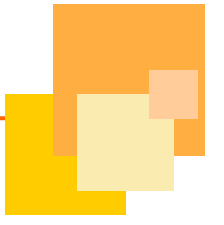
I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PAUL KING
District Auditor
Audit Commission
Atlantic Business Centre, Lyttleton House,
64 Broomfield Rd,
Chelmsford, Essex
CM1 1SW

30th September 2008



Core Financial Statements



INCOME AND EXPENDITURE ACCOUNT

	Gross Expenditure £000	Gross Income £000	2007/08 Net Expenditure £000	2006/07 Net Expenditure £000
General Fund continuing operations				
Central Services to the Public	18,979	17,441	1,538	1,448
Cultural, Environmental and Planning	35,387	12,567	22,820	17,675
Highways, Roads and Transport	2,778	1,037	1,741	1,542
Housing Services	51,761	47,621	4,140	2,686
Corporate and Democratic Core	5,859	595	5,264	5,215
Non Distributed costs	(962)	-	(962)	412
Housing Revenue Account	38,818	45,115	(6,297)	(9,727)
Net cost of services	152,620	124,376	28,244	19,251
Gain on disposal of fixed assets			(1,060)	(756)
Precepts of local precepting authorities			281	267
Interest payable			9,959	10,030
Amounts payable into the Housing Capital Receipts Pool			1,565	1,595
Amounts payable in respect of clawback on disposal of dwellings			2,563	2,016
Interest and investment income			(1,069)	(757)
Pensions interest cost and expected return on pension assets			1,074	1,372
Net operating expenditure			41,557	33,018
Income from Collection Fund for District Council purposes			(14,586)	(14,162)
Revenue Support Grant			(2,347)	(2,390)
Distribution from Non-Domestic Rate Pool			(12,959)	(12,352)
Deficit for the year			11,665	4,114

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08 £000	2006/07 £000
Deficit for the year on the Income and Expenditure Account	11,665	4,114
Net adjustment required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(13,798)	(2,694)
(Increase)/Decrease in General Fund Balance for the year	(2,133)	1,420
General Fund Balance brought forward	(2,996)	(4,416)
General Fund Balance carried forward	(5,129)	(2,996)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08 £000	2006/07 £000
Deficit on the Income and Expenditure Account	11,665	4,114
Surplus arising on revaluation of fixed assets	(31,946)	(55,462)
Actuarial (gains)/losses on pension fund assets and liabilities	18,051	(9,485)
Other (gains)/Losses:		
Collection Fund	(52)	-
Deferred Premiums	865	-
Deferred Purchase, principal repayment	(205)	-
Other	5	(17)
Total recognised (gains) and losses for the year	(1,617)	(60,850)

The movement of £865,000 in 2007/08 is a transitional item arising as a result of a change in the SORP 2007 in respect of deferred premiums.

BALANCE SHEET

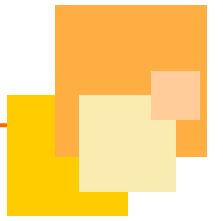
	Notes	31 March 2008 £000	31 March 2007 £000 Restated
Tangible fixed assets			
Operational assets			
Council dwellings	18	715,705	698,709
Other land and buildings	18	51,577	45,725
Vehicles, plant, furniture and equipment	18	2,883	2,198
Infrastructure assets	18	205	112
Community assets	18	4,550	4,495
Sub Total Operational assets		774,920	751,239
Non-operational assets			
Investment properties	18	15,231	18,791
Assets under construction	18	1,430	-
Surplus assets	18	3,110	2,443
Sub Total Non-operational assets	18	19,771	21,234
Total Tangible fixed assets	18	794,691	772,473
Long-term debtors		36	42
Deferred Premiums on early repayment of debt		-	865
Total Long-term assets		794,727	773,380
Current assets			
Stocks and work in progress		341	481
Debtors		23,150	14,940
Investments		5,241	7,406
Cash in hand		11	24
		823,470	796,231
Current liabilities			
Borrowing repayable on demand or within 12 months	24	(5,077)	(5,001)
Creditors		(19,894)	(10,580)
Bank overdraft		(736)	(2,132)
		797,763	778,518
Other liabilities			
Borrowing repayable within a period in excess of 12 months	24	(128,187)	(127,218)
Capital Contributions Deferred	21	(2,109)	(2,894)
Deferred liabilities	22	(2,333)	(2,619)
Provisions	25	(3,750)	(1,932)
Liability related to defined benefit pension scheme	28	(60,833)	(45,106)
Suspense Accounts		(295)	(110)
TOTAL ASSETS LESS LIABILITIES		600,256	598,639
Financed by:			
Revaluation Reserve	26a	31,946	-
Capital Adjustment Account	26b	615,063	630,398
Usable Capital Receipts Reserve	26c	144	396
Deferred Capital Receipts	26d	27	33
Financial Instruments Adjustment Account	26e	(780)	-
Pensions Reserve	26f	(60,833)	(45,106)
General Fund Balance	26g	5,129	2,996
General Fund Earmarked Reserves	26h	7,871	7,935
Housing Revenue Account General Balance	26i	2,091	2,091
Housing Revenue Account Earmarked Balance	26i	529	-
Collection Fund, Basildon District Council element	26j	(52)	(104)
Equal Pay Back Pay Account	26k	(879)	-
TOTAL NET WORTH	34	600,256	598,639

CASH FLOW STATEMENT

	2007/08 £000	2006/07 £000
REVENUE ACTIVITIES		
<u>Cash Outflows</u>		
Cash paid to and on behalf of Employees	26,054	31,553
Other Operating Cash Payments	71,894	63,050
Housing Benefits paid out	23,297	21,356
Contributions to National Non Domestic Rate Pool	69,552	64,421
Precept Payments & Collection Fund Deficit	73,174	69,845
	263,971	250,225
<u>Cash Inflows</u>		
Rents (after Rebates)	(16,661)	(16,605)
Council Tax Receipts (after Benefit)	(75,407)	(72,056)
National Non Domestic Rate Receipts (from National Pool)	(71,075)	(68,488)
Council Tax and Housing Benefit grant (from DWP)	(59,807)	(57,116)
Other government grants	(16,306)	(16,741)
Cash received for goods and services and other operating cash receipts	(35,265)	(31,409)
	(274,521)	(262,415)
Revenue Activities Net Cash Flow	(10,550)	(12,190)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
<u>Cash Outflows</u>		
Interest and Special Financing Repayments of long term liabilities	9,842	9,945
Interest element of finance lease rental payments	68	69
<u>Cash Inflows</u>		
Interest Received	(1,084)	(686)
Total Returns on Investment and Servicing of Finance	8,826	9,328
Total Net Revenue Activities	(1,724)	(2,862)
CAPITAL ACTIVITIES		
<u>Cash Outflows</u>		
Expenditure on Fixed Assets	13,081	10,903
Expenditure on Deferred Charges	2,344	943
Payments to DCLG in respect of pooling of capital receipts	1,497	1,747
Payments to English Partnerships in respect of Clawback	2,385	2,604
	19,307	16,197
<u>Cash Inflows</u>		
Sale of Fixed Assets	(5,456)	(4,780)
Capital Contributions and Grants received	(10,617)	(12,096)
Other Capital Cash Receipts	(30)	(17)
	(16,103)	(16,893)
Total Net Capital Activities	3,204	(696)
Net Cash Outflow/(Inflow) before Financing	1,480	(3,558)
FINANCING & LIQUID RESOURCES		
Short term investments raised/(repaid) (net)	(2,150)	850
Repayments of deferred purchase and transferred debt	216	3,410
Capital element of finance lease rental payments	266	127
Short term loans (raised)/repaid (net)	1	(4,293)
Long term loans (raised)/repaid (net)	(1,000)	5,000
New finance lease arrangements	(196)	(976)
Total Financing & Liquid Resources	(2,863)	4,118
NET DECREASE/(INCREASE) IN CASH IN HAND AND AT BANK	(1,383)	560



Notes to the Core Financial Statements



NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACQUIRED OR DISCONTINUING OPERATIONS

There were no significant acquired or discontinuing operations during 2007/08. However, with effect from 2 April 2007 the Council set up an Arms Length Management Organisation (St Georges Community Housing Limited) to manage the landlord function on behalf of the Council in respect of its housing stock and the Careline Service.

2. EXCEPTIONAL AND EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or extraordinary events worthy of note during 2007/08.

3. SECTION 137 EXPENDITURE

No expenditure was incurred during 2007/08 reliant upon S.137 powers.

4. PUBLICITY EXPENDITURE

The Council is required to keep a separate account of publicity expenditure as defined in Section 5(i) of the Local Government Act 1986. Set out below is the Council's spending on publicity for the year:

	2007/08 £000	2006/07 £000
Recruitment advertising	144	199
Publicity	113	142
Public information and notices	39	35
Other advertising	39	19
Total	335	395

5. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows Building Control Services for 2007/08 analysed between those elements of activity that are chargeable and those (such as providing general advice and liaising with other statutory authorities) that are not. Some building services work is carried out for others, e.g. land charges, environmental health and applicants for disabled facilities grants, and this accounts for the Miscellaneous Income shown below.

	Chargeable £000	Non-Chargeable £000	Total £000
Expenditure			
Employees	285	189	474
Transport	11	8	19
Supplies & Services	40	26	66
Management & Administration	55	36	91
Total Expenditure	391	259	650
Income			
Building Regulation fees	439	-	439
Miscellaneous income	-	84	84
Total Income	439	84	523
(Surplus)/Deficit for year	(48)	175	127

There is an overall surplus of £46,000 arising from the "chargeable" account calculated on a three-year rolling basis from 2005/06 to 2007/08. Although this amount is held within General Fund reserves, its use is restricted to supporting Building Control activities. All figures allow for adjustments in respect of FRS17. Since the inception of the Building Control Account in 2001/02 there has been a cumulative surplus of £121,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

6. AUDIT COSTS

The SORP requires audit costs to be analysed over the different types of service offered by auditors. The purpose is to demonstrate that the auditors' fees from "other services" do not reach such a proportion as to compromise the objectivity and independence of the auditor in completing the statutory audit function.

	2007/08 £000	2006/07 £000
Statutory audit of accounts	235	191
Statutory audit of grant claims	41	37
Statutory inspection fees	15	13
Other services	-	6
Total	291	247

In 2005 the Audit Commission changed the profile of charging for External Audit Fees. In simple terms this meant that External Auditors were to charge Local Authorities the full fee for the year of account, as opposed to a fee that was in part retrospective for the previous financial year. Given the adverse cash flow implications on the Council PKF (out-going auditor) agreed not to adjust the profile at Basildon. However, with the change in 2007/08 to the Audit Commission External Audit Service there was a "one off" catch up payment due to PKF. The increase in fees shown above for work on audit of accounts reflects this difference.

7. AGENCY INCOME AND EXPENDITURE

Basildon District Council enforces the On Street Parking Regulations as agent for Essex County Council. The arrangement mainly covers parking enforcement on yellow lines and in Resident Parking Schemes. It is run on an "acceptable deficit" basis whereby Essex pay Basildon all reasonable costs incurred (net of income received). There are no other formal agency agreements in place.

8. SCHEMES UNDER THE TRANSPORT ACT 2000

There are no activities to report under this heading.

9. INCOME UNDER THE LOCAL AUTHORITY (GOODS & SERVICES) ACT 1970

The Council is empowered under this Act to supply goods and services to certain other bodies. Grounds Maintenance and Cleansing Services valued at £320,400 were provided in 2007/08 (£17,600 in 2006/07). The increase is due to work carried out on behalf of St Georges Community Housing Ltd.

10. PARTNERSHIPS UNDER S.31 HEALTH ACT 1999

There are no activities using Basildon District Council funding to report under this heading.

11. TRADING OPERATIONS

This authority had no significant trading operations during 2007/08.

12. MEMBERS ALLOWANCES

The total value of allowances paid to the 42 Councillors of Basildon District Council in 2007/08 was £415,665 (£405,525 in 2006/07).

13. OFFICER REMUNERATION

The Council is required to report (in bands of £10,000) the number of employees whose remuneration in the year was more than £50,000, excluding pension contributions. The relevant details are set out overleaf:

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration Band	2007/08	2006/07
£50,000 to £59,999	12	18
£60,000 to £69,999	2	4
£70,000 to £79,999	7	3
£80,000 to £89,999	1	1
£90,000 to £99,999	-	2
£100,000 to £109,999	-	-
£110,000 to £119,999	-	2
£120,000 to £129,999	2	-
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£150,000 to £159,999	1	1
Total	25	31

14. LOCAL AREA AGREEMENT

The Council participates in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA completed the second year of its three year agreement.

The purpose of the LAA is:

- (1) to form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships and District and Borough Councils and other local partners including the Community and Voluntary Sector and the Government (represented by the Government Office for the East of England), to achieve fourteen outcomes that are regarded as key to making Essex a better place to live and work
- (2) to agree specific outcomes and targets to be achieved each year for the three years of the agreement.
- (3) to improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The LAA partners are:

- Local Government Bodies
Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council, Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.
- Local Strategic Partnerships (LSP)
Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.
- Community Protection Authorities
Essex County Fire and Rescue, Essex Police, National Probation Service.
- Health Bodies
South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT and North East Essex PCT, Basildon and Thurrock University Hospitals NHS Foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority.
- Learning Bodies
Essex Learning and Skills Council, Essex Southend and Thurrock Connexions, University of Essex.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Voluntary Organisations

Essex County for Voluntary Youth Services.

- Other Organisations

Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

Essex County Council acts as the Accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved.

The total amount of LAA grant received by the Accountable Body in 2007/08 was £14,845,141. Basildon District Council received £755,382 of this total.

15. RELATED PARTY TRANSACTIONS

The Council is required to disclose details of transactions with related parties. A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for another (related) party irrespective of whether a charge is made. The relevant transactions during 2007/08 are set out in the table below:

	2007/08 Receipts £000	2007/08 Payments £000	2006/07 Receipts £000	2006/07 Payments £000
<u>Central Government</u>				
Grants	77,887	-	73,404	-
<u>Essex County Council</u>				
Precept	-	62,000	-	59,157
Pension Fund	-	5,235	-	5,480
Welfare Transport	224	-	217	-
<u>Essex Police Authority</u> – Precept	-	7,192	-	6,836
<u>Essex Fire Authority</u> – Precept	-	3,701	-	3,586
<u>Parish and Town Councils</u> – Precept	-	281	-	267
<u>St. Georges Community Housing Limited</u>	2,800	28,097	-	-
<u>Services & Grants to Local Organisations</u>				
Citizens' Advice Bureaux (Basildon, Billericay & Wickford)	-	129	-	129
IMPACT (Advisory Service)	-	64	-	64
Basildon District Volunteer Carers Council for Voluntary Services (Basildon, Billericay & Wickford)	-	25	-	25
Community Resource Centre	-	17	-	17
Disabled Information Action Line (DIAL)	-	38	-	9
Essex Racial Equality Council	-	10	-	10
	-	2	-	2

The Council also provided free financial management and meeting facilities for the Basildon Arts Trust.

No Members or Executive Directors of the Council had any material direct related party transactions during the year. However some Members were Directors of St. Georges Community Housing Limited and some were members of the managing committee of the Basildon Community Resource Centre, the Citizens' Advice Bureaux or the Basildon District Volunteer Carers, each of which received grant funding from the Council as shown above.

NOTES TO THE CORE FINANCIAL STATEMENTS

16. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account reports the net cost of all revenue activities of the Council during the financial year and shows the contributions made by local taxation and government grants. After allowing for certain adjustments, the surplus or deficit on the account is transferred to or from the Council's reserves. Expenditure and income are measured for this purpose using Generally Accepted Accounting Practices (GAAP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). These measures are standardised across the public and private sectors and are not always appropriate for calculating the Council Tax implications.

The purpose of the Statement of Movement on the General Fund Balance therefore is to reconcile the Income and Expenditure Account (produced using GAAP measurement techniques) with the General Fund balance (upon which the Council Tax level was set) to show the real impact on the General Fund.

17. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08 £000	2006/07 £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:		
Depreciation of General Fund fixed assets	(1,078)	(1,003)
Excess of depreciation charge to HRA over the Major Repairs Allowance element of Housing Revenue Account Subsidy	(1,374)	(1,133)
Reversal of Impairment Charges	(8,840)	-
Amounts treated as revenue expenditure in accordance with the SORP but classified as capital expenditure by statute – Deferred Charges	(1,563)	(943)
Single Status Back Pay costs – funded from Equal Pay Back Pay Account	(879)	-
Net gain on sale of fixed assets	1,060	756
Pension costs calculated in accordance with the SORP and FRS17	(2,911)	(6,153)
	(15,585)	(8,476)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:		
Capital expenditure charged to the General Fund Balance	118	47
Transfers from Usable Capital Receipts equal to the amounts payable:		
• into the government's Housing Capital Receipts Pool	(1,565)	(1,595)
• in respect of clawback on disposal of dwellings	(2,563)	(2,016)
Employer's contributions payable to Essex County Council Pension Fund	5,235	5,480
Transfer to Financial Instruments Adjustment Account, amortisation of deferred premiums	85	-
Other minor adjustments	11	(24)
	1,321	1,892
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year:		
Transfer of the surplus or (deficit) for the year on the Housing Revenue Account to the HRA balance, calculated in accordance with statute	529	457
Net transfer to General Fund earmarked reserves	(63)	3,433
	466	3,890
Net additional amount to be credited to the General Fund Balance	(13,798)	(2,694)

NOTES TO THE CORE FINANCIAL STATEMENTS

18. CAPITAL EXPENDITURE AND DISPOSALS

a) Movement on Fixed Assets

Operational Assets	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Comm-unity Assets	Sub Total
	£000	£000	£000	£000	£000	£000
Certified valuation at 31 March 2007	698,709	47,269	5,081	112	4,495	755,666
Accumulated depreciation & impairment	-	(1,544)	(2,883)	-	-	(4,427)
Net book value of assets at 31 March 2007	698,709	45,725	2,198	112	4,495	751,239
Movements in 2007/08						
Additions	9,165	1,835	1,065	93	55	12,213
Disposals	(3,832)	(232)	-	-	-	(4,064)
Revaluations	23,268	7,116	-	-	-	30,384
Depreciation	(7,999)	(2,032)	(380)	-	-	(10,411)
Non-operational reclassified as Operational	-	4,068	-	-	-	4,068
Impairments	(3,606)	(4,903)	-	-	-	(8,509)
Net book value of assets at 31 March 2008	715,705	51,577	2,883	205	4,550	774,920

Non-Operational Assets	Investment Properties	Assets Under Construction	Surplus Assets	Sub Total	Total Fixed Assets
	£000	£000	£000	£000	£000
Certified valuation at 31 March 2007	19,057	-	2,527	21,584	777,250
Accumulated depreciation & impairment	(266)	-	(84)	(350)	(4,777)
Net book value of assets at 31 March 2007	18,791	-	2,443	21,234	772,473
Movements in 2007/08					
Additions	-	1,430	-	1,430	13,643
Disposals	-	-	-	-	(4,064)
Revaluations	637	-	925	1,562	31,946
Depreciation	(34)	-	(22)	(56)	(10,467)
Reclassification of Assets	(3,349)	-	(719)	(4,068)	-
Impairments	(95)	-	(236)	(331)	(8,840)
Net book value of assets at 31 March 2008	15,950	1,430	2,391	19,771	794,691

b) The fixed assets at 31 March included:

	31 March 2008	31 March 2007
Council Dwellings	11,514	11,592
Garages	5,993	6,001
Welcome Centre	1	1
Sports Halls	3	3
Swimming Pools	4	4
Community Centres and Halls	48	52
Museum (Wat Tyler Country Park)	1	1
Basildon Centre	1	1
Church Walk House	1	1
Cash Collection Offices/Area Housing Offices/Repairs Centre	3	4
Towngate Theatre	1	1
Shops	148	148
Industrial units	10	10
Depots, Workshops and Stores	9	9
Off Street Car Parks	5	8
Cemeteries	5	5
Basildon Town Centre	1	1
Miscellaneous	42	41

NOTES TO THE CORE FINANCIAL STATEMENTS

c) Valuation of Assets

The valuation date for assets valued in the year is 31 March 2008. The statement below shows the progress on the Council's rolling programme for the revaluation of fixed assets. The valuations were carried out by the Council's Principal Estates Surveyor and Wilkes, Head & Eve, a leading firm of Chartered Surveyors. The basis for valuation is set out in Note 2 to the Statement of Accounting Policies.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Non-Operational Assets £000	Total £000
Net Book Values at historic cost	-	486	2,843	205	4,550	1,430	9,514
Net Book Values at current cost:							
Current year	715,705	22,614	40	-	-	16,280	754,639
Previous year	-	4,443	-	-	-	688	5,131
Two years ago	-	7,065	-	-	-	-	7,065
Three years ago	-	3,575	-	-	-	607	4,182
Four years ago	-	13,394	-	-	-	766	14,160
Net Book Value at 31 March 2008	715,705	51,577	2,883	205	4,550	19,771	794,691

Where valuations pre-date 31 March 2008 the Council is not aware of any material change in value in the assets concerned arising since their valuation date.

d) Capital Expenditure and Financing

	2007/08 £000	2006/07 £000
Housing Revenue Account	9,680	9,639
General Fund: Housing	1,381	939
General Fund: Other Services	4,926	6,189
Total	15,987	16,767
<u>Financed from:</u>		
Major Repairs Reserve	8,016	7,913
Borrowing	3,971	4,526
Usable Capital Receipts	1,249	1,087
Capital Contributions	2,437	2,218
Finance Leases	196	976
Revenue	118	47
Total	15,987	16,767

19. DEFERRED CHARGES

Deferred charges are capital expenditure incurred other than on the Council's fixed assets. The "other" category below is made up of £899,000 for capitalised Single Status back pay and £64,000 for tenant compensation.

	Private Sector Housing Grants £000	Other £000	Total £000
Balance brought forward	-	-	-
Expenditure	1,381	963	2,344
Amounts written off	(1,381)	(963)	(2,344)
Balance at 31 March 2008	-	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

20. COMMITMENTS UNDER CAPITAL CONTRACTS

The total commitment on various significant capital contracts at 31 March 2008 was £1,261,000 including fees (£194,000 at 31 March 2007).

21. CAPITAL CONTRIBUTIONS DEFERRED

Where capital grants and contributions are received in advance of the associated expenditure, the SORP treats them as receipts in advance, or deferred, rather than as part of the Council's recognised reserves.

	2007/08 £000	2006/07 £000
Balance brought forward	(2,894)	(360)
New receipts:		
Government support for disabled facilities grants	(434)	(262)
Government support for private sector decent homes work	(261)	(259)
Government support for major regeneration schemes	(976)	(867)
Section 106 contributions	(350)	-
Grant in respect of clawback, Five Links estate	-	(2,600)
Other contributions	(589)	(764)
Amortised to revenue	3,395	2,218
Balance at 31 March	(2,109)	(2,894)
Of which:		
Applied to expenditure and awaiting amortisation to revenue	(1,657)	-
Received in advance	(452)	(2,894)
	(2,109)	(2,894)

22. DEFERRED LIABILITIES

Long term liabilities are analysed as follows:

	31 March 2008 £000	31 March 2007 £000
Finance Leases (see table below)	(1,230)	(1,299)
Deferred Purchase Debt	(410)	(615)
Transferred Debt	(693)	(705)
Total Deferred Liabilities	(2,333)	(2,619)

All finance leases were in respect of plant, vehicles or equipment. The finance charges allocated for the year, being the interest element of lease rentals, amounted to £69,000 in 2007/08 (£69,000 in 2006/07). The amounts due to lessors in respect of finance leases are payable as set out in the following table:

	31 March 2008 £000	31 March 2007 £000
Finance leases which expire:		
Within one year	281	250
In the second to fifth years inclusive	826	770
Over five years	123	279
Total Finance Leases	1,230	1,299

The gross value of assets held under finance leases at 31 March 2008 was £1,564,000 (£1,502,000 in 2007). All these assets are plant, vehicles or equipment. The depreciation charge made in 2007/08 in respect of these assets was £266,000 (£203,000 in 2006/07).

Deferred purchase debt relates to sums outstanding to a merchant bank for the construction of the Nursery Gardens housing estate in Laindon in the late 1980's. Transferred Debt is the sum outstanding to the London Borough of Havering in respect of the transfer of housing to this Council on the Barn Hall estate, Wickford.

NOTES TO THE CORE FINANCIAL STATEMENTS

23. OPERATING LEASES

Rentals paid in 2007/08 on all current agreements amounted to £1.24 million (£1.41 million, 2006/07), of which £0.75 million (£0.82 million, 2006/07) related to vehicles, plant and equipment and the rest to land and buildings. At 31 March 2008 the Council had annual commitments under operating leases as set out in the following table:

Annual commitments:	31 March 2008		31 March 2007	
	Plant, vehicles & equipment £000	Land & buildings £000	Plant, vehicles & equipment £000	Land & buildings £000
Operating leases which expire:				
Within one year	89	242	104	-
In the second to fifth years inclusive	483	252	583	239
Over five years	-	-	2	390
Total	572	494	689	629

The total primary rentals payable in future years on current leases for plant, vehicles and equipment are estimated at £1.80 million. The equivalent figure for land and buildings is estimated at £26.6 million. A sum of £26.1 million is included in respect of industrial units at the Wickford Enterprise Centre. The rental payable under this lease is equivalent to 90% of the expected rental income assuming full occupancy.

The gross value of assets held for use under operating leases at 31 March 2008 was £44,000 (£71,500 in 2007) and the related depreciation charge in 2007/08 was £1,000 (£1,000 in 2006/07).

24. FINANCIAL INSTRUMENTS

a) Financial Instrument balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000
Financial Liabilities at amortised cost	(128,187)	(127,218)	(5,077)	(5,001)
Total borrowings	(128,187)	(127,218)	(5,077)	(5,001)
Loans and receivables	-	-	5,241	7,406
Total investments	-	-	5,241	7,406

b) Financial Instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities: Liabilities measured at amortised cost		Financial Assets: Loans and Receivables	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Interest expense	9,959	10,030	-	-
Interest Payable and similar charges	9,959	10,030	-	-
Interest income	-	-	(1,069)	(757)
Interest and Investment Income	-	-	(1,069)	(757)

NOTES TO THE CORE FINANCIAL STATEMENTS

c) Fair value of financial liabilities and assets carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost, i.e. the aggregate of principal amount and accrued interest. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the fair value is taken to be the principal outstanding
- The fair value of trade creditors and debtors is taken to be the invoiced or billed amount.

	31 March 2008			31 March 2007		
	Principal Amount £000	Carrying Amount £000	Fair Value £000	Principal Amount £000	Carrying Amount £000	Fair Value £000
PWLB debt	124,325	126,001	154,358	118,325	119,899	142,216
Non PWLB debt	7,250	7,263	9,026	12,251	12,320	13,730
Deferred Purchase debt	410	410	410	615	615	615
Total Debt	131,985	133,674	163,794	131,191	132,834	156,561
Trade Creditors	19,894	19,894	19,894	10,580	10,580	10,580
Total Financial Liabilities	151,879	153,568	183,688	141,771	143,414	167,141
Money market loans, less than one year	5,200	5,241	5,241	7,350	7,406	7,406
Trade Debtors	23,150	23,150	23,150	14,940	14,940	14,940
Total Financial Assets	28,350	28,391	28,391	22,290	22,346	22,346

The range of interest rates payable on PWLB debt at 31 March 2008 was from 4.10% to 15.25% (weighted average, 7.15%), which compares with an average of 7.31% (over the same range) at 31 March 2007. The equivalent figures for non-PWLB debt were a range of 6.53% to 11.44% (weighted average, 8.02%) at 31 March 2008 with an average of 7.54% (over the same range) at 31 March 2007. Interest on deferred purchase debt is chargeable at a margin over LIBOR.

It should be noted that interest payable is not accrued on debt incurred prior to April 1987. See note 11 in the Statement of Accounting Policies on page 10. The figures for Carrying Amount and Fair Value do not therefore reflect unaccrued interest of £423,000 at 31 March 2008 (£423,000 again, at 31 March 2007).

The fair values for debt liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB debt have been calculated using the same procedures and interest rates, being a reasonable approximation for fair value for these instruments. The fair value of deferred purchase debt is equivalent to the carrying amount as interest is payable at current market rates. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007 and became less favourable than the previous procedures. As a result, the fair value figures for March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

The fair value of debt liabilities is greater than the carrying amount because the Council's portfolio includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date and the effect of these outweighs the effect of fixed rate loans taken out at a lower interest rate than was available for similar loans at that date.

NOTES TO THE CORE FINANCIAL STATEMENTS

d) The nature and extent of risk arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's risk management procedures in relation to financial instruments focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management operate through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice for Treasury Management in the Public Services and Investment Guidance issued through the Act. These procedures require the Council to manage risk in the following ways:

- by formally adopting and complying with the requirements of the Code of Practice
- by approving annually in advance Prudential Indicators for the following three years, limiting:
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposure to investments maturing beyond a year.
- by approving annually in advance an investment strategy setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

The Prudential Indicators are approved by the Council as part of its procedures for setting the annual Council Tax, and are subject to revision by Council if appropriate during the course of the year. The annual investment strategy is considered at or before the commencement of each financial year by the Audit and Risk Committee in conjunction with an annual treasury management strategy and approved by Cabinet. Together they set the detailed approach to managing risk in relation to the Council's financial instrument exposure in the year ahead. Actual performance is reviewed annually by the Audit and Risk Committee following the financial year-end. Performance indicators relating to a range of treasury management activities are also monitored quarterly by the Cabinet Member with responsibility for Resources.

Operation of these policies is delegated to the Head of Financial Strategy and Services and to his treasury team. Officers maintain written principles covering specific risk areas, such as interest rate risk, credit risk and the investment of surplus cash, through Treasury Management Practice notes (TMP's). The use of TMP's is a requirement of the Code of Practice and they are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and other financial institutions and from credit advanced to the Council's customers. The Balance Sheet figures for financial assets are not representative of the normal level of exposure. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2007/08 was £28.5 million.

Deposits are not made unless they meet at least the minimum investment criteria set by the Council. For investments placed with bodies other than UK government, local authorities and building societies, the Council determines its credit criteria by reference to ratings produced by the major credit rating agencies. The criteria for selecting Building Societies for investment relate to their asset base.

NOTES TO THE CORE FINANCIAL STATEMENTS

The credit standing of the Building Society sector relies on the high degree of probity within individual societies, the quality of their assets and the regulatory system put in place by the Building Societies Act 1986 and carried out by the Financial Services Authority. The minimum approved asset base for deposits made with counterparties in this category in 2007/08 was £1 billion and the total value of deposits with any one counterparty in this class was limited to £5 million at any time.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies. The Council has had no experience of default by any counterparty over the last five financial years and does not expect any losses from non-performance.

Deposits with banks and other financial institutions:

	Principal Amount at 31 March 2008	Historical experience of default	Adjusted for conditions at 31 March 2008	Estimated maximum exposure to default
	£000	%	%	£000
AA rated counterparties	3,000	0.000	0.000	-
Building Societies	2,200	0.007	0.007	-
	5,200			-

The historical experience of default has been taken from Moody's, a credit rating organisation used by the Council, and applies to the period 1982 to 2005, being the latest information available. Unrated Building Societies have been treated in the table as if they had an A rating. The current credit crisis in international markets has raised the overall possibility of default. However the Council maintains strict credit criteria for investment counterparties and have tightened these with effect from April 2008 as a temporary measure. In the circumstances, the historical default rates continue to be used as a good indicator under current conditions.

The Council's current debtors included in the Balance Sheet are shown net of bad debt provisions, which are based on historical default experience for collections.

Liquidity risk

The Council manages its liquidity position through the risk management procedures mentioned above, namely the setting of Prudential Indicators and annual treasury and investment strategies, as well as cash flow management procedures required by the Code of Practice.

The Council is required by the Local Government Finance Act 1992 to produce a balanced budget each year, which raises sufficient moneys to cover annual expenditure. The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need and a £1 million overdraft facility is maintained with its bankers. Whilst the Public Works Loans Board (PWLB) provides access to longer-term funds, it also acts as a lender of last resort to all local authorities (although it will not provide funding to a council whose actions are unlawful). The usual practice however is to call back financial assets, moneys on deposit with financial institutions, in preference to new borrowing.

There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains significant debt and investment portfolios. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk relates to managing exposure to the replacement of financial instruments as they mature. This applies to the maturing of longer-term financial liabilities.

The key parameters used to address this risk are the Prudential Indicator limits set by the Council for the maturity structure of its debt and the limits placed on investments of more than one year in duration. Within the above parameters, the Council addresses the operating risks by:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt

NOTES TO THE CORE FINANCIAL STATEMENTS

- monitoring the maturity profile of investments to maintain sufficient liquidity for the Council's day to day cash flow needs
- spreading longer term investments to provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities (the principal amount of PWLB debt, bonds, temporary borrowing) and financial assets (investments with banks and other financial institutions) at 31 March 2008 was as follows:

	Financial Liabilities £000	Financial Assets £000
Less than one year	5,000	5,200
Between one and two years	2,000	-
Between two and seven years	30,000	-
Between seven and fifteen years	44,750	-
More than fifteen years	49,825	-
	131,575	5,200

Market risk

(i) Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest charged to the Income and Expenditure Account would rise
- borrowings at fixed rates – the fair value of the borrowing liability would fall
- investments at variable rates – the interest credited to the Income and Expenditure Account would rise
- investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund or Housing Revenue Account balance. As the Council's borrowing activity is almost exclusively attributed to its Housing Revenue Account debt, any interest rate fluctuations are substantially compensated for by government subsidy. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses.

The Council has a number of strategies for managing interest rate risk. There is a lot of flexibility over the timing of new long-term borrowing at fixed rates, and short-term investments of surplus funds are spread over a range of periods to limit exposure to adverse movements in rates and to take advantage of favourable market conditions. The annual treasury management strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. One of the Prudential Indicators sets maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher during 2007/08 with all other variables held constant, the financial effect would have been:

	£000
• Increase in interest payable on variable rate borrowing	-
• Increase in interest receivable on variable rate investments	174
Impact on Income and Expenditure Account	174
• Decrease in fair value of fixed rate investment assets	-
Impact on Statement of Recognised Gains and Losses	-

NOTES TO THE CORE FINANCIAL STATEMENTS

The PWLB have provided fair values for the Council's existing fixed rate borrowings. However no information is available to show the impact on fair value of a change in interest rates. A change in fair value would impact on neither the Income and Expenditure Account nor the Statement of Total Gains and Losses.

The impact of a 1% fall in interest rates would be as above but with the movements reversed.

(ii) Price risk

The Council does not deal in instruments where the principal sum is open to fluctuation. It therefore has no exposure to price risk in relation to financial instruments.

