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**Basildon District Council**

**STATEMENT OF ACCOUNTS  
2009/10**

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# Explanatory Foreword - The Council at a Glance

## POLITICAL STRUCTURE

The Council has 42 elected Councillors and, following the local elections in May 2009, the Conservative group had 29 seats, the Labour group ten seats and the Liberal Democrats three. Cllr Mo Larkin was Chairman of the Council for the municipal year 2009/10 and the Leader was Cllr Tony Ball.

Decisions on the Council's strategic priorities, main policies, Council Tax levels and overall budget are the responsibility of the full Council.

The Cabinet is the Council's 'Executive' and is responsible for delivering the Council's priorities within the set budget and ensuring services perform to expected levels. The Leader of the Council has delegated authority from the Council to determine the size and membership of the Cabinet. In 2009/10, the Cabinet consisted of ten Members of the Council eight of whom were members of the majority Conservative political group and held specific areas of responsibility as indicated below:

- Leader of the Council, Democratic and Corporate Services – *Cllr Tony Ball*
- Deputy Leader, Property and Community Safety – *Cllr Stephen Horgan*
- Resources – *Cllr Phil Turner*
- Environment – *Cllr Malcolm Buckley*
- Leisure and Arts – *Cllr Kevin Blake*
- Community – *Cllr Andrew Baggott*
- Housing – *Cllr Frank Tomlin*
- Development Control and Customer Services – *Cllr Richard Moore*.

In addition three Assistant Cabinet Members were appointed to advise and assist Cabinet Members. These Councillors were David Dadds (assisting Councillors Horgan and Turner), Luke Mackenzie (assisting Councillors Baggott and Tomlin) and Michael Mowe (assisting Councillors M. Buckley and K. Blake).

Councillors Lynda Gordon (Labour) and Ben Williams (Liberal Democrat) were members of the Cabinet without portfolio, representing opposition parties.

Other standing committees dealt with a range of non-executive and quasi-judicial matters such as planning, licensing and senior staff appointments. The Overview and Scrutiny Commission and related Scrutiny committees played a key role in informing the decision-making process and developing new approaches to service provision and delivery.

This was the position in 2009/10, the year of account. For information on the current Council, its Councillors and committee structure, please visit our website at [www.basildon.gov.uk](http://www.basildon.gov.uk).

## ORGANISATIONAL STRUCTURE

During the financial year 2009/10, the management team was led by the Chief Executive, Bala Mahendran, and three Executive Directors, Mick Nice, Doug Smith and Sue Philpott, an interim Executive Director who was succeeded, at the end of the year, by Chris White. There were also eight Head of Service posts, each responsible for a range of specific service areas.

For accounting purposes, the Council group comprises the Council itself and St Georges Community Housing Ltd, an Arms Length Management Organisation established by the Council to manage the Council's housing stock and Careline service.

Each local authority is required to consolidate within its accounts the accounts of other organisations over which it has significant control, influence or interest. An exercise has been undertaken analysing the relationship this Council has with its various partnering/co-working entities and St Georges was the only organisation over which any significant control, influence or interest was found to be present. The accounts of St Georges Community Housing Ltd are therefore consolidated within the Council's overall accounts in the Group Accounts on page 83.

At 31 March 2010, the Council had 928 employees in post (690 full-time and 238 part-time). St Georges Community Housing Ltd had 257 employees in post (183 full-time and 74 part-time).

# Explanatory Foreword - The Council at a Glance

## THE COUNCIL TAX, 2009/10

The net budget requirement for Basildon District Council is the amount needed to finance Council services after planned expenditure and income have been accounted for. For 2009/10, this was set by the Council at £31.6 million after making contributions of £1.1 million from reserves. The amount met by formula grant from Central Government was £15.6 million (49.4%), made up of the Revenue Support Grant and redistributed National Non Domestic Rates, leaving £16.0 million (50.6%) to be raised locally from Council Tax. These figures exclude sums collected by the Council on behalf of other precepting authorities.

On this basis, the 2009/10 Band D Council Tax for Basildon District Council services was set at £251.19 (£242.01 in 2008/09). This was an increase of £9.18 per household per annum (18p per household per week) or 3.793% over the Council Tax level for 2008/09.

## MAJOR INFLUENCES ON THE COUNCIL'S FINANCES DURING 2009/10

The Council faced a number of challenges and uncertainties during 2009/10, many of which could have medium or long-term financial implications.

The most significant influence on the finances of the Council was the continuing impact of the economic recession. The 2009/10 financial year continued to feature as one of the most testing and difficult economic and investment environments since the 1930's. The ongoing effects of the "credit crunch", which started in the autumn of 2007, led to extremely difficult problems of liquidity for the banking sector, not just in the UK but around the world. The Bank of England continued to be at the forefront of policy easing, which led to interest rates remaining at an all-time low of 0.5% throughout the financial year.

Basildon's finances were affected in a number of ways. Amongst a range of measures introduced to limit exposure to treasury risk, the investment criteria for counterparties were tightened in March 2008 and again in March 2009, and Basildon has suffered no losses in its investments. Investment earnings have however been seriously hit, with deposits with approved counterparties earning no more than 0.3% per annum at the close of the year and with significant reductions in forecast income over the medium term.

The reduction in market values for land and property experienced in 2008/09 was partly reversed in 2009/10 so there was no repeat of the substantial impairment charges to the Income and Expenditure Account. This, in the main, explains the change from a deficit position in 2008/09 to a surplus position in 2009/10.

The effects of recessionary pressures continue to impact on demand-led services through reduced income from leisure, planning, building control and land charges. In addition increases in homelessness, take-up of Housing and Council Tax benefit, Local Government Pension Scheme costs and reduced debt recovery have added to the pressures. There was also the need to anticipate a potential reduction in central government grant. Whilst these issues have also adversely affected the Council's forward financial forecast, there could be compensating revenue savings if inflation stays low, through lower pay awards and prices.

As a community leader, the Council is of course also concerned to support residents and businesses through the recession. Details of the Council's active response were given in a report to Cabinet on 24 June and 10 December 2009. This included investing £0.2 million of General Fund and £0.1 million of HRA resources in initiatives to support the local community and businesses.

Other factors having a significant influence on the finances of the authority in 2009/10 are mentioned briefly below:

### ■ Efficiencies and service transformation

With the deepening of the recession in the wider economy and the likely adverse impact on local government finance over the medium term, it was considered prudent to initiate a comprehensive efficiency exercise across Council services. The level of efficiencies achieved (£1.9 million) in 2009/10 was significantly above the target set last year. Looking ahead for the four years to March 2014 Basildon has set a target of £19 million of efficiencies and savings of which £13.4 million have already been identified. A joint Member/Officer group delivers the service efficiency and transformation agenda.

## Explanatory Foreword - Review of the Year 2009/10

### ■ Concessionary Fares

The year 2008/09 saw the introduction of a new statutory national fare-paid scheme, which had a significant impact on the Council's budget requirement. Essex County Council took on the responsibility for paying the operators' costs for 2009/10 and 2010/11 in return for charging the District Councils a set amount. This stabilised the budgets at District level for two years, which was welcomed. The previous Government consulted on the arrangements that will apply nationally from 2011/12. There is, however, a small risk of potential claims going back to 2007/08 from bus operators for higher reimbursement of costs; these are unlikely to fall due to the Districts. See also the "Contingent Liabilities" section in the Notes to these accounts.

### ■ Enforcement of the Green Belt

Since 2006, the Council has been pursuing enforcement of planning conditions in respect of illegal travellers sites at Crays Hill and Wickford. In May 2009 the House of Lords turned down any further right of appeal by the travellers under UK jurisdiction. It is hoped the travellers will move on peacefully but the Council has sums set aside to finance an eviction if this becomes necessary.

### ■ Regeneration Projects

During 2009 the construction of the Sporting Village in Gloucester Park commenced. The funding package assumed a high level of temporary borrowing during the construction period, pending asset realisation receipts, using invested income to meet these costs as far as possible. This reduces the risk exposure to investment losses in the current economic climate. Significant progress has also been made during 2009/10 on procuring a major development partner for the regeneration of Basildon town centre which will provide new civic facilities, as well as new retail and leisure developments, offices and housing with associated infrastructure. The initial procurement work has been financed from grants, some of which will be reimbursed through the regeneration. A decision on the project is due in Summer 2010. The Council took the decision in February 2010 to withdraw from the process of procuring a Development Partner for Wickford, which will now be taken forward on an incremental approach.

### ■ Single Status

Another area of significant cost and uncertainty relates to the implementation of the 'Single Status' review of employment terms and conditions and related job evaluation scheme.

This may have back-pay and transitional pay implications for the Council. Developments arising from historical case law and outstanding equal pay claims in the national arena have delayed implementation. New proposals are being worked on to reflect current law and practice with a view to putting a revised package of proposals to the unions. The final proposals will be subject to a local ballot and possible appeals. In common with many other local authorities, the Secretary of State has authorised expenditure on back-pay or compensation to be capitalised, up to £1.998 million in Basildon's case as at March 2010. The Council will apply again for a capitalisation direction in 2010/11 but, if unsuccessful, it will use reserves to meet any unfunded cost.

### ■ Housing Stock

2009/10 marked the third year of operations for St. Georges Community Housing Limited, an Arm's Length Management Organisation set up by the Council in April 2007 to manage its Council housing and Careline services. This arrangement had financial implications for the General Fund from 2008/09 following renegotiation of service level agreements under which the Council continued to provide support services to the company.

In July 2006, the Council made a bid to the government for capital resources to bring our homes up to the Decent Homes standard, and in February 2009 the new Homes and Communities Agency confirmed £142 million of supported borrowing conditional upon St Georges securing a 2-star assessment from the Audit Commission. The achievement of a two star rating by St Georges following the Audit Commission inspection in June 2009 has meant the Council has started to access the £142 million Decent Homes supported borrowing funding. However because of changes to the Government's spending priorities with more investment in new homes, the supported borrowing programme has been reduced. Following representation the Council was allocated £5 million in 2009/10 and £10 million for 2010/11 which is significantly less than the original approval offer. Any future funding from 2011/12 is dependent on the Autumn 2010 Government Comprehensive Spending Review leaving uncertainty about the completion of the Council's decent homes work.

# Explanatory Foreword - Review of the Year 2009/10

## THE PUBLISHED ACCOUNTS

The main Financial Statements within this Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice ("SORP"), which defines proper accounting practices for local authorities.

The SORP requires the core financial statements to be prepared consistently with UK Generally Accepted Accounting Practices, for example 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. Similar adjustments are required in respect of the Housing Revenue Account.

The figures in this Explanatory Foreword are based on the adjusted amounts that impact on Council Tax levels and Reserves and Balances.

## GENERAL FUND REVENUE

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 2009/10 was set.

Service Area	2009/10		Variation £m
	Budget £m	Outturn £m	
Community	4.0	3.3	(0.7)
Development and Regulation	2.2	0.7	(1.5)
Environment	9.1	8.6	(0.5)
Housing	3.1	2.1	(1.0)
Leisure	6.0	6.8	0.8
Regeneration and Partnerships	1	1.9	0.9
Corporate and Central	7.1	6.6	(0.5)
Contingency	0.2	0.1	(0.1)
Net cost of services	32.7	30.1	(2.6)
Transfers to (from) reserves and balances	(1.1)	1.5	2.6
<b>Budget Requirement</b>	<b>31.6</b>	<b>31.6</b>	<b>-</b>

General spending was some £2.6 million below the original Budget for the year. In large part this was due to the significant efficiency exercise undertaken during the year which identified £1.9 million savings. A number of compensating budget pressures were also identified. Of the underspend certain items are due to delays in expenditure e.g. the implementation of Single Status and spending associated with the Local Development Framework. These items are included in a schedule of budgets which are approved to be carried forward to 2010/11.

After allowing for £5.0 million of budgets carried forward to 2010/11, available reserves and balances at the year-end stood at £9.9 million, of which £2.1 million was unallocated.

## HOUSING REVENUE ACCOUNT

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

The outturn for the Council's HRA in 2009/10 was a surplus of £1,278,000 which compares with a deficit of £250,000 budgeted at the start of the year. A significant increase in Supporting People income as the result of a client reconciliation with the Commissioning Body, a lower level of bad debt write offs and the fact that a contingency sum of £200,000 was not spent during the year account for this improvement in the financial position of the HRA. The working balance at 31 March 2010 was £4.2 million. After allowing for budgets to be

## Explanatory Foreword - Review of the Year 2009/10

carried forward to 2010/11 (£0.7 million), the available working balance stood at £3.5 million, including a sum of £0.5 million earmarked to meet any shortfall in the bad debts provision.

The average rent per dwelling per week in 2009/10 was £69.08. The government's "limit rent" for Basildon was £67.41, being the amount at which government subsidy towards the average cost of rent rebates was capped.

The government's rent restructuring policy under which local authority landlords are encouraged to move the rents of their dwellings onto a common basis with all other social landlords has moved away from the original intention that it should take place progressively over the ten years to 2011/12. Since 2007/08 the government has been changing the rent restructuring period in order to control actual rent levels and the date for convergence is, therefore, no longer clear. The formula approach takes account of relative property values and relative earnings in 2000/01 and the number of bedrooms in the property. One result of this change in approach is that rent rebate subsidy limitation will continue to be a cost to the HRA until convergence is reached.

During 2009/10, the government published a consultation document on proposals for the reform of the HRA subsidy system. One of the most discredited aspects of the Subsidy regime is negative subsidy, by which authorities deemed to be in surplus on their annual HRA are required to pay that surplus over to the government. Basildon's negative subsidy obligation rose from £0.8 million in 2007/08 to over £2.0 million (£3.8 million if the brought forward MRA is excluded (see Capital Expenditure)) in 2009/10 and is projected to rise to £6.5 million per annum by 2012/13. The key element in the government's proposal is the abolition of the subsidy system. This means, therefore, in Basildon's case the removal of the requirement to pay negative subsidy. In return, however, the Council would be required to take on additional debt. Detailed work to model the implications for Basildon is currently underway to enable a full response to be made to the government by the consultation deadline of early July 2010. It is unclear at the moment what the attitude of the new government is to the proposals but assuming that they are implemented unchanged it is expected that the commencement date would be April 2011.

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 £0.14 million in 2009/10, or £0.42 million 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 document.

### CAPITAL EXPENDITURE

Capital spending in 2009/10 totalled £41.6 million, which was more than £25 million above the original budget for the year, reflecting the Council's commitment to regeneration and renewal as the plans of recent years start to be realised. The original budget for the year, at only £16.1 million, was fairly typical of recent years. In December 2009 the Council published a Capital Strategy to invest more than £100 million over the three years to March 2012, with the current year being the first year of this programme.

The biggest step in this direction was the commitment of £38.1 million to construct a Sporting Village at the north of Gloucester Park. Due to open to the public in April 2011, £13.8 million of work was completed before the end of March 2010. This year also saw the first £5.0 million of government support for our £142 million programme of Decent Homes improvements to the housing stock. Other major expenditure in the year included a £3.1 million contribution to an expansion of Prospects College, £2.7 million to continue the development of Wat Tyler country park, £2.2 million and £1.0 million respectively towards the regeneration of Basildon town centre and Royal Court housing and £1.2 million for private sector housing grants. The Council also used the opportunity of a direction from the Secretary of State to capitalise Single Status back-pay costs of £0.6 million. These are in addition to the normal programme of housing stock improvements £11.3 million, replacement vehicles £0.5 million and routine investment in General Fund assets.

The Council had hoped to let a major contract during 2009/10 for the regeneration of Wickford. However, following a protracted procurement process from which a number of parties had withdrawn, it had not proved possible to arrive at a solution with the remaining bidder that met both parties' requirements. There were also concerns as to viability and the deliverability of some elements of the scheme particularly in light of the economic climate. The Council therefore brought the process formally to a close in February 2010. As a result, the abortive capital expenditure incurred both in 2009/10 and in previous years had to be written off to revenue, and is not therefore included in the capital outturn described above. This released £0.3 million of capital resources for other projects. The Council remains committed to the regeneration of Wickford, and is considering other avenues available for this purpose.

## Explanatory Foreword - Review of the Year 2009/10

To support its General Fund programme in 2009/10, the Council attracted substantial contributions from partners, mainly through the work of the Basildon Renaissance Partnership. A programme of disposals of surplus assets was approved during the year, estimated to raise nearly £20 million over the next two or three years, £0.6 million being realised during 2009/10. Investment in the housing stock relies heavily on the Major Repairs Allowance (MRA), which is retained by all local housing authorities from the housing subsidy system to enable them to finance the replacement of building elements as they fall into disrepair. The government authorised an additional £1.8 million of MRA in 2009/10 as part of their response to the recession, subject to a corresponding reduction in our MRA entitlement in 2010/11. A sum of £0.7 million was used to repay unsupported borrowing for Decent Homes incurred in the previous financial year. The investment in Decent Homes mentioned above was financed from £5 million of supported borrowing allocated by the Homes and Communities Agency in response to St. Georges Community Housing achieving 2-stars in their housing inspection in June 2009; a further £10 million was also approved for 2010/11.

In summary, capital spending in 2009/10 was financed from a combination of the Major Repairs Reserve £9.4 million, capital grants and contributions £22.9 million, capital receipts £0.7 million, finance leasing £0.4 million, revenue £0.2 million and borrowing £8.0 million. Borrowing included £0.9 million of unsupported borrowing for the General Fund. The balance of £7.1 million related to the Housing Revenue Account and was made up of £6.2 million for supported expenditure and £0.9 million of unsupported expenditure.

### **BALANCES AND RESERVES**

Local government finances are experiencing unprecedented external pressures and uncertainties as a result of the global economic recession. The economic climate within which the Council sets its budget has remained stable in recent years, however due to the current economic climate the Council in setting its budget for 2010/11 has raised its level of unallocated reserves from £1.5 million on the General Fund to £2.0 million with £2.1 million available in the Housing Revenue Account.

Various earmarked reserves are kept for specific purposes. Of particular importance is the Contingency Reserve, which was set up in 2006 to help meet exceptional unforeseen expenses. It is intended for use in areas of the budget where the Council's exposure is so uncertain as to be open-ended at the time the budget is set. The balance unapplied on the reserve stood at £6.4 million at the year end.

### **PENSIONS RESERVE**

In common with probably most if not all 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 2009/10 from £56.7 million at March 2009 to £76.4 million at March 2010. The main reason for this movement was an actuarial loss of £19.0 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 the financial markets.

### **FURTHER INFORMATION**

Further particulars about the accounts can be obtained by writing to the Head of Resources, Basildon District Council, The Basildon Centre, St Martin's Square, Basildon SS14 1DL, or by emailing: [finance@basildon.co.uk](mailto:finance@basildon.co.uk). Financial information may also be found on the Council's website, [www.basildon.gov.uk](http://www.basildon.gov.uk).

# Explanatory Foreword – Summary Financial Information

## ■ REVENUE EXPENDITURE

Gross revenue expenditure in 2009/10 amounted to £167.3 million and is summarised here across the following service headings:

	£m	%
Community	5.0	3.0
Development and Regulation		
- Benefits (including administration)	77.3	46.2
- Other Services	6.4	3.8
Environment	11.5	6.9
Housing		
- Council Housing Services	37.8	22.6
- General Fund Housing Services	3.4	2.0
Leisure	10.1	6.1
Regeneration and Partnerships	7.4	4.4
Corporate and Central	7.9	4.7
Management and Administration	0.5	0.3
<b>Total</b>	<b>167.3</b>	<b>100.0</b>

## ■ REVENUE INCOME

Revenue expenditure was financed from the following sources:

	£m	%
<i>Government Grants</i>		
Revenue Support Grant	2.9	1.7
Other General Government Grants	0.3	0.2
National Non Domestic Rates	12.7	7.6
Housing and Council Tax Benefits	77.2	46.1
Sub-total	93.1	55.6
<i>Council Tax Levy</i> (excluding Parish and Town Council precepts)	15.9	9.5
<i>Other Income</i>		
Housing Rents	43.0	25.7
Interest on Investments	-	-
Fees, charges & other income	12.9	7.7
Transfers from Reserves	2.4	1.5
<b>Total</b>	<b>167.3</b>	<b>100.0</b>

## ■ GENERAL FUND ACTIVITIES

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

	Budget £m	Outturn £m
Balance brought forward for General Fund Activities	10.3	13.5
Levy and deficit on Collection Fund	15.9	15.9
General Government Grants	2.9	3.2
National Non-Domestic Rates	12.7	12.7
Sub-total	41.8	45.3
Net cost of services	32.7	30.4
<b>Balance carried forward 31 March 2010</b>	<b>9.1</b>	<b>14.9</b>

# Explanatory Foreword – Summary Financial Information

## ■ TOTAL BALANCES AND RESERVES AT 31 MARCH 2010

	Budget £m	Outturn £m
General Fund Balance	1.6	6.1
Contingency Reserve	5.1	6.4
Insurance Pool Reserve	2.1	2.2
Other Earmarked Reserves	0.3	0.2
Sub-total: General Fund	9.1	14.9
Housing Revenue Account – General Balance	1.9	3.7
Housing Revenue Account – Earmarked Balance	0.8	0.5
Sub-Total: Housing Revenue Account	2.7	4.2
<b>Total Balances and Reserves</b>	<b>11.8</b>	<b>19.1</b>

## ■ EXTERNAL DEBT

	31 March 2010 £m	31 March 2009 £m	Change £m
Short term borrowing	20.0	5.0	15.0
Long term borrowing	112.5	124.6	(12.6)
Deferred Purchase and Transferred Debt	0.7	0.9	(0.2)
Finance leases	1.4	1.4	-
Sub-total	134.6	131.9	2.2
Investments	(1.7)	(0.7)	(1.0)
<b>Net External Debt</b>	<b>132.9</b>	<b>131.2</b>	<b>1.2</b>

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

Interest payable on external debt and other liabilities for the year amounted to £8.9 million compared with an original budget of £9.6 million. The variance is attributable to the decline in interest rates between the setting of the budget and the end of the year. This reduction was largely offset by a reduction in the interest element of the housing subsidy calculation and, therefore, the benefit was not retained by the Council.

# Explanatory Foreword – Guide to the Financial Statements

## ■ **Income and Expenditure Account** ► Page 31

This account summarises the income and expenditure used in providing and managing all the services of the Council during the last year. It accounts for all day-to-day expenses and related income on an accruals basis. It also measures the value of fixed assets consumed in the provision of those services and includes the future value of retirement benefits earned by employees in the year.