(iii) Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

25. PROVISIONS

	31 March 2007 £000	Transfers to £000	Applied from £000	31 March 2008 £000
a) Insurance Pool	(1,838)	(865)	731	(1,972)
b) Single Status	-	(1,778)	-	(1,778)
c) Concessionary Fares	(94)	-	94	-
Balance at 31 March	(1,932)	(2,643)	825	(3,750)

a) Insurance Provision

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. Sums applied from provisions are claims settled during the year. The balance on the insurance provision is subject to independent actuarial review every two years to ensure a proper reflection of aggregate liabilities. See also the Insurance Pool Reserve – note 29(g) below.

b) Single Status Back Pay Provision

Provision has been made for the estimated cost of sums due to past and present employees in respect of the Single Status (equal pay) scheme as at 31 March 2008. A scheme has been agreed locally, but at the year end it remained subject to national sign-off by Unison, clarification of certain legal issues and a local ballot.

c) Concessionary Fares Provision

Provision was made in 2006/07 for a claim by bus operators that they were due additional payment for higher than anticipated take up of the concessionary fares scheme. An interim award had been made in favour of the operators, pending determination of their claim. Payment was subsequently made at this level during 2007/08.

26. ANALYSIS OF MOVEMENTS ON RESERVES

The Balance Sheet figures for 31 March 2007 in the Statement of Accounts for 2006/07 have been restated to accommodate the establishment of a Revaluation Reserve. The Revaluation Reserve and the Capital Adjustment Account replace the Fixed Asset Restatement Account and the Capital Financing Account. The credit balance of £467 million on the Fixed Asset Restatement Account at 31 March 2007 and the credit balance of £163 million on the Capital Financing Account at that date have been merged to form the new Capital Adjustment Account with a credit balance of £630 million. The new Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance.

a) Revaluation Reserve

As explained above, this new Reserve was established with a zero balance at 31 March 2007. The closing position on the Reserve at 31 March 2008 therefore shows only revaluation gains since 1 April 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2007/08 £000	2006/07 £000
Balance brought forward	-	-
Movements:		
Revaluation of existing assets	(31,946)	-
Balance at 31 March	(31,946)	-

b) Capital Adjustment Account

The movements on this new account were as follows:

	2007/08 £000	2006/07 £000
Balance brought forward	(630,398)	-
Financing of Capital Expenditure:		
From Major Repairs Allowance	(8,016)	-
From Usable Capital Receipts	(1,249)	-
From Revenue	(118)	-
Expenditure written out:		
Deferred charges	1,563	-
Movement on Fixed Asset Valuations:		
Value of asset disposals	4,064	-
Depreciation	10,467	-
Impairment losses	8,840	-
Repayment of external long-term liabilities:		
Deferred purchase debt	(205)	-
Transferred debt	(11)	-
Transfer from former Fixed Asset Restatement Account	-	(467,683)
Transfer from former Capital Financing Account	-	(162,715)
Balance at 31 March	(615,063)	(630,398)

c) Usable Capital Receipts Reserve

The balance at 31 March related to capital receipts that had not yet been used to finance capital expenditure.

	2007/08 £000	2006/07 £000
Balance brought forward	(396)	(569)
Received in year	(5,486)	(4,780)
Less: Clawback payable to the Commission for the New Towns	2,563	2,016
Less: Payable into the government's Housing Capital Receipts Pool	1,565	1,595
Less: Expenses and other	361	255
	(1,394)	(1,483)
Applied during the year to finance new expenditure	1,249	1,087
Balance at 31 March	(144)	(396)

NOTES TO THE CORE FINANCIAL STATEMENTS

d) Deferred Capital Receipts

These are the balances outstanding to the Council on mortgages granted for the purchase of Council housing.

	2007/08 £000	2006/07 £000
Balance brought forward	(33)	(50)
Movements:		
Principal repayments during the year	6	17
Balance at 31 March	(27)	(33)

e) Financial Instruments Adjustment Account

This account records the premiums paid on the refinancing of borrowings in earlier years, which are written down over the life of the replacement loans.

	2007/08 £000	2006/07 £000
Transfer from Deferred Premiums, 1 April 2007	865	-
Written off:		
To the Statement of Movement on the General Fund Balance	(85)	-
Balance at 31 March – Deficit	780	-

This new account is a requirement introduced by the 2007 SORP. In the Balance Sheet for 31 March 2007, deferred premiums were shown in Long-term Assets.

f) Pensions Reserve

The deficit in the Pension Fund as measured by Financial Reporting Standard 17 is balanced by an overdrawn reserve called a "Pensions Reserve".

	2007/08 £000	2006/07 £000
Deficit brought forward	45,106	53,918
Movements:		
Contributions to the Fund	(5,235)	(5,480)
Current Service Cost	2,984	4,369
Past Service/Curtailment/Settlement Cost	(1,147)	412
Net Interest/Return on Assets	1,074	1,372
Actuarial (Gain)/Loss	18,051	(9,485)
Balance at 31 March – Deficit	60,833	45,106

NOTES TO THE CORE FINANCIAL STATEMENTS

g) General Fund Balance

	2007/08 £000	2006/07 £000
Balance brought forward	(2,996)	(4,416)
Movements:		
Revenue spend for the year (net)	27,542	26,514
Expenditure on Single Status Back Pay	1,778	-
Single Status, transfer from Equal Pay Back Pay Account	(879)	-
Single Status, transfer from Capital Adjustment Account	(899)	-
Parish Precepts	281	267
Revenue Support Grant	(2,347)	(2,390)
Council Tax Receipts	(14,684)	(14,162)
NNDR Pool Receipt	(12,959)	(12,352)
Contribution towards Collection Fund Deficit	98	111
Transfers (from)/to Earmarked Reserves (net)	(64)	3,432
Balance at 31 March	(5,129)	(2,996)

h) General Fund Earmarked Reserves

	Movements £000	31 March 2008 £000	31 March 2007 £000
Insurance Pool	(153)	(1,655)	(1,502)
Contingency Reserve	98	(5,813)	(5,911)
IT Initiatives	134	(209)	(343)
Basildon Town Centre	(20)	(121)	(101)
Commuted Sums	-	(73)	(73)
Towngate	5	-	(5)
Balance at 31 March	64	(7,871)	(7,935)

i) Statutory Housing Revenue Account Balance

	2007/08 £000	2006/07 £000
Balance brought forward	(2,091)	(1,634)
Movements: Surplus for the year	(529)	(457)
Balance at 31 March	(2,620)	(2,091)
Of which:		
Earmarked for potential bad debts	(529)	-
For general purposes	(2,091)	(2,091)
	(2,620)	(2,091)

j) Collection Fund Reserve

	2007/08 £000	2006/07 £000
Deficit brought forward	104	102
Movements: (Surplus)/Deficit for the year	(52)	2
Balance at 31 March – Deficit	52	104

NOTES TO THE CORE FINANCIAL STATEMENTS

k) Equal Pay Back Pay Account

This account records the revenue element of the provision for Single Status back pay that falls to be paid after the year end. Regulations permit local authorities to carry the revenue effect of such expenditure forward to the year in which the arrears are paid.

	2007/08 £000	2006/07 £000
Balance brought forward	-	-
Movements:		
Transfer from Statement of Movement on General Fund Balance	879	-
Balance at 31 March – Deficit	879	-

27. CONTINGENT LIABILITIES

Municipal Mutual Insurance (MMI) announced in September 1992 that it was to cease trading upon expiry of current policies. MMI remained liable for all claims arising from previous policy commitments and at its latest balance sheet date the company was continuing to settle its outstanding liabilities. If however, in due course, the company's realisable assets prove to be insufficient to meet its liabilities to claimants, any deficiency will be recoverable from policyholders, which include Basildon District Council, under a "scheme of arrangement" approved by the High Court in January 1994. As at 31 March 2008 the scheme had not been invoked.

MMI's accounts for the year to 30 June 2007 state that the company has continued to pay agreed claims in full and that the Directors continue to foresee that a solvent run-off can be ultimately achieved. However, new notifications of claims are still being received, particularly in relation to employers' liability claims, and so the outstanding claims position remains volatile. This situation is subject to regular review.

There were also a number of High Court appeals in progress at this date in relation to planning enforcement and housing issues, which may give rise to costs depending on the outcomes.

28. PENSION COSTS

The Council offers retirement benefits to its officers and other employees as part of the terms and conditions of their employment. For this purpose, the Council participates in the Essex County Council Pension Fund ("the Fund"), which is administered under regulations governing the Local Government Pension Scheme 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 2007 and is effective from 1 April 2008. The contributions payable by the Council to the Fund are based on the actuary's findings. Any surplus or deficit on the Fund has no effect on an individual's entitlement to benefits.

Although benefits are not payable until an employee retires, the Council is required to reflect its commitment to make such payments in its accounts at the time an employee earns his/her future entitlement, rather than at the time those benefits are paid. Employer pension contribution levels are calculated by the actuary as part of the triennial review and are paid by Basildon Council into the pension scheme. They are also the levels used to calculate the Council Tax requirement.

However, under Financial Reporting Standard 17 – Retirement Benefits (FRS17), the actuary also has to calculate the figures on a different basis for accounts preparation purposes. The cost to the pension fund for activity relating solely to the year of account is included in the Income and Expenditure Account within Net Operating Expenditure, with part in the Net Cost of Services. An adjustment is made within the Statement of Movement on the General Fund Balance to reconcile the FRS17 figures back to the actual amount charged in the Council Tax requirement. This is illustrated in the table below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2007/08 £000	2006/07 £000
Current service cost	2,984	4,369
Past Service Cost/(Gain)	959	382
Curtailment loss	(2,106)	30
Net Cost of Services	1,837	4,781
Interest cost	7,956	8,011
Expected return on assets in the scheme	(6,882)	(6,639)
Net Operating Expenditure	2,911	6,153
Adjustment to Statement of Movement on the General Fund Balance		
Amount by which pension costs calculated in accordance with FRS 17 differ from contributions due under the pension scheme regulations.	2,324	(673)
Actual amount charged against Council Tax for pensions in the year		
Employer's contributions payable to scheme	5,235	5,480

The figures above are not comparable year on year as 2006/07 includes staff that transferred to St Georges Community Housing Ltd in 2007/08.

Using the projected unit method in a scheme that has a significantly rising age profile will cause the current service cost to increase as the members of the scheme approach retirement.

The market value of total fund assets was £3,168 million as at 31 March 2008 (£3,043 million as at 31 March 2007). The main financial assumptions adopted by the actuary as at 31 March 2008 were:

- (i) Rate of Inflation: 3.6% per annum (3.1% at beginning of year)
- (ii) Rate of increase in salaries: 5.1% per annum (4.6% at beginning of year)
- (iii) Rate of increase in pensions: 3.6% per annum (3.1% at beginning of year)
- (iv) Discount Rate: 6.1% (5.4% at beginning of year).

The market values of each main class of asset held by the Fund, so far as they relate to Basildon, and the expected rates of return on them for the ensuing year, are set out in the following table:

	At 31 March 2008			At 31 March 2007		
	Market Value £000	Proportion %	Expected Return %	Market Value £000	Proportion %	Expected Return %
Equities	67,209	70.2	7.5	82,511	69.3	7.5
Government Bonds	8,999	9.4	4.6	11,787	9.9	4.7
Other Bonds	6,319	6.6	6.1	7,501	6.3	5.4
Property	10,244	10.7	6.5	14,883	12.5	6.5
Other (cash/liquidity)	2,968	3.1	5.25	2,381	2.0	5.25
Total	95,739	100.0		119,063	100.0	

The market value of the above assets relating to Basildon District Council as at 31 March 2008 was £95.7 million (£119.1 million at 31 March 2007). The value placed on the liabilities was £156.5 million (£164.2 million at 31 March 2007). Consequently, at 31 March 2008, the deficiency relating to Basildon was £60.8 million (£45.1 million at 31 March 2007). Again, the figures are not comparable year on year due to transfers of staff to St Georges Community Housing Ltd in 2007/08.

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of the movement in the Fund deficit during the period:

	2007/08 £000	2006/07 £000
Deficit at beginning of period	45,106	53,918
Contributions to the Fund	(5,235)	(5,480)
Current Service Cost	2,984	4,369
Past Service/Curtailment/Settlement Cost	(1,147)	412
Net Interest/Return on Assets	1,074	1,372
Actuarial Loss/(Gain)	18,051	(9,485)
Deficit at end of period	60,833	45,106

The deficit in the Fund is balanced by an overdrawn reserve called a "Pensions Reserve". The actuarial loss shown above represents the difference between the actuary's original assumptions and subsequent outcomes for the year. The figure for 2007/08 represents 11.5% of liabilities (5.8% in 2006/07).

The Pensions Reserve is a requirement of FRS17 and represents at 31 March 2008 Basildon's share of the Essex Fund's overall position. Whilst the deficit on the Pensions Reserve is a substantial figure, it reflects the national trend for most pension funds. The deficit is due mainly to falls in equity markets and historically low interest rates. The fact that pension funds are largely investment based means that they should be viewed over the longer term rather than just at a point in time.

29. RECONCILIATION BETWEEN THE NET SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT AND THE REVENUE ACTIVITIES NET CASH FLOW IN THE CASH FLOW STATEMENT

	2007/08 £000	2006/07 £000
(Surplus)/Deficit per Statement of Movement on the General Fund Balance	(2,133)	1,420
Less: Non-revenue items included above	(118)	(492)
Movements in Reserves:		
Housing Revenue Account	(529)	(457)
Collection Fund	(52)	2
General Fund Earmarked Reserves	64	(3,433)
Financial Instruments Adjustment Account	(85)	-
Equal Pay Back Pay Account	879	-
	(1,974)	(2,960)
Movements in Non Cash Transactions:		
Short Term Creditors	(5,791)	1,720
Suspense Items	(185)	174
Stocks & Works in Progress	(140)	52
Other Provisions	(1,818)	(263)
Short Term Debtors	8,196	(1,568)
	(1,713)	(2,845)
Transfers to:		
Returns on Investment and Servicing of Finance	(8,826)	(9,328)
Financing	(11)	(17)
Revenue Activities Net Cash Flow	(10,550)	(12,190)

NOTES TO THE CORE FINANCIAL STATEMENTS

30. RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

	2007/08 £000	2006/07 £000
Movement in Cash, Revenue and Capital activities	1,480	(3,558)
Movement in net debt:		
Borrowings, raised or repaid (net)	(999)	707
Deferred Purchase and Transferred Debt	216	3,410
Finance leases (net)	70	(849)
Investments	(2,150)	850
	(2,863)	4,118
Net (increase)/decrease in cash in hand and at bank	(1,383)	560

31. RECONCILIATION OF THE ITEMS SHOWN WITHIN THE FINANCING AND LIQUID RESOURCES SECTION OF THE CASH FLOW STATEMENT TO THE RELATED ITEMS IN THE OPENING AND CLOSING BALANCE SHEETS FOR THE PERIOD

	31 March 2008 £000	31 March 2007 £000	Movement in Balance Sheet £000	Movement in Accrued Interest £000	Net movement in Cash Flow Statement £000
Liquid Resources (Investments)	5,241	7,406	(2,165)	(15)	(2,150)
Deferred Liabilities	(2,333)	(2,619)	286	-	286
Short Term Borrowing	(5,077)	(5,001)	(76)	(77)	1
Long Term Borrowing	(128,187)	(127,218)	(969)	31	(1,000)
Net Movement	(130,356)	(127,432)	(2,924)	(61)	(2,863)

32. EXPLANATION OF WHAT IS INCLUDED IN LIQUID RESOURCES

Liquid Resources include all cash deposits and loans to approved counterparties. The table above reconciles the items shown under the Financing & Liquid Resources section of the Cash Flow Statement with the corresponding figures shown in the Balance Sheet. The Council's activities in borrowing and investing to balance its cash flow requirements are operated in accordance with a Treasury Management Policy Framework and annually approved Treasury Management and Investment Strategies.

33. ANALYSIS OF OTHER GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT

	2007/08 £000	2006/07 £000
Revenue Support Grant	2,174	2,390
National Non Domestic Rates	12,959	12,352
HRA Subsidy receivable	-	313
Other items	1,173	1,686
Total	16,306	16,741

NOTES TO THE CORE FINANCIAL STATEMENTS

34. ANALYSIS OF NET ASSETS EMPLOYED

The net assets employed by each of the Funds, representing the sum of local taxpayers' equity in the Authority, is as follows:

	31 March 2008 £000	31 March 2007 £000
General Fund	19,174	27,425
Housing Revenue Account	581,082	571,214
Total	600,256	598,639

35. SUBSIDIARY COMPANY

St Georges Community Housing Limited (SGCH), the Council's Arms Length Management Company, is a limited company wholly owned by the Council. It was established with no share capital and is limited by guarantee. The Council is liable to contribute to the debts and liabilities of the organisation if it is wound up, to the value of £1.

The Council delegated to SGCH responsibility for the management and maintenance of its housing stock, including capital works, and the management of the Careline service, all in accordance with a Management Agreement effective from 1 April 2007. The Council pays for these services through a Management Fee, which is negotiated annually.

SGCH was incorporated on 28 November 2006 and commenced trading in April 2007. Its accounts for the period to 31 March 2008 have been prepared in accordance with the Companies Act 1985 and will be presented to its Board on 26 July 2008.

The following summarised accounts are based on the draft accounts of SGCH:

Income and Expenditure Account

	2007/08 £000
Operating Costs	28,178
Less Turnover	(28,123)
Interest Receivable	(125)
Operating surplus	(70)
Pension interest cost and expected return on pension assets	497
Deficit for the period	427

Balance Sheet

	31 March 2008 £000
Fixed Assets	
Tangible Assets	72
Current Assets	
Debtors	5,076
Investments/Cash at bank and in hand	2,704
Current Liabilities	
Creditors	(7,560)
Other Liabilities	
Provisions	(222)
Defined pension liability	(3,118)
Total Assets less liabilities	(3,048)

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance Sheet

31 March 2008
£000

Profit and Loss Account	70
Pensions Reserve	(3,118)
Reserves	(3,048)

The Council recognises that the accounting entries required by FRS 17 in respect of pensions mean that SGCH does not have sufficient reserves to offset the resultant deficit. It has therefore undertaken in the Management Agreement to provide continuing support to enable the financial statements of SGCH to be prepared on a going concern basis.

The following balances between the Company and the Council are included in the table above:

31 March 2008
£000

Debtors	5,025
Creditors	(5,578)
Net Intercompany Position	(553)

Further information is provided in Note 4G of the Group Accounts.

A copy of the 2007/08 accounts for SGCH may be acquired from the Interim Director of Resources, St. Georges Community Housing Ltd., 5-8, Dunton Court, Aston Road, Laindon, Basildon SS15 6NX or from their website, www.sgch.org.uk.

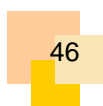
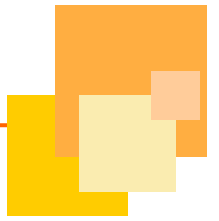
36. POST BALANCE SHEET EVENTS

On 23 May 2008 the Council's main contractor for responsive repairs to its housing stock gave notice on its contract. They are observing the contractual notice period. Any financial implications, which cannot as yet be estimated, would impact on the Housing Revenue Account in 2008/09 and future years.

There are no other post balance sheet events requiring disclosure. Consideration has been given to all events up to the date of the audit opinion.

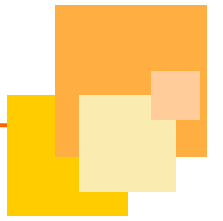
37. DATE ACCOUNTS AUTHORISED

These accounts were authorised by the Audit and Risk Committee for issue on 26 June 2008.





OTHER FINANCIAL STATEMENTS



HOUSING REVENUE ACCOUNT

<u>INCOME AND EXPENDITURE ACCOUNT</u>	2007/08	2006/07
	£000	£000
INCOME		Restated
Dwelling rents	38,104	36,387
Non-dwelling rents	2,171	2,137
Charges for services and facilities	4,400	4,376
General Fund contribution towards expenditure	440	397
Housing Revenue Account subsidy receivable	-	313
Total Income	45,115	43,610
EXPENDITURE		
Repairs and Maintenance	9,621	9,365
Supervision and Management	13,711	14,733
Rents, rates, taxes and other charges	119	145
Negative Housing Revenue Account subsidy payable	845	-
Water and Sewerage charges, written back	-	(539)
Depreciation and impairments of fixed assets	12,996	9,046
Debt Management Costs	85	104
Increase in bad debt provision	346	204
Rent rebate subsidy limitation	728	821
Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP – Deferred Charges	367	4
Total Expenditure	38,818	33,883
Net Income on HRA Services as included in the whole authority Income and Expenditure Account, Net Cost of Services	(6,297)	(9,727)
HRA services share of Corporate and Democratic Core	281	253
Net Income on HRA Services	(6,016)	(9,474)
HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account:		
Gain on sale of HRA fixed assets	(783)	(834)
Interest payable and similar charges	9,678	9,668
Interest and investment income	(3)	(86)
Amortisation of deferred premiums	-	43
Pensions interest cost and expected return on pensions assets	258	425
Deficit/(Surplus) for the year on HRA services	3,134	(258)
<u>STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE</u>		
Deficit/(Surplus) on the HRA Income & Expenditure Account	3,134	(258)
Net additional amount required by statute to be credited to the HRA Balance	(3,663)	(199)
Increase in the Housing Revenue Account Balance	(529)	(457)
Housing Revenue Account balance brought forward	(2,091)	(1,634)
Housing Revenue Account balance carried forward	(2,620)	(2,091)

HOUSING REVENUE ACCOUNT



RECONCILIATION OF THE OUTTURN ON THE HRA INCOME & EXPENDITURE ACCOUNT TO THE SURPLUS/DEFICIT FOR THE YEAR ON THE HRA BALANCE, CALCULATED IN ACCORDANCE WITH THE REQUIREMENTS OF THE LOCAL GOVERNMENT AND HOUSING ACT 1989.

	2007/08 £000	2006/07 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement in the HRA Balance for the year:		
Net gain on sale of HRA fixed assets	783	834
Reversal of Impairment Charges	(3,606)	-
Charges made for retirement benefits in accordance with FRS17	(262)	(1,571)
Single Status Back Pay funded by Equal Pay Back Pay Account	(148)	-
Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with UK GAAP – Deferred Charges	(367)	(4)
	(3,600)	(741)
Items not included in the HRA Income and Expenditure Account but included in the movement in the HRA Balance for the year:		
Transfer from Major Repairs Reserve	(1,374)	(1,133)
Transfer to Financial Instruments Adjustment Account, amortisation of deferred premiums	48	-
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	1,263	1,675
	(63)	542
Net additional amount required by statute to be credited to the HRA Balance	(3,663)	(199)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. RENT INCOME

Income from rents was made up as follows:

	2007/08 £000	2006/07 £000
Dwellings	38,406	36,804
Garages, Shops & Other	2,987	2,812
Gross Income	41,393	39,616
Less: Void Properties	(1,118)	(1,092)
Total Rent Income	40,275	38,524

Rent loss due to void dwellings was 0.8% in the year (1.1% in 2006/07). The average weekly rent in 2007/08 was £63.57, which was £2.88 above the average for the previous year. This reflects the impact of rent restructuring, as well as the normal annual percentage increase prescribed by the government.

2. HRA SUBSIDY

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

	2007/08 £000	2006/07 £000
NOTIONAL EXPENDITURE		
Management & Maintenance	17,523	17,027
Major Repairs Allowance	8,016	7,913
Charges for Capital	10,164	10,157
Rental Constraint Allowance	110	-
Other Reckonable Expenditure	25	44
Total Expenditure	35,838	35,141
NOTIONAL INCOME		
Rents	(36,680)	(34,823)
Other	(3)	(5)
Notional (Surplus)/Deficit – (Negative subsidy)/Actual Subsidy	(845)	313

3. REBATES

About 60% of the Council's tenants receive some assistance with their rent. Rent rebates are available under the Housing Benefit scheme for households on low income. Expenditure on rent rebates includes the discretionary element of benefit where war pensions are disregarded in assessing claimants' income.

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

4. HRA SHARE OF CONTRIBUTION TO OR FROM THE PENSION RESERVE

For the purposes of FRS17 adjustments, a notional split of the increase in the deficit on the Pension reserve has been calculated as between the General Fund and the Housing Revenue Account based on levels of employer contributions and Past Service Deficit. This equates to approximately 76% General Fund and 24% Housing Revenue Account.

NOTES TO THE HOUSING REVENUE ACCOUNT

5. DEPRECIATION

The charge for depreciation is made up as follows:

	2007/08 £000	2006/07 £000
Operational Assets		
Dwellings	8,000	7,678
Other land and buildings	1,357	1,333
	9,357	9,011
Non-operational Assets	33	35
Total Depreciation	9,390	9,046

6. IMPAIRMENT CHARGES

Impairment losses on fixed assets between formal revaluations usually occur where significant economic impact has affected a particular area, estate or one of the factors taken into account in the original valuation. Examples would include physical damage to the asset, deterioration in the quality of service provided by the asset, or a significant disproportionate fall in house prices in an area, for example because of blight. No impairment charges of this kind applied in the 2007/08 financial year.

However, adoption of the new Revaluation Reserve from this financial year brings asset accounting down from a global level to the level of the individual dwelling, so the interim valuation of the Housing stock for 2007/08 has given rise to impairment of the value of some of our dwellings. The total impairment charge to the Income and Expenditure Account for this reason was £3,401,000 (not applicable in 2006/07), which has been reversed out through the Statement of Movement on the HRA Balance so that there is no impact on the level of actual HRA reserves.

7. DEFERRED CHARGES

The sum for deferred charges includes £64,000 (£4,000 in 2006/07) in respect of compensation to tenants affected by estate redevelopment and £303,000 for the capitalisation of Single Status back pay (not applicable in 2006/07).

8. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is a resource for financing capital expenditure on dwellings and other property within the HRA. The amount credited to the Reserve is equal to the charge made to the HRA for depreciation. A technical adjustment however returns to the HRA any amount in excess of the Major Repairs Allowance included in the calculation of HRA Subsidy (see note 2 above).

The following table analyses the movements in the Major Repairs Reserve in the year of account:

	2007/08 £000	2006/07 £000
Balance on 1 April	-	-
Transfer from the Capital Adjustment Account equivalent to depreciation	(9,390)	(9,046)
Transfer to the HRA, equivalent to excess of depreciation over the level of the Major Repairs Allowance	1,374	1,133
Amount applied to Capital Expenditure	8,016	7,913
Balance on 31 March	-	-

9. NUMBER AND TYPES OF DWELLINGS

The table below shows the movement in housing stock during the year. The number of dwellings at 31 March 2008 comprised 6,578 houses and bungalows and 4,936 flats. Included in these numbers is the Council's interest in shared ownership properties, which is equivalent to 125 wholly owned dwellings.

NOTES TO THE HOUSING REVENUE ACCOUNT

	2007/08	2006/07
Stock at 1 April	11,592	11,668
Less: Sales and other disposals	(78)	(76)
Stock at 31 March	11,514	11,592

10. VALUATION OF HOUSING ASSETS

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

	31 March 2008 £000	31 March 2007 £000
Operational Assets		
Dwellings	715,705	698,709
Other land and buildings	11,311	10,999
Vehicles, plant and equipment	60	24
	727,076	709,732
Non-operational Assets		
Investment properties	1,345	1,285
Total Value of Housing Assets	728,421	711,017

All property has been valued in accordance with guidance on stock valuation published by the Secretary of State.

The vacant possession value of dwellings in the HRA, valued in accordance with the guidance, was £1,556 million at 31 March 2008. The difference of £840 million between the vacant possession value and the Balance Sheet value shown in the table above represents the economic cost to the public sector of providing council housing at less than open market rents.

11. THE FINANCING OF CAPITAL EXPENDITURE ON HRA LAND AND PROPERTY

Total capital expenditure incurred on land, houses and other property within the HRA:	2007/08 £000	2006/07 £000
Land	45	77
Housing	9,165	9,498
Other Property	102	64
	9,312	9,639
This was financed from the following sources:		
Supported Borrowing	1,149	1,149
Usable Capital Receipts	52	155
Capital Contributions	95	422
Major Repairs Reserve	8,016	7,913
Total Capital Resources used to finance HRA capital expenditure	9,312	9,639

12. CAPITAL RECEIPTS FROM DISPOSALS OF HRA LAND AND PROPERTY

The sales proceeds arising from the disposal of land, houses and other property in the HRA during the year amounted to £5.0 million. After paying housing clawback of £2.6 million to English Partnerships in respect of dwellings transferred to the Council from the Commission for the New Towns (now English Partnerships) in 1994 and after paying £1.6 million into a government 'pool' in accordance with regulations applying to all housing authorities, just £0.8 million (17% of sale proceeds) remained available to finance new capital expenditure and expenses of sale. Receipts from the disposal of HRA assets other than dwellings sold under the right-to-buy scheme are not subject to the pooling regulations provided they are used for the provision of affordable housing or for regeneration schemes. The table below summarises the position.

NOTES TO THE HOUSING REVENUE ACCOUNT

	Land £000	Disposal of former CNT dwellings £000	Disposal of other Council dwellings £000	Other property £000	Total £000
Gross receipt	99	3,164	1,685	30	4,978
Clawback	-	(2,563)	-	-	(2,563)
Pooled amount	-	(367)	(1,198)	-	(1,565)
Usable element	99	234	487	30	850
Usable, as a % of gross receipt	100%	7%	29%	100%	17%

13. RENT ARREARS

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

	31 March 2008 £000	31 March 2007 £000
Current tenants	1,298	1,251
Former tenants	517	593
Total gross rent arrears	1,815	1,844

The arrears relate to rents, heating charges, tenants' effects insurance premiums and other service charges due from tenants. Current arrears include secure and temporary tenancies, garages and shared ownership dwellings. All figures ignore prepayments of rent amounting to £444,000 at 31 March 2008 (£224,000, 31 March 2007).

The provision for bad debts was £378,000 at 31 March 2008 (£428,000 at 31 March 2007).

14. EARMARKED BALANCE

The Council have earmarked part of the HRA working balance equivalent to the difference between the provision for bad debts at 31st March and a sum equal to 50% of gross rent arrears at that date. This brings the earmarked part of the HRA balance to £529,000 at 31 March 2008.

15. FURTHER INFORMATION

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

COLLECTION FUND ACCOUNT

	2007/08 £000	2006/07 £000
INCOME		
Income from Council Tax	74,472	70,866
Income from Non Domestic Rate Payers	68,095	66,461
Transfers from the General Fund, Council Tax Benefit	13,833	13,322
	156,400	150,649
Contributions towards previous year's deficit		
Essex County Council	413	468
Essex Police Authority	48	53
Essex Fire Authority	25	29
Basildon District Council	98	111
	584	661
Total Income	156,984	151,310
EXPENDITURE		
Precepts		
Essex County Council	62,412	59,624
Essex Police Authority	7,240	6,889
Essex Fire Authority	3,726	3,615
Basildon District Council	14,684	14,163
	88,062	84,291
National Non-Domestic Rates		
Payable to National Pool	67,853	66,220
Cost of Collection	242	241
	68,095	66,461
Movement on provisions for uncollectible amounts	513	569
Deficit for year	314	(11)
Total Expenditure	156,984	151,310
MOVEMENT IN FUND BALANCE		
Deficit at 1 April	622	611
Deficit for the year	(314)	11
FUND DEFICIT AT 31 MARCH	308	622

NOTES TO THE COLLECTION FUND ACCOUNT

1. THE COLLECTION FUND

The Collection Fund relates to transactions in respect of Council Tax and National Non Domestic Rates (NNDR).

Any surplus or deficit on the Collection Fund at the end of the year is required to be credited or debited respectively to all the major precepting authorities (i.e. Basildon, Essex County Council, Essex Police Authority and Essex Fire Authority) in a subsequent financial year.

Basildon's own precept for the year (£14.684 million) includes £282,000 (£267,000 in 2006/07) in respect of precepts from Parish and Town Councils within the District. The payments to Parish and Town Councils are met initially from the General Fund and included in Basildon's budget requirement.

The fund balance is included in the accounts of Basildon District Council, as collection authority. However, only Basildon's proportion is shown in the Reserves section of the Balance Sheet, the remainder being included in the Debtors section – being sums due from the other precepting authorities for their share of the deficit.

2. INCOME FROM COUNCIL TAX

For 2007/08 the Council set a Council Tax levy of £1,416.55 per Band D equivalent property, made up of precepts from authorities as follows:

	2007/08 £	2006/07 £
Basildon District Council	231.66	223.83
Parish and Town Councils in the Basildon District (average)	4.54	4.30
Essex County Council	1,003.95	960.39
Essex Police Authority	116.46	110.97
Essex Fire Authority	59.94	58.23
Total Council Tax Band D	1,416.55	1,357.72

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

	2007/08 £000	2006/07 £000
Council Tax	88,305	84,188
Less: Council Tax Benefit	(13,833)	(13,322)
Net Income to Collection Fund	74,472	70,866

3. INCOME FROM NON DOMESTIC RATES

The Council collects rates for non-domestic property in the District based on rateable value multiplied by a uniform national rate. The total amount, less certain reliefs and other deductions, is paid into a central pool, the National Non Domestic Rating (NNDR) Pool. The Pool is managed by Central Government, which in turn pays back to each authority's General or County Fund its share of the pool based on a standard amount per head of population.

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

	2007/08 £000	2006/07 £000
Non Domestic Rate (including voids and exemptions)	70,322	69,002
Less: Reliefs and Other Adjustments	(2,227)	(2,541)
Net Income to Collection Fund	68,095	66,461

The total NNDR rateable value for the Basildon district at 31 March 2008 was £174.6 million (£177.0 million, 2007). The uniform business rate for 2007/08 was 44.1p per £ of rateable value for small businesses and 44.4p for other businesses (42.6p and 43.3p respectively for 2006/07).

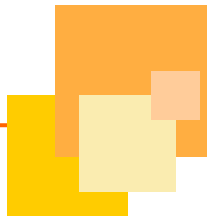
NOTES TO THE COLLECTION FUND ACCOUNT

4. COUNCIL TAX BASE

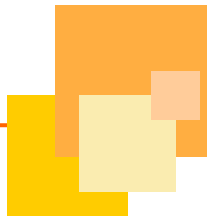
Whilst the annual Council Tax levy is expressed as a Band D equivalent, it is actually charged across nine different valuation bands. The Council Tax base for 2007/08 was calculated as follows:

Tax Band	No. of Properties in Band	No. of Property Discounts	Net Properties	Proportion	Equivalent No. of Band D Properties
A (Disabled)	11	0	11	5/9	6
A	8,916	1,678	7,238	6/9	4,825
B	14,871	1,876	12,995	7/9	10,107
C	22,420	2,304	20,116	8/9	17,881
D	13,547	1,019	12,528	9/9	12,529
E	6,985	403	6,582	11/9	8,045
F	4,343	184	4,159	13/9	6,007
G	1,801	76	1,725	15/9	2,875
H	118	16	102	18/9	204
	73,012	7,556	65,456		62,479
Less: Allowance for changes to Council Tax base during 2007/08					(312)
Total Council Tax Base					62,167





GROUP ACCOUNTS



GROUP ACCOUNTS

GROUP INCOME AND EXPENDITURE ACCOUNT

	Gross Expenditure £000	Gross Income £000	2007/08 Net Expenditure £000
General Fund continuing operations			
Central Services to the Public	18,979	17,441	1,538
Cultural, Environmental and Planning	35,311	12,567	22,744
Highways, Roads and Transport	2,778	1,038	1,740
Housing Services	51,761	47,621	4,140
Corporate and Democratic Core	5,859	595	5,264
Non Distributed costs	(962)	-	(962)
Housing Revenue Account	39,298	45,115	(5,817)
Net cost of services	153,024	124,377	28,647
Gain on disposal of fixed assets			(1,060)
Precepts of local precepting authorities			281
Interest payable			9,959
Amounts payable into the Housing Capital Receipts Pool			1,565
Amounts payable in respect of clawback on disposal of dwellings			2,563
Interest and investment income			(1,194)
Pensions interest cost and expected return on pension assets			1,029
Net operating expenditure			41,790
Income from Collection Fund for District Council purposes			(14,586)
Revenue Support Grant			(12,959)
Distribution from Non-Domestic Rate Pool			(2,347)
Deficit for the year			11,898

RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT

	2007/08 £000
Deficit for the year on the Council's Income and Expenditure Account	11,665
Deficit for the year in the Group Income and Expenditure Account attributable to SGCH	233
Deficit for the year on the Group Income and Expenditure Account	11,898

The entries on this account do not accord with the statutory provisions that specify the net expenditure the Council needs to take into account when setting local taxes. The deficit for the Council reported above is reconciled with the statutory provisions in the Statement of Movement on the General Fund Balance (page 17).