Also reflected here are income and expenditure that is not directly service related, for example contributions made to the Council from local taxation and government grants.

Income and expenditure 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 therefore always appropriate for calculating the Council Tax requirement. Adjustments are made in the Statement of Movement on the General Fund Balance to show the real impact on the General Fund.

## ■ **Statement of Movement on the General Fund Balance** ► Page 32

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.

## ■ **Statement of Total Recognised Gains and Losses** ► Page 34

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.

## ■ **Balance Sheet** ► Page 35

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.

## ■ **Cash Flow Statement** ► Page 36

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.

## ■ **Housing Revenue Account** ► Page 73

By law, the Council must account separately for its housing provision. This account records the expenditure associated with its housing stock (e.g. management, repairs, capital financing costs and negative subsidy) and how this is paid for (e.g. through rents 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.

## ■ **Collection Fund Account** ► Page 80

This statement relates to the collection of Council Tax and National Non-domestic Rates and shows how such income has been distributed between the major precepting authorities (including Basildon) and central government.

## ■ **Group Accounts** ► Page 83

The core financial statements described above are restated here after consolidating the Council's accounts with those of St. Georges Community Housing Limited (SGCH), a wholly owned subsidiary company. SGCH manages the Council's Housing and Careline services on its behalf.



# 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 secure 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.

## **Manager of Financial and Management Accounting Services**

I am the Manager of Financial and Management Accounting Services with delegated 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 a true and fair view of the financial position of the Council at 31 March and of 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 a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Signed:

**A CLARKE**

**A Clarke ACA**

Manager of Financial and Management Accounting Services

29th September 2010.

## **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 29th June 2010.

Signed:

**MRS T SARGENT**

**Councillor T Sargent**

Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

29th June 2010.



# Auditor's Report

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

### Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of Basildon District Council for the year ended 31 March 2010 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 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 Statement of Movement on 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.

This report is made solely to the members of Basildon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### Respective responsibilities of the Executive Director's (s151 officer) and the auditor

The Executive Director's (s151 officer) responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- 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 accounting 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. 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 May 2008 and updated in October 2009, and the supporting guidance, 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 ended 31 March 2010.

### **Delay in certification of completion of the audit**

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

D HANSON

### **Debbie Hanson**

Officer of the Audit Commission

Audit Commission, Atlantic Business Centre, Lyttleton House, 64 Broomfield Road, Chelmsford, Essex, CM1 1SW.

29 September 2010

# Statement of Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP) and the Best Value Accounting Code of Practice (BVACOP) 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. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 1. ACCRUALS OF INCOME AND EXPENDITURE

The accounts of the Council are prepared on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not simply when cash payments are made or received. The accounts are prepared in accordance with the SORP and the fundamental accounting concepts as set out in FRS18 (Accounting Policies).

In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the related goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest date for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

- Creditors and debtors are not normally raised for sums under £1,000 or for regular payments such as gas, electricity and telephone accounts and lease rentals, provided the appropriate number of payments have been made in the particular year. Exceptions are made to the £1,000 policy where grant funding would be lost if the amounts were not accrued.
- Interest payable on borrowings has not been accrued in respect of loans raised before 1 April 1987, the interest on which is accounted for on a cash basis.

## 2. BALANCES AND RESERVES

Balances are the sums left unallocated in the General Fund and the Housing Revenue Account after all other requirements have been satisfied.

Reserves are specific amounts set aside by the Council for future policy purposes or to cover contingencies. They are created by appropriating amounts in the Statement of Movement on the General Fund or HRA Balance, as the case may be. When expenditure is to be financed from a reserve, it is charged to the Income and Expenditure Account through the appropriate service revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below and included as Notes to the main Financial Statements.

# Statement of Accounting Policies

## 3. AREA BASED GRANTS / LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE AWARDS

These are accounted for in the Income & Expenditure Account under the heading General Government Grants. They are non ring-fenced general grants and as such there are no restrictions as to use.

## 4. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets or liabilities are not recognised in the accounting statements. They are disclosed by way of a note to the Balance Sheet if there is a possible obligation to receive or make payments in the future.

## 5. UNEQUAL PAY BACK PAY

The Statement of Accounts reflects the recommended accounting practice for potential claims for back pay arising from unequal pay claims. The Council has accounted for its estimate of the maximum expected costs in the Income and Expenditure Account, but an adjustment has been made in the Statement of Movement on the General Fund Balance to defer the impact of the cost on the General Fund and the HRA until actual payment is made, as allowed by Regulation. An Unequal Pay Back Pay Account in the Balance Sheet holds an amount equal to the back pay which has been deferred from being charged to the General Fund.

Amounts approved by the Secretary of State to be funded from capital resources are credited to the Statement of Movement on General Fund Balance and debited to the Capital Adjustment Account. Where prudential borrowing is used to fund the expenditure the minimum charge to revenue is based on the amortisation period set out in statutory guidance.

## 6. PROVISIONS

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 through the appropriate service revenue account in the year in which the liability or loss arises, i.e. the year in which the authority becomes aware that an obligation arises from a past event. When expenditure is actually incurred or the loss is realised, the cost is borne directly by the provision.

The Council has made a provision for the costs of settling claims for back-pay arising from discriminatory payments incurred before the Council implements its equal pay strategy. However, statutory arrangements allow the settlement of claims to be financed from the General Fund or the HRA in the year that payments are actually made, instead of when the provision was established. The provision is therefore matched in the Balance Sheet by the balance on an Unequal Pay Back-Pay Account that will be debited to the Statement of Movement on the General Fund or HRA Balance in future financial years as payments are made. Please see above Equal Pay Back Pay note for treatment of capitalised costs.

## 7. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that they provide. Expenditure that secures, but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value but as a minimum every five years.

# Statement of Accounting Policies

## 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:

- Operational non-specialised assets: at existing use value
- Operational housing assets, dwellings: at existing use value for social housing
- Operational specialised assets: at depreciated replacement cost
- Non-operational assets (investment, surplus and development property): at market value
- Infrastructure and community assets, assets under construction and vehicles, plant and equipment: at historical cost.

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 recognises revaluation gains that have occurred only since 1 April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the Capital Adjustment Account.

## Impairment

Assets are reviewed annually to assess whether there is a need for an impairment adjustment. Where 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.

## 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. See also "Capital Receipts" below.

## Depreciation

Depreciation is charged to the General Fund and to the HRA on all material fixed assets with a finite life, except for land, investment properties, community assets and assets under construction. Depreciation is calculated using the straight-line method. It does not however apply in respect of the first (part) year.

The following useful lives are assumed for this purpose:

<b>Asset Category:</b>	<b>Estimated Useful Life</b>
Buildings other than dwellings	10 – 65 years
Council Dwellings	25 years
Vehicles, Plant & Equipment	4 – 10 years

# Statement of Accounting Policies

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 the Council Tax, as each charge is reversed out again to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance. In the Housing Revenue Account, depreciation is effectively financed from the Major Repairs Reserve with any difference being taken to the Capital Adjustment Account.

## **8. INTANGIBLE FIXED ASSETS**

Intangible assets are non-financial fixed assets that do not have physical substance but would be identifiable and controlled by the Council through custody or legal rights. The Council currently has no such assets.

## **9. CAPITAL RECEIPTS**

The proceeds of the sale of capital assets are credited to the Income and Expenditure Account and then to the Usable Capital Receipts Reserve via the Statement of Movement on the General Fund Balance, or the HRA Balance as the case may be. Deductions are made for any liability arising from the disposal to the extent that these are permitted by statute – in particular expenses incurred in disposing of HRA land, including dwellings under the right-to-buy scheme, clawback payable to the Homes and Communities Agency (formerly English Partnerships) and any sums required to be paid into a government ‘pool’ out of the net proceeds of the sale of HRA land and dwellings.

Repayments to the Council of grants and loans given for capital purposes are also credited to this reserve.

The balance on this reserve may be used only to finance new capital expenditure or to repay the principal of borrowings through a reduction in the capital financing requirement.

## **10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets is charged as expenditure to the Income and Expenditure Account through the relevant service revenue account. To the extent that the Council determines to meet the cost of such expenditure from capital resources or by borrowing, the amounts charged to the revenue account are reversed out through the Statement of Movement in the General Fund or HRA Balance, as the case may be, and debited to the Capital Adjustment Account, so that there is no impact on the level of Council Tax or on HRA rents.

## **11. VALUE ADDED TAX (VAT)**

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

## **12. GRANTS AND CONTRIBUTIONS**

Grants and subsidies, whether from central government or other sources, are credited directly 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. Grants are only recognised as income when the Council has satisfied the conditions of entitlement to the grant.

Grants towards expenditure in general (for example, Revenue Support Grant or Area Based Grants) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure instead of to a particular service account within Net Cost of Services.

Where grants and contributions are received that are identifiable to the cost of 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.

# Statement of Accounting Policies

## 13. REDEMPTION OF DEBT

Regulations require local authorities to make prudent provision from revenue for the repayment of debt. It is for each authority to determine how it does this, though regard must be had to statutory guidance issued by the Secretary of State for Communities and Local Government. This Council has resolved to make revenue provision in respect of General Fund capital expenditure in accordance with the methods stated below, as defined in the statutory guidance:

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

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

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

## 14. PROVISION FOR BAD DEBTS

Provisions are made for possible irrecoverable debts, which are reviewed annually.

## 15. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations.

## 16. LEASES

### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset pass from the lessor to the Council. A finance lease is recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset.

Rentals payable are apportioned between:

- A charge made for the acquisition of the interest in the asset. The liability is written down as the rent becomes payable; and
- A finance charge, debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable.

Fixed Assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged on the asset over the lease term, being the estimated economic life at inception.

# Statement of Accounting Policies

## Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. No recognition is given to them in the Balance Sheet. Rentals are not apportioned. They are charged in full to the relevant service revenue account as they become payable over the term of the lease.

The authority acts in the capacity of lessor in respect of properties such as shops, industrial units and garages. All such leases are operating leases. Consistent with the policy where the Council acts as lessee, no recognition is given to such leases in the Balance Sheet, rentals are not apportioned and rental income is credited in full to the service or trading revenue account as it becomes due over the term of the lease.

## 17. FINANCIAL LIABILITIES

Financial liabilities, typically borrowings and other forms of debt, are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest. In the case of fixed interest loans, the nominal interest rate is equivalent to the effective interest rate. The amount presented in the Balance Sheet in such cases is the outstanding principal together with interest accrued at the fixed rate in accordance with the accounting policy for debtors and creditors (item 1 above – Accruals of Income and Expenditure) and 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 (or debited) to Net Operating Expenditure in the Income and Expenditure Account in the year of the repurchase or settlement. The transaction will be deemed either a modified transaction or a non-modified transaction. In the former case, any premium or discount will be adjusted in the carrying amount of the loan and amortised to the Income and Expenditure Account using the effective interest method. Non-modification will result in the premium or discount being charged or credited directly to the Income and Expenditure Account and reversed out under Regulation to the Financial Instruments Adjustment Account and amortised accordingly. Similar entries are made in the Income and Expenditure Account for the HRA and in the Statement of Movement on the HRA Balance, to the extent that the regulation requires the premium or discount to be amortised to the HRA.

## 18. FINANCIAL ASSETS

The financial assets held by local authorities can be classified into two types:

- Loans and receivables – assets that have fixed or determinable payments and are not quoted in any active market
- Available-for-sale assets - assets with a quoted market price or with payments that are not fixed or determinable.

The financial assets of the Council, typically sums deposited with other local authorities or with financial institutions such as building societies, have fixed or determinable payments and are not quoted in any active market, and are therefore classed as loans and receivables. The Council has no “soft loans”, i.e. loans made at lower than market rates of interest to, for example, voluntary organisations.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans / investments that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year as per the agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition of an asset are credited / debited to the Income and Expenditure Account.

# Statement of Accounting Policies

## 19. DEFERRED CAPITAL RECEIPTS

Where Council dwellings were sold and a Council mortgage was advanced to enable tenants to purchase the property, an amount equal to the mortgage was included as a deferred capital receipt. These are written down each year by the amount of capital debt repaid by mortgagors in that year.

## 20. FOREIGN CURRENCY TRANSACTIONS

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

## 21. STOCKS

Stocks are valued on an average cost basis.

## 22. 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.

## 23. AGENCY ARRANGEMENTS / COLLECTION OF LOCAL TAXES

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). In the Council's capacity as Billing Authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. For the year commencing 1 April 2009, only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from council tax payers.

The Council also acts as an agent in collecting national non-domestic rates (NNDR) on behalf of the Government. Only the income received in NNDR redistribution is recognised in the Income and Expenditure Account and only a creditor or debtor for cash collected from NNDR debtors but not paid over to the Government, or overpaid to the Government is recognised in the Balance Sheet.

Expenditure incurred and Income received by an Agent does not appear in the accounts of the Agent as it is incurred or received on behalf of someone else i.e. the Principal party to the arrangement.

## 24. PRIOR PERIOD ADJUSTMENTS

In any accounting period the results will be affected by adjustments required in respect of transactions that were initially recorded in earlier years. The majority of these adjustments arise from the corrections and adjustments which are the natural result of estimates inherent in the periodic preparation of financial statements. These adjustments are recognised in the Income and Expenditure Account of the period in which they are identified and their effect, if material, is disclosed. However, where there is a change in accounting policy or a fundamental error is identified relating to a prior period the prior period's financial statements are adjusted by restating the comparative figures for the core statements and notes. The effect of these changes is disclosed in Note 3 to the accounts.

## 25. RETIREMENT BENEFITS

### The Local Government Pension Scheme

The Local Government scheme is accounted for as a defined benefits scheme. The liabilities of the Essex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This assesses the future payments that will be made in relation to

# Statement of Accounting Policies

retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate notified by the actuary to the scheme.

The assets of the Essex County Council pension fund attributable to this Council are included in the Balance Sheet at their fair value:

- quoted securities: at current bid price
- unquoted securities: based on a professional estimate
- unitised securities: at current bid price
- property: at market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year: charged in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years: charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid: charged to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return: credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees: charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions: credited or debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Essex County Council pension fund – amounts paid as employer's contributions to the pension fund: included in the Movement on the General Fund Balance in place of the items included in the Income and Expenditure Account listed above.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statements of Movement on the General Fund and HRA Balances this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

## Discretionary Benefits

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

## 26. GROUP ACCOUNTS

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and of St. Georges Community Housing Ltd. St. Georges has been incorporated as a fully owned subsidiary using the "line by line" method.

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# Statement of Accounting Policies

## **27. 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.



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Financial Statements  
and  
Notes to the Accounts



## FINANCIAL STATEMENTS

All statements have been prepared in accordance with the Statement of Accounting Policies and the SORP.

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## NOTES TO THE CORE STATEMENTS

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

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

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## Core Statements



## Income and Expenditure Account

This account summarises the income and expenditure used in providing and managing all the services of the Council during the last year. It accounts for all day-to-day expenses and related income on an accruals basis. It also measures the value of fixed assets consumed in the provision of those services and includes the future value of retirement benefits earned by employees in the year.

Also reflected here, below Net Cost of Services, are income and expenditure not directly related to services.

	2009/10		2008/09	
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£'000	£'000	£'000	Restated £'000
<b>Expenditure on Services:</b>				
Central Services to the Public	22,163	18,978	3,185	2,369
Cultural, Environmental, Regulatory and Planning Services	33,024	14,368	18,656	23,532
Education and Children's Services	774	673	101	103
Highways and Transport Services	4,622	1,823	2,799	2,740
Local Authority Housing (HRA)	36,745	48,928	(12,183)	67,569
Other Housing Services	62,330	61,337	993	2,611
Adult Social Care	1,890	1,043	847	1,315
Corporate and Democratic Core	4,841	158	4,683	5,757
Non Distributed Costs	273	-	273	137
<b>Net Cost of Services</b>	<b>166,662</b>	<b>147,308</b>	<b>19,354</b>	<b>106,133</b>
(Gain) Loss on Disposal of Fixed Assets			(542)	1,089
Contribution of Housing Capital Receipts to Government Pool			375	226
Amounts Payable in Respect of Clawback on Disposal of Dwellings and other Land			605	525
Interest Receivable and Investment Income			(42)	(706)
Interest Payable and Similar Charges			8,940	9,810
Surplus on trading undertakings not included in Net Cost of Services			(1,629)	(252)
Pensions Interest Cost and Expected Return on Pensions Assets			4,358	3,215
Precepts of Local Precepting Authorities			287	291
<b>Net Operating Expenditure</b>			<b>31,706</b>	<b>120,331</b>
Income from Council Tax			(16,071)	(15,406)
General Government Grants			(3,216)	(2,278)
Non-Domestic Rates Redistribution			(12,707)	(13,551)
<b>(Surplus) Deficit for the Year</b>			<b>(288)</b>	<b>89,096</b>

## 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 grants. Income and expenditure 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 therefore always appropriate for calculating the Council Tax requirement. The purpose of the Statement of Movement on the General Fund Balance 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.

	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
		Restated
(Surplus) Deficit for the year on the Income and Expenditure Account – see previous page	(288)	89,096
Reconciling Amount: Net adjustment required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(536)	(89,228)
Increase in the General Fund Balance for the Year	(824)	(132)
General Fund Balance brought forward	(5,261)	(5,129)
<b>General Fund Balance carried forward</b>	<b>(6,085)</b>	<b>(5,261)</b>

The reconciling amount shown above consists of three classes of adjustment. These are summarised below and explained in more detail on the next page:

	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
		Restated
Amounts included in the Income and Expenditure Account that are required by statute to be excluded from the movement in the General Fund balance	(7,415)	(94,749)
Amounts not included in the Income and Expenditure Account that are required by statute to be included in the movement on the General Fund balance	4,960	4,876
Transfers to the Housing Revenue Account and Earmarked Reserves	1,919	645
<b>Reconciling adjustment</b>	<b>(536)</b>	<b>(89,228)</b>

# Statement of Movement on the General Fund Balance

The net amount required to be credited to the General Fund balance for the year is made up of the following:

<b>Analysis of Reconciling Adjustment in the Statement of Movement on the General Fund Balance</b>	<b>2009/10 Net Expenditure £'000</b>	<b>2008/09 Net Expenditure £'000</b>
<b>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:</b>		Restated
■ Depreciation of General Fund fixed assets	(825)	(4,147)
■ Excess of depreciation charge to HRA over the Major Repairs Allowance element of Housing Revenue Account Subsidy	(10,429)	(1,719)
■ Impairment Charges	9,408	(80,574)
■ Amounts treated as revenue expenditure in accordance with the SORP but classified as capital expenditure by statute	(599)	(705)
■ Single Status Back Pay costs – funded from Unequal Pay Back-Pay Account	355	71
■ Net gain (loss) on the sale of fixed assets	515	(1,089)
■ Capital receipts not linked to the disposal of an asset	115	124
■ Contributions amortised in line with depreciation/impairment	904	71
■ Pension costs calculated in accordance with the SORP and FRS17	(6,859)	(6,781)
	<b>(7,415)</b>	<b>(94,749)</b>
<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year:</b>		
■ Capital expenditure charged to the General Fund Balance	166	100
■ Transfers from Usable Capital Receipts equal to the amounts payable: <ul style="list-style-type: none"> <li>▪ Into the government's Housing Capital Receipts Pool</li> <li>▪ In respect of clawback on disposal of dwellings</li> </ul>	(375)	(226)
	(605)	(525)
■ Employer's contributions payable to Essex County Council Pension Fund	5,652	5,429
■ Difference between the Council's share of actual council tax income for the year and the statutory amount that can be released to the General Fund	(139)	(10)
■ Transfer to Financial Instruments Adjustment Account, amortisation of deferred premiums	85	85
■ Statutory Provision for redemption of debt	162	10
■ Transferred debt repayment	14	13
	<b>4,960</b>	<b>4,876</b>
<b>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:</b>		
■ Transfer of the surplus for the year on the Housing Revenue Account to the HRA balance, calculated in accordance with statute	1,278	328
■ Net transfer to General Fund earmarked reserves	641	317
	<b>1,919</b>	<b>645</b>
<b>Net additional amount to be credited to the General Fund Balance</b>	<b>(536)</b>	<b>(89,228)</b>

## Statement of Total Recognised Gains and Losses

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.

	<b>2009/10 Net Expenditure £'000</b>	<b>2008/09 Net Expenditure £'000</b>
(Surplus) deficit on the Income and Expenditure Account for the year	(288)	89,096
(Surplus) deficit arising on revaluation of fixed assets	(10,541)	19,789
Actuarial losses (gains) on pension fund assets and liabilities	19,063	(5,588)
Other (gains) losses:		
■ Deferred Purchase debt, principal repayment	(205)	(205)
■ Deferred Capital Receipts	10	12
<b>Total Recognised Losses for the Year</b>	<b>8,039</b>	<b>103,104</b>

## Balance Sheet

The Balance Sheet summarises the Council's financial position on the last day of the year. It shows its balances and reserves, its long-term indebtedness and the value of fixed and net current assets employed.

	Notes	31-Mar-10 £'000	31-Mar-09 Restated £'000
<b>TANGIBLE FIXED ASSETS</b>			
<i>Operational assets</i>			
Council dwellings	31	624,585	614,369
Other land and buildings	31	53,001	50,181
Vehicles, plant, furniture and equipment	31	3,859	2,404
Infrastructure assets	31	373	205
Community Assets	31	4,953	4,991
		<b>686,771</b>	<b>672,150</b>
<i>Non-operational assets</i>			
Investment properties	31	14,227	16,616
Assets under construction	31	19,893	5,563
Surplus assets	31	6,630	148
		<b>40,750</b>	<b>22,327</b>
<b>Total Tangible Fixed Assets</b>	<b>31</b>	<b>727,521</b>	<b>694,477</b>
Long-term debtors	13	48	92
<b>Total Long-Term Assets</b>		<b>727,569</b>	<b>694,569</b>
<b>CURRENT ASSETS</b>			
Stocks		244	250
Debtors	13	26,209	18,085
Investments	22	1,700	700
Cash in hand		7	6
<b>Total Assets</b>		<b>755,729</b>	<b>713,610</b>
<b>CURRENT LIABILITIES</b>			
Borrowing repayable on demand or within 12 months	22	(20,031)	(5,000)
Creditors	14	(22,631)	(16,333)
Bank overdraft		(3,003)	(66)
<b>Total Assets less Current Liabilities</b>		<b>710,064</b>	<b>692,211</b>
<b>OTHER LIABILITIES</b>			
Borrowing repayable in more than 12 months	22	(114,006)	(126,186)
Capital Contributions Deferred	35	(23,545)	(5,770)
Deferred liabilities	11	(2,112)	(2,334)
Provisions	17	(4,422)	(4,172)
Liability related to defined benefit pension scheme	39	(76,962)	(56,693)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>489,017</b>	<b>497,056</b>
<b>FINANCED BY:</b>			
General Fund Balance	15	6,085	5,261
General Fund Earmarked Reserves	15	8,830	8,189
Collection Fund Adjustment Account	15	(202)	(62)
Unequal Pay Back-Pay Account	15	(453)	(808)
Housing Revenue Account Balance	15	4,226	2,948
Financial Instruments Adjustment Account	15	(610)	(695)
Revaluation Reserve	15	20,192	9,448
Deferred Capital Receipts	15	5	15
Usable Capital Receipts Reserve	15	198	7
Capital Adjustment Account	15	527,708	529,446
Pensions Reserve	15	(76,962)	(56,693)
<b>TOTAL NET WORTH</b>	<b>10</b>	<b>489,017</b>	<b>497,056</b>

# Cash Flow Statement

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.