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08 £000
Deficit on the Group Income and Expenditure Account	11,898
Surplus arising on the revaluation of fixed assets	(31,946)
Actuarial losses on pension fund assets and liabilities	20,672
Any other (gains) and losses	613
Total recognised losses for the year	1,238

GROUP ACCOUNTS

GROUP BALANCE SHEET

	Notes	31 March 2008 £000
Tangible fixed assets		
Operational assets		
Council dwellings		715,705
Other land and buildings		51,577
Vehicles, plant, furniture and equipment		2,955
Infrastructure assets		205
Community assets		4,550
Sub Total Operational assets		774,992
Non-operational assets		
Investment properties		15,231
Assets under construction		1,430
Surplus assets		3,110
Sub Total Non-operational assets		19,771
Total Tangible fixed assets		794,763
Long-term debtors		36
Total Long-term assets		794,799
Current assets		
Stocks and work in progress		341
Debtors		17,565
Investments		5,241
Cash in hand		12
		817,958
Current liabilities		
Borrowing repayable on demand or within 12 months	24	(5,077)
Creditors		(13,453)
Bank overdraft		(1,180)
		798,248
Other liabilities		
Borrowing repayable within a period in excess of 12 months	24	(128,187)
Capital Contributions Deferred	21	(2,109)
Deferred liabilities	22	(2,333)
Provisions	25	(3,972)
Liability related to defined benefit pension scheme	28/7G	(63,951)
Suspense Accounts		(295)
TOTAL ASSETS LESS LIABILITIES		597,401
Financed by:		
Revaluation Reserve	26a	31,946
Capital Adjustment Account	26b	615,063
Usable Capital Receipts Reserve	26c	144
Deferred Capital Receipts	26d	27
Financial Instruments Adjustment Account	26e	(780)
Pensions Reserve	26f/7G	(63,951)
General Fund Balance	26g	5,129
General Fund Earmarked Reserves	26h	7,871
Housing Revenue Account General Balance	26i	2,091
Housing Revenue Account Earmarked Balance	26i	529
Collection Fund, Basildon District Council element	26j	(52)
Equal Pay Back Pay Account	26k	(879)
St. Georges Community Housing Ltd. Reserves	5G	263
TOTAL NET WORTH, 31 March 2008		597,401
TOTAL NET WORTH, 31 March 2007		598,639

GROUP ACCOUNTS

GROUP CASH FLOW STATEMENT

	2007/08 £000
REVENUE ACTIVITIES	
Net Cash Flow	(10,202)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	
<u>Cash Outflows</u>	
Interest and Special Financing Repayments of long term liabilities	9,842
Interest element of finance lease rental payments	68
<u>Cash Inflows</u>	
Interest Received	(1,084)
Total Returns on Investment and Servicing of Finance	8,826
Total Net Revenue Activities	(1,376)
CAPITAL ACTIVITIES	
<u>Cash Outflows</u>	
Expenditure on Fixed Assets	13,176
Expenditure on Deferred Charges	2,344
Payments to DCLG in respect of pooling of capital receipts	1,497
Payments to English Partnerships in respect of Clawback	2,385
	19,402
<u>Cash Inflows</u>	
Sale of Fixed Assets	(5,456)
Capital Contributions and Grants received	(10,617)
Other Capital Cash Receipts	(30)
	(16,103)
Total Net Capital Activities	3,299
Net Cash Outflow/(Inflow) before Financing	1,923
FINANCING & LIQUID RESOURCES	
Short term investments repaid (net)	(2,150)
Repayments of deferred purchase and transferred debt	216
Capital element of finance lease rental payments	266
Short term loans (raised)/repaid	1
Long term loans (raised)/repaid	(1,000)
New finance lease arrangements	(196)
Total Financing & Liquid Resources	(2,863)
NET INCREASE IN CASH IN HAND AND AT BANK	(940)

GROUP ACCOUNTS

NOTES TO THE GROUP ACCOUNTS

The 2007 Statement of Recommended Practice (SORP) makes comprehensive provision for Group Accounts. These require local authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. A review has been undertaken of the Council's relationship with other bodies and it is clear that it should account for its interest in St Georges Community Housing Limited (SGCH) as a wholly owned subsidiary and accordingly prepare Group Accounts.

The statements are intended to present financial information about the parent (the Council) and the subsidiary (SGCH) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line-by-line basis, incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet.

During 2007/08, SGCH worked solely for the Council, so the bringing together of income and expenditure has had only a limited effect on the service revenue account.

This is the first financial year for which the Council has been required to produce Group Accounts. The comparative values for the Group Core Financial Statements are therefore disclosed in the Core Financial Statements of the Council. Specific notes for the Group Accounts are provided below only where there is a material difference from the Council's own accounts.

1G. VOTING RIGHTS

SGCH is a wholly owned subsidiary of the Council. The Council has one third of the voting rights on the Board of SGCH and the Council, as well as the Board, agrees the annual delivery plan.

2G. CONSOLIDATION OF INCOME AND EXPENDITURE

The operating income and expenditure of SGCH has been consolidated with the Housing Revenue Account and, in respect of the Careline service, in the Cultural, Environmental and Planning service head.

3G. ACCOUNTING POLICIES

SGCH accounting policy for Creditors differs from that of the Council set out in the Statement of Accounting Policies (page 10, item 11). SGCH's accounts have been restated for the purposes of consolidation to take account of this difference.

4G. INTERCOMPANY ADJUSTMENTS

Preparation of Group Accounts requires the elimination of intercompany balances at 31 March 2008. The material balances eliminated on this basis were:

- a net amount due to the Council from SGCH of £552,000 on the intercompany account
- a sum of £3,147,000 representing the cash balance of SGCH invested with the Council. This was eliminated on consolidation against the equivalent investment in SGCH's books.

5G. RESTATEMENT OF SGCH RESERVES

On consolidation, adjustments have been made to the accounts provided by SGCH, with the following effect on the level of reserves attributable to SGCH as reported in the Group Accounts.

	2007/08 £000
Reconciliation of SGCH Reserves to amount reported in the Group Balance Sheet	
SGCH reserves as reported in Note 35	(3,048)
Adjustments:	
Element relating to net pension liability transferred to Pensions Reserve	3,118
Effect of harmonising accounting policies	251
Elimination of surplus relating to the capital element of the management fee	(58)
SGCH reserves as reported in Group Balance Sheet	263

GROUP ACCOUNTS

	2007/08 £000
Reconciliation of SGCH deficit to amount reported in the Group Income and Expenditure Account	
SGCH deficit as reported in Note 35	427
Adjustments:	
Effect of harmonising accounting policies	(251)
Elimination of surplus relating to capital element of management fee	58
SGCH deficit as reported in Group Income and Expenditure Account	234
Reconciliation of adjusted SGCH reserves (as above) to adjusted SGCH deficit (as above) in Group Income and Expenditure Account	
Adjusted SGCH reserves as reported above	(263)
Adjustments:	
Amount recognised as losses on pension fund assets and liabilities	497
SGCH deficit as reported in Group Statement of Total Recognised Gains and Losses	234

6G. PROVISIONS

In addition to the provisions in the Council's single entity accounts, as disclosed in Note 25 on page 36, SGCH has a provision of £222,000 in respect of payments due under the Single Status scheme. This brings the total provision for Single Status at 31 March 2008 to £2,000,000.

7G. PENSION COSTS

SGCH participates in the Essex County Council Pension Fund and so the actuarial assumptions used in assessing its pensions liability are the same as are outlined in Note 28 to the Core Financial Statements.

The pension liability of SGCH included in the summarised accounts above was produced by the fund actuary. This position is summarised below:

	2007/08 £000
Estimated liabilities in the Scheme	(16,763)
Estimated Assets in the Scheme	13,645
Net Pensions Liability	(3,118)

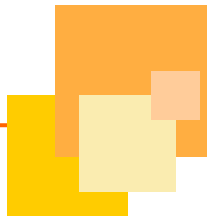
8G. RECONCILIATION OF GROUP INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

	2007/08 £000
Surplus per Statement of Movement on the General Fund Balance	(2,133)
Surplus per St. Georges Community Housing Ltd. Reserve	(263)
Less: Non-revenue items included above	(142)
	(2,538)
Movements in Reserves:	
Housing Revenue Account	(529)
Collection Fund	(52)
General Fund Earmarked Reserves	64
Financial Instruments Adjustment Account	(85)
Equal Pay Back Pay Account	879
	(2,261)

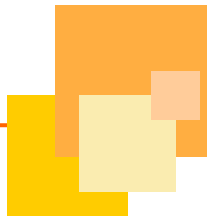
GROUP ACCOUNTS

	2007/08
Movements in Non Cash Transactions:	
Short Term Creditors	650
Suspense Items	(185)
Stocks & Works in Progress	(140)
Other Provisions	(2,040)
Short Term Debtors	2,611
	(1,365)
Transfers to:	
Returns on Investment and Servicing of Finance	(8,826)
Financing	(11)
Revenue Activities Net Cash Flow	(10,202)

This reconciliation identifies items included within the Income and Expenditure account that do not result in cash flows under the revenue activities in the Cash Flow Statement.



ANNUAL GOVERNANCE STATEMENT 2007/08



ANNUAL GOVERNANCE STATEMENT



Annual Governance Statement for 1 April 2007 to 31 March 2008

SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Basildon Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of its risks.

Basildon Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The code was originally adopted in May 2003 and has since been updated in January 2008, following the publication of new guidance. An action plan has been created in relation to the aims set out in the Local Code. A copy of the Local Code can be obtained from Democratic Services (01268 294421). This statement explains how Basildon Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Basildon Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

Set out below are the main aspects, which comprise the Council's governance framework. Included is information on how each aspect is being met and from where assurance on each has been obtained.

Overall, the Council can provide a high degree of assurance that governance arrangements are in place across the organisation. However, governance issues for improvement have been identified.

Assurance comes from a variety of sources, including Heads of Service, via Service Based Governance Statements and the Section 151 and Monitoring Officers. Corporate assurance has been provided from the Business Planning and Improvement Team manager on performance management and service planning arrangements, the Risk Resilience and Business Continuity Manager on risk management and business continuity, the Equalities and Diversity Manager on consultation and engagement and the Customer Services Manager on corporate complaints. In addition, important sources of assurance are the Council's Internal Audit function, external audit and inspections and the evidence compiled for the Use of Resources Assessment.

The process for compiling the Annual Governance Statement (AGS) is set out at appendix 1 below, including a diagram of the assurance framework, roles and responsibilities of relevant members and officers and a cyclical timetable for production and assurance gathering.

Through the review of effectiveness of the governance framework (set out below), a number of action points have been identified which will further develop the governance framework and supporting assurance framework.

ANNUAL GOVERNANCE STATEMENT

1. Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

Sources of Assurance: Corporate Governance Group, Business Planning and Improvement Team Manager

The Council's vision, set out alongside the Council's priorities in the Council's Strategic Improvement Plan (CSIP) 2007-2010 is, "to improve the quality of life for the people of the district, now and for future generations". The needs of our local community evolve year on year, and the Council aims to balance effectively the short, medium and long-term priorities for the District, and ensure that they complement national priorities.

The Council's objectives are clearly and widely communicated to the public, staff and all key stakeholders through the Council's Strategic Improvement Plan (CSIP). This is published in the Annual Performance Plan and is made available on the Council's website. During 2007/08, posters summarising the CSIP were visible at key points throughout the Council's offices or facilities and are in the process of being updated to reflect recently approved changes for the 2008-2011 CSIP.

It is, therefore, considered that the Council has identified and communicated its vision and intended outcomes for citizens and service users.

2. Reviewing the Authority's vision and its implications for the Authority's governance arrangements

Sources of Assurance: Corporate Governance Group, Business Planning and Improvement Team Manager

The Council's Strategic Improvement Plan is a rolling three-year plan that sets out the priorities for the Council and how these will be delivered. The plan is refreshed every year to ensure that it is aligned to local and national priorities, including the Sustainable Community Strategy. The plan includes corporate values and key priorities with measures, targets and actions for achieving delivery, and quantifies the related resource implications and key risks. In September 2007, the Council, informed by public consultation, began setting its priorities for 2008-2011. The overarching priorities will be Regeneration, Environment and Community, and key risks in delivering these have been outlined within the new CSIP for 2008-2011.

The CSIP is underpinned by the Council's Corporate Development Plan (CDP), which sets out ten corporate priorities for improvement. The CDP was developed during 2007/08 and includes governance as one of the priorities for improvement.

The Council's Constitution ('The Way We Work') identifies the statutory obligations of the Council and how it will make decisions and operate to carry out the Authority's vision, through delegation of specific responsibilities and decision-making powers to the Cabinet, Committees, nominated Members and Officers of the Council. Within the Cabinet Member accountabilities, included in the Constitution, Corporate Governance is identified as one of the Leader's accountabilities.

It is, therefore, considered that the Council has reviewed its vision and its implications for the Authority's governance arrangements.

3. Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources

Sources of Assurance: Section 151 Officer, Head of Financial Services, Business Planning and Improvement Team Manager, External Inspections

As well as inspections by the Audit Commission, which give a robust external view on the Council's approach to service delivery, the Council's Strategic Improvement Plan (CSIP) sets out a programme of improvements to be made during the year. Progress is monitored on a quarterly basis by officers and Cabinet Members. In future, progress against the CSIP will be incorporated into the quarterly performance monitoring undertaken through the Overview and Scrutiny function.

The Council's service planning process has been developed over a number of years. Services, at the strategic level, are planned over three years with clear links to the CSIP and its priorities. Each service produces a service plan annually, in consultation with Cabinet members with specific responsibilities.

ANNUAL GOVERNANCE STATEMENT

Service plans are completed for 2008/09 and the service plan template has been updated to ensure that services set out the statutory and discretionary elements of their service, anticipated legislative and policy changes, performance indicators, key risks and controls and identified areas for efficiencies. This process ensures a specific link between risk and performance management and resource, and allows ease of comparison for Members across services.

The Council has an established overall Financial Planning Framework, which sets out the financial planning processes used to support the development and review of policy and the allocation of resources to services. Each year, in addition to detailed budget reports, the Cabinet receives mid-term reports on strategic service and financial planning. These consider the position of the General Fund revenue, the Housing Revenue Account and the capital programme. They also include revisions to the Capital Strategy and the Asset Management Plan, which together set out the overall objectives for optimising the Council's use of its asset base and its capital resources. The Capital Strategy now reflects the Council's ambitious regeneration agenda.

The annual budget strategy is based on a managed approach for three years ahead and is aligned with the strategic and service planning process, with clear links to the CSIP aims and priorities.

At strategic level, the corporate priorities were reviewed in the autumn, to actively inform the budget setting process for 2008/09. The detail of the priorities included within the CSIP for 2008-2011 was, for the first time this year, formally approved as part of the setting of the final budgets and Council Tax in February 2008.

During August and September 2007, a review of each service area was carried out by Cabinet Members in conjunction with Heads of Service. The main objectives were to improve performance, to ensure that the Council was delivering against member priorities and to improve value for money across the organisation. The review identified savings of £1.3 million for the year, which exceeded by £0.8 million, the £0.5 million per annum provided for in the forward forecast.

The budget strategy provides each year for a range of revenue and capital initiatives including service efficiencies, which contribute to the objective of resources following priorities, the delivery of quality services and the setting of reasonable levels of Council Tax.

The drive for greater efficiency, at the heart of the Government's "Gershon" regime, has required each local authority to find 2.5% annual efficiency savings from 2005/06 to 2007/08. At least half of the efficiency savings must be 'cashable', which has meant reducing actual expenditure and releasing funds for either reinvestment in frontline services or to reduce future council tax levels. The Council put in place robust arrangements for the identification, monitoring and delivery of the financial targets and, over the three years, cashable savings have reached £2.3 million (by the end of March 2008), which is well in excess of the overall target of £1.0 million.

The Government has introduced a new efficiency regime for the period 2008/09 to 2010/11. The Cabinet Member for Resources has established a Service Transformation Group consisting of lead Members and senior officers to drive forward the efficiency agenda at Basildon in the wider context of further improving service delivery and customer care. This demonstrates further, the Council's commitment to achieving value for money.

Performance Management

The Council manages its performance both through national and local mechanisms. At a local level, performance is managed in a variety of ways. The CSIP 2007/10 set out a number of key local and national measures to enable progress to be monitored against priorities and was supported by a comprehensive action plan. Progress against actions was captured on the Council's performance management system (Performance Plus) and reported through quarterly performance reports to Cabinet Members and the Strategic Management Team (SMT).

Both SMT and elected Members receive regular reports analysing service and financial performance. These are being kept under review to ensure clarity of reporting and to take advantage of better ways of presenting the data. Quarterly performance reports to Cabinet Members focus on an exception basis so that officers and Members can readily concentrate where performance is below expectation, take ownership and challenge outcomes. On a quarterly basis each service holds a performance monitoring review (PMR).

During 2007/08 a new process of performance reporting against the CSIP priorities has been developed. Cabinet Members receive a personal report detailing performance against the CSIP priorities for which they have responsibility, (including both national and local PIs). They are then responsible for carrying out a review

ANNUAL GOVERNANCE STATEMENT

of the performance with the relevant Heads of Service, ensuring that relevant actions are put in place where targets are not being met. Cabinet Member challenge sessions then take place, in which Cabinet members challenge each other's results, led by the Leader and Cabinet Member for Customer Services.

Overview and Scrutiny Committees receive quarterly Key Performance Indicator reports, on an exception basis, with three-year historical trends and comparison with both national and Essex Council performance. Services use a number of additional local measures to monitor their performance and these are progressively being incorporated in Overview and Scrutiny quarterly performance reports. The use of relevant performance indicators is subject to regular review, with additional local PIs being added when it is felt beneficial for improved understanding of service delivery.

The Council has been preparing for the new set of National Performance Indicators, which will come into force for 2008/09 to ensure that Overview and Scrutiny will continue to be equipped to effectively challenge performance data and service delivery.

The effectiveness of the overall arrangements to monitor performance is informed by:

- The work of managers within the Council;
- The roles performed by the Monitoring Officer and Responsible Financial Officer;
- The work of the Internal Audit Service;
- The Joint Annual Audit and Inspection Letter, issued by the Audit Commission Relationship Manager and PKF, the appointed external auditors (including the Use of Resources Key Lines of Enquiry element of the Comprehensive Performance Assessment)
- Reports by other review agencies and inspectorates (e.g. Audit Commission Inspections).
- Performance Management arrangements and related regular reporting.

The Council's Data Quality Report 2007, compiled by the Council's External Auditor, considered the Council's data quality management arrangements to be 'adequate,' that there were 'no significant variances beyond plausible or permissible values'; and that all three tested performance indicators were 'fairly stated'. Although there were no significant problems, the External Auditor recommended that the Council's performance management framework needs to be embedded further to ensure consistency across all services. This is included in the action plan below.

The Audit Commission (AC) carried out an audit of the Council's Performance Management arrangements (for 2007/08, published in March 2008), the objectives for which were to examine the effectiveness of the Council's performance management arrangements and measure the impact of performance management in securing improved service outcomes.

The main conclusions of the audit were:

- The Council is positively committed to performance management, shown through Member involvement and training, commitment from senior officers and the new Individual Performance Review (IPR) appraisal system which clearly links individual performance to corporate priorities.
- Councillors are now better equipped to challenge poor performance, in particular, Overview and Scrutiny is more effective in doing so.
- Steps are being made to develop performance management across partnerships. However, it is still variable, particularly in relation to the Local Strategic Partnership's thematic groups.
- Business planning processes have been improved to strengthen links between budget and service planning, meaning that service delivery now drives the budget and not vice versa.
- The Council has ambitions to improve performance through stretched targets, including top quartile targets for high priority PIs.
- A developing performance management culture is helping to improve the delivery of some previously poor performing services. However, more still can be done to embed the performance management framework further to ensure a consistently effective approach.

Given all the above, the manager of the Business Planning and Improvement Team considers that there were no significant areas of weakness within the Council's performance management arrangements during 2007/08 and that areas for development have been identified as part of the action plan below.

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4. Defining and documenting the roles and responsibilities of the executive, non-executive, and officer functions, with clear delegation arrangements and protocols for communication, scrutiny and effective communication

Sources of Assurance: Monitoring Officer, Democratic Services Manager, Head of Democratic, Legal and Executive Services

The Council continues to operate a Leader and Cabinet model of local governance.

The Constitution details how the Council operates, how decisions are made and the procedures to be followed to ensure that the Council acts in an efficient, transparent and accountable way to local people. The Constitution is fully reviewed on an annual basis and is also updated during the course of the year as necessary.

Following a review of the scheme of delegation, a new format for Part 3 of the Council's Constitution regarding 'Responsibility for Functions' is being developed which it is hoped will provide greater clarity regarding decision making powers within the Council. A specific review of the scheme of delegation in connection with planning functions, which was not included in the 2007/08 review, will be undertaken in 2008/09.

The Leader of the Council publishes a forward plan on a monthly basis setting out any 'key decisions' that are planned to be taken over the preceding four month period. All key decisions are made at public meetings, except where the matter involves exempt information. The Overview and Scrutiny function makes use of the forward plan of key decisions to identify issues for consideration. Their comments or recommendations are then put forward in order to inform the decisions due to be made.

The Cabinet operates and makes decisions within the overall policy framework and budget set by full Council. The process for recording and publishing decisions made by individual Members of the Cabinet has been enhanced during the year, which has improved communication and increased transparency and accountability in connection with such decisions.

Given all the above, the Head of Democratic, Legal and Executive Services and Democratic Services Manager consider that there were no significant areas of weakness within these governance arrangements for 2007/08.

5. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff

Sources of Assurance: Corporate Governance Group, Head of Democratic, Legal and Executive Services

The Council adopted a new Members' Code of Conduct at the beginning of the 2007/08 municipal year, in line with national requirements to adopt an updated model code of conduct. The new code includes changes to declarations of interest and whistleblowing provisions.

Training on the code of conduct and related policies is included within induction sessions for new officers and Members. Furthermore, through the course of the year assurance was sought from all Council employees that they were aware of and understood the Council's Officer Code of Conduct, Anti-fraud and Corruption, Gifts and Hospitality and Whistleblowing policies, through a policy acceptance exercise. Employees received an email or letter and questionnaire checking understanding of the policies and verifying their acceptance of them. The majority of staff have accepted these; however there are some outstanding. The need to get complete staff sign-up is included within the action plan below.

The Council's antifraud policy has been updated, following a review by the Audit and Risk Committee, and approved through a Cabinet Member decision. Antifraud training sessions have been made available to all staff but targeted at the most relevant departments.

The Internal Audit Section has managed a number of investigations centred around fraud/corruption, breaches of the code of conduct, serious breaches of the Council's key policies and procedures and major grievances. As a result of the investigations several members of staff have been dismissed from the Council's employment and several have received disciplinary action. Following the completion of the investigations, Management have been notified of the weaknesses identified within the control environment and recommendations have been made to assist in preventing similar incidents occurring (for further information see below).

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Given the above, it is evident that the Council has made progress in ensuring codes of conduct are communicated and complied with during 2007/08. However, it is acknowledged that further improvements should be made and this is included in the action plan below.

6. Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Sources of Assurance: Section 151 Officer, Head of Financial Services, Manager of Technical and Treasury Services, Head of Democratic, Legal and Executive Services, Democratic Services Manager, Manager of Risk Resilience and Business Continuity, Head of Business Strategy, Policy and Performance, Chief Internal Auditor, External Auditors

The Constitution, including the procedure rules (standing orders), financial regulations and scheme of delegation, is subject to continuous review in relation to legislative and policy changes and to ensure it enables the Council to operate effectively. When changes are made they are approved by Council and then communicated to relevant staff. In particular, in 2007/08 the contract procedure rules were revised and adopted in line with a new, more robust approach to procurement. As referred to earlier, a review of the Council's scheme of delegation had been undertaken and will be concluded early in 2008/09. Following this, a separate review specifically in connection with planning functions will be carried out.

Financial Management, Internal Financial Control and Financial Reporting

Responsibility for the operation and maintenance of an effective system of internal financial control rests with the Executive Director, who is the nominated Responsible Financial Officer of the Council (the section 151 Officer).

The Council's Financial Regulations, as set out in the Constitution, provide the overall key control framework to enable the organisation to exercise effective financial management and control of its resources and assets. Another key purpose of the Regulations is to support and protect Members and staff in the performance of their duties where financial issues are involved. The regulations are underpinned by a number of Financial Procedure Notes, which give more detailed guidance on procedures and controls.

The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control rests on a detailed framework of management information, financial regulations and administrative procedures. Examples of the control framework in place during 2007/08 include:

- The setting of revenue and capital budgets for 2008/09, with a forward financial forecast to 2010/11 at detailed service level;
- As part of the budget setting process, a thorough analysis and report by the responsible Financial Officer on the robustness of the budget calculations, the risk management implications and the adequacy of reserves in the light of the financial risks and uncertainties facing the Council.
- A "Contingency Reserve" which was established to strengthen the Council's capacity to deal with unforeseen financial risks to the General Fund and to provide for additional investment in services if required.
- The budget for 2008/09 and forward forecast to 2010/11 provide for this Reserve to be drawn upon to support excess costs in relation to the government's concessionary fares scheme and the revenue cost of Single Status back-pay.
- An application made to the Secretary of State for consent to capitalise back-pay costs in relation to Single Status for up to £899,000 in 2007/08.
- The use of regular budgetary control through the monitoring of actual income and expenditure against the working budget, at both summary level and over a range of cost centres at individual service level.
- The production of monthly budget statements to senior management including summary exception reports, projected outturn and corrective action proposed or taken.

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- A system of regularly reporting to Members the Council's financial position, including monthly Budget Monitoring Statements to Cabinet Members, covering their areas of responsibility and quarterly statements to each of the Overview and Scrutiny Committees, covering the General Fund and the Housing Revenue Account and both the General Services and Housing capital programmes.
- A monthly statement for the Cabinet Member for Resources to monitor capital receipts. All such reports significantly enhance transparency and accountability in relation to monitoring the income and expenditure of the Council.
- The identification and reporting of a number of budgets for particular attention due to associated risk factors as part of the budget monitoring process to Overview and Scrutiny Committees described above.
- A budget contingency provision of £200,000 per annum.
- A system of virements and supplementary estimates to enable revenue or capital budget provision to be moved to meet the changing demands and priorities of services within the year.
- A system for identifying and freeing up unspent resources to meet changing service priorities and for projecting outturn expenditure, by continuous monitoring of a "working budget" for the current financial year as adjusted by approved virements and supplementary estimates.
- Having adopted the Code of Practice for Treasury Management in the Public Services, the setting of formal policies and strategies for Treasury Management and Investment, reporting performance to the Cabinet Member for Resources quarterly during the year, and an annual report to the Audit and Risk Committee on performance against the approved strategies.
- Having adopted CIPFA's Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"), the setting and monitoring of Prudential Indicators.
- Close monitoring of external grant-funded schemes to ensure only bona fide expenditure is incurred and claimed back.
- The use of an expert VAT advisory service to minimise the Council's exposure to financial losses through tax planning and advice, including a helpline facility. This is particularly important in the developing area of regeneration schemes.
- Approval by the Cabinet of an annual mid-term Strategic Service and Financial Planning report.
- The ready availability on the Council's intranet of detailed Financial Procedure Notes to support the Financial Regulations and their ongoing review.
- Development of procedures for the use and monitoring of electronic purchase ordering, which now accounts for the majority of the Council's creditor transactions.
- Procedures to ensure effective controls around new banking and payment initiatives, including the swipe card service for payment of Council Tax and housing rent, the use of debit and credit cards, company credit cards and changes to BACS procedures.
- The monitoring and reconciliation of interfaces between the Council's computer based financial systems.
- The delivery of a modular training programme for staff at all levels covering the main financial principles to be applied across the Council.
- The inclusion in the individual Performance Agreements of all Heads of Service of key financial accountabilities for their services.
- An adequate and effective Internal Audit service, reviewing key financial systems and reporting on identified weaknesses with appropriate advice to senior management.
- The establishment of St. George's Community Housing (SGCH) for the arm's length management of the Council's council housing service from April 2007 involved the setting up of parallel governance arrangements for the new company. This included the delegation of budgets, new banking arrangements, payroll services and the payment of creditors, a financial management and accounting system and new accounting, budgeting and client-side monitoring functions at both Officer and Member level. There were also extensive service level agreements (SLA's) written to cover support services provided by the Council to the new company, with corresponding financial arrangements put in place to ensure appropriate costing and accounting. It was a considerable achievement to have all main facilities up and running by April 2007. A number of SLA's were also reviewed in detail with SGCH

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during the year to March 2008 and the financial consequences were reflected in the Council's revenue budgets and future levels of Management Fee payable to SGCH.

Given all the above, the Responsible Financial Officer considers that there were no significant areas of weakness within the Council's internal financial control framework for 2007/08.

Internal Audit Assurance

Internal Control and Governance Arrangements

In line with the Accounts and Audit Regulations 2003, Internal Audit are required to provide an overall assurance assessment on the internal control and Governance arrangements of the Council at the end of each year. This provides both Management and Members with an indication of the robustness of the internal control framework.

Internal Audit produces an executive summary for each individual audit assignment, which provides an opinion on the adequacy and effectiveness of the Internal Controls. These are also reported to the Audit and Risk Committee as part of the Internal Audit Interim and Annual performance reports.

Based on the work performed during 2007/08 and the progress being made by Management to implement the recommendations, Internal Audit is able to provide assurance on the overall adequacy and effectiveness of the Authority's internal control environment for the year 2007/08. Generally Internal Audit confirmed that the internal control framework incorporated the expected key controls, but that audit testing identified numerous instances where such controls were not being adhered too. The single reservation to this opinion is where the Council needs to develop a Monitoring at Work Policy.

The Internal Audit Section has managed 53 investigations many of which were very complex. Investigations centred around fraud/corruption, breaches of the code of conduct, serious breaches of the Council's key policies and procedures and major grievances. As a result of the investigations 7 members of staff have been dismissed from the Council's employment and a further 9 members of staff have received disciplinary action. Following the completion of the investigations, Management have been notified of the weaknesses identified within the control environment and recommendations have been made to assist in preventing similar incidents occurring.

Risk Management and Business Continuity

Risk Management forms a very important element of the Internal Control environment. In January 2008 the Council approved an updated Risk Management Policy and Strategy. In September 2006 the Audit and Risk Committee established a Risk Management Working Group for the purpose of providing specific training on risk management and reviewing the Council's risks. This involved detailed reviews of the Council's key risks as part of the Audit and Risk Committee's wider role of providing overall assurance to the Council on risk management arrangements. The Risk Management Working Group again convened for this purpose in 2007/08 and Committee Members were proactive in extending its remit to cover a selection of service inherent red risks from the Council's corporate risk register. The Working Group met on seven occasions and provided valuable challenge to the identification and scoring of all risks considered. The relevant service managers and Cabinet Members were challenged with regard to the risks under review and the corporate risk management team were challenged regarding the risk management process, this enabled assurance to be given on the overall governance.

The Council continues to invest resources to enhance the role and understanding of risk management throughout the organisation and this is recognised to be an ongoing process. All committee reports include separate risk assessment paragraphs to support and inform the decision making process, with central advice, guidance and training available to managers and report authors. Risk assessments remain integral to the strategic and service planning processes of the Council and as part of major project management.

During 2007/08 risk information on committee reports has been further enhanced and is now presented in a risk matrix. This ensures consistency of risk analysis across services and committees and helps to improve the quality of risk information given to Members in order to better inform decision making. Alongside this development, the corporate risk management team have attended team meetings to update staff on the new approach and have also provided more detailed training to report authors.

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In addition, detailed 'refresher' service risk workshops are continually undertaken with each service, resulting in improvements to the centralised risk / control register. This process also provides independent validation and assurance as to the robustness and currency of the register. Currently, development of the corporate risk register is underway to allow managers access to the risks on the register that relate to their services and projects. This will encourage greater autonomy and ownership from managers in their approach to risk management.

During 2007/08 the Audit and Risk Committee were given assurance that risk profiles were maintained for the Council's key projects. The Committee also received an overview of the issues relating to how risk management is considered in relation to partnership working together with details of the current partnership risk profiles on the Council's risk register.

The Internal Audit service works closely with the Risk Management Service to further embed risk management and awareness across the Council.

The Council has continued to respond to the requirements of the Civil Contingencies Act 2004 (CCA), including dedicating resources to ensure an effective response to these statutory responsibilities. In this regard the Council has refreshed the documentation and operational arrangements contained within the Council's Emergency Plan, completed and published a joint Community Risk Register (with Essex County Council), improved communication systems and emergency callout arrangements to ensure greater resilience. A programme of training and exercising of emergency plans was delivered for managers, directors, emergency duty officers, and volunteers.

Business Continuity Management is another requirement of the CCA and is also being responded to by the Council, with the updated Policy and Strategy approved in June 2007. This year has predominantly involved the development of a Corporate Business Continuity Plan (BCP) together with individual BCP's for the Council's critical services. The launch of the Corporate BCP was undertaken at a specific event, which also featured the Business Continuity risk of a pandemic flu. As a result of this extensive work the corporate understanding and awareness has significantly improved with the Council's critical services more ready to respond in the event of a disruption.

Given all the above, the Manager of Risk Resilience and Business Continuity considers that there were no significant areas of weakness within the Council's risk management and business continuity arrangements.

7. Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

Sources of Assurance: Head of Democratic, Legal and Executive Services, Democratic Services Manager

A specific Audit and Risk Committee was established at the Annual Council Meeting in May 2006. The role of this Committee was to provide independent assurance to the Council and the Cabinet on the adequacy of the overall corporate governance and internal control environments, including the risk management arrangements. It also provides an independent view of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weaknesses in the control environment and oversees the financial reporting process. Detailed below is a summary of the work of the Committee during 2007/08:

- An overview of the Corporate Governance arrangements to help inform the future work programme of the Committee.
- Challenge and input into the work of the Corporate Governance Group.
- Consideration and endorsement of the Anti-Fraud and Corruption Policy.
- Challenge to and endorsement of the Annual Statement on Internal Control 2006/07.
- Review and endorsement of the corporate risk management framework.
- Validation of all the existing current "red risks" and a selection of inherent "red risks" from the corporate risk register.
- Through the work of the Risk Management Working Group, development of risk scoring in committee reports to improve Members' ability to assess the risks when making decisions.
- Assurance through the Risk Management Working Group that effective governance arrangements are in place at St George's Community Housing.
- Raising Member awareness of risk management.
- Challenge to the Council's approach to data protection compliance.