	2009/10 £'000	2008/09 £'000
<b>REVENUE ACTIVITIES</b> (see Note 40)		<b>Restated</b>
<b>Revenue Activities Net Cash Inflow</b>	<b>(20,828)</b>	<b>(11,459)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
<i>Cash Outflows</i>		
Interest and Special Financing Repayments of long term liabilities	8,938	10,255
Interest element of finance lease rental payments	76	83
<i>Cash Inflows</i>		
Interest Received	(42)	(747)
<b>Returns on Investment and Servicing of Finance Net Cash Outflow</b>	<b>8,972</b>	<b>9,591</b>
<b>CAPITAL ACTIVITIES</b>		
<i>Cash Outflows</i>		
Expenditure on Fixed Assets	33,175	16,394
<i>Cash Inflows</i>		
Sale of Fixed Assets	(1,796)	(1,776)
Capital Contributions and Grants received	(18,839)	(11,081)
Other Capital Cash Receipts	-	(30)
<b>Capital Activities Net Cash Outflow</b>	<b>12,540</b>	<b>3,507</b>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>	<b>684</b>	<b>1,639</b>
<b>LIQUID RESOURCES</b>		
Movement in Short term investments	1,000	(4,500)
Net decrease in other liquid resources	3,955	164
<b>FINANCING</b>		
<i>Cash Outflows</i>		
Repayments of deferred purchase and transferred debt	205	218
Capital element of finance lease rental payments	401	357
Long term loans repaid (net)	7,575	2,000
<i>Cash Inflows</i>		
Short Term Loans raised (net)	(10,500)	-
New finance lease arrangements	(384)	(543)
<b>Financing and Liquid Resources Net Cash Inflow</b> (see Note 42)	<b>2,252</b>	<b>(2,304)</b>
<b>NET DECREASE (INCREASE) IN CASH IN HAND AND AT BANK</b> (see Note 41)	<b>2,936</b>	<b>(665)</b>

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## Notes to the Core Statements



# Notes to the Core Statements

## General Notes

### 1. CORPORATE AND DEMOCRATIC CORE

The Corporate and Democratic Core represents the direct and support costs of Council Members and of the corporate management of the Council.

### 2. NON-DISTRIBUTED COSTS

In compliance with BVACOP the following costs are not recharged to services

	2009/10			2008/09
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Pensions: past service costs	146	-	146	125
Pension curtailment/settlement costs	127	-	127	12
Costs associated with unused assets	-	-	-	-
<b>Total Non-distributed Costs</b>	<b>273</b>	<b>-</b>	<b>273</b>	<b>137</b>

### 3. EXCEPTIONAL AND EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or extraordinary events during 2009/10.

The 2009 SORP changed the way Local Authorities have to account for the Collection Fund, including the introduction of an "Agent" and "Principal" relationship between the Billing Authority (Basildon) and the major preceptors (e.g. Essex County Council). This means that the Billing Authority collects the majority of the Council Tax "on behalf of" the other preceptors. It also reinforced that the Billing Authority's Balance Sheet should only account for its part of the Fund Balance and not show all of the precepting authorities' figures combined. There is, as a result, a change of emphasis in the Billing Authority's Balance Sheet in that it now has to show the indebtedness of the major preceptors with the Billing Authority. In prior years the indebtedness was between the Billing Authority and the Council Tax and NNDR payers. There was also this year a technical change relating to the calculation of the figure to be shown in the Income and Expenditure Account. This resulted in a prior year adjustment of £10,000 credit to the Income and Expenditure Account in 2008/09 and a reversing entry of £10,000 through the Statement of Movement on the General Fund Balance for that year. The corresponding figure in 2009/10 was £139,000. The Cash Flow Statement is similarly affected in that it now only shows the cash flows relating to the Billing Authority's share of the tax revenue.

### 4. OTHER TRADING OPERATIONS

The Council is required to disclose which of its operations are active in a commercial environment. Trading operations aim to cover their costs by charging other parts of the Council, other organisations or members of the public. Any shortfall or surplus made through trading is accounted for in the Income and Expenditure Account as part of Net Operating Expenditure.

	2009/10			2008/09
	Gross Expenditure £'000	Gross Income £'000	Net Position £'000	Net Position £'000
<b>General Trading Accounts</b>				
Industrial and Commercial Premises	318	(1,947)	(1,629)	(252)

There are eleven trading units, 141 shop premises and other miscellaneous properties let on a commercial basis.

# Notes to the Core Statements

## General Notes

### 5. 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.

	2009/10 £'000	2008/09 £'000
Statutory audit of accounts	166	158
Statutory audit of grant claims	61	63
Statutory inspection fees	8	10
Other statutory services – National Fraud Initiative	-	3
<b>Total</b>	<b>235</b>	<b>234</b>

### 6. AGENCY INCOME AND EXPENDITURE

Basildon District Council enforces the On Street Parking Regulations as an 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.

### 7. MEMBERS AND EMPLOYEES

#### Member Allowances

The total value of allowances paid to the 42 Councillors of Basildon District Council in 2009/10 was £432,667 (£430,399 in 2008/09). This is included within Expenditure on Services: Central Services to Public in the Income and Expenditure Account.

#### Officer Remuneration

The Council is required to report (in bands of £5,000) the number of employees whose rate of remuneration in the year was more than £50,000, excluding Employer's Pension Contributions. It is also now required to report the remuneration of Senior Officers on an individual basis. Where the salary element of the Senior Officer's remuneration exceeds £150,000 the individual is referred to by name as well as post title; otherwise the Senior Officer is disclosed by post title only. The Senior Officers' full remuneration has to be disclosed together with the related Employer's Pension Contributions.

Remuneration Band	2009/10	2008/09
£50,000 - £55,000	9	11
£55,001 - £60,000	4	8
£60,001 - £65,000	7	8
£65,001 - £70,000	3	1
<b>Total</b>	<b>23</b>	<b>28</b>

# Notes to the Core Statements

## General Notes

<b>Senior Officers Disclosures</b>	Salary (including Fees & Allowances)	Bonuses	Expense Allowance	Benefits in Kind	Total Remuneration	Pension Contributions	Total Remuneration including Pension Contributions
<b>2009/10</b>	£	£	£	£	£	£	£
Chief Executive (Bala Mahendran)	172,451	26,881	3,000	1,154	203,486	24,482	227,968
Executive Director	130,585	6,578	3,000	160	140,323	16,258	156,581
Executive Director	127,121	9,319	1,500	1,154	139,094	16,518	155,612
Executive Director (wef 1/3/10 – note 1)	8,781	-	-	-	8,781	1,105	9,886
Executive Director (to 29/1/10 - note 2)	98,175	-	-	-	98,175	11,891	110,066
Head of Corporate Services	85,912	2,618	912	1,154	90,596	10,726	101,322
Head of Resources	85,344	2,618	912	758	89,632	10,670	100,302
Head of Environment and Community Services	83,189	4,920	912	-	89,021	10,671	99,692
Head of Street Scene and Leisure Services	82,076	3,758	836	1,099	87,769	10,345	98,114
Development Project Director	92,969	1,940	-	-	94,909	-	94,909
Project Director - Sporting Village	69,602	1,450	-	1,154	72,206	8,531	80,737
Head of Housing Strategy and Client Services	69,655	1,300	-	716	71,671	8,402	80,073
Head of Customer Services (wef 26/10/09 – note 3)	29,527	-	-	-	29,527	3,668	33,195
Head of Democratic Services (to 21/6/09 – note 4)	19,490	4,920	228	-	24,638	2,803	27,441
Head of Customer Services ( to 29/5/09 – note 5)	19,882	-	152	-	20,034	1,488	21,522
<b>Total</b>	<b>1,174,759</b>	<b>66,302</b>	<b>11,452</b>	<b>7,349</b>	<b>1,259,862</b>	<b>137,558</b>	<b>1,397,420</b>

The payments have increased year on year by pay award (2.09% - 3.4%), an increase in reward relating to Car Allowances and, in some cases, additional Committee Attendance Allowances. The pay for the Chief Executive was also higher year on year due to a higher payment for acting as Returning Officer for the Local and European Elections in 2009. The comparative figures for 2008/09 are given on the next page.

Note 1 – The Executive Director who commenced on 1/3/10 has an annualised salary of £104,463

Note 2 – The Executive Director who left on 29/1/10 had an annualised salary of £114,645

Note 3 – The Head of Customer Services who commenced on 26/10/09 has an annualised salary of £69,021

Note 4 – The Head of Democratic Services who left on 21/6/09 had an annualised salary of £72,342

Note 5 – The Head of Customer Services who left on 29/5/09 had an annualised salary of £72,342

# Notes to the Core Statements

## General Notes

<b>Senior Officers Disclosures</b>	Salary (including Fees & Allowances)	Bonuses	Expense Allowance	Benefits in Kind	Total Remuneration	Pension Contributions	Total Remuneration including Pension Contributions
<b>2008/09</b>	£	£	£	£	£	£	£
Chief Executive (Bala Mahendran)	161,695	22,925	2,250	866	187,736	22,480	210,216
Executive Director	119,381	8,475	3,000	866	131,722	15,567	147,289
Executive Director	118,746	8,475	3,000	866	131,087	15,489	146,576
Executive Director (w.e.f. 1/1/09 – note 1)	17,999	-	-	-	17,999	2,182	20,181
Head of Corporate Services	84,468	2,436	760	865	88,529	10,616	99,145
Head of Democratic Services	80,151	5,460	912	865	87,388	10,490	97,878
Head of Resources	82,246	2,436	912	568	86,162	10,365	96,527
Head of Environment and Community Services	79,525	5,460	912	-	85,897	10,408	96,305
Head of Street Scene and Leisure Services	74,388	2,943	912	516	78,759	9,635	88,394
Development Project Director	85,324	2,303	-	-	87,627	-	87,627
Head of Customer Services	72,009	3,413	912	568	76,902	9,565	86,467
Project Director - Sporting Village	65,738	2,708	-	786	69,232	8,399	77,631
Head of Housing Strategy and Client Services	62,456	2,111	-	-	64,567	7,708	72,275
<b>Total</b>	<b>1,104,126</b>	<b>69,145</b>	<b>13,570</b>	<b>6,766</b>	<b>1,193,607</b>	<b>132,904</b>	<b>1,326,511</b>

Note 1 – The Executive Director who commenced on 1/1/09 has an annualised salary of £104,962

# Notes to the Core Statements

## General Notes

### 8. GENERAL GOVERNMENT GRANTS

	2009/10 £'000	2008/09 £'000
Revenue Support Grant	(2,933)	(1,886)
Area Based Grants	(113)	(322)
Local Authority Business Growth Incentive (LABGI) grant	(78)	(70)
Housing and Planning Delivery Grant (HPDG)	(92)	-
<b>Total</b>	<b>(3,216)</b>	<b>(2,278)</b>

### 9. 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 2009/10 are set out in the table below:

	2009/10		2008/09	
	Income £'000	Expenditure £'000	Income Restated £'000	Expenditure Restated £'000
<b>Central Government</b>				
General Government Grants	(3,216)	-	(2,278)	-
Non-domestic Rates Income from the National Pool	(12,707)	-	(13,551)	-
Other Grants (including those received for Capital purposes)	(103,138)	-	(71,720)	-
<b>Precepting Authorities</b>				
Essex County Council	(12,517)	71,230	(3,903)	68,285
Essex Police Authority	-	8,138	-	7,639
Essex Fire Authority	-	4,100	-	3,893
Parish, Town and Village Councils	-	287	-	291
<b>Essex County Council Pension Fund</b>				
Employer's Contributions	-	5,652	-	5,429
<b>St. Georges Community Housing Limited</b>				
Contract payments and receipts	(1,943)	39,630	(2,351)	30,857
<b>Services and Grants to Local Organisations</b>				
Citizens' Advice Bureaux (Basildon, Billericay and Wickford)		129	-	129
IMPACT (Advisory Service)		64	-	64
Basildon District Volunteer Carers	121	246	121	246
Council for Voluntary Services (Basildon, Billericay and Wickford)		18	-	18
Community Resource Centre		40	-	38
Disabled Information Action Line (DIAL)		10	-	10

The above figures are inclusive of accrued debtors and creditors at the year end. The level of debts outstanding from major Related Parties has been reviewed and it has not been found necessary to provide for any bad debts for amounts owing.

The Council also provided financial management and meeting facilities to the Basildon Arts Trust free of charge. No Members, the Chief Executive, 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 services and/or grant funding from the Council as shown above.

# Notes to the Core Statements

## General Notes

### 10. 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 2010 £'000	31 March 2009 £'000
General Fund	21,489	21,430
Housing Revenue Account	467,528	475,626
<b>Total Net Worth</b>	<b>489,017</b>	<b>497,056</b>

### 11. DEFERRED LIABILITIES

Long-term liabilities are analysed as follows:

	31 March 2010 £'000	31 March 2009 £'000
Finance Leases	(1,399)	(1,416)
Deferred Purchase Debt	-	(205)
Transferred Debt	(713)	(713)
<b>Total Deferred Liabilities</b>	<b>(2,112)</b>	<b>(2,334)</b>

Information in relation to Finance Leases is given in Note 15 below. Deferred purchase debt relates to sums outstanding to a developer 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, in 1978.

### 12. LEASING

#### Finance Leases

Any lease under which substantially all of the risks and rewards relating to the leased asset pass from the lessor to the Council are deemed to be finance leases. Rental payments are apportioned between a charge for the acquisition of the interest in the asset and a finance charge. The accounting treatment of the two elements is described in the Statement of Accounting Policies, note 16.

The gross value of assets held under finance leases at 31 March 2010 was £2,625,773 (£2,241,274 (restated) March 2009). All these assets are plant, vehicles or equipment and are accounted for as Tangible Fixed Assets. The element of the rentals relating to the acquisition of the interest in these assets in 2009/10 was £401,000 (£357,000 in 2008/09). The finance charges for the year, the interest element of the rentals, amounted to £76,000 in 2009/10 (£83,000 in 2008/09).

The value of assets held under finance leases by the authority was as follows:

<b>Plant, vehicles &amp; equipment</b>	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Value at 1 April 2009	1,416	1,230
Additions	384	543
Revaluations	-	-
Depreciation	(401)	(357)
Disposals	-	-
<b>Value at 31 March 2010</b>	<b>1,399</b>	<b>1,416</b>

Accumulated depreciation to 1 April 2009 was £1,226,394. Outstanding obligations at 31 March to make payments under finance leases (excluding finance charges) were as follows:

# Notes to the Core Statements

## General Notes

	31 March 2010 £'000	31 March 2009 £'000
Obligations payable:		
Within the next twelve months	462	381
In the second to fifth subsequent years	937	1,035
After the fifth year	-	-
<b>Total Liabilities at 31 March</b>	<b>1,399</b>	<b>1,416</b>

### Operating Leases

Leases under which the risks and rewards of ownership of the asset do not substantially pass to the Council are classed as operating leases, granting the Council the right to operate but not necessarily to acquire the asset. Unlike finance leases, the rental payments for operating leases are not apportioned, but are charged to revenue in full as they arise. Rentals paid in 2009/10 amounted to £1.05 million (£1.11 million restated, 2008/09), of which £0.65 million (£0.71 million restated, 2008/09) related to vehicles, plant and equipment and the rest to land and buildings. At 31 March 2010 the Council had commitments under operating leases as set out in the following table:

	31 March 2010		31 March 2009	
	Plant, vehicles & equipment £'000	Land & buildings £'000	Plant, vehicles & equipment Restated £'000	Land & buildings Restated £'000
Leases which expire:				
Within the next twelve months	139	-	127	-
In the second to fifth subsequent years	414	12	477	12
After the fifth year	-	387	51	387
<b>Total commitments for 2009/10</b>	<b>553</b>	<b>399</b>	<b>655</b>	<b>399</b>

A sum of £252,000 per annum is included in respect of industrial units at the Wickford Enterprise Centre. The rental payable under the lease is equivalent to 90% of the expected rental income assuming full occupancy.

The authority acts in the capacity of lessor in respect of properties such as shops, industrial units and garages. All of these leases are operating leases. At 31 March 2010, the net book value of assets held by the authority for lease was £18.17 million with £122,400 accumulated depreciation (£17.10 million and £286,000, March 2009). Rents received on these leases in 2009/10 amounted to £2.04 million (£1.91 million 2008/09).

### 13. DEBTORS

	Value as at 31 March 2010 £'000	Value as at 31 March 2009 Restated £'000
<b>Sums falling due within One Year (Current Debtors):</b>		
Council Tax Arrears – Basildon District Council's Proportion only	879	851
Council Tax owed by Preceptor – Essex County Council	3,516	2,870
Council Tax owed by Preceptor – Essex Police Authority	426	344
Council Tax owed by Preceptor – Essex Fire and Rescue Service	215	174
Government - Non-domestic Rates paid to "Pool" in advance of actual collection	4,977	1,792
Council Tenants (net)	1,161	1,193
St Georges Community Housing Ltd, Intercompany Account	1,119	1,183
HM Revenue and Customs (VAT)	2,341	1,101
Government Departments, other	3,070	1,739

# Notes to the Core Statements

## General Notes

	Value as at 31 March 2010	Value as at 31 March 2009 Restated
	£'000	£'000
Local Authorities, other	632	365
Sundry Debts	9,131	7,926
Less: Bad Debts Provision	(1,258)	(1,453)
<b>Total Due within One Year</b>	<b>26,209</b>	<b>18,085</b>
<b>Sums falling due after One Year (Long Term Debtors):</b>		
Employee Car Loans	34	68
Sold Council houses, mortgage payments outstanding	14	24
<b>Total Due after One Year</b>	<b>48</b>	<b>92</b>

### 14. CREDITORS

	Value as at 31 March 2010	Value as at 31 March 2009 Restated
	£'000	£'000
Council Tax Prepayments	(129)	(117)
HRA Leaseholders	(705)	(686)
St Georges Community Housing Ltd, Intercompany Account	(5,393)	(1,687)
Government Departments, other	(4,571)	(3,958)
Other Local Authorities	(1,622)	(1,598)
General Creditors	(10,211)	(8,287)
<b>Total Creditors</b>	<b>(22,631)</b>	<b>(16,333)</b>

### 15. SUMMARY INTRODUCTION TO DETAIL OF MOVEMENTS ON BALANCES AND RESERVES

In addition to the balances on the General Fund and Housing Revenue Account, the Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

The following table summarises the movements on all balances and reserves, their purpose and where to find further information in the Notes to the Financial Statements.

	Balance 1 April 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000	Purpose	Further Details of Movements
General Fund Balance	(5,261)	(824)	(6,085)	Resources available to meet future running costs of non-housing services	Statement of Movement on the General Fund Balance, page 32
General Fund Earmarked Reserves	(8,189)	(641)	(8,830)	Resources earmarked for particular spending plans and contingencies	Note 16
Unequal Pay Back-pay Account	808	(355)	453	Value of provision for Single Status back-pay not yet borne by the General Fund or HRA balance under statutory regulations.	Note 16
Housing Revenue	(2,948)	(1,278)	(4,226)	Resources available to meet	Statement of

# Notes to the Core Statements

## General Notes

	Balance 1 April 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000	Purpose	Further Details of Movements
Account Balance				future running costs of the Council Housing service	Movement on the HRA Balance, page 74
Financial Instruments Adjustment Account	695	(85)	610	Unamortised premiums and discounts arising from premature redemption of debt	Note 27
Collection Fund Adjustment Account (Restated as at 1 April 2008)	62	140	202	Difference between the Council's share of actual council tax income for the year and the statutory amount that can be released to the General Fund	Note 16
Revaluation Reserve	(9,448)	(10,744)	(20,192)	Gains on revaluation of fixed assets not yet realised	Note 32
Deferred Capital Receipts	(15)	10	(5)	Proceeds of fixed asset sales not yet received	Note 36
Usable Capital Receipts	(7)	(191)	(198)	Proceeds of fixed asset sales available to finance expenditure	Note 37
Capital Adjustment Account	(529,446)	1,738	(527,708)	Capital resources applied to meet past capital expenditure	Note 38
Pensions Reserve	56,693	20,269	76,962	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 39
<b>Total</b>	<b>(497,056)</b>	<b>8,039</b>	<b>(489,017)</b>		

### 16. FURTHER DETAILS OF MOVEMENTS ON RESERVES

#### General Fund Earmarked Reserves

	31 March 2009 £'000	Movements £'000	31 March 2010 £'000
Insurance Pool	(1,967)	(213)	(2,180)
Contingency Reserve	(5,816)	(541)	(6,357)
IT Initiatives	(141)	9	(132)
Basildon Town Centre	(141)	(20)	(161)
Commuted Sums	(124)	124	-
<b>Balance at 31 March</b>	<b>(8,189)</b>	<b>(641)</b>	<b>(8,830)</b>

#### Collection Fund Adjustment Account

	2009/10 £'000	2008/09 £'000
Deficit brought forward	62	52
<i>Movements:</i>		
(Surplus) Deficit for the year	140	10
<b>Balance at 31 March – Deficit</b>	<b>202</b>	<b>62</b>

Responsibility for the Collection Fund balance is shared by all the major authorities precepting on the Fund. The above account reflects only Basildon District Council's share of the deficit on the Fund. The balance on this account reflects the difference between the Council's share of actual council tax income for the year and the statutory amount that can be released to the General Fund.