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- A detailed challenge and approval of the Council's 2006/07 Statement of Accounts.
- A review of Treasury Management including commenting on the positive developments achieved. In addition, requesting the attendance of the consultant Treasury Management Advisors to attend a future meeting to gain a better understanding of the process.
- A robust challenge to the External Audit reports and plans.
- Enhanced engagement with the Audit Commission Relationship Manager and the External Auditor, including a smooth transition to the new External Auditor.
- Monitoring of performance of Internal Audit and endorsement of the Annual Internal Audit Plan and Strategy.
- Assurance regarding the effectiveness of the Council's Overview and Scrutiny arrangements.

The Chairman of the Audit and Risk Committee presented an Annual Report to full Council in April 2008 regarding the work of the Committee and its findings and was able to provide a high level of assurance in relation to the subject matter examined by the committee during the year.

8. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Sources of Assurance: Service Based Governance Statements, Head of Democratic, Legal and Executive Services, Monitoring Officer

The Council has procedures to identify and implement new and changing legislation and has arrangements to identify any non-compliance including internal and external audit.

The Council has a duty to act in accordance with the law and various regulations in the performance of its functions. In November 2003, in response to the raised profile of corporate governance, the Council agreed a Corporate Governance Framework, being the key policies and procedures that, taken together, would form the 'corporate backbone' of its governance and management control arrangements. This was updated in January 2008 to reflect recommended changes produced in guidance from CIPFA/SOLACE. The updated Local Code of Corporate Governance was endorsed by the Audit and Risk Committee, and approved by full Council.

The key documents which together comprise the Council's Corporate Backbone, so far as they relate to the Local Code are:

- The Constitution ("The Way We Work")
- Codes of conduct for Members and Officers
- Performance Management Framework
- Financial Regulations and Financial Procedure Notes
- Treasury Management Policy, supplemented by annual Treasury Management and Investment Strategies
- Risk Management Policy and Strategy
- Contract Procedure Rules and related Procurement Framework
- Business Continuity Management Policy and Strategy
- Anti-Fraud and Corruption Policy and Procedure
- Corporate Complaints Policy and Procedure
- Corporate Health and Safety Policy and Strategy
- Communication Strategy
- Information Security Policy
- Freedom of Information Act Procedures
- Consultation and Engagement Strategy
- Equalities and Diversity Policy and Strategy

During the year the Corporate Governance Group, consisting of key officers and chaired by the Head of Democratic, Legal and Executive Services, has further developed the assurance framework around the Corporate Governance arrangements. This year, Service Based Governance Statements have been compiled, with every head of service and third tier manager to further enhance overall assurance for the 2007/08 corporate statement (see appendix 1).

All policies are subject to a rolling programme of review to ensure they adequately reflect current legislation and best practice. Such reviews are followed by appropriate training and awareness sessions. As previously

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mentioned, through the course of the year all Council employees were reminded of the Council's Officer Code of Conduct, Anti-fraud and Corruption, Gifts and Hospitality and Whistleblowing policies through a policy acceptance exercise. Employees received an email or letter and questionnaire checking understanding of the policies and verifying their acceptance of them.

The Council has designated one Executive Director as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer, following consultation with the Head of Paid Service and Responsible Financial Officer, will report to full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The purpose of any such report is to ensure that prior to any decision being made or enacted all relevant matters are fully considered. There has not been an occasion during 2007/08 when such a report was required.

The Council's Standards Committee works to promote and maintain high standards of conduct by Councillors, Parish Councillors and co-opted members. In addition to regular features such as monitoring declarations of interest and commenting on government standards initiatives, the Council's Standards Committee has also developed and delivered on its own work programme that included:

- Independent Members' Forum – report
- Members' support – training/intranet site
- Review role of parish councillor and guidance from Standards Board for England
- Customer Relationship Management (CRM) – review of complaints against Members – every 6 months
- Joint working initiatives
- Review proposed changes to dealing with complaints

In response to a number of recent high profile external incidents, particularly in the public sector, the Council has embarked on a review of information security arrangements within the Council. The project will examine all critical and high-risk information that the Authority collects and retains, and will provide assurance that the confidentiality, integrity and availability is effective. A project framework has been developed, and an officer project group established, to ensure that national and organisational requirements are met. A programme of information security reviews are being developed based on the services that are of a higher risk, should an incident occur, due to the nature of the information that they hold.

Given all the above, the Head of Democratic, Legal and Executive Services and Monitoring Officer consider that there were no significant areas of weakness within this aspect of the Council's governance arrangements for 2007/08.

9. Receiving and investigating complaints from the public

Sources of Assurance: Service Based Governance Statements, Manager of Customer Services

The Council has a robust complaints procedure, which is publicised to the public via the Council's website and in the reception of the Basildon Centre and other Council premises. Complaints are either received directly by the department or the Council's Service Advice Centre who deal with complaints corporately. All managers are required to keep track of the complaints which they receive and report these monthly to the Service Advice Centre. During 2007/08, customer complaints at stage 2 have reduced by approximately 40% compared to 2006/07. Procedures are in place for members of the public to report suspected cases of fraud. In such instances, cases would be referred to Internal Audit for investigation.

The Council's Customer Relationship Management system (CRM) has continued to be developed during 2007/08. This allows for greater consistency across departments when dealing with and reporting on complaints and allows for a demonstrable audit trail of how complaints are dealt with.

Within the Service Based Governance Statements, services were asked to demonstrate that corrective action has taken place in relation to upheld complaints.

The Customer Services Manager considers that there were no significant areas of weakness within the Council's internal complaints procedure for 2007/08.

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10. Identifying the development needs of Members and senior officers in relation to their roles, supported by appropriate training

Sources of Assurance: Head of Democratic, Legal and Executive Services Head of Customer Services and Organisational Development, External Auditors

Through 2007/08 the Council's new Individual Performance Review appraisal system has been rolled-out across the organisation. All staff from every level of the organisation, including senior managers, must complete IPRs and performance agreements, which identify any development needs. A management development programme was introduced for all second and third tier managers to provide specific training on coaching and project assignments. The Strategic Management Team meets every other week and important development issues and updates are given to senior managers in this forum.

A range of training is provided to Members to assist them in providing their various roles. It is the intention to develop this further to ensure members are equipped to effectively meet their developing community leadership role.

It is therefore considered that the Council has identified development needs of Members and senior officers in relation to their strategic role.

11. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Sources of Assurance: Service Based Governance Statements, Equalities and Diversities Manager, Business Planning and Improvement Team, External auditors and Inspection

The Council's Consultation and Engagement Strategy includes a range of methods to ensure that all parts of the community are reached. The Consultation and Engagement Strategy's action plan is updated annually. Key actions for 2007/08 included:

- Effective use and management of Citizens Panel – conducting up to four surveys per year in conjunction with other departments
- Provide staff and Members with continued advice and guidance on how to involve hard to reach groups and make better use of Community Groups within the Council's participation framework
- Make written information accessible by using plain language, ensuring it is available in ethnic minority languages and large print. Identify alternative ways to reach people who have literacy problems
- Communicate consultation and engagement results with consultees and the broader community in an appropriate, timely format
- Publicise and share best practice across the organisation and with partners and measure performance through local performance indicators to monitor consultation and engagement

The Council has established a Citizens Panel, which receives four surveys per year to complete from various services across the Council. This approach to consultation ensures consistency and means that consultees are kept informed of consultation results.

The Annual Audit and Inspection Letter from the Audit Commission (published in March 2008) reports that the Council is continuing to focus on services that matter to local people. However, within its Performance Management 2007 report, the Audit Commission infer that the Council needs to be able to fully demonstrate how it had improved services as a result of feedback from local people.

The Audit Commission recognises that, at a strategic level, the Council has published responses to consultation on the website and described in the Citizens' Panel newsletter how the consultation influenced policy. Recent examples include consultation on the use of the Towngate Theatre and the Regeneration Strategy.

Within the Service Based Governance Statements information was captured which evidenced services' consultation and involvement activity. For example, within the Housing Strategy department the updated Homelessness Strategy was informed by consultation with clients of the homeless service.

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In addition, the Audit Commission, (in the Annual Audit and Inspection Letter, published March 2008), reported that the Council has developed an effective approach to scrutiny, which is leading to changes in service delivery in consultation with stakeholders. In particular, the development of a project based approach to scrutiny reviews (task and finish groups) has given the opportunity for stakeholder and public involvement, and made provisions for feedback.

It is therefore considered that the Council has identified, in part, clear channels of communication with all sections of the community and other stakeholders and an action relating to this is included within the action plan below.

12. Incorporating good governance arrangements in respect of partnerships and reflecting these in the Authority's overall governance arrangements.

Sources of Assurance: Service Based Governance Statements, Business Planning and Improvement Team Manager, External Audits

The Council has made strides to improve the governance arrangements of key partnerships. The Local Strategic Partnership (LSP) has adopted a Governance Statement, including risk and performance management arrangements. A significant number of the Council's key partnerships operate through the LSP, via the thematic partnerships (such as the Children and Young People's Strategic Partnership and Crime and Disorder Reduction Partnership) or subsidiaries of these. As such, implementing the LSP's governance statement has significant implications for the Council's partnership governance arrangements.

Nevertheless, it is recognised that more needs to be done to develop the Council's approach to partnership governance. For example, with the Performance Management Audit Commission Report one of the key recommendations, contained within the action plan, is to strengthen performance management across all key partnerships, e.g. the LSP. As such, the newly developed Corporate Development Plan 2008/09 identifies within the priority 'Governance' the need to develop partnership governance arrangements. Whilst negotiating targets for the Essex wide, second round, Local Area Agreement, district 'chapters' are being developed in order to allow better performance monitoring at a District level.

There are several examples of effective governance arrangements in place currently for the Council's key partnerships. These include the governance arrangements of the Council's arms length management organisation, St Georges Community Housing, which formed in April 2007, underpinned by a detailed management agreement; delivery plans for Surestart and Interlock (Neighbourhood Management Pathfinder) developed by partnership boards, comprised of key partners and local residents; and a detailed business plan for Basildon Renaissance Partnership support team, including key project milestones and targets.

It is therefore considered that the Council has incorporated, in part, good governance arrangements in respect of partnerships and an action relating to this is included within the action plan below.

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REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

Assurance: Chief Internal Auditor

Effectiveness of the System of Internal Audit

Under the Accounts and Audit (Amendment) (England) Regulations 2006 the Council is required to undertake a review of the effectiveness of its system of Internal Audit and to feed the results into the Governance Statement.

A report was submitted to the Audit and Risk Committee on 24 June 2008 where it was considered that the Council's has an effective system of Internal Audit and that that Internal Audit Team has been effective in its use of the resources available for 2007/08. The Internal Audit service has provided the Council with a key support service focusing the resources in the key risk areas, maintaining high quality work in order for the External Auditor to place reliance on, whilst maintaining high customer satisfaction returns.

The Service substantially complies with the Code of Practice for Internal Audit in Local Government and has an action plan to address the small number of areas where the service is not fully compliant.

The activities and work of the Risk Management Service and the Audit and Risk Committee have also had a positive contribution to the effectiveness of the system of Internal Audit.

REVIEW OF EFFECTIVENESS

Assurance: Corporate Governance Group, Service Based Governance Statements, Chief Internal Auditor, External Auditors

Basildon Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group (who has responsibility for the development and maintenance of the governance environment), the annual report of the head of Internal Audit and also by comments made by the external auditors and other review agencies and inspectorates.

The processes for maintaining and reviewing the effectiveness of the system of internal control within Basildon Council are:

- Annual reviews by Internal Audit of the Authority's key financial systems and the internal controls in operation within each service area against known and emerging risks.
- Annual service planning to align service development against strategic goals.
- Ongoing review of the business of and decisions taken by the Monitoring Officer, which include an assurance that the Council has acted lawfully and that agreed standards have been met.
- Ongoing review and action identifying by the Corporate Governance Group and officers assigned with responsibility for coordinating Corporate Governance (Governance Coordinator, Democratic Service's Manager).
- Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services.
- Meetings of the Audit and Risk Committee to consider the work of and recommendations made by the internal and external auditors and other review bodies.
- Annual reviews of the Council's financial accounts and supporting systems by the external auditors leading to their opinion as published in the year end statements.
- Annual reviews and updates of the Council's financial instructions.
- Ongoing review of strategic, operational and project risks and the actions required to mitigate them.
- Review of the Local Code of Corporate Governance and evaluation of performance against its aims.
- Service Based Governance Statements, incorporating service based Corporate Governance actions.

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In relation to the Council's governance arrangements and Annual Governance Statement, Internal Audit have undertaken a review to assess the controls in place to ensure that the Council has an appropriate and robust procedure in place that allows the Council's Corporate Governance Statement to be produced, in line with best practices as detailed by CIPFA/SOLACE. The audit review confirmed that the Council has developed the Annual Governance Statement in line with advice and guidance provided by CIPFA/SOLACE, and that a strong process has been developed to produce and support the Statement. The Democratic Renewal and Governance Coordinator has significantly improved the process for obtaining assurance from key individuals, in particular, the introduction of Service Based Governance Statements, which support the corporate statement and have helped provide a much broader view of the Council's governance arrangements. As with any new process adopted, however, the audit review has identified areas that could be improved to ensure that the process is further enhanced, evidenced and greater consideration and challenge of assurances is received.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group and Audit and Risk committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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SIGNIFICANT GOVERNANCE ISSUES FOR IMPROVEMENT

The following significant internal control issues have been identified arising from the review of effectiveness to deliver further improvement.

Issue	Action	Owner	Completion Date
1 Risk assessment of the Council's Strategic Improvement Plan (CSIP)	Develop more robust and timely processes for assessing risk and putting in place controls in connection with activities of the CSIP	Gerry Levelle	Jan 2009
2 Performance management not fully embedded through all Council services and partnerships	Ensure that the relevant priorities and actions identified in the Corporate Development Plan (Performance Management, Partnerships, governance) are carried out	Gerry Levelle	March 2009
3 Understanding the implications of the Duty to Involve contained within the Local Government and Public Involvement in Health Act (LGPIH) 2007	<ul style="list-style-type: none"> Understand the implications of the Duty to Involve contained within the LGPIH Act 2007. Communicate and implement any necessary changes to the Council's consultation and engagement arrangements 	Jackie Laidlaw/ Chris Norrington	Oct 2008
4 Review and monitoring arrangements of the Local Code of Corporate Governance	<ul style="list-style-type: none"> Review and monitor action against the local code's aims Provide updates against the code to the Corporate Governance Group and Audit and Risk Committee 	Chris Norrington	March 2009
5 Gaps in Assurance Framework for completing AGS	Within Service Based Governance Statements, obtain more robust detail of: <ul style="list-style-type: none"> Response to audit recommendations The way complaints are dealt with 	All Heads of Service	Jan 2009
6 Timeliness of production of the AGS and relevant assurances	Review the Council's process in connection with the production of the AGS	Chris Norrington	Dec 2008
7 Outstanding policy acceptance and understanding returns from staff on code of conduct etc.	Carry out actions set out within Service Based Governance Statements on ensuring all staff return policy acceptances and determine action to be taken in connection with no returns	Chris Norrington	Sep 2008
8 Monitoring staff and Member compliance with the code of conduct and associated policies	Consider ways to develop monitoring compliance with codes of conduct and implement accordingly	Gerry Levelle/ Chris Norrington	August 2008
9 Lack of process for recording officer's register of interest	<ul style="list-style-type: none"> Develop more robust processes to record officers' interests, including defining what interests are to be recorded and communication to the whole organisation Publicise amongst staff the need to register interests and ensure that this is enforced by managers 	Chris Norrington	Nov 2008
10 Lack of awareness of Local Code of Corporate Governance and AGS amongst staff	Develop programme for raising awareness and implement accordingly	Chris Norrington	March 2009
11 Partnership governance arrangements	Develop consistency of approach to partnership governance, by carrying out actions identified in the Corporate Development Plan	Gerry Levelle/ Chris Norrington	March 2009

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Issue	Action	Owner	Completion Date
12 Information Security (IS) arrangements	Implement the IS policy framework through the officer project group in order to raise awareness of IS across the organisation and embed IS conscious working practices	Chris Norrington	March 2009
13 Understanding likely impact of the introduction of the Single Equality Act 2009	Be prepared to implement the Single Equality Scheme to meet new statutory obligation	Jackie Laidlaw	March 2009

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed 

Date 25th June 2008

Councillor Malcolm Buckley

Leader of Basildon District Council

Signed 

Date 25th June 2008

Bala Mahendran

Chief Executive of
Basildon District Council

ANNUAL GOVERNANCE STATEMENT



Appendix 1

Annual Governance Statement (AGS): Framework for compiling the AGS: Setting out the process

The document below sets out the approach Basildon Council takes in compiling its Annual Governance Statement (AGS). This includes timescales for compiling the evidence and writing the statement and sets out who assurance will be gathered from.

It is important that the AGS becomes an ongoing process to contribute towards the embedding of good governance across the Authority, and not just an end of year activity, and so steps have been built into the overall process for continuous review and update of information, following regular monitoring and responding to agreed action plans.