# Notes to the Core Statements

## General Notes

### Unequal Pay Back-pay Account

	2009/10 £'000	2008/09 £'000
Balance brought forward	808	879
<i>Movements:</i>		
Transfer from Statement of Movement on the General Fund Balance	(355)	(71)
<b>Balance at 31 March – Deficit</b>	<b>453</b>	<b>808</b>

### 17. PROVISIONS

	31 March 2009 £'000	Movement £'000	31 March 2010 £'000
Insurance Pool	(1,945)	44	(1,901)
Litigation Costs	-	(70)	(70)
Single Status	(2,227)	(224)	(2,451)
<b>Balance at 31 March</b>	<b>(4,172)</b>	<b>(250)</b>	<b>(4,422)</b>

#### Provision for known Insurance Claims

Provision is made for known outstanding insurance claims, excesses on self-insured risks and insured events that have not yet been reported to the Council. The provision was increased by £947,000 at 31/3/10. Sums applied from provisions (£991,000) are claims settled during the year. This resulted in a net decrease in provision of £44,000 during 2009/10. The Council submits the balance on the insurance provision to independent actuarial review every two years to ensure a proper reflection of aggregate liabilities. This is separate from the Insurance Pool Reserve, which is held as a protection against future exposure to risk.

#### Provision for Litigation Costs

Whilst not an admission of guilt, provision has been made for costs in court cases where it is felt that there is more than a remote chance of having to incur these costs.

#### Provision for Single Status Back-pay Compensation

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. The proposals were to take effect from April 2007 but developments in case-law delayed implementation. New proposals are being worked on to reflect current law and practice but, at the time of signing these accounts, it was too early to finalise figures. Figures have, however, been reassessed on latest assumptions and the provision made in the accounts at 31 March 2010 is based on these assumptions. £224,000 reflects an additional top-up to the provision.

### 18. 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 2010 the scheme had not been invoked.

MMI's accounts for the year to 30 June 2009 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 a recent court case relating to asbestosis has made this position even more volatile. This situation is subject to regular review but the Council has allowed within its Insurance Pool Reserves for the full potential clawback of £643,000 to be paid if necessary.

# Notes to the Core Statements

## General Notes

In its Management Agreement with St Georges Community Housing Ltd, a wholly owned subsidiary, Basildon Council has undertaken to provide continuing support to the company in respect of its pension fund deficit for service accrued up to 31 March 2007 by Council staff transferring to the company on 1 April 2007.

The High Court granted certain bus operators leave to lodge a judicial review of the Department for Transport's decisions in respect of Concessionary Fares. The operators lost the judicial review during 2009/10 but it is not yet known if they will appeal to a higher court. If it goes to Europe it could take years to settle. Given the new fixed pot funding arrangements with Essex County Council it is now very unlikely to have an impact on future District Council budgets.

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

### 19. 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 2010 have been prepared in accordance with the Companies Act 1985 and will be presented to its Board on 8 July 2010.

The following summarised accounts for 2009/10 are based on the draft accounts of SGCH:

<b>INCOME AND EXPENDITURE ACCOUNT</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Expenditure on Services	39,507	31,003
Less: Turnover	(39,689)	(31,239)
	(182)	(236)
Interest Payable	270	237
<b>Deficit for the Year</b>	<b>88</b>	<b>1</b>

<b>BALANCE SHEET</b>	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
<b>FIXED ASSETS</b>		
Tangible Assets	161	100
<b>CURRENT ASSETS</b>		
Debtors	6,949	2,009
Investments/Cash at bank and in hand	2,831	2,509
<b>CURRENT LIABILITIES</b>		
Creditors	(8,638)	(3,744)
<b>OTHER LIABILITIES</b>		
Provisions	(729)	(444)

# Notes to the Core Statements

## General Notes

<b>BALANCE SHEET</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Liability related to defined benefit pension scheme	(6,123)	(2,969)
<b>Total Assets less liabilities</b>	<b>(5,549)</b>	<b>(2,539)</b>
Income and Expenditure Account	574	430
Pensions Reserve	(6,123)	(2,969)
<b>Reserves</b>	<b>(5,549)</b>	<b>(2,539)</b>

In its Management Agreement with St Georges Community Housing Ltd, a wholly owned subsidiary, Basildon Council has undertaken to provide continuing support to the company in respect of its pension fund deficit for service accrued up to 31 March 2007 by Council staff transferring to the company on 1 April 2007.

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

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Debtors	5,393	1,687
Creditors	(1,120)	(1,183)
<b>Net Intercompany Position</b>	<b>4,273</b>	<b>504</b>

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

A copy of the 2009/10 accounts for SGCH may be acquired from St Georges Community Housing Ltd. at 5 - 8 Dunton Court, Aston Road Laindon, Basildon SS15 6NX or from their website, [www.sgch.org.uk](http://www.sgch.org.uk).

### 20. POST BALANCE SHEET EVENTS

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Essex Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

### 21. DATE ACCOUNTS AUTHORISED

These accounts were authorised by the Audit and Risk Committee for issue on 29 June 2010, which is the date to which events after the balance sheet date have been considered.

# Notes to the Core Statements

## Financial Instrument Notes

### 22. 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 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000
Financial Liabilities at amortised cost	(114,006)	(126,186)	(20,031)	(5,000)
<b>Total Borrowings</b>	<b>(114,006)</b>	<b>(126,186)</b>	<b>(20,031)</b>	<b>(5,000)</b>
Loans and receivables	-	-	1,700	700
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>1,700</b>	<b>700</b>

### 23. 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	
	2009/10 £'000	2008/09 £'000	2009/10 £'000	2008/09 £'000
Interest expense	8,940	9,810	-	-
<b>Interest Payable and Similar Charges</b>	<b>8,940</b>	<b>9,810</b>	<b>-</b>	<b>-</b>
Interest income	-	-	(42)	(706)
<b>Interest and Investment Income</b>	<b>-</b>	<b>-</b>	<b>(42)</b>	<b>(706)</b>

In addition to the gains and losses shown in the table above the Council also incurred premiums and discounts on the early redemption of debt during the year. On the 2 June 2009 the Council repaid early three loans and one part-loan totalling £5,575,033. This resulted in the payment of premiums totalling £74,404 and the receipt of a discount of £74,404. The net impact on the Income and Expenditure Account for the year was therefore nil.

### 24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES 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.

## Notes to the Core Statements

### Financial Instrument Notes

Accordingly, the fair values for debt liabilities shown in the table below have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair values for non-PWLB long-term debt have been calculated using the same procedures and interest rates, being a reasonable approximation of fair value for these instruments. The fair value of deferred purchase debt in the comparative figures for March 2009 was equivalent to the carrying amount as interest was payable at current market rates.

The fair value of debt liabilities is greater than the carrying amount because the Council's portfolio includes a high proportion 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.

	31 March 2010			31 March 2009		
	Principal Amount £'000	Carrying Amount £'000	Fair Value £'000	Principal Amount £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	111,749	113,272	139,328	119,325	120,924	155,896
Non PWLB long-term debt	7,250	7,262	9,178	7,250	7,262	9,594
Deferred Purchase debt	-	-	-	205	205	205
Money market debt <one year term	13,500	13,503	13,503	3,000	3,000	3,000
<b>Total Debt</b>	<b>132,499</b>	<b>134,037</b>	<b>162,009</b>	<b>129,780</b>	<b>131,391</b>	<b>168,695</b>
Bank Overdraft	3,003	3,003	3,003	66	66	66
Trade Creditors	22,631	22,631	22,631	16,333	16,333	16,333
<b>Total Financial Liabilities</b>	<b>158,133</b>	<b>159,671</b>	<b>187,643</b>	<b>146,179</b>	<b>147,790</b>	<b>185,094</b>
Money market investments < one year term	1,700	1,700	1,700	700	700	700
Trade Debtors	26,209	26,209	26,209	18,085	18,085	18,085
<b>Total Financial Assets</b>	<b>27,909</b>	<b>27,909</b>	<b>27,909</b>	<b>18,785</b>	<b>18,785</b>	<b>18,785</b>

The range of interest rates payable on PWLB debt at 31 March 2010 was from 4.55% to 15.25% (weighted average, 7.25%), which compares with an average of 7.13% (range 4.10% to 15.25%) at 31 March 2009. The equivalent figures for non-PWLB long-term debt ranged from 6.53% to 11.44% (weighted average, 8.02%) at 31 March 2010, which was unchanged from 31 March 2009. Interest on deferred purchase debt was chargeable at a margin over LIBOR.

It should be noted that interest payable is not accrued on debt incurred prior to April 1987. See the Statement of Accounting Policies, item 1. The figures for Carrying Amount and Fair Value do not therefore reflect unaccrued interest of £347,000 at 31 March 2010 (£398,000, March 2009).

#### 25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties to financial instruments will fail to meet their contractual obligations, causing a loss to the Council.
- Liquidity risk – the possibility that the Council will be unable to make funds available to meet its commitments to make payments.
- Re-financing and Maturity risk – the possibility that the Council will require renewal of a financial instrument upon maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that the value of financial instruments will fluctuate because of changes in interest rates, market prices and cause financial loss to the Council.

# Notes to the Core Statements

## Financial Instrument Notes

### Overall procedures for Managing Risk

The Council's risk management procedures in relation to financial instruments focus on the unpredictability of financial markets and on implementing restrictions to minimise such risks. The procedures for risk management operate through a legal framework set out in the Local Government Act 2003 and 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 by the Secretary of State. All these documents were formally revised by CIPFA and the Secretary of State during 2009/10 but did not take effect until the Council revised its Treasury Management and Investment strategies with effect from 1st April 2010. These Financial Instrument Notes therefore relate exclusively to the earlier versions in place during the year of account.

These procedures adopted in 2009/10 required the Council to manage risk in the following ways:

- By formally adopting and complying with the requirements of the CIPFA 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 were approved by the Council as part of its procedures for setting the annual Council Tax, and were subject to revision by Council if appropriate during the course of the year. The investment strategy was considered at or before the commencement of the financial year by the Audit and Risk Committee in conjunction with a 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 was reviewed annually by the Audit and Risk Committee following the financial year-end. Performance indicators relating to a range of treasury management activities were also monitored quarterly by the Cabinet Member with responsibility for Resources.

Operation of these policies was delegated by the executive Director (Section 151 Officer) to the Head of Resources and to his treasury team. Officers maintained 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 was a requirement of the Code of Practice and they were subject to periodic review.

### Credit Risk

Credit risk arises because counterparties may fail to perform their obligations. The council is exposed to credit risk with its trade customers as well as with banks and other financial institutions. Counterparty credit risk is managed within a framework of individual credit terms and limits, which are regularly updated.

Deposits are not made with banks and other financial institutions unless the proposed counterparty meets at least the minimum investment criteria set by the Council. In 2007, with the beginning of the 'credit crunch', the Council tightened its criteria by taking a variety of temporary measures to further reduce and diversify risk exposure and similar measures remained in place throughout 2009/10.

For investments placed with bodies other than UK government, local authorities and building societies, the Council determined its credit criteria by reference to ratings produced by the major credit rating agencies. The formal criteria for selecting Building Societies for investment related to their asset base, although early in 2009/10 an informal decision was taken to exclude any building societies which did not also meet the minimum credit rating criteria in all three rating agencies. Both the amounts and the length of term were also subject to limits set by the Council. The council avoided concentrations of credit risk on its liquid assets by spreading its exposure over several financial institutions wherever practicable.

## Notes to the Core Statements

### Financial Instrument Notes

It should be noted that the Balance Sheet figures for financial assets are not representative of the normal level of exposure. Positive cash flows in the early part of each financial year can lead to a considerably higher level of total investments. The maximum exposure during 2009/10 was £21.5 million (£29.7 million, 2008/09). Also, the Council looked increasingly during 2009/10 to meeting its new capital expenditure borrowing requirements from internal funds that would otherwise have been invested externally, thus reducing further its exposure to credit risk.

The following analysis estimates the Council's potential maximum exposure to credit risk. However, unlike a number of local authorities and others in the present credit crisis, this Council has had no experience of default by any counterparty in at least 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 2010 £'000	Historical experience of default %	Adjusted for conditions at 31 March 2010 %	Estimated maximum exposure to default £'000
AAA rated counterparties	1,700	0.00	0.00	0.0
	<b>1,700</b>	-	-	-

The historical experience of default shown in the above table was provided by Fitch, a leading credit-rating organisation used by the Council, and applies to the period 1990 to 2010, being the latest information available. Whilst the current credit crisis in international markets has raised the overall possibility of default, this Council maintains strict credit criteria for investment counterparties and tightened these with effect from April 2008, initially as a temporary measure, but now formally reflected in the 2009/10 Treasury Management Strategy. In the circumstances, the historical average corporate 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 CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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 with an extension up to £5 million on demand. 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 an authority whose actions are unlawful). Of course the Council is required by the Local Government Finance Act 1992 to produce a balanced budget each year, which ensures sufficient funds are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments or otherwise.

The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future. The council has specified various prudent percentage limits for debt maturing in different periods and new borrowing is planned prudently to ensure an excessive amount of loans does not fall due for repayment at the same time or in the same financial year. Where it is economical to do so, the Council will also make early repayments of debt.

#### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. The Council ensures that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the money so raised is managed with a view to obtaining offer terms for renewal or refinancing if

## Notes to the Core Statements

### Financial Instrument Notes

required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council actively manages its relationships with its counterparties in such a manner as to secure the above objective, and avoids over-reliance on any one source of funding if this might jeopardise achievement of this objective.

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 principally 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 the duration of investments. 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 rescheduling existing debt
- Monitoring the maturity profile of investments to maintain sufficient liquidity for the Council's day to day cash flow needs
- Borrowing ahead of need (but within authorised limits) where interest rates are more favourable than anticipated when existing liabilities mature. This however has to be balanced against the risks in managing the surplus cash ahead of need.
- Where appropriate, spreading investments over longer periods to provide stability of maturities and returns in relation to cash flow needs across the year ahead. Under the investment strategy for 2009/10 however, investment periods were restricted to a maximum of one month for local authority counterparties and the Debt Management Office and only two weeks for other counterparties, so the scope was limited due to the prevailing economic conditions.

The maturity analysis of financial liabilities (the principal amount of PWLB debt, bonds and temporary borrowing) and financial assets (investments with banks and other financial institutions) at 31 March 2010 was as follows:

	<b>Financial Liabilities £'000</b>	<b>Financial Assets £'000</b>
Less than one year	20,000	1,700
Between one and two years	17,000	-
Between two and seven years	29,500	-
Between seven and fifteen years	35,575	-
More than fifteen years	30,424	-
<b>Principal Amount</b>	<b>132,499</b>	<b>1,700</b>

#### Market Risk

##### 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.

## Notes to the Core Statements

### Financial Instrument Notes

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 will 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, in normal market conditions, short-term investments of surplus funds are spread over a range of periods to limit exposure to adverse movements in rates and to take advantage of favourable market conditions. The annual treasury management strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. One of the Prudential Indicators sets maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year and adjust exposures where appropriate.

If all interest rates had been 0.25% higher during the year of account, with all other variables held constant, the financial effect would have been:

	2009/10 £'000	2008/09 £'000
Increase in interest payable on variable rate borrowing	7	2
Increase in interest receivable on variable rate investments	(2)	(37)
<b>Impact on the Income and Expenditure Account</b>	<b>5</b>	<b>(35)</b>
Decrease in fair value of fixed rate investment assets	-	-
<b>Impact on the Statement of Recognised Gains and Losses</b>	<b>-</b>	<b>-</b>

The impact of a 0.25% fall in interest rates would be as above but with the movements reversed.

The PWLB provided the fair values for the Council's existing fixed rate borrowings shown in the preceding Note. However no information is available to show the impact on fair value of a change in interest rates from those prevailing at 31 March. A change in fair value would impact on neither the Income and Expenditure Account nor the Statement of Total Recognised Gains and Losses.

#### 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.

#### 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.

## 26. INTEREST AND INVESTMENT INCOME

The total interest and investment income relates solely to interest receivable from the temporary investment of surplus funds.

# Notes to the Core Statements

## Financial Instrument Notes

### 27. 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.

	2009/10 £'000	2008/09 £'000
Balance Brought Forward	695	780
<i>Written off:</i>		
To the Statement of Movement on the General Fund Balance	(85)	(85)
<b>Balance at 31 March – Deficit</b>	<b>610</b>	<b>695</b>

### 28. INVESTMENTS

Surplus cash balances are placed either directly with banks, building societies, the government's Debt Management Office or various Money Market Funds, or they are placed through the money market with local authorities and other approved organisations. All the Council's investment counterparties are regulated or registered with appropriate authorities in the United Kingdom.

The analysis below shows the turnover of investments for deposits of one year or less:

	2009/10 £'000	2008/09 £'000
Investments held as at 1 April	700	5,200
Investments made during the year	244,360	321,779
Investments recalled during the year	(243,360)	(326,279)
<b>Investments held as at 31 March, principal amount</b>	<b>1,700</b>	<b>700</b>

# Notes to the Core Statements

## Capital Notes

### 29. TANGIBLE FIXED ASSETS

The fixed assets at 31 March included:

	31 March 2010	31 March 2009
Council Dwellings	11,467	11,486
Garages	5,669	5,684
Pitsea Leisure Centre	1	1
Aged Person Day Centres	3	4
Community Centres and Halls	43	44
Sports Halls	3	3
Swimming Pools	4	4
Museum (Wat Tyler Country Park)	1	1
The Basildon Centre	1	1
Cash Collection and Area Offices	2	2
Towngate Theatre	1	1
Shops	141	141
Industrial units	11	11
Depots, Workshops and Stores	9	10
Off Street Car Parks	5	5
Cemeteries	3	3
Basildon Town Centre	1	1
Miscellaneous	44	49

### 30. VALUATION OF FIXED ASSETS

The valuation date for assets valued in the year is 31 March 2010. 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 the Statement of Accounting Policies, item 7.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Non-Operational Assets £'000	Total £'000
Gross Book Values at historic cost	-	-	5,959	373	4,953	19,893	31,178
Gross Book Values at current cost:							
Current year	624,585	17,605	-	-	-	18,452	660,642
Previous year	-	29,440	-	-	-	2,166	31,606
Two years ago	-	530	-	-	-	-	530
Three years ago	-	6,729	-	-	-	250	6,979
Four years ago	-	328	-	-	-	-	328
<b>Gross Book Value at 31 March 2010</b>	<b>624,585</b>	<b>54,632</b>	<b>5,959</b>	<b>373</b>	<b>4,953</b>	<b>40,761</b>	<b>731,263</b>

# Notes to the Core Statements

## Capital Notes

### 31. MOVEMENT ON FIXED ASSETS

<b>Operational Assets</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equip.</b>	<b>Infra-structure Assets</b>	<b>Comm-unity Assets</b>	<b>Sub Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Cost or Valuation:</i>						
At 1 April 2009	614,369	51,085	4,649	205	4,991	<b>675,299</b>
Additions	16,175	515	1,300	-	3	<b>17,993</b>
Disposals	(1,120)	(153)	(57)	-	(4)	<b>(1,334)</b>
Revaluations	27,795	857	-	-	-	<b>28,652</b>
Impairments	(32,512)	(3,572)	30	(53)	-	<b>(36,107)</b>
Reclassifications and adjustments	(122)	5,900	37	221	(37)	<b>5,999</b>
<b>At 31 March 2010</b>	<b>624,585</b>	<b>54,632</b>	<b>5,959</b>	<b>373</b>	<b>4,953</b>	<b>690,502</b>
<i>Depreciation and Impairments:</i>						
At 1 April 2009	-	904	2,245	-	-	<b>3,149</b>
Adjustment to cumulative Depreciation	-	(63)	(704)	-	-	<b>(767)</b>
Charge for 2009/10	19,656	1,880	616	-	-	<b>22,152</b>
Depreciation eliminated on Disposals	(36)	(17)	(57)	-	-	<b>(110)</b>
Depreciation eliminated on Revaluations	(16,363)	(933)	-	-	-	<b>(17,296)</b>
Depreciation eliminated on Impairment	(3,257)	(145)	-	-	-	<b>(3,402)</b>
Depreciation eliminated on Reclassifications	-	5	-	-	-	<b>5</b>
<b>At 31 March 2010</b>	<b>-</b>	<b>1,631</b>	<b>2,100</b>	<b>-</b>	<b>-</b>	<b>3,731</b>
<b>Balance Sheet Amount at 31 March 2010</b>	<b>624,585</b>	<b>53,001</b>	<b>3,859</b>	<b>373</b>	<b>4,953</b>	<b>686,771</b>
<b>Balance Sheet Amount at 1 April 2009</b>	<b>614,369</b>	<b>50,181</b>	<b>2,404</b>	<b>205</b>	<b>4,991</b>	<b>672,150</b>

<b>Non-Operational Assets</b>	<b>Investment Properties</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Sub Total</b>	<b>Total Fixed Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Cost or Valuation:</i>					
At 1 April 2009	16,635	5,563	148	<b>22,346</b>	<b>697,645</b>
Additions	-	17,739	-	<b>17,739</b>	<b>35,732</b>
Disposals	(4)	-	(28)	<b>(32)</b>	<b>(1,366)</b>
Revaluations	501	-	6,467	<b>6,968</b>	<b>35,620</b>
Impairments	(66)	-	(19)	<b>(85)</b>	<b>(36,192)</b>
Reclassifications and adjustments	(2,828)	(3,409)	62	<b>(6,175)</b>	<b>(176)</b>
<b>At 31 March 2010</b>	<b>14,238</b>	<b>19,893</b>	<b>6,630</b>	<b>40,761</b>	<b>731,263</b>
<i>Depreciation and Impairments:</i>					
At 1 April 2009	19	-	-	<b>19</b>	<b>3,168</b>
Adjustment to cumulative Depreciation	-	-	-	-	<b>(767)</b>
Charge for 2009/10	-	-	-	-	<b>22,152</b>
Depreciation eliminated on Disposals	-	-	-	-	<b>(110)</b>
Depreciation eliminated on Revaluations	-	-	-	-	<b>(17,296)</b>
Depreciation eliminated on Impairment	(3)	-	-	<b>(3)</b>	<b>(3,405)</b>
Depreciation eliminated on Reclassifications	(5)	-	-	<b>(5)</b>	<b>-</b>
<b>At 31 March 2010</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>3,742</b>
<b>Balance Sheet Amount at 31 March 2010</b>	<b>14,227</b>	<b>19,893</b>	<b>6,630</b>	<b>40,750</b>	<b>727,521</b>
<b>Balance Sheet Amount at 1 April 2009</b>	<b>16,616</b>	<b>5,563</b>	<b>148</b>	<b>22,327</b>	<b>694,477</b>

# Notes to the Core Statements

## Capital Notes

Nature of Asset Holding at 31 March 2010	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equip. £'000	Infra- structure Assets £'000	Comm- unity Assets £'000	Sub Total £'000
Owned	624,585	53,001	2,460	373	4,953	685,372
Finance Lease			1,399			1,399
	<b>624,585</b>	<b>53,001</b>	<b>3,859</b>	<b>373</b>	<b>4,953</b>	<b>686,771</b>

	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Sub Total £'000	Total Fixed Assets £'000
Owned	14,227	19,893	6,630	40,750	726,122
Finance Lease	-	-	-	-	1,399
	<b>14,227</b>	<b>19,893</b>	<b>6,630</b>	<b>40,750</b>	<b>727,521</b>

### 32. REVALUATION RESERVE

This Reserve was established with a zero balance at 31 March 2007. The closing balance on the Reserve at 31 March 2010 therefore shows only net revaluation gains occurring since 1st April 2007.

	2009/10 £'000	2008/09 £'000
Balance brought forward	(9,448)	(31,946)
<i>Movements:</i>		
Revaluation of existing assets	(12,285)	(3,395)
Impairments	1,744	23,184
Excess of current cost over historic cost depreciation	(219)	2,454
Elimination of previous revaluation gains on disposal of assets	16	255
<b>Balance at 31 March</b>	<b>(20,192)</b>	<b>(9,448)</b>

### 33. CAPITAL EXPENDITURE AND FINANCING

	2009/10 £'000	2008/09 £'000
<b>Analysis of Expenditure and Financing</b>		
<i>Fixed Assets:</i>		
General Fund	19,222	7,126
Housing Revenue Account	16,510	9,986
	35,732	17,112
<i>Revenue expenditure funded from capital under statute:</i>		
Single Status Back-pay	579	520
Private Sector Housing Grant	1,152	995
Affordable Homes Investment Grant	1,000	220
Shotgate Community Grant	-	10
Prospects College	3,075	-
	5,806	1,745
<b>Total Capital Expenditure to be Financed</b>	<b>41,538</b>	<b>18,857</b>

# Notes to the Core Statements

## Capital Notes

	2009/10 £'000	2008/09 £'000
<i>Financed from:</i>		
Major Repairs Reserve	10,129	8,041
Capital Contributions	22,910	4,650
Usable Capital Receipts	714	634
Exchange of Assets	-	600
Borrowing – supported	6,149	1,149
Borrowing – unsupported	1,086	3,140
Finance Leases	384	543
Revenue	166	100
<b>Total Financing</b>	<b>41,538</b>	<b>18,857</b>
<b>Capital Financing Requirement</b>		
Opening Requirement	150,638	146,036
New Borrowing	7,235	4,289
New Finance Leases	384	543
Less: Provision for the redemption of debt	(162)	(12)
Principal repaid on deferred purchase debt	(205)	(205)
Principal repaid on transferred debt	(14)	(13)
<b>Closing Requirement</b>	<b>157,876</b>	<b>150,638</b>

### 34. COMMITMENTS UNDER CAPITAL CONTRACTS

The total commitment on various significant capital contracts at 31 March 2010 was £23,770,704 including fees (£1,350,000, at 31 March 2009).

### 35. 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.

	2009/10 £'000	2008/09 £'000
Balance brought forward	(5,770)	(2,109)
<i>New receipts:</i>		
Government support for major regeneration schemes	(17,615)	(3,296)
Section 106 contributions	(752)	(452)
Other contributions	(312)	(291)
<i>Amortised to revenue</i>	904	378
<b>Balance at 31 March</b>	<b>(23,545)</b>	<b>(5,770)</b>
<i>Of which:</i>		
Applied to expenditure and awaiting amortisation to revenue	(21,752)	(4,954)
Received in advance	(1,793)	(816)
	<b>(23,545)</b>	<b>(5,770)</b>

# Notes to the Core Statements

## Capital Notes

### 36. DEFERRED CAPITAL RECEIPTS

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

	2009/10 £'000	2008/09 £'000
Balance brought forward	(15)	(27)
<i>Movements:</i>		
Principal repayments during the year	10	12
<b>Balance at 31 March</b>	<b>(5)</b>	<b>(15)</b>

### 37. USABLE CAPITAL RECEIPTS RESERVE

	2009/10 £'000	2008/09 £'000
Balance brought forward	(7)	(144)
<i>Movements:</i>		
Received in year	(1,898)	(1,268)
Clawback payable to the Homes and Communities Agency	605	525
Payable into the government's Housing Capital Receipts Pool	375	226
Expenses and other	13	20
Resources available	(912)	(641)
Applied during the year to finance new expenditure	714	634
<b>Balance at 31 March</b>	<b>(198)</b>	<b>(7)</b>

### 38. CAPITAL ADJUSTMENT ACCOUNT

	2009/10 £'000	2008/09 £'000
Balance brought forward	(529,446)	(615,063)
<i>Movements:</i>		
Financing of Capital Expenditure:		
- From Major Repairs Allowance	(10,129)	(8,041)
- From Exchange of Assets	-	(600)
- From Usable Capital Receipts Reserve	(714)	(656)
- From Revenue	(166)	(100)
- From Amortised Contributions	(904)	(291)
Expenditure written out:		
- Revenue expenditure funded from capital under statute	599	705
Movement on Fixed Asset Valuations:		
- Value of asset disposals	1,255	3,056
- Depreciation	21,383	13,907
- Impairment losses	33,025	80,574
- Reversal of previously charged impairment losses	(42,433)	-
- Excess of current cost over historic cost depreciation	219	(2,454)
- Elimination of previous revaluation gains on disposal of assets	(16)	(255)

## Notes to the Core Statements

### Capital Notes

	2009/10 £'000	2008/09 £'000
Repayment of external long-term liabilities:		
- Deferred purchase debt	(205)	(205)
- Transferred debt	(14)	(13)
- Statutory provision for the repayment of debt	(162)	(10)
<b>Balance at 31 March</b>	<b>(527,708)</b>	<b>(529,446)</b>

# Notes to the Core Statements

## Pension Notes

### 39. PENSION COSTS

#### Participation in Pension Schemes

The Council offers retirement benefits to its officers and other employees as part of the terms and conditions of their employment. For this purpose, the Council participates in the Essex County Council Pension Fund ("the Fund"), which is administered under regulations governing the Local Government Pension Scheme and provides defined benefits related to pay and service. The Fund is reviewed on a triennial basis by the Fund actuary. The last triennial actuarial valuation was at 31 March 2007 and was effective from 1 April 2008. The 31 March 2010 valuation is currently underway and its impact from 1 April 2011 will be known during the course of 2010/11.

#### Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against Council Tax is based on the cash payable into the Fund in the year, so the real cost of the retirement benefits as defined by the SORP is reversed out in the Statement of Movement in the General Fund Balance.

The contributions payable to the Fund by employees are as laid down in the regulations. Employer pension contribution levels are calculated by the actuary as part of the triennial review and are paid by Basildon Council into the Fund. Any surplus or deficit on the Fund has no effect on an individual's entitlement to benefits.

The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund during the year:

	2009/10 £'000	2008/09 £'000
<b><u>Income and Expenditure Account</u></b>		
Current service cost	2,228	3,429
Past Service Cost (Gain)	146	125
Curtailment/Settlement Loss (Gain)	127	12
<b>Net Cost of Services</b>	<b>2,501</b>	<b>3,566</b>
Interest cost	9,282	9,514
Expected return on assets in the scheme	(4,924)	(6,299)
<b>Net Operating Expenditure</b>	<b>6,859</b>	<b>6,781</b>
<b><u>Statement of Movement on the General Fund Balance:</u></b>		
Amount by which pension costs calculated in accordance with FRS 17 differ from contributions due under the pension scheme regulations.	(1,207)	(1,352)
<b>Actual amount charged against Council Tax for pensions in the year</b>	<b>5,652</b>	<b>5,429</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss of £19,062,000 (£5,588,000 gain in 2008/09) was included in the Statement of Total Recognised Gains and Losses. The cumulative net actuarial loss since 2005/06 recognised in the Statement of Total Recognised Gains and Losses is £40,334,000.

# Notes to the Core Statements

## Pension Notes

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2009/10 £'000	2008/09 £'000
<b>1 April</b>	<b>132,588</b>	<b>156,572</b>
Current Service Cost	2,228	3,429
Interest Cost	9,282	9,514
Contributions by scheme participants	1,224	1,216
Actuarial (Gains) Losses	40,727	(32,441)
Benefits Paid	(7,160)	(5,839)
Past Service Costs	146	125
Settlements/curtailments	127	12
<b>31 March</b>	<b>179,162</b>	<b>132,588</b>

Reconciliation of fair value of the scheme assets:

	2009/10 £'000	2008/09 £'000
<b>1 April</b>	<b>75,895</b>	<b>95,643</b>
Expected Return on assets	4,924	6,299
Actuarial Gains (Losses)	21,665	(26,853)
Contributions by scheme participants	1,224	1,216
Employer Contributions	5,652	5,429
Benefits Paid	(7,160)	(5,839)
Settlements	-	-
<b>31 March</b>	<b>102,200</b>	<b>75,895</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £27.1 million, which compares with £20.6 million (adverse) in 2008/09.

### Scheme History

	31 March 2006 £'000	31 March 2007 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2010 £'000
Present value of liabilities in Local Government Pension Scheme	163,079	164,169	156,572	132,588	179,162
Fair value of assets in the Local Government Pension Scheme	109,161	118,944	95,643	75,895	102,200
Deficit in the Scheme	53,918	45,225	60,929	56,693	76,962

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £76.962 million has a substantial adverse impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2011 is £5.8 million.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2009.

# Notes to the Core Statements

## Pension Notes

The principal assumptions used by the actuary are as follows:

	2009/10	2008/09
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.5%
Government Bonds	4.5%	4.0%
Other Bonds	5.2%	6.0%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
- Men	22.1	22.0
- Women	25.0	24.9
Longevity at 65 for future pensioners:		
- Men	23.1	23.1
- Women	25.9	25.9
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	4.8%	4.8%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	5.6%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, expressed as a proportion of total assets held by value:

	2009/10 %	2008/09 %
Equity Investments	67.5%	74.5%
Bonds	17.9%	14.0%
Other Investments	14.6%	11.5%
	<b>100.0%</b>	<b>100.0%</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements in the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets – (Gain) Loss	(16.5)	(1.2)	11.0	26.1	(21.2)
Experience (gains) and losses on liabilities	9.0	(4.6)	3.8	(18.1)	22.7

### Pensions Reserve

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

# Notes to the Core Statements

## Pension Notes

	2009/10 £'000	2008/09 £'000
Deficit brought forward	56,693	60,929
<i>Movements:</i>		
Contributions to the Fund	(5,652)	(5,429)
Current Service Cost	2,228	3,429
Past Service/Curtailment/Settlement Cost (Gain)	273	137
Net Interest/Return on Assets	4,358	3,215
Actuarial Loss (Gain)	19,062	(5,588)
<b>Balance at 31 March – Deficit</b>	<b>76,962</b>	<b>56,693</b>

# Notes to the Core Statements

## Cash Flow Notes

### 40. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

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

	2009/10 £'000	2008/09 £'000
Deficit on the Income and Expenditure Account	(288)	89,096
Contributions from capital (net)	(10,529)	(86,559)
Contributions from (to) reserves (net)	(1,207)	(1,048)
Increase in the General Fund Balance for the year	(12,024)	1,489
Non-revenue items included above	-	(490)
<i>Non Cash Transactions:</i>		
Short Term Creditors	(3,785)	1,022
Stocks	(6)	(91)
Other Provisions	(250)	(422)
Short Term Debtors	4,135	(3,365)
<i>Transfers to:</i>		
Returns on Investment and Servicing of Finance	(8,898)	(9,591)
Financing	-	(11)
<b>Revenue Activities Net Cash Flow</b>	<b>(20,828)</b>	<b>(11,459)</b>

### 41. RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

	2009/10 £'000	2008/09 £'000
Movement in Cash, Revenue and Capital activities	684	1,639
<i>Movement in net debt:</i>		
Borrowings (raised) repaid (net)	(2,925)	2,000
Deferred Purchase and Transferred Debt repayments	205	218
Finance leases (net)	17	(186)
Change in Short Term Investments	1,000	(4,500)
Net decrease in other liquid resources	3,955	164
<b>Net increase in cash in hand and at bank</b>	<b>2,936</b>	<b>(665)</b>

# Notes to the Core Statements

## Cash Flow Notes

### 42. ANALYSIS OF NET DEBT

This Note reconciles items shown within the Financing and Liquid Resources section of the Cash Flow Statement to the related items in the Opening and Closing Balance Sheet entries for the period.

	31-Mar-10	31-Mar-09	Movement in Balance Sheet	Movement in Accrued Interest	Net movement in Cash Flow Statement
	£'000	£'000	£'000	£'000	£'000
Liquid Resources: Investments	1,700	700	1,000	-	1,000
Deferred Liabilities	(2,112)	(2,334)	222	-	222
Short Term Borrowing	(20,031)	(5,000)	(15,031)	31	(15,000)
Long Term Borrowing	(114,006)	(126,186)	12,180	(105)	12,075
Amounts relating to major preceptors and Government	9,135	5,180	3,955	-	3,955
<b>Net Movement</b>	<b>(125,314)</b>	<b>(127,640)</b>	<b>2,326</b>	<b>(74)</b>	<b>2,252</b>

### 43. 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. Further information is given in Note 25.



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## Supplementary Statements



## Housing Revenue Account

This statutory account records the revenue expenditure and income relating to 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.

### HRA Income and Expenditure Account

	2009/10 £'000	2008/09 £'000
<b>Income</b>		
Dwelling rents	40,880	39,980
Non-dwelling rents	2,123	2,093
Charges for services and facilities	5,349	4,210
General Fund contribution towards expenditure	576	695
	<b>48,928</b>	<b>46,978</b>
<b>Expenditure</b>		
Repairs and Maintenance	9,350	8,747
Supervision and Management	14,880	14,642
Rents, rates, taxes and other charges	102	112
Negative Housing Revenue Account Subsidy payable	2,062	2,963
Depreciation and impairment of fixed assets	9,324	87,077
Debt Management Costs	65	65
Increase in bad debt provision	184	209
Rent rebate subsidy limitation	778	732
Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	-	-
	<b>36,745</b>	<b>114,547</b>
<b>Net (Income) Cost, HRA Services, per Income and Expenditure Account</b>	<b>(12,183)</b>	<b>67,569</b>
HRA services' share of Corporate and Democratic Core	295	295
<b>Net (Income) Cost, HRA Services</b>	<b>(11,888)</b>	<b>67,864</b>
(Gain) Loss on sale of HRA fixed assets	(490)	1,504
Interest payable	8,653	9,511
Interest and investment income	(24)	(2)
Pensions interest cost and expected return on pensions assets	901	702
<b>(Surplus) Deficit for the year, HRA services</b>	<b>(2,848)</b>	<b>79,579</b>

## Housing Revenue Account

### Statement of Movement on the Housing Revenue Account Balance:

The Income and Expenditure Account reports the net cost of all revenue activities of the Housing Revenue Account during the financial year and shows the contributions made by tenants through rents and charges. Income and expenditure 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 do not therefore reflect the requirements of statute relating to the operation of this account. The purpose of the Statement of Movement on the Housing Revenue Account Balance is to reconcile the Income and Expenditure Account (produced using GAAP measurement techniques) with the Housing Revenue Account balance to show the real impact on the statutory Housing Revenue Account.

	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
(Surplus) Deficit for the year on the Income and Expenditure Account	(2,848)	79,579
Reconciling Amount: Net adjustment required by statute and non-statutory proper practices to be credited to the HRA Balance for the year	1,570	(79,907)
Increase in Housing Revenue Account Balance for the Year	(1,278)	(328)
Housing Revenue Account Balance brought forward	(2,948)	(2,620)
<b>Housing Revenue Account Balance carried forward</b>	<b>(4,226)</b>	<b>(2,948)</b>

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

<b>Analysis of Reconciling Adjustment in the Statement of Movement on the Housing Revenue Account Balance</b>	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
<b>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year:</b>		
■ Net gain (loss) on sale of HRA fixed assets	474	(1,504)
■ Impairment Charges	11,234	(77,317)
■ Charges made for retirement benefits in accordance with FRS17	(901)	(702)
■ Single Status Back-pay funded by Unequal Pay Back-pay Account	-	-
■ Capital receipts not linked to the disposal of an asset	32	43
■ Amounts treated as revenue expenditure in accordance with the SORP but classified as capital expenditure by Statute	-	116
	<b>10,839</b>	<b>(79,364)</b>
<b>Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year:</b>		
■ Transfer from Major Repairs Reserve	(10,429)	(1,719)
■ Transfer to Financial Instruments Adjustment Account, amortisation of deferred discounts	(9)	(9)
■ Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	1,169	1,185
	(9,269)	(543)
<b>Net additional amount required by statute to be debited (credited) to the HRA</b>	<b>1,570</b>	<b>(79,907)</b>

# Housing Revenue Account Notes

The management of the Council's landlord services is contracted out to St Georges Community Housing Limited (SGCH), an arm's length management organisation. The Council retains ownership of the housing assets and directs housing policy through a management agreement. Details of the activities of SGCH are given in Note 19 to the Core Statements and in the Group Accounts starting on page 83.

## 1. DWELLING RENTS

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

	2009/10 £'000	2008/09 £'000
Dwellings	41,305	40,347
Less: Void properties	(425)	(367)
<b>Total Income from Dwelling Rents</b>	<b>40,880</b>	<b>39,980</b>

Rent loss due to void dwellings was 1% in the year (0.9% in 2008/09). The average weekly rent in 2009/10 was £69.08, which was £1.82 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. RENT REBATES

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

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

## 3. NON-DWELLING RENTS

Total income was made up as follows:

	2009/10 £'000	2008/09 £'000
Garages	2,561	2,485
Less: Void properties	(733)	(735)
	1,828	1,750
Shops	156	147
Land and Other Buildings	139	196
<b>Total Income from Non-Dwelling Rents</b>	<b>2,123</b>	<b>2,093</b>

## 4. 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 subsidy to deficit authorities. Basildon moved into negative subsidy in 2007/08. The table below breaks down the various elements of the Notional HRA.

# Housing Revenue Account Notes

HRA Subsidy	2009/10 £'000	2008/09 £'000
<i>Notional Expenditure</i>		
Management and Maintenance	17,980	17,508
Major Repairs Allowance	10,129	8,041
Charges for Capital	9,004	9,915
Rental Constraint Allowance	-	-
Other Reckonable Expenditure	3	22
	37,116	35,486
<i>Notional Income</i>		
Rents	(39,176)	(38,446)
Other	(2)	(3)
<b>Notional Surplus – Negative Housing Subsidy payable to government</b>	<b>(2,062)</b>	<b>(2,963)</b>

## 5. ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,486 dwellings at the start of the year. The management of the Council's housing service is delegated to St. Georges Community Housing Limited. Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2010	31 March 2009
<i>Analysis by Type of Dwelling:</i>		
Houses and Bungalows	6,559	6,573
Flats and Maisonettes	4,908	4,913
<b>Total Dwellings</b>	<b>11,467</b>	<b>11,486</b>
<i>Change in Stock during the Year:</i>		
Stock at 1 April	11,486	11,514
Sales and other Disposals	(19)	(28)
<b>Total Dwellings</b>	<b>11,467</b>	<b>11,486</b>

The number of dwellings at 31 March 2010 includes the Council's interest in shared ownership properties, which is equivalent to 124 wholly owned dwellings (124 at March 2009).

## 6. VALUATION OF HOUSING ASSETS

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

	31 March 2010 £'000	31 March 2009 £'000
<i>Operational Assets:</i>		
Dwellings	624,585	614,369
Other land and buildings	12,033	11,773
Vehicles, plant and equipment	36	60
<b>Total Value of Housing Assets</b>	<b>636,654</b>	<b>626,202</b>

# Housing Revenue Account Notes

All property has been valued in accordance with guidance on stock valuation published by the Secretary of State. The vacant possession value of dwellings in the HRA, valued in accordance with the guidance, was £1,358 million at 31 March 2010. The difference of £733 million between the vacant possession value and the Balance Sheet value shown in the table above represents the economic cost to the public sector of providing council housing at less than open market rents.

## 7. DEPRECIATION

The charge for depreciation is made up as follows:

	31 March 2010 £'000	31 March 2009 £'000
<i>Operational Assets:</i>		
Dwellings	19,656	8,339
Other land and buildings	878	1,422
Vehicles, plant and equipment	24	-
<b>Total Depreciation</b>	<b>20,558</b>	<b>9,761</b>

Depreciation on dwellings has increased significantly year on year. This is because the element of the valuation relating to the dwellings has been revised upwards but the estimated remaining useful life has remained at 25 years.

## 8. IMPAIRMENT CHARGES

Impairment losses on fixed assets between formal revaluations usually occur where a significant economic impact has affected a particular area, estate or one of the factors taken into account in the original valuation. Examples 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. Where an asset that was previously impaired rises in value this rise is credited to the I&E account to the extent of the previous impairment.

The total impairment credit to the HRA Income and Expenditure Account comprised a credit of £12,582,000 in respect of houses (a charge of £78,347,000 in 2008/09) and a charge of £1,348,000 in respect of other property (a credit of £1,030,000 in 2008/09). This has been reversed out through the Statement of Movement on the HRA Balance, so there is no impact on the level of actual HRA reserves.

## 9. CAPITAL EXPENDITURE AND FINANCING

	2009/10 £'000	2008/09 £'000
<b>Analysis of Expenditure and Financing</b>		
<i>Fixed Assets:</i>		
Housing	16,175	9,871
Other Property	335	115
<b>Total Capital Expenditure to be Financed</b>	<b>16,510</b>	<b>9,986</b>

# Housing Revenue Account Notes

	2009/10 £'000	2008/09 £'000
<i>Financed from:</i>		
Major Repairs Reserve	10,129	8,041
Capital Contributions	-	20
Usable Capital Receipts	-	78
Borrowing – supported	6,149	1,149
Borrowing – unsupported	232	698
<b>Total Financing</b>	<b>16,510</b>	<b>9,986</b>

## 10. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is a resource for financing capital expenditure on dwellings and other property within the HRA. The amount credited to the Reserve is equal to the charge made to the HRA for depreciation (Note 7). A technical adjustment however returns to the HRA any amount in excess of the Major Repairs Allowance included in the calculation of HRA Subsidy (Note 4).