This document is intended for use by:

- a) Officers charged with the responsibility of gathering evidence and coordinating the Council's approach to compiling the Governance Statement
- b) Managers or other officers who are seeking to understand the Council's approach to compiling the Annual Governance Statement

This is designed to be a working document; modifications will be made following compilation of the first AGS (2007/08), through which areas for improvement and further development of the process will be identified.

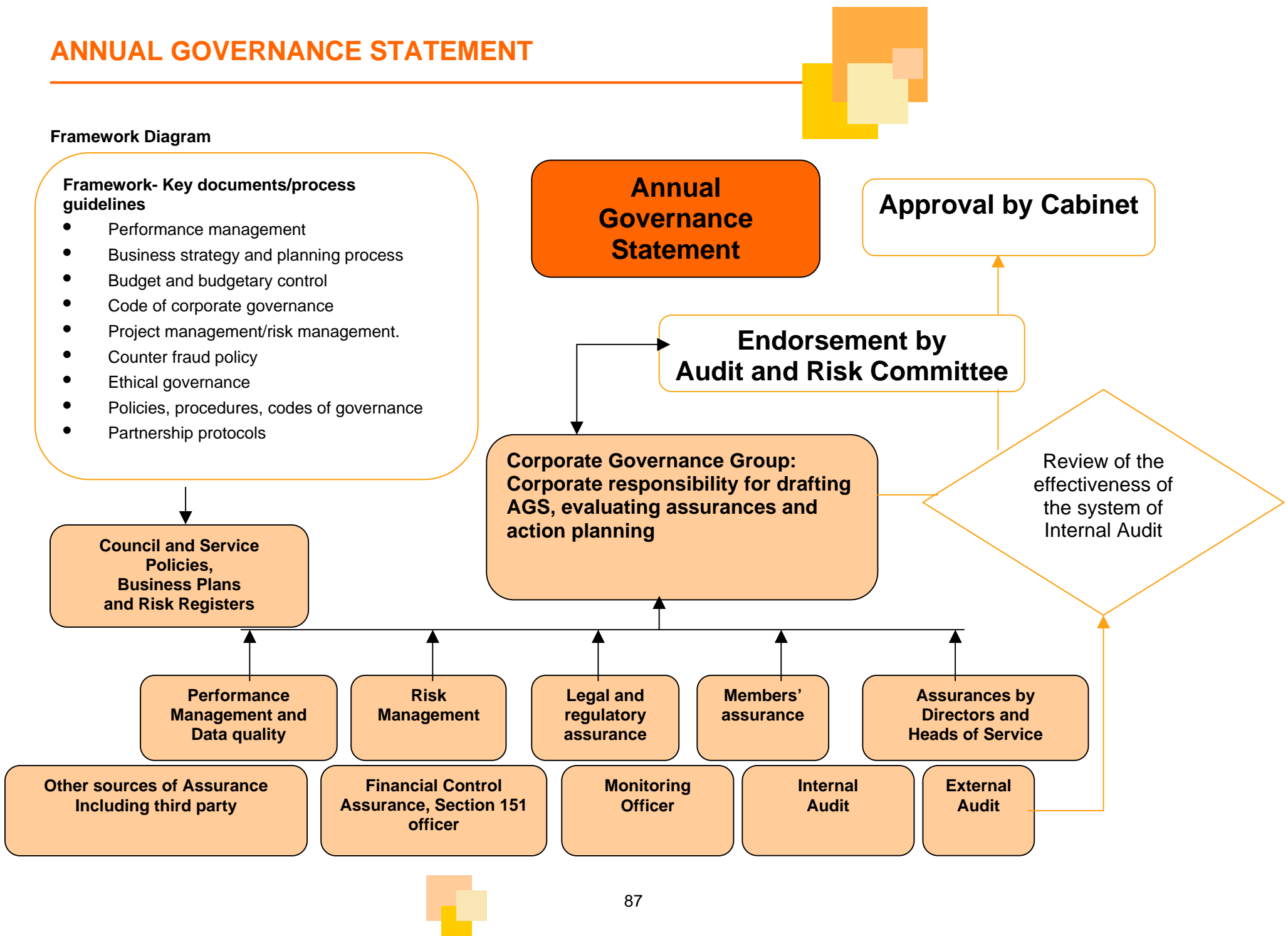
Background

The Council is required to publish, with the statement of accounts, an Annual Governance Statement (AGS). This will replace what was previously known as the Statement on Internal Control (SIC). This statement is a public assurance that the Council has a sound system of internal control, and robust corporate governance arrangements, designed to help manage and control its risks. It is an important public expression of what the Council has done to put in place good business practice high standards of conduct and sound governance.

The AGS is compiled following a review of the effectiveness of systems of internal control. This review involves Heads of Service and Operational Management Team, as well as specific responsibilities for internal audit, risk management and the Corporate Governance Group, who will be all called upon to supply evidence. The AGS and supporting evidence will be considered at the Audit and Risk Committee in June and the statement will be presented to Cabinet and Council following this. The Leader of the Council and the Chief Executive will sign the statement, prior to publication along with the Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

Framework Diagram

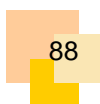


ANNUAL GOVERNANCE STATEMENT

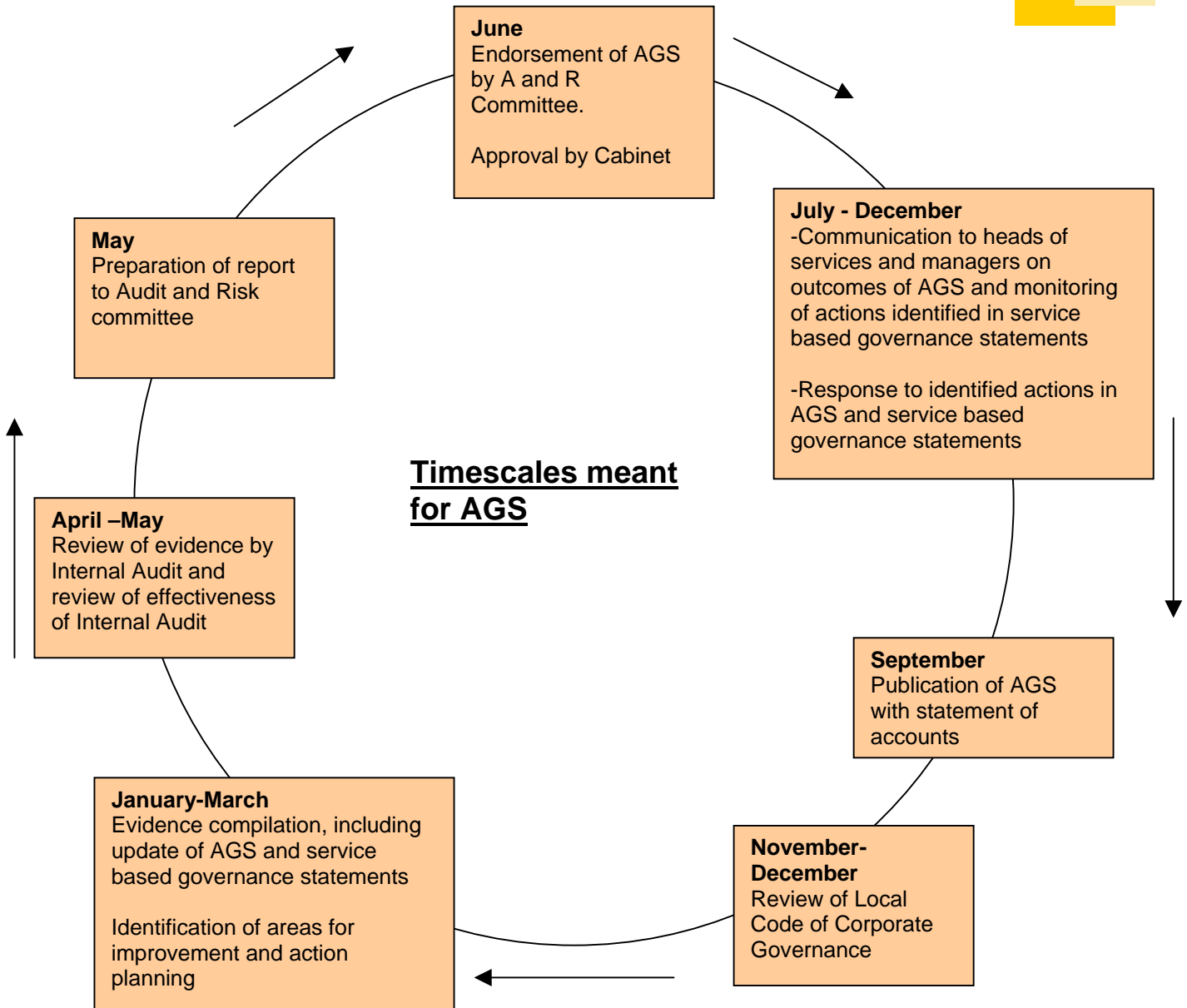


Roles and Responsibilities

Group or Individuals	Role and Responsibilities
Leader of Council and Chief Executive	<ul style="list-style-type: none"> Sign off the Annual Governance Statement prior to inclusion with Statement of Accounts
Cabinet and Council	<ul style="list-style-type: none"> Approval of AGS, following endorsement from Audit and Risk Committee
Audit and Risk Committee	<ul style="list-style-type: none"> Ensure the Authority's AGS properly reflects the risk environment and identifies any actions needed for improvement Consider the effectiveness of the Authority's overall governance and control environment, risk management and anti-fraud and corruption arrangements. Seek assurance that action has been taken on risk related issues identified by Internal and External Audit and inspectors.
Elected Members (Individually or collectively)	<ul style="list-style-type: none"> Approving and adopting Codes of Conduct and registering interest
Corporate Governance Group	<ul style="list-style-type: none"> Compilation of AGS and supporting documentation Moderation of service based governance statement Action planning in response to review of the Council's governance arrangements
Monitoring Officer	<ul style="list-style-type: none"> Contribution to AGS by providing assurance that the Council as a whole is responding adequately to legislation and legislative change
Section 151 Officer	<ul style="list-style-type: none"> Contribution to AGS by providing assurance that the Council as a whole has effective controls in place to manage its finances efficiently and effectively
Heads of Service and third tier managers	<ul style="list-style-type: none"> Annual assurance on the effectiveness of controls in place and governance arrangements (including response to legislative change, risk management and performance management) through service based governance statement Maintain awareness of and promote service governance arrangements Identify areas of service control weakness and action plan in response to this
Governance Coordinator (support staff)	<ul style="list-style-type: none"> Compilation of evidence supporting AGS Support of the Corporate Governance Group in producing the AGS and presentation Assist Corporate Governance Group and heads of service to identify appropriate actions Ongoing support to Heads of Service in responding to identified actions
Corporate Risk Management Team	<ul style="list-style-type: none"> Provide assurance on Council's risk management processes and procedures
Internal Audit	<ul style="list-style-type: none"> Provide independent review of corporate governance arrangements and compliance therewith Assist in identifying areas for improvement and action planning
All Employees	<ul style="list-style-type: none"> Maintain awareness and contribute to the control process where appropriate

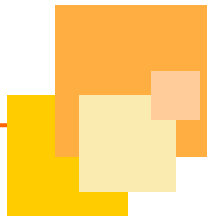


ANNUAL GOVERNANCE STATEMENT

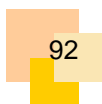
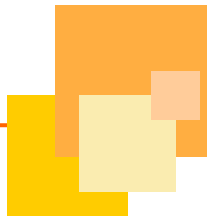


It is recognised that the process and timescales for compiling the AGS should be seen as part of the ongoing review and improvement of the Council's governance arrangements and not as an isolated year-end activity.





GLOSSARY



GLOSSARY

Accrual

An amount of income or expenditure relating to the financial year for goods or services for which payment has not yet been made or received.

Appropriations

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

Balance Sheet

A summary of all the assets and liabilities of the Council at the end of the financial year. It represents the financial position of the Council at 31 March and brings together all of the Council's individual balance sheets. The statement shows the Council's net assets and liabilities matched by total reserves or 'equity'.

Benefits

Council Tax Benefit – assistance provided to help households on low income pay their Council Tax bills. The cost is largely covered by Government subsidy.

Housing Benefit – an allowance to persons on low income to meet the whole or part of their rent. Benefit granted to Council tenants is known as rent rebate; benefit granted in respect of private sector tenants is known as rent allowance. The cost of this service is largely covered by Government subsidy.

Billing Authority

This refers to Basildon District Council as the authority responsible for the invoicing and collection of the Council Tax from all residential properties in the District. This is undertaken on behalf of Basildon District Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils.

Basildon District Council is also the authority responsible for the invoicing and collection of National Non-Domestic Rates on behalf of Central Government.

Budget Requirement

This represents net budgeted expenditure for the year adjusted for transfers to and from reserves, but allowing for sums required by Parish and Town Councils. It is used to determine the amount of Council Tax to be precepted on the Collection Fund after allowing for income from Revenue Support Grant, redistribution of National Non-Domestic Rates and any surplus or deficit on the Collection Fund.

Capital Charge

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

Capital Expenditure

This generally relates to expenditure on the acquisition or enhancement of fixed assets that will be of long term use or benefit to the authority in providing its services. It also includes grants made by the Council to other individuals, community organisations and other external bodies for similar long term benefit.

Capital Financing Costs

These are the actual costs of financing capital expenditure, including interest on loans, the interest element of finance lease rentals and contributions from revenue towards capital expenditure.

Capital Programme

The Council's budget for capital expenditure and resources over the current and future years.

Capital Receipts

Income from the sale of capital assets and the repayment to the Council of grants and loans given for capital purposes. Regulations govern the way capital receipts may be used.

Carry Forwards

Budgets for specific items which are committed or planned for the year but not spent by 31 March and for which there is no provision in the subsequent year. Such budgets may be formally 'carried forward' to the following year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

GLOSSARY

Collection Fund

The fund into which Council Tax and Business Rates are paid and from which the precepts of Basildon District Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils are met. Any surplus or deficit is shared between the various authorities, other than the Parish and Town Councils, in proportion to precepted amounts.

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life. They may also have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Commuted Sums

Sums received from developers under Section 106 of the Town and Country Planning Act 1990 (as amended) for the future maintenance of assets transferred by the developer to the Council e.g. children's play areas.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income occurring during the year ahead. This would include changes to the inflation and interest rate assumptions made when the budget was set.

Contingent Liability

An amount at the balance sheet date that the Council may be liable to incur but which is dependent on some external event. Any such amount is disclosed as a note to the accounts rather than reflected in the accounts themselves.

Council Tax

A local tax based on the residential properties set by local authorities to finance their Budget Requirement for the year.

Council Tax Base

The equated average number of dwellings over which the Council Tax is collected. All dwellings are valued and classified into eight bands (A to H), plus a special band A (disabled). Each band is expressed as a proportion of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D equivalent.

Creditors

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

Debtors

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

Deferred Liabilities

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

Deferred Purchase Schemes

Credit arrangements for the financing of major capital projects.

Depreciation

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

Fair Value

The amount for which an asset could be exchanged, or a liability settled, in an open market.

Fees and Charges

Charges made to the public for the use of Council services and facilities.

Finance Leases

See Leasing.

GLOSSARY

Financial Regulations

A written code of procedures to provide a framework for the proper financial management of the authority. It is approved by the Council as part of its formal constitution.

Financial Year

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

Fixed Assets

Assets that the Council will have use of for more than one year.

General Fund

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

Housing Revenue Account (HRA)

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

Impairment

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

Insurance Pool

An earmarked reserve provides for all insurance cover for the Council. Premiums and excesses are charged to the revenue accounts of services and credited to the pool. The pool then reinsures some risks with external insurance companies while retaining others.

Intangible Assets

Fixed assets that do not have a physical substance but are identifiable and controlled by an entity through custody or legal rights. These could include, for example, software licences.

Leasing

A method of acquiring the use of capital assets by which the investment is made by the leasing company and a rental is charged to the Council's revenue accounts. It can relate to land and property and to vehicles, plant and equipment. Finance Leases transfer substantially all the risks and rewards of ownership to the lessee (normally where, at inception, the present value of rentals payable under the lease is 90% or more of the fair value of the asset). Any other lease is classified as an Operating Lease.

Liquid Resources

Readily disposable short term investments.

Major Repairs Allowance (MRA)

An amount assumed in the Council's entitlement to Housing Subsidy for investment in the improvement of the housing stock through the Housing Revenue Account.

Major Repairs Reserve (MRR)

A capital reserve intended for the elemental replacement of building structures and components within the Housing stock. The reserve is funded from the HRA via a depreciation charge equal to the MRA element of Housing Subsidy and sums are transferred out to meet the cost of capital expenditure. Any balance on the reserve may be carried forward to future years. Interest earned on the MRR balance is credited directly to the HRA.

Management and Administration

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

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 being fairly stated. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the acceptability of the degree of this tolerance.

GLOSSARY

Minimum Revenue Provision (MRP)

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

Net Cost of Services

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

Non-distributed Costs

These are overheads for which no user benefits and are not therefore apportioned to services, for example, pensions arising from discretionary added years service.

Non-Domestic Rates

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

Operating Lease

See Leasing.

Post Balance Sheet Event

Events that occur between the balance sheet and the date on which the responsible officer signs the Statement of Accounts. These are disclosed where required in the notes to the core financial statements.

Precept

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

Provision

An amount set aside in the accounts to provide for a liability that is likely to be incurred in the future, 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 of account.

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

A Council's accumulated surplus of income over expenditure. Reserves are available at the discretion of the Council to meet items if expenditure in future years. Earmarked reserves are set aside for specific purposes e.g. Insurance Pool.

Responsible Officer

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

Revenue Support Grant

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

Running Expenses

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

Work in Progress

The cost of work done on a project that remains uncompleted at the end of the financial year.