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

	2009/10 £'000	2008/09 £'000
<b>Balance on 1 April</b>	-	-
Transfer from the Capital Adjustment Account equivalent to depreciation	(20,558)	(9,760)
Transfer to the HRA, excess of depreciation over Major Repairs Allowance	10,429	1,719
Amount applied to Capital Expenditure	10,129	8,041
<b>Balance on 31 March</b>	-	-

## 11. CAPITAL RECEIPTS FROM DISPOSALS OF HRA LAND AND PROPERTY

In common with all housing authorities, a proportion of the proceeds of the sale of all HRA land, houses and other property is payable into a government 'pool' in accordance with regulations. For dwellings, this is 75% of net proceeds after deduction of any clawback and sales expenses, and for land and other property the deduction is 50%, unless the proceeds are invested in the provision of affordable housing or regeneration. Clawback is the sum payable to the Homes and Communities Agency (formerly English Partnerships) out of the proceeds of the sale of dwellings transferred to the Council from the Commission for the New Towns in 1994.

The result of these deductions is that only a small proportion of the original proceeds of sale are normally available to finance new capital expenditure. The table below summarises the position for 2009/10.

	Land £'000	Disposal of former CNT dwellings £'000	Disposal of other Council dwellings £'000	Other property £'000	Total £'000
Gross receipt	332	699	389	200	<b>1,620</b>
Clawback	-	(583)	-	-	<b>(583)</b>
Pooled amount	-	(78)	(289)	-	<b>(367)</b>
<b>Usable element</b>	<b>332</b>	<b>38</b>	<b>100</b>	<b>200</b>	<b>670</b>
Usable, as a % of gross receipt	100%	5%	26%	100%	41%

# Housing Revenue Account Notes

## 12. HRA SHARE OF CONTRIBUTION TO THE PENSIONS RESERVE

For the purposes of FRS17 adjustments, the deficit on the Pensions Reserve has been apportioned between the General Fund and the Housing Revenue Account based on levels of employer contributions and Past Service Deficit. This equates to approximately 79% General Fund and 21% Housing Revenue Account.

## 13. RENT ARREARS

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

	31 March 2010 £'000	31 March 2009 £'000
Current tenants	1,351	1,271
Former tenants	361	449
<b>Total gross rent arrears</b>	<b>1,712</b>	<b>1,720</b>

The arrears relate to rents, heating charges, tenants' effects insurance premiums and other service charges due from tenants. Current arrears include secure and temporary tenancies, garages and shared ownership dwellings. All figures ignore prepayments of rent amounting to £540,000 at 31 March 2010 (£538,000, March 2009).

The provision for bad debts in respect of rents was £261,000 at 31 March 2010 (£330,000, March 2009).

## 14. EARMARKED BALANCE

The Council have earmarked part of the HRA 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 £545,000 at 31 March 2010 (£530,000, March 2009).

## 15. FURTHER INFORMATION

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

## Collection Fund Account

The Council, as billing authority, is required to maintain a Collection Fund into which Council Tax and Non-domestic Rates are paid and from which the precepts of Basildon District Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils are paid. Any surplus or deficit is shared between the various authorities, other than the Parish and Town Councils, in proportion to precepted amounts. While this account shows the whole picture for the Collection Fund, Basildon Council's Income and Expenditure Account, Balance Sheet and Cash Flow Statement are now required to show only its proportion of the Collection Fund in accordance with the 2009 SORP.

	2009/10 £'000	2008/09 £'000
<b>Income:</b>		
Income from Council Tax	79,541	78,102
Income collectable from Non Domestic Rate Payers	74,605	73,071
Transfers from the General Fund:		
- Council Tax Benefit	16,418	14,828
	170,564	166,001
Contributions towards previous year's deficit:		
- Essex County Council	129	283
- Essex Police Authority	15	33
- Essex Fire Authority	8	17
- Basildon District Council	45	67
	197	400
<b>Total Income</b>	<b>170,761</b>	<b>166,401</b>
<b>Expenditure</b>		
Precepts:		
- Essex County Council	67,798	65,701
- Essex Police Authority	8,153	7,672
- Essex Fire Authority	4,108	3,910
- Basildon District Council	16,256	15,483
	96,315	92,766
National Non-Domestic Rates:		
- Payable to National Pool	74,359	72,828
- Cost of Collection	246	243
	74,605	73,071
Bad and Doubtful Debts:		
- Write off of Council Tax	644	480
- Provision for Council Tax Bad Debts	20	146
Deficit for the year	(823)	(62)
<b>Total Expenditure</b>	<b>170,761</b>	<b>166,401</b>
<i>Movement on Fund Balance:</i>		
Deficit at 1 April	370	308
Deficit for the year	823	62
<b>Fund Deficit at 31 March</b>	<b>1,193</b>	<b>370</b>

# Collection Fund Account Notes

## 1. THE COLLECTION FUND

### Precepts

These are the amounts 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 this Council as Billing Authority.

The following principal authorities issue precepts on the Collection Fund:

- Essex County Council
- Essex Police Authority
- Essex Fire Authority
- Basildon District Council

Basildon's own precept for the year 2009/10 (£16.256 million) included £287,289 (£291,000 in 2008/09) in respect of precepts from Parish, Town and Village Councils within the District. The payments to Parish, Town and Village Councils are met initially from the General Fund and included in Basildon's budget requirement.

### Surplus or Deficit on the Collection Fund

Any surplus or deficit on the Collection Fund at the end of the year is required to be credited or debited respectively to all the major precepting authorities listed above in a subsequent financial year.

### Collection Fund Balance

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

## 2. INCOME FROM COUNCIL TAX

For 2009/10 the Council set an average Council Tax levy of £1,515.08 per Band D equivalent property, made up of precepts from authorities as follows:

	2009/10 £	2008/09 £
Basildon District Council	251.19	242.01
Parish and Town Councils in the Basildon District (average)	4.52	4.63
Essex County Council	1,066.50	1,046.61
Essex Police Authority	128.25	122.22
Essex Fire Authority	64.62	62.28
<b>Total average Council Tax Band D</b>	<b>1,515.08</b>	<b>£1,477.75</b>

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

	2009/10 £'000	2008/09 £'000
Council Tax	95,959	92,930
Less: Council Tax Benefit	(16,418)	(14,828)
<b>Net Income to Collection Fund</b>	<b>79,541</b>	<b>78,102</b>

# Collection Fund Account Notes

## 3. COUNCIL TAX BASE

Whilst the annual Council Tax levy is expressed as a Band D equivalent, it is actually charged across nine different valuation bands. The Council Tax base for 2009/10 was calculated as follows:

Tax Band	No. of Properties in Band	No. of Properties After Discounts	Ratio to Band D	Equivalent No. of Band D Properties
A (Disabled)	9	9	5/9	5
A	9,425	7,779	6/9	5,186
B	14,955	13,190	7/9	10,259
C	22,914	20,675	8/9	18,377
D	13,693	12,688	9/9	12,688
E	7,063	6,678	11/9	8,162
F	4,347	4,186	13/9	6,046
G	1,844	1,764	15/9	2,940
H	127	114	18/9	228
	<b>74,377</b>	<b>67,083</b>		<b>63,891</b>
Less: Allowance for irrecoverables				(320)
<b>Total Council Tax Base</b>				<b>63,571</b>

## 4. INCOME FROM NON DOMESTIC RATES

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

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

	2009/10 £'000	2008/09 £'000
Non Domestic Rate (including voids and exemptions)	77,476	76,342
Less: Reliefs, Bad Debts Provision and Other Adjustments	(2,871)	(3,271)
<b>Net Income to Collection Fund</b>	<b>74,605</b>	<b>73,071</b>

The total NNDR rateable value for the Basildon District at 31 March 2010 was £174 million (£176 million, 2009). The uniform business rate for 2009/10 was 48.1p per £ of rateable value for small businesses and 48.5p for other businesses (45.8p and 46.2p respectively for 2008/09).

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## Group Accounts



## Group Accounts

The 2009 Statement of Recommended Practice (SORP) makes comprehensive provisions for Group Accounts. These require authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council is required to account for its interest in St Georges Community Housing Limited (SGCH) as a wholly owned subsidiary and accordingly prepares Group Accounts.

These statements present financial information about the parent (the Council) and the subsidiary (SGCH) by consolidating their results into a unified set of accounts. The figures 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. As SGCH works solely for the Council, the bringing together of income and expenditure has only a limited effect on the service revenue account.

### Group Income and Expenditure Account

	Gross Expenditure	Gross Income	2009/10 Net Expenditure	2008/09 Net Expenditure Restated
	£'000	£'000	£'000	£'000
<b>Expenditure on Services:</b>				
Central Services to the Public	22,163	18,978	3,185	2,369
Cultural, Environmental, Regulatory and Planning Services	33,024	14,368	18,656	23,532
Education and Children's Services	774	673	101	103
Highways and Transport Services	4,622	1,823	2,799	2,740
Local Authority Housing (HRA)	36,504	48,942	(12,438)	67,640
Other Housing Services	62,330	61,337	993	2,611
Adult Social Care	1,870	1,043	827	1,158
Corporate and Democratic Core	4,841	158	4,683	5,757
Non Distributed Costs	273	-	273	137
<b>Net Cost of Services</b>	<b>166,401</b>	<b>147,322</b>	<b>19,079</b>	<b>106,047</b>
(Gain) Loss on Disposal of Fixed Assets			(542)	1,089
Contribution of Housing Capital Receipts to Government Pool			375	226
Amounts Payable in Respect of Clawback on Disposal of Dwellings and other Land			605	525
Interest Receivable and Investment Income			(42)	(827)
Interest Payable and Similar Charges			8,940	9,810
Surplus on trading undertakings not included in Net Cost of Services			(1,629)	(252)
Pensions Interest Cost and Expected Return on Pension Assets			4,628	3,339
Precepts of Local Precepting Authorities			287	291
<b>Net Operating Expenditure</b>			<b>31,701</b>	<b>120,248</b>
Income from Council Tax			(16,071)	(15,406)
General Government Grants			(12,707)	(2,278)
Non-Domestic Rates Redistribution			(3,216)	(13,551)
<b>(Surplus)/Deficit for the Year</b>			<b>(293)</b>	<b>89,013</b>
<b>Reconciliation of the Single Entity Deficit to the Group Deficit</b>				
			<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
(Surplus) Deficit for the year on the Council's Income and Expenditure Account			(288)	89,096
(Surplus) Deficit for the year in the Group Income and Expenditure Account attributable to SGCH			(5)	(83)
<b>(Surplus)/Deficit for the year on the Group Income and Expenditure Account</b>			<b>(293)</b>	<b>89,013</b>

## Group Accounts

### Statement of Movement on the General Fund Balance

The entries on the Income and Expenditure Account, above, do not accord with the statutory provisions that specify the net expenditure the Council needs to take into account when setting the Council Tax. The deficit for the Council reported in the above reconciliation is reconciled with the statutory provisions in the Statement of Movement on the General Fund Balance (page 32).

### Group Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes the gains and losses relating to the revaluation of fixed assets and remeasurement of the net liability to cover the cost of retirement benefits.

	<b>2009/10 Net Expenditure £'000</b>	<b>2008/09 Net Expenditure £'000</b>
(Surplus) Deficit on the Group Income and Expenditure Account	(293)	89,013
(Surplus) Deficit arising on revaluation of fixed assets	(10,541)	19,789
Actuarial losses (gains) on pension fund assets and liabilities	21,986	(6,097)
Other (gains) losses:		
■ Deferred Purchase debt, principal repayment	(205)	(205)
■ Deferred Capital Receipts	10	12
<b>Total Recognised (Gains) Losses for the Year</b>	<b>(10,957)</b>	<b>102,512</b>

# Group Accounts

## Group Balance Sheet

	Notes	31-Mar-10	31-Mar-09
		£'000	£'000
<b>TANGIBLE FIXED ASSETS</b>			
<i>Operational assets</i>			
Council dwellings		624,585	614,369
Other land and buildings		53,001	50,181
Vehicles, plant, furniture and equipment		4,020	2,504
Infrastructure assets		373	205
Community Assets		4,953	4,991
		686,932	672,250
<i>Non-operational assets</i>			
Investment properties		14,227	16,616
Assets under construction		19,893	5,563
Surplus assets		6,630	148
		40,750	22,327
<b>Total Tangible Fixed Assets</b>		<b>727,682</b>	<b>694,577</b>
Long-term debtors	13	48	92
<b>Total Long-Term Assets</b>		<b>727,730</b>	<b>694,669</b>
<b>CURRENT ASSETS</b>			
Stocks		244	250
Debtors	5G	27,013	17,933
Investments	22	1,700	700
Cash in hand		8	7
<b>Total Assets</b>		<b>756,695</b>	<b>713,559</b>
<b>CURRENT LIABILITIES</b>			
Borrowing repayable on demand or within 12 months	22	(20,031)	(5,000)
Creditors	5G	(20,918)	(14,944)
Bank overdraft		(4,011)	(253)
<b>Total Assets less Current Liabilities</b>		<b>711,735</b>	<b>693,362</b>
<b>OTHER LIABILITIES</b>			
Borrowing repayable in more than 12 months	22	(114,006)	(126,186)
Capital Contributions Deferred	35	(23,545)	(5,770)
Deferred liabilities	11	(2,112)	(2,334)
Provisions	17/6G	(5,151)	(4,617)
Liability related to defined benefit pension scheme	39/7G	(83,085)	(59,662)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>483,836</b>	<b>494,793</b>
<b>FINANCED BY:</b>			
General Fund Balance	15	6,085	5,261
General Fund Earmarked Reserves	15	8,830	8,189
Collection Fund Adjustment Account	15	(202)	(62)
Unequal Pay Back-Pay Account	15	(453)	(808)
Housing Revenue Account Balance	15	4,226	2,948
Financial Instruments Adjustment Account	15	(610)	(695)
Revaluation Reserve	15	20,192	9,448
Deferred Capital Receipts	15	5	15
Usable Capital Receipts Reserve	15	198	7
Capital Adjustment Account	15	527,708	529,446
Pensions Reserve	15/7G	(83,085)	(59,662)
St Georges Community Housing Reserves	8G	942	706
<b>TOTAL NET WORTH</b>		<b>483,836</b>	<b>494,793</b>

# Group Accounts

## Group Cash Flow Statement

This statement shows the inflows and outflows of cash to and from the Council as a result of its financial transactions during the year.

	2009/10 £'000	2008/09 £'000
<b>REVENUE ACTIVITIES</b> (see Note 9G)		Restated
<b>Revenue Activities Net Cash Inflow</b>	<b>(20,145)</b>	<b>(11,624)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
<i>Cash Outflows</i>		
Interest and Special Financing Repayments of long term liabilities	8,938	10,255
Interest element of finance lease rental payments	76	83
<i>Cash Inflows</i>		
Interest Received	(42)	(868)
<b>Returns on Investment and Servicing of Finance Net Cash Outflow</b>	<b>8,972</b>	<b>9,470</b>
<b>CAPITAL ACTIVITIES</b>		
<i>Cash Outflows</i>		
Expenditure on Fixed Assets	33,313	16,422
<i>Cash Inflows</i>		
Sale of Fixed Assets	(1,796)	(1,776)
Capital Contributions and Grants received	(18,839)	(11,080)
Other Capital Cash Receipts	-	(30)
<b>Capital Activities Net Cash Outflow</b>	<b>12,678</b>	<b>3,536</b>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>	<b>1,505</b>	<b>1,382</b>
<b>LIQUID RESOURCES</b>		
Movement in Short term investments	1,000	(4,500)
Net increase in other liquid resources	3,955	164
<b>FINANCING</b>		
<i>Cash Outflows</i>		
Repayments of deferred purchase and transferred debt	205	218
Capital element of finance lease rental payments	401	357
Long term loans repaid (net)	7,575	2,000
<i>Cash Inflows</i>		
Short Term Loans raised (net)	(10,500)	-
New finance lease arrangements	(384)	(543)
<b>Financing and Liquid Resources Net Cash Inflow</b>	<b>2,252</b>	<b>(2,304)</b>
<b>NET INCREASE IN CASH IN HAND AND AT BANK</b>	<b>3,757</b>	<b>(922)</b>

# Group Accounts Notes

Notes for the Group Accounts are provided below only where there is a material difference from the Council's own accounts.

## **1G. VOTING RIGHTS**

St. Georges Community Housing Ltd. (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 and the Board agree together the annual delivery plan.

## **2G. CONSOLIDATION OF INCOME AND EXPENDITURE**

The operating income and expenditure of SGCH have been consolidated with the Housing Revenue Account, with the sole exception of the Careline service, which is included within Adult Social Care.

## **3G. ACCOUNTING POLICIES**

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 15 to 23. SGCH's accounting policy for Creditors differs from that of the Council set out in its Statement of Accounting Policies, item 1, and accordingly 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. The material balances eliminated on this basis were:

- A net amount of £4,279,000 due to SGCH from the Council at 31 March 2010 on the intercompany account (£504,000 due to the Council from SGCH, 31 March 2009)
- A sum of £2,830,000 at 31 March 2010 (£2,508,000 at 31 March 2009) representing the cash balance of SGCH invested with the Council. This was eliminated on consolidation against the equivalent investment in SGCH's accounts.

## **5G. DEBTORS AND CREDITORS**

In addition to the debtors and creditors recorded in the Council's single entity accounts, SGCH had debtors of £6,949,000 at 31 March 2010 (£2,009,000 at 31 March 2009) and creditors of £7,630,000 (£3,556,000 at 31 March 2009), inclusive of those eliminated on consolidation. The net figures upon consolidation are those shown for debtors and creditors in the Group Balance Sheet.

## **6G. PROVISIONS**

In addition to the provisions in the Council's single entity accounts, SGCH has a provision of £679,000 (£444,000 at 31 March 2009) in respect of payments due under the Single Status scheme. This brings the total provision for Single Status at 31 March 2010 to £5,100,000 (£2,671,000 at 31 March 2009). Additionally SGCH made a provision for dilapidations connected with offices that it currently occupies.

## **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 those outlined in Note 39 to the Core Statements.

# Group Accounts Notes

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

	2009/10 £'000	2008/09 £'000
Estimated liabilities in the Scheme	(21,761)	(14,153)
Estimated Assets in the Scheme	15,638	11,184
<b>Net Pensions Liability</b>	<b>(6,123)</b>	<b>(2,969)</b>

## 8G. 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.

	2009/10 £'000	2008/09 £'000
<b>Reconciliation of SGCH Reserves to amount reported in the Group Balance Sheet:</b>		
SGCH reserves as reported in Note 22 to the Core Statements	(5,549)	(2,539)
<i>Adjustments:</i>		
Element relating to net pension liability transferred to Pensions Reserve	6,123	2,969
Cumulative effect of harmonising accounting policies	368	276
<b>SGCH reserves as reported in the Group Balance Sheet</b>	<b>942</b>	<b>706</b>
<b>Reconciliation of SGCH deficit to amount reported in the Group Income and Expenditure Account:</b>		
SGCH deficit as reported in Note 22 to the Core Statements	88	1
<i>Adjustments:</i>		
Effect of harmonising accounting policies	(93)	(83)
<b>SGCH (surplus) deficit as reported in the Group Income and Expenditure Account</b>	<b>(5)</b>	<b>(82)</b>
<b>Reconciliation of adjusted SGCH reserves to adjusted SGCH deficit (as above) in Group Income and Expenditure Account:</b>		
Adjusted SGCH reserves as reported above	(942)	(706)
<i>Adjustments:</i>		
SGCH reserves at 1 April	937	624
<b>SGCH deficit as reported in the Group Statement of Total Recognised Gains and Losses</b>	<b>(5)</b>	<b>(82)</b>

# Group Accounts Notes

## 9G. RECONCILIATION OF GROUP INCOME AND EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

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

	2009/10 £'000	2008/09 £'000
(Surplus)/Deficit on the Group Income and Expenditure Account	(293)	89,013
Contributions from capital (net)	(10,605)	(86,559)
Contributions from (to) reserves (net)	(1,439)	(1,908)
Increase in the General Fund Balance for the year	(12,337)	546
<i>Non Cash Transactions:</i>		
Short Term Creditors	(3,461)	(3,264)
Stocks	(6)	(91)
Other Provisions	(534)	(645)
Short Term Debtors	5,091	1,311
<i>Transfers to:</i>		
Returns on Investment and Servicing of Finance	(8,898)	(9,470)
Financing	-	(11)
<b>Revenue Activities Net Cash Flow</b>	<b>(20,145)</b>	<b>(11,624)</b>

## 10G. OFFICER REMUNERATION

The Council is required to report (in bands of £5,000) the number of employees whose rate of remuneration in the year was more than £50,000, excluding Employer's Pension Contributions. It is also now required to report the remuneration of Senior Officers on an individual basis. Where the salary element of the Senior Officer's remuneration exceeds £150,000 the individual is referred to by name as well as post title; otherwise the Senior Officer is disclosed by post title only. The Senior Officers' full remuneration has to be disclosed together with the related Employer's Pension Contributions. The Single Entity disclosure is found in Note 7 to the Core Statements, but the following relates to the relevant officers working for St Georges Community Housing:

Remuneration Band	2009/10	2008/09
£60,000 - £65,000	-	1
£65,001 - £70,000	-	1
£70,001 - £75,000	2	-
£75,001 - £80,000	1	-
<b>Total</b>	<b>3</b>	<b>2</b>

Senior Officers Disclosures	Salary (Including Fees & Allowances)	Bonuses	Expense Allowance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
2009/10	£	£	£	£	£	£	£
Chief Executive	93,898	4,185	-	347	98,430	12,208	110,638
<b>Total</b>	<b>93,898</b>	<b>4,185</b>	<b>-</b>	<b>347</b>	<b>98,430</b>	<b>12,208</b>	<b>110,638</b>

# Group Accounts Notes

<b>Senior Officers Disclosures</b>	Salary (Including Fees & Allowances)	Bonuses	Expense Allowance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
<b>2008/09</b>	£	£	£	£	£	£	£
Chief Executive	88,111	-	-	-	88,111	11,535	99,646
<b>Total</b>	<b>88,111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,111</b>	<b>11,535</b>	<b>99,646</b>

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# Annual Governance Statement

2009/10



# Annual Governance Statement

## SCOPE OF RESPONSIBILITY

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

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

The Council has previously approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from Manager of Legal and Corporate Governance.

This statement explains how Basildon District Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of Regulation 4 (2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

## PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk 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.

This Statement gives assurances on compliance with Basildon District Council's governance framework for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

## THE GOVERNANCE FRAMEWORK

The Council has expressed commitment in its Local Code of Corporate Governance to the 6 Core Principles and the underpinning principles as set out in the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government: Framework' as follows:

- 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**
  - Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.
  - Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements.
  - 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.
- 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.**
  - Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and

# Annual Governance Statement

- Incorporating good governance arrangements in respect of partnerships and reflecting these in the Authority's overall governance arrangements.
- 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**
    - Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.
  - 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
    - 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.
    - Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
    - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
    - Receiving and investigating complaints from the public.
  - 5. Developing the capacity and capability of members and officers to be effective.**
    - Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.
  - 6. Engaging with local people and other stakeholders to ensure robust public accountability.**
    - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

This Annual Governance Statement provides an update against how the Council is responding to these main aspects, which comprise the Council's governance framework, included is information on how each of the Core Principles and underpinning principles are being met. Included, as **Appendix 1** of the Statement is where assurance on each has been obtained.

Overall, the Council can provide assurance that governance arrangements are in place across the organisation, however, areas for further improvement have been identified and referred to within this Statement on page 29. Previous improvements have been incorporated in the Corporate Governance Plan and attached as **Appendix 2**, as ongoing actions. Assurance comes from a variety of sources including Service Managers and Heads of Service, via individual service based governance statements and the Section 151 and Monitoring Officers. Corporate assurance has been provided from Democratic Services Manager, Policy, Performance & Review on performance management, business planning and consultation and engagement arrangements; the Customer Services Manager on business continuity and customer complaints process; the Inclusion and Diversity Manager and Manager of Legal and Corporate Governance. In addition, other important sources of assurance including the Council's Risk Management and Internal Audit function, External Audit and Inspections and the evidence compiled for the Use of Resources Assessment.

The Council received during 2009, a Use of Resources score of level 3 where the governance arrangements were assessed by the Audit Commission.

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.

**CIPFA/SOLACE Core Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

**Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users, both within the organisation and externally**

**Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements**

# Annual Governance Statement

## Council vision and priorities

The vision of the Council is "to improve the quality life for the people of the district, now and for future generations".

The way that the Council seeks to deliver this vision is articulated in a three-year Strategic Improvement Plan (CSIP), which is refreshed annually to ensure it remains focussed and is informed by the latest knowledge of the needs of the district. This draws on the district Sustainable Community Strategy (SCS), consultation with residents and relevant data about the district and takes account of other factors such as the economic downturn.

The objectives that flow from the Plan are reflected in the budget process and form part of the Council Tax setting process.

The Council plays a lead role in the Local Strategic Partnership in its wider place-shaping role. The vision of the SCS is "to make Basildon District a fair and inclusive place, where the community have a healthy, safe place to live and work and to improve the quality of life now and for future generations".

Copies of the CSIP are made available to the public through the Council's website. A Strategic Improvement Plan poster is displayed at key locations around the Council. The priorities are regularly featured in the Council's newspaper which is delivered 6 times a year to all residents. The Council conducts at least 10 media campaigns each year to support the key priorities.

The Council's Inclusion and Diversity vision has been informed by various groups and forums representing diverse members of the community. The groups continue to act as a scrutiny mechanism for the Council's policy and practice and are involved in the annual review of the Council's Opportunities for All Scheme.

A "Council Plan" document and booklet is produced for staff to help them understand how the various plans and strategies fit together and how their service contributes to delivering the objectives.

The Council seeks continuous improvements to its strategic planning process and during 2009/10 started the refresh process for the 2010/13 CSIP in June 2009. This culminated in improvements to the CSIP structure and focus as demonstrated to the various reports to Cabinet and Full Council.

## Annual reporting

The Council publishes an Annual Report, which provides an overall view of the Council's performance. Feedback on the report is invited, and the report format has been changed both in response to feedback and also taking into account the needs of local residents. The report is available on the Council's website and was also printed and sent to key partners and stakeholders.

Care has been taken in the Annual Report to include a financial summary that is easy to understand keeping specific financial terms are kept to a minimum.

It is therefore considered that the Council has identified and communicated its vision and intended outcomes for citizens and service users. In addition, arrangements are in place to review the authority's vision, taking into consideration the authority's governance framework.

<b>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.</b>
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## Performance management and measurement

The key priorities and objectives of the Council are set out in the CSIP. It contains a clear statement of the desired outcomes. Key performance indicators are included where relevant. Member and Officer ownership and accountability is explicit.

The CSIP is modelled in the Council's performance management system (Performance Plus), showing the key supporting activities that are required to achieve the desired outcomes. Progress is captured on at least a quarterly basis on both tasks and relevant PIs and reviewed initially by Heads of Service through a quarterly Performance Monitoring Review. A Quarterly Cabinet Performance Report is collated showing progress against the CSIP and key performance indicators.

# Annual Governance Statement

Targets for key performance indicators are drafted with Cabinet Members from October as part of the Service Planning process and then subject to challenge by Overview and Scrutiny Committees along with draft budgets. Final targets are established through Service Plans with key performance targets being incorporated in the CSIP. Overview and Scrutiny Committees receive quarterly exception reports of performance of the key indicators relevant to that committee.

The CSIP is complemented by the Corporate Development Plan (CDP), which sets out the internal improvement objectives for the year. Ownership of the themes is explicit. Both the CSIP and CDP are underpinned by Business Plans for each service. Progress is monitored by Heads of Service through Quarterly Performance Monitoring Reviews and other regular management meetings, and with the relevant Cabinet Member at regular meetings.

Basildon Renaissance Partnership (BRP) is the regeneration partnership for the district in which the Council plays a leading role. The objectives for BRP are embedded within the Council's CSIP under the regeneration priority and performance against these projects is monitored as noted above.

The objectives of the Local Strategic Partnership (LSP) are set out in the Sustainable Community Strategy and associated thematic actions plans. These are modelled in the Council's performance management system. Data for key performance indicators will be captured during April and May for reporting to the LSP Executive in June and progress against action plans were collated and presented to the LSP thematic groups and then to the LSP Executive in October. The council's overview and scrutiny function has recently begun to hold the Local Strategic Partnership and its Thematic Groups, including the Crime and Disorder Reduction Partnership, to account to assess progress they are making in delivering the stated objectives and this will continue to be a feature of scrutiny committee's work programmes in the future.

St. George's Community Housing (SGCH), the arms length management organisation for the Council's housing stock are also key partners. The annual delivery plan is agreed with the Council each year and monthly progress reports are received by the Board, the responsible Cabinet Member, and key officers. Key performance indicators for SGCH are reported into the Council's performance management system, and incorporated in all the reports for Members and officers as noted above, including regular monitoring and challenge of SGCH's performance by the Community Safety and Housing Scrutiny Committee.

Data quality arrangements are audited on an annual basis to assess the corporate processes for ensuring data quality and by testing a sample of key performance indicators. The Audit Commission also assessed the arrangements through the Use of Resources assessment with the Council meeting the minimum requirements.

Service based statements identified that not all services produce quarterly performance reports and this has been reflected in the improvement table.

## **Financial management**

A revised Business Planning process has been developed which enables a greater alignment to budgets. Budgets and Business Plans are challenged by Members to ensure they meet the Council's Strategic Improvement Plan aims. Any new initiatives are all costed and considered prior to the inclusion in the CSIP and new budgets injected as required.

A Strategic Financial Update is provided annually to Cabinet in the autumn each year prior to consideration of detailed budget setting reports. The report sets in context the Council plans and strategies that underpin its medium term financial strategy and identifies key financial issues across all services.

Detailed budgets are considered at Scrutiny Committee and overall budget and forward financial forecasts are considered by Cabinet, Overview and Scrutiny Commission and Full Council. This ensures a robust approach to financial planning and a sustainable financial position over the forecast period.

Reports requiring decisions all contain clear statements of the associated financial implications.

The economic recession has continued to be a major factor for the community and has impacted on the Council's financial position. In response to the adverse impact on many of the income sources and as part of the ongoing strategic approach to financial management the Council has delivered a programme of efficiency savings in excess of the original budget forecast.

# Annual Governance Statement

The Council has a comprehensive budget monitoring process. Regular budget monitoring reports are distributed to Members and Officers including reports on high risk budgets. These are reported monthly to the Cabinet Members with responsibility and Strategic Management Team and quarterly to Overview and Scrutiny Committees. Work has been undertaken during 2009/10 to ensure there is a greater emphasis on the link between budgets, performance and risk issues and budget monitoring reports are now presented in one report with performance and risk information to draw the links more closely together, however the effectiveness of this has been identified as an area for further development.

A number of budget monitoring and other reports are available from the Financial Management System which are prepared on an accruals basis. Reports can be written to meet individual service manager's requirements and, using the Crystal Reporting facility, can be run by managers at their own PCs. The budget monitoring reports are signed off on a monthly basis by the cost Centre Managers and any significant issues are brought to the Strategic Management Team, in the processes summarised above.

Service/spending managers are supported by Accountancy staff in understanding and taking action arising from the information provided, and regular feedback on the appropriateness of the information provided is sought through these meetings and stakeholder forums.

The budgets contain an annual contingency sum (£200,000) to provide flexibility with regard to budget management. The application of the contingency is set out in the Council's internal Financial Regulations.

In order to safeguard financial sustainability and protect against budget risk the budget strategy will increase general reserves, maintain the contingency reserve and strengthen other reserves as appropriate. The Executive Director (s.151 Officer) reports annually to Council on the robustness of its budgeting arrangements and the adequacy of its reserves.

The Council's Treasury Management Strategy was updated in line with the revised Code of Practice and approved by Full Council in February 2010.

The Internal Audit service reviews the budget monitoring process every 3-4 years and the next review of budget monitoring is due in 2010/11. A full audit was concluded towards the end of 2005/06, the results of which informed the process detailed below. In addition, an annual Audit is undertaken to ensure the integrity of the Financial Management System and related processes and procedures and hence the information provided from it. In addition, as audits are undertaken of individual services, relevant budget monitoring processes will be included in the audit review.

Basildon Council has an excellent history of producing quality SORP compliant Final Accounts, free from any qualification by the Auditor. In order to meet the statutory deadlines, closure guidance notes including a detailed timetable is sent to all managers in early February. The External Auditor positively commented on the final accounts process for 2008/09, particularly mentioning early consultation with them on potentially contentious issues and also regarding the quality of working papers. The Final Accounts and the Annual Audit Letter are presented to the Audit and Risk Committee. Early preparation has been undertaken with regard to implementation of International Financial Reporting Standards (IFRS) with a clear timetable and liaison with External Audit to ensure timely delivery. The final accounts process is also linked into the Annual Governance Statement process.

## Value for money

The Council has a strong record of achieving efficiency gains, achieving more than double the required Gershon targets. Clear efficiency targets are built into budgets and the forward financial forecast to ensure that achieving them is monitored through the standard performance/financial monitoring processes.

The global recession and the restriction in the credit markets have been closely monitored by Basildon Council over the past 18 months and a number of specific activities have been undertaken to mitigate its impact on the local community. The Council has identified three key areas of work:

- Supporting local people and communities
- Supporting local businesses
- Helping people back into work

Specific objectives have also been added to the Council's Corporate Strategic Improvement Plan to mitigate the effects of the recession on residents and businesses. This work is supported through specific resources being allocated to meet these priorities.

## Annual Governance Statement

There has been greater understanding and awareness towards efficiency and value for money, with a corporate driven approach producing Council wide involvement and ownership of delivering targets. This year has also seen the start of embedding of the lean systems approach as part of service configuration and delivery. The Council has consequently achieved in 2009/10 and built into approved budget for 2010/11 and forward financial forecast to 2011/12 cumulative savings of £8.5 million. Further action plans are in place to deliver further savings.

The Council uses a number of sources to benchmark its services and highlight opportunities for improvement. It uses the Audit Commissions VFM tool each year to assess its current position, and prioritise any areas for potential improvement. The Use of Resources self assessment "Delivering our Priorities 2009/10" captures details of the arrangements in place for achieving value for money and includes a number of relevant case studies.

In June 2008, Cabinet committed the Council to an ongoing programme of Service Reviews aimed at improving efficiency and effectiveness of key services. From early 2009 these reviews have been based on a lean systems approach which focuses on improving value to the customer. The reviews have delivered many improvements to value for money as an integral part of the Council's wider business transformation agenda.

It is therefore considered that the Council has in place measures to ensure the quality of services for users. This also ensures that they are delivered in accordance with the Authority's objectives and that they represent the best use of resources.

**CIPFA/SOLACE Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

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

### **Roles and responsibilities of the executive, members, senior officers, chief executive, section 151 and monitoring officer**

The Council has a published Constitution, which is produced in the format of the national modular Constitution. Copies of the Constitution and any revisions made are provided to all Members of the Council and made available to the public through the council's website and at public deposit points including the Council's main offices and libraries. A summary of the Council's Constitution is published on the Council's website.

The Constitution clearly describes the individual roles and responsibilities of the Leader of the Council, the Cabinet and individual Members of the Cabinet, other Members of the Council including the Chairman of the Council, the overview and scrutiny function, chief executive and senior officers including the monitoring officer and section 151 officer, both of whom are Executive Directors and form part of the Executive Team. The Constitution also includes a scheme of delegation and reserve powers including a formal schedule of those matters specifically reserved for collective decision of the Council (set out in Article 4) taking account of relevant legislation, financial regulations and contract procedure rules and a range of codes and protocols governing the conduct of Members and officers.

The Constitution is updated on an ongoing basis as required to ensure it reflects new legislation and working practices adopted by the Council but is also reviewed on a regular basis to ensure it remains fit for purpose and was subject to a comprehensive review in 2009/10 to improve clarity and understanding.

It is therefore considered that the Council has defined and documented the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. This includes the clear delegation of arrangements and protocols for effective communication.

The Council has produced a "Roles and Responsibilities" document which articulates the individual and collective roles of the Council's senior officer management teams.

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

# Annual Governance Statement

## Partnerships

The Council's Annual Governance Statement has, with effect from the 2008/09 considered and assessed the governance arrangements in connection with the Council's key partnerships. A Governance Statement has been completed by Council Officers for each key partnership seeking assurances on the effectiveness of key controls within the partnership covering terms of reference, principles and objectives, funding sources and responsibilities, accountability for financial administration, Council representatives, clarity of roles within the partnership, monitoring arrangements and records of decisions.

The LSP Executive adopted a formal Governance Statement, including terms of reference, in March 2008, this was reviewed in autumn 2009. The Statement sets out the principles under which the LSP partners will work together and the essential governance rules.

Alongside the Terms of Reference review the LSP commissioned a peer review from Aspire 2 Perform focusing on the Partnership's governance arrangements in September 2009. The results of this review were reported to the LSP Executive in October 2009, an action plan was developed from the review recommendations and formal ratification of the revised Terms of Reference will be sought from the LSP Executive in April 2010.

The LSP Executive agreed in January 2010 to use the Council's Risk Management Framework to produce joint risk registers for the LSP and the majority of its thematic groups. Minimum standards for risk management have also been agreed, for those thematic groups who prefer to use another methodology. Workshops will be undertaken throughout 2010 to produce risk profiles for each of the groups.

The Sustainable Community Strategy was refreshed in March 2008 and allowed a strong input to the refreshing of the County Sustainable Community Strategy and the Local Area Agreement.

Delivery is achieved through thematic actions plans. These are modelled in the Council's performance management system. Data for key performance indicators and progress against action plans were collated and presented to the LSP thematic groups and then to the LSP Executive in October. Partnership performance reports were also considered at relevant Overview & Scrutiny Committees in the autumn for further challenge of performance and the delivery of their objectives.

The agenda planning and support for the majority of the Thematic Group meetings is provided by Democratic Services, future plans will see the agendas and minutes for meetings developed through the Council's reports system and published on the LSP website.

The Basildon Renaissance Partnerships Business Plan 2008-2011 sets out the role and objectives of the Partnership, its structure and how it operates including the budget and funding arrangements. The Basildon Renaissance Partnership abides by Basildon District Council's governance arrangements. The Support Team's Service Plan is compiled on an annual basis.

The Business Plan identified the strategic context and linkages of the work of the BRP with various priorities such as those set out in the Sustainable Community Strategy, the Council's Strategic Improvement Plan and the Basildon District Regeneration Framework 2007-2021 and how it effectively contributes to these.

The Thames Gateway South Essex partnership has terms of reference which are reviewed annually, this sets out the principles, objectives, funding sources and responsibilities. Progress against the TGSE Housing Strategy Delivery Plan 2008-11 are reported to and monitored by the Community and Housing Scrutiny Committee.

The governance arrangements in connection with the partnership with SGCH are set out in the comprehensive Management Agreement. The Annual Delivery Plan underpins the partnership objectives. The Management Agreement incorporates arrangements in connection with dispute resolution.

The Council has an identified link officer with SGCH who shares and communicates information between the Council and SGCH in a timely manner. Regular meetings are held with SGCH, involving the relevant Cabinet Member to assess progress against objectives and governance related matters and ensures that the partnership is providing effective outcomes and value for money. Reports are also presented to Cabinet and Community Safety and Housing Scrutiny Committee.

The Council has a Compact agreement with the Voluntary and Community Sector which sets out roles and responsibilities of each partner and their contribution to delivering better outcomes for local people. This

# Annual Governance Statement

agreement is to be reviewed during 2010/11, to ensure it is fit for purpose and the CVS is obliged to undertake the review under the Service Level Agreement with the Council.

Governance arrangements have been established for the Basildon Sporting Village Project for both the contractual and delivery elements of the project. The contractual arrangements are between the Council and Community Solutions for Leisure, being the Special Purpose Vehicle established to deliver the project and are set out in the Design, Build Operate and Maintain contract. The delivery element deals with the arrangements between funding partners and the Council to ensure their funding is spent within the timescale and budgets agreed as part of the individual funding agreements. A Stakeholder Board, Project Groups and various sub-groups have been set up with roles and responsibilities and their deliverables. The Stakeholder Board monitors performance and financial statements.

The Council is aware of the emerging "Total Place" agenda and acknowledges the need to use the refresh of the Sustainable Community Strategy during 2010 as the catalyst for a review of the wider public sector partnering and funding arrangements.

During its work in 2009/10, the Council's Audit and Risk Committee has sought assurance regarding the effectiveness of key partnership's governance arrangements and how the Council seeks assurance with regards to this matter. Recommendations for improvements were identified in the review process and reflected in the improvement table.

It is therefore considered, that the Council has incorporated good governance arrangements in respect of partnerships and that these are reflected in the Council's overall governance arrangements.

**CIPFA/SOLACE Core Principle 3 – Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

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

## Standards committee

The Council has adopted various codes and protocols for its members and staff, which form part of its Constitution.

A review of these and other codes and protocols was undertaken and updated versions presented to the Standards Committee on 17 March 2009 who endorsed the revisions and referred the matter to Council for approval at the annual Council meeting in May 2009. The main changes to the document were made with a view to enhancing understanding in relation to ethical issues.

The Standards Committee is responsible for promoting high standards of conduct and this forms part of its terms of reference. The Standards Committee and its sub-committees are responsible for investigating allegations of breaches of proper standards of conduct by Members of the Council and of town and parish councils in the District.

The Standards Committee itself is responsible for promoting and maintaining high ethical standards and, in order to be effective in its role of overseeing compliance with the Members Code of Conduct, it has three sub-committees with the following functions:

- Assessment Sub-Committee – responsible for receiving and assessing complaints
- Review Sub-Committee – responsible for reviewing local assessment decisions
- Hearing Sub-Committee – responsible for conducting hearings following investigation

The Monitoring Officer reports case related information and information on the make up of the Standards Committee to the Standards Board for England on a quarterly basis and submits an annual return to the Standards Board providing information on the Council's ethical governance arrangements, as required.

The Standards Committee has also received reports on the Code of Conduct arrangements for Board Members within SGCH and requested a review of significant partners' arrangements.

# Annual Governance Statement

Full Council received the first Annual Report from the Chair of the Standards Committee on the work plan and the progress undertaken during 2009/10.

## Codes of conduct

All Members of the Council are required to sign up to the Members Code of Conduct and complete their register of interests within 28 days of being elected and ensure it is maintained. Members are written to on a regular basis to remind them of the need to update their register of interests.

The Register of Members Interests and gifts and hospitality received is available in public registers and details of personal and prejudicial interests declared by Members at meetings are available on the website. Reports are regularly submitted to the Council's Standards Committee providing an overview of interests declared, declarations of gifts and hospitality and updates made by Members to their registers of interests. The Standards Committee recommended that Members also register offers as well as acceptance and these are also now available for public inspection.

The Council has an Officers Code of Conduct, which forms part of the Council's Constitution and employees contracts of employment. All new employees are required to give written assurance that they have received, understood and will abide by the Code of Conduct and other policies. The Code of conduct and whistle-blowing Policy both form an integral part of the induction process. Assurance was sought from all employees in early 2008 that they understood the Officers Code of Conduct and other policies through a policy acceptance exercise, which required them to answer questions to demonstrate their understanding. The Council's meta-compliance system will be launched in early 2010/11 automatically seeking assurances from all staff they are aware of and accept the key policies and procedures.

The Council regarded this process as an effective means of embedding a strong ethical culture amongst members of staff and raising their awareness and understanding of the importance of the ethical agenda and their responsibilities to protect the council, its resources and reputation. A Register of Officers Interests has now been introduced.

The Council has in place robust arrangements for the investigation of breaches of the Code of Conduct. The Internal Audit Section has dedicated and specialist resources for investigations, with the Principal Investigator being qualified as an accredited Counter Fraud Manager and Investigator. In addition, both the Council's Chief Internal Auditor and Principal Investigator have vast experience in undertaking investigations.

During 2009/10 Internal Audit has managed 48 investigations, of which 9 were as a result of individuals raising concerns through the Council's Whistle blowing Policy. Investigations centred around potential fraud / corruption, breaches of the code of conduct, breaches of the Council's key policies and procedures and grievances. It is important to note that the outcome of 27 of these investigations was that the allegations were unfounded, however, Internal Audit have a duty to consider and investigate all allegations received. As a result of the investigations 15 members of staff have been subject to internal 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.

The Management Development Programme has an e-learning module on the Council's disciplinary and investigation procedure to ensure that all managers are aware of the procedures and the need to report issues to Internal Audit and Human Resources.

The People Management Procedure is further supported by the detailed Internal Audit Investigation Manual, compliance with which ensures that investigations are undertaken professionally, appropriately, consistently, in a timely manner and in compliance with the law. The investigation procedures are reviewed regularly to ensure they comply with the law and represent best practice. The Internal Audit Service has recently undertaken a complete review of the investigations manual to ensure that it is up to date with recent changes made, including the changes in legislation, which comes into effect on 6 April 2009 for Disciplinary and Grievance investigations.

It is therefore considered, that the Council has developed, communicated and embedded codes of conduct and ethical standards for Members and staff. This has included defining the standards of behaviour.

**CIPFA/SOLACE Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

# Annual Governance Statement

**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.**

As referred to earlier, the Council's Constitution, which incorporates financial regulations and the scheme of delegation is subject to regular review and update, as required. A comprehensive review of the Council's Constitution has recently been undertaken and amendments to improve clarity. A separate review of the Council's scheme of delegation, which seeks to improve clarity and understanding has been undertaken and has almost been concluded.

The Council has robust systems for the production of committee reports which will form the basis of decisions by Members. A guide for report writers has been produced which outlines the processes to be followed, in the production of reports to mitigate risks and includes arrangements for consulting relevant services. The Council has continued to develop and embed its electronic Report Management System which assists in the production of robust reports and managing associated risks.

A guide has also been produced which details the processes and controls associated with individual Cabinet Members taking decisions within their portfolios and delegated powers.

The way in which the roles and responsibilities of the Audit and Risk, Overview and Scrutiny and Standards Committees has been reviewed and the terms of reference have been amended.

## **Scrutiny Committees**

The Overview and Scrutiny Commission and Committees receive quarterly reports regarding performance and the budget position with regards to areas within their remit and fulfil the key role of holding the Cabinet to account.

The Overview and Scrutiny Commission is responsible for establishing and co-ordinating task and finish groups, to undertake in depth reviews of Council policies and services or any other issue, which affect the residents of the District.

In Overview and Scrutiny's role of holding the Executive to account, if three Members of the Council or twenty members of the public are concerned about a decision made by the Cabinet, they can call-in the decision after it has been made. This has the effect of suspending the implementation of the decision until the Overview and Scrutiny Commission have considered the matter and decided whether to ask the Cabinet to reconsider the decision.

The Overview and Scrutiny Commission and Committees regularly consider matters prior to their consideration by the Cabinet and make comments in connection with the issue for the Cabinet to take into account when reaching its decision.

The Council is taking proactive measures to involve the local community in Overview and Scrutiny task and finish group reviews.

## **Financial regulations**

The Council has a Financial Regulations and Financial Procedure Note database, which is reviewed on a six monthly basis. Updates are placed in the Internet and intranet and e-mail notifications are sent. The Financial Regulations are approved by the Head of Service as the deputy Section 151 Officer and by Council where appropriate and form part of the Council's Constitution. Reactive changes are picked up at the next available review date e.g. when the constitution is refreshed. They also form part of the Corporate Governance Group assurance and compliance framework.

The Council communicates the financial regulations through the Modular Financial Training Programme and Stakeholder Forum, and are included in the Budget Management Handbook.

Compliance is demonstrated through the External Annual Audit and Inspection Letter, SAS 610 reports and assurance reports from Internal Audit. The results from the Use of Resources Assessment are built into an action plan and regularly monitored. New legislation and guidance and improvements from other assessments are incorporated as appropriate.

# Annual Governance Statement

Treasury Management arrangements have been reviewed in line with new statutory guidance, regulations and codes of practice. The TM strategy, Investment Strategy, Debt repayment policy and prudential indicators and are now reported to full Council half yearly. Relevant delegations, Constitutional and Financial Regulations have been amended accordingly.

## Internal control

In line with Financial Regulations (Section 2) the Council has always maintained a sound system of internal control for its key systems and the Council's Internal Audit Service reviews these controls on an annual basis, to ensure they are operating effectively. There are specific audit resources allocated within the Internal Audit Annual Plan for reviewing the core financial systems and for 2009/10 this was 180 days.

For 2009/10, the Internal Audit Section confirmed that for the key financial systems there is a sound system of internal control. Within the reports issued to the responsible officers, recommendations have been made to address non-compliance and to further evidence and improve the control environment. Internal Audit has not identified any material concerns that will affect the Chief Internal Auditor's ability to provide the annual assurance on the control environment.

## 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 systems of Internal Audit.

The 2008/09 annual opinion was reported to the Audit and Risk Committee in June 2009 and confirmed in relation to the Council's governance arrangements and the Annual Governance Statement, Internal Audit had 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 practice as detailed by CIPFA/Solace. The Audit review confirmed that a strong process had been developed to produce and support the Statement.

For 2009/10, an annual report will be presented to the Audit & Risk Committee in June 2010 where it will be considered whether the Council has an effective system of Internal Audit and that the Internal Audit Team has been effective in its use of resources available for 2009/10. The Internal Audit Service has provided the Council with a key support service focusing resources in the key risk areas, maintaining high quality work and high customer satisfaction. The External Auditor has confirmed their ability to rely on the work of the Internal Audit Service.

The Internal Audit Service complies with the Code of Practice for Internal Audit in Local Government and this has also been confirmed by the External Auditor.

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

## Risk Management and Business Continuity

The Council's strategic risks are directly linked to its strategic aims, and these are identified within the Council's Strategic Improvement Plan. The Council's risk register includes both the Council's strategic and operational risks and is updated with results from on-going review meetings (workshops) as part of a rolling programme. During the refresh of the CSIP in January 2010, the risks and assurances were reviewed and updated.

The Council's risk management toolkit provides managers with guidance on the basic principles of risk management and how to undertake risk profiles for their service, partnerships and projects. The Corporate Risk Management Team provides training to assist all key staff in understanding the corporate approach to Risk Management and their responsibilities as set out in the approved Risk Management Policy & Strategy. During 2009/10 this training has extended to partnerships and the LSP Executive have agreed to adopt the Council's risk profiles and workshops for each thematic groups will be undertaken in 2010/11.

The Audit and Risk Committee has established over the last three years a Member Risk Management Working Group, which reviews the Council's Risk Management arrangements. The Risk Management Working Group met five times during 2009/10 where 8 red risks and 8 project risks were reviewed and a number of other risk based issues were resolved.

## Annual Governance Statement

During 2009/10, a review of Recording Risks within Committee Reports was completed, due to Members concerns and some misunderstanding by the press of the purpose and content of the table. The Audit and Risk Committee's Risk Working Group were provided with options to improve the format and decided on an updated approach to include clearer titles, a three score table to be used at all times and opportunities to be identified in a separate table. The guidance notes have been updated to reflect these amendments. The improved format was endorsed at the Leaders Meeting on 18<sup>th</sup> January and rolled out to Committee report author's from 1<sup>st</sup> February 2010; training being provided as required.

The above process has resulted in Members having a clearer picture of the specific high-level risks of the Authority and particularly those risks surrounding partnerships. This has allowed the officers to obtain assurances about the management of those risks and has mainstreamed partnership risks into organisational risk management reviews.

The Council has an approved BCM Policy and Strategy which has been developed in line with best practice as contained within British Standard 25999-Part 1 2006. The Strategy and management process has not been subjected to independent assessment against BS 25999- Part 1 2006.

The Council's Corporate Business Continuity Plan sets out how the Council will continue to deliver a minimum level of service to its customers in the event of any event causing disruption to the delivery of services, examples being utility failure, ITG failure or loss of staff etc. During 2009 an Exercise and Review Programme was approved by Strategic Management Team that included a timetable for plans to be reviewed and tested. The purpose of the review and exercise is seen as vital to ensure that plans are maintained as 'fit for purpose' and familiar to staff.

During 2009/10 the Council's database recorded an average of 74.5% for review of BCM plans and a total of 27 exercises were completed. This has improved with the last result for the review of plans in April 2010 being 95%. The Council's Audit and Risk Committee now receives regular reports enabling it to seek assurance that the BCM Review and Exercise Programme is being adhered to.

During the year the Council invoked a corporate Business Continuity Plan for the Pandemic Flu outbreak, with regular management briefings and proactive initiatives, including a staff communications plan, resulting in one of the lowest sickness related absences in Essex. A live e-learning package on using the Council's IT systems has been developed, which will be launched in 2010/11.

Independent external reviews and assessments of the Council's risk management arrangements have included:

- A strategic diagnostic survey undertaken by a consultant confirmed that Basildon is stronger than the average of the other local authorities within the benchmarking group in performance in all but three area's and the consultant's confirmed that many of the other local authorities who have completed this survey are much larger than Basildon, and include Metropolitan and County Councils. As such they felt that this made Basildon's performance even more remarkable with what has been achieved so far.
- A peer review by IPF highlighted that in relation to risk management Basildon Council is performing well and as a result, a Use of Resources Level 3 score should be attainable, as in their experience, the Council is already demonstrating that it has implemented and accruing the benefits from recognised best practice.
- As part of the 2008/09 Internal Audit plan a review was undertaken of risk management where assurance was provided that the Council is well progressed in implementing comprehensive and robust risk management arrangements. In addition, as part of the review Internal Audit highlighted some areas to assist in strengthening and further embedding risk management.

It is therefore considered, that the Council has in place standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. These are reviewed and updated where appropriate.

**Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

# Annual Governance Statement

## Audit and Risk Committee

The Council established a specific Audit and Risk Committee in 2006 which enables a clear focus on audit related matters and allows Members to concentrate specifically on seeking assurance.

The membership of the Audit and Risk Committee consist of six Members of the Council, constituted in accordance with the proportionality rules relating to the political composition of the Council. The Members who sit on the Audit and Risk Committee are independent to the Executive and do not have Cabinet responsibilities, thus are able to provide independent assurance to the Council. The Terms of Reference for the Audit Committee has been set in line with the CIPFA Guidance.

It is considered that the Audit & Risk Committee provides effective challenge across the Council and seeks assurance on the Council's arrangements, in particular risk management, internal control and financial/other performance. The work of the Audit & Risk Committee has a positive impact on the Council and provides the Cabinet and Council with the required assurances, which are presented within the Chairman's Annual Report to full Council and assists the Leader of the Council and the Chief Executive to sign the Council's Annual Governance Statement. The agenda and minutes of the Committee meetings demonstrate the work of the Committee and the challenge the committee brings to these and other areas.

It is therefore considered, that the Council's Audit & Risk Committee undertakes the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to Members.**

## Lawful activity

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.

During 2009, a staff restructure produced a new post Manager of Legal and Corporate Governance to strengthen the links between lawful activity and the governance framework. The Corporate Governance Group, consisting of key officers and chaired by an Executive Director, has further developed the assurance framework around the corporate governance arrangements. This year, Service Based Governance Statements have again been compiled by every third tier manager with Heads of Service giving overarching assurances and Individual Statements with key officers who have specific responsibilities to further enhance the overall assurance for the 2009/10 corporate statement.

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 2009/10 when such a report was required.

All committee reports require the mandatory completion of a section detailing the legal implications of the reports and the Solicitor the Council is a compulsory consultee in respect of report preparation. This allows decisions to be taken with due regard to potential legal implications.

It is therefore considered, that the Council ensures compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All committee reports consider legal issues.

# Annual Governance Statement

## Arrangements for Whistle blowing and receiving and investigating complaints from the public

### Complaints

The Complaints procedure is set out under the theme of 'Have Your Say'. The 'Have Your Say' leaflet is available on the Council's website and on the Council's Intranet. Complaints can be made using the on-line form on the Council's website, by letter or in person. During 2009/10, the Council has reviewed its complaints procedure to ensure it is fit for purpose.

The Council is currently implementing a new complaints system (borne out of the review), which will enhance the current process, and will deliver a much more robust monitoring platform. This will allow monthly reporting on all stages of the complaints, and a fully tracked complaints journey. The new system would support us in continuing to present to the Appeals and General Purposes Committee in order that Members can get an overview and identify and challenge lessons learned

In addition, Customer Service performance reports are circulated to Heads of Service and third tier Managers on a monthly basis providing a range of information including the level of complaints received in connection with various services in order that services can seek to learn lessons and address issues of concern.

### Whistle blowing

The Council has had for many years a robust Whistle blowing Policy, which applies to all aspects of concern and not just fraud and corruption. The policy is designed to encourage individuals to feel confident in raising concerns, provide avenues for individuals to raise their concerns, provide feedback and to provide reassurance that they will be protected from possible reprisals or victimisation. The policy identifies a number of key Contacts to whom an individual can report. In addition to this, the Council has set up an e-mail address that staff can send concerns to.

This policy is reviewed regularly to ensure that it represents best practice. As such, the Policy was last updated and approved by the Standards Committee in June 2009, to ensure that the latest BSI Guidance was reflected appropriately. As with all Council Policies, the Whistle blowing Policy has also been Equality Impact Assessed to ensure that all necessary arrangements have been considered to allow any individual the ability to access, use and understand the policy. This policy is in line with all People Management Procedures, which are consulted with the Trade Union, before being jointly signed off.

The Council has clearly communicated the policy to all employees. The Policy is provided to each new starter within their induction packs and prior to commencing work, individuals are required to return a signed form confirming they have read and understood the Whistle blowing Policy.

A leaflet providing a summary of the Council's Whistle-blowing Policy is also included with documentation sent to external individuals and companies when expressing an interest to tender with the Council in a business opportunity.

It is therefore considered, that the Council has in place adequate arrangements for dealing with Whistle blowing concerns and receiving and investigating complaints from the public.

## CIPFA/SOLACE Core Principle 5 – Developing the capacity and capability of members and officers to be effective.

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

#### Inductions

Inductions are provided for all new Members elected to the Council. The Members Induction Session has recently been reviewed to ensure it is more comprehensive in future years.

With regard to inductions for senior officers specific to their roles, there are local arrangements in place at present. The Council has recently purchased a policy management and implementation system which

# Annual Governance Statement

integrates with the Council's e-learning systems and it is intended that this system will be utilised to provide formal training and awareness regarding relevant policies/procedures and other matters specific to officers taking up various senior officer positions. It is also intended to explore the same principle being used for all new staff to supplement the existing induction session by providing co-ordinated awareness and acceptance of key policies by all staff.

## Skills and training

The Council continues to provide a range of development opportunities for Members and has delivered a wide range of training and information sessions throughout the year and Members have attended various external training. Many of these are identified by Members and delivered as a result of their requests. Feedback is collected following all training provided to Members to assess its effectiveness.

The Council is aware of the increasingly challenging role of being a Councillor including the increasing emphasis of their Community Leadership role and the many varying roles which individual Councillors fulfil in the Council's decision making process i.e. membership of different committees and different roles on those committees alongside the differing backgrounds and levels experience of individual Members. Therefore the development of a comprehensive Member Development Programme built around the formulation of personal development plans for Members is something that the Council will be addressing in 2009/10.

In conjunction with the implementation of a new Member Development Programme, a review will be undertaken of the Members role profiles to ensure they are interlinked.

It is therefore considered, that the Council has identified the development needs of Members and senior officers in relations to their strategic roles, but more formal arrangements will be developed during 2009/10 to improve the process.

**CIPFA/SOLACE Core Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.**

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

## Community engagement

The Council has a range of ways of engaging with stakeholders and service users to gain an understanding of the diverse needs of the local community, including those who are difficult to engage with. This information is then used to inform services and priorities. Engagement mechanisms include the citizens panel, focus groups/forums, the place survey, the status survey, the Council's call centre, through ward/parish Councillors, Overview and Scrutiny and tenant participation.

The Council is committed to working with partners including the Local Strategic Partnership to achieve outcomes, and recognises the importance of the emerging partnerships agenda, reflected by the move towards Comprehensive Area Assessment. The Council undertook work to assess the implications of the community engagement and empowerment agenda, which has ensured it is aware of the emerging issues and can respond effectively.

Examples of recent consultations include budget consultation, fear of crime and open spaces. Results from community involvement and consultation are used to set the Council and partner's priorities and objectives. Individual services undertake specific consultation e.g. Cultural services user surveys, Customer Services reception visitor surveys, call centre surveys and website user surveys. These are used to inform service development and are outlined in Service Plans where appropriate.

Inconsistent consultation and engagement with the public has been identified in the Service based statements and this is reflected in the improvements table.

## Inclusion and diversity

Information from focus groups has been used recently to develop the Opportunities for All Scheme (OAS). The Council monitors equalities through all contact with the public/service users e.g. through the call centre, which helps to demographically identify those accessing our services. The Council also involves the local community

## Annual Governance Statement

in the design of services, with the most recent example being a customer services consultation asking service users and the public if they would like specific services to have longer opening hours. Specific ways of targeting those that are hard to engage include organising cohesion conferences/events to build networks and relationships with representatives of these communities and holding community forums

The Council hosts a number of community forums. The purpose of all meetings is to ensure that the Council:

- Meets legislative requirements under the Equalities legislation, consultation and engagement requirements, and our Duty to Involve
- Empowers the community by involving them in the Council's decision making process, and
- Designs its services to meet the needs of our community.

These forums are community led and act as scrutiny mechanisms to ensure that the Council is meeting its objectives and targets in the Opportunities for All Scheme. Prior to the groups being formally established, the existing members of the groups were involved in the development of the OAS.

Working in partnership with Essex County Council, the Council has recently established a Traveller Forum. Hosted at the traveller's site, the first meeting took place on 9th March 2009 and will be held monthly.

The first community cohesion conference organised by Basildon Council was held on 23 October 2008. It will run every 3 years. It brings together organisations and community leaders across the private, public and voluntary sectors to discuss the positive promotion of good community relations. It aims to help create a community where there is a common sense of belonging and where the diversity of peoples' backgrounds and circumstances is appreciated and positively valued.

The conference in October kick-started the process of developing a district community cohesion strategy that is owned by the LSP. The conference identified key objectives, which are currently being used to develop the strategy. Follow up workshops have been held to give those who did not attend the conference the opportunity to engage. The strategy will be finalised and launched by a sub group of the LSP in October this year.

It is therefore considered, that the Council has established clear channels of communication with all sections of the community and other stakeholders, thus ensuring accountability and encouraging open consultation.

### **CIPFA STATEMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER IN LOCAL GOVERNMENT**

The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local government (2010) have been considered and it has been established that the Councils financial arrangements conform with the requirements.

### **REVIEW OF EFFECTIVENESS**

The 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 senior managers and 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 the 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 developments against strategic objectives.
- 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 identified by the Corporate Governance Group and officers assigned with responsibility for coordinating corporate governance.
- Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services.

## Annual Governance Statement

- Meetings of the Audit & 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 the 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 principles.
- Service based governance statements, incorporating service based corporate governance actions.

In relation to the Council's Governance arrangements and Annual Governance Statement, Internal Audit has undertaken a review of the controls in place to ensure that the Council has an appropriate and robust procedure in place that underpins the production of the Annual Governance Statement 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 good process has been developed to produce and support the Statement. As with any 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.

Accordingly, we have been advised of the result of the review of the effectiveness of the governance framework and a plan to address the issues identified and ensure continuous improvement of the process is in place. In particular, we have been advised by the Council's Manager of Audit & Risk (Head of Internal Audit) and the issues highlighted in the Annual Report to the Audit & Risk Committee in June 2010.

In accordance with the Accounts and Audit Regulations and the CIPFA Code of Practice on Internal Audit, the Manager of Audit & Risk is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes and this is set out below.

Internal audit has completed the program of work for the year ended 31<sup>st</sup> March 2010 and the Manager of Audit & Risk has reported that their work did not identify any significant control weaknesses that he considers to be pervasive in their effects on the system of internal control. However, internal audit has identified the areas where improvement in control is required and will be reflected in the Annual Report.

Following the review of the Annual Governance Statement by Internal Audit a detailed report and action plan has been developed to address the issues identified.

We give our assurance that the Council as a whole is committed to continuous improvement and believe that we have established the excellent foundations upon which to build further capacity to enable us to continue to further develop and strengthen our governance arrangements.

# Annual Governance Statement

## SIGNIFICANT GOVERNANCE ISSUES FOR IMPROVEMENT

The purpose of the following table is to provide a summary of those areas that have been identified as potential risks as part of the delivery of the Council's service objectives and priorities. In addition, the initial review, undertaken as part of the Council's governance arrangements, has identified a number of control issues together with an action plan to address such issues and improve effectiveness.

<b>Risk Area / Control weakness</b>	<b>Planned Action</b>	<b>Responsible Officer</b>	<b>Timescales</b>
Inconsistent approach to public consultation and engagement being undertaken throughout the Council	<ul style="list-style-type: none"> <li>Review consultation being undertaken and effectiveness</li> <li>Mandatory inclusion within individual business plans.</li> <li>Determine appropriate levels of consultation relevant to service areas</li> </ul>	Scott Logan and Rab Fallon	September 2010
Inconsistent approach to performance management at individual service level	<ul style="list-style-type: none"> <li>Review performance reporting through the 'planning for improved performance work stream' to ensure appropriate reporting is produced.</li> </ul>	Gerry Levelle	September 2010
Weaknesses identified in governance arrangements for partnerships	<ul style="list-style-type: none"> <li>Review of the partnership governance statement</li> <li>Implement improvements identified and approved by Audit and Risk Committee in March 2010.</li> </ul>	Colin Evans and Lisa Hamilton	September 2010
Review of Monitoring Officer Protocol and associated procedures for assessment of Member Code of Conduct complaints to ensure in line with current guidance	<ul style="list-style-type: none"> <li>Produce draft revised protocol for challenge by Audit and Risk Working Group</li> <li>Report on progress to Standards Committee</li> <li>Final Protocol and revised procedures to be approved by Standards Committee</li> </ul>	Lisa Hamilton	May 2010  July 2010  September 2010
Reporting of Corporate Financial, Service Performance and Risk	<ul style="list-style-type: none"> <li>Review reporting arrangements to Strategic Management Team and Members</li> <li>Continue to develop corporate dashboards with business units.</li> </ul>	Angela Clarke, Colin Evans and Malcolm Gorrige	July 2010
Complete the review of the Constitutions Scheme of Delegation	<ul style="list-style-type: none"> <li>Complete the review of the Constitutions Scheme of Delegation</li> <li>Report changes to Full Council for adoption</li> </ul>	Paul Burkinshaw	September 2010.

## Annual Governance Statement

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 the effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed A.J. BALL

Date 2 July 2010

Councillor Tony Ball

Leader of the Council

Signed B MAHENDRAN

Date 2 July 2010

Bala Mahendran

Chief Executive of  
Basildon District Council

# Annual Governance Statement

## Appendix 1

### SOURCES OF ASSURANCE

CIPFA/SOLACE Core Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

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

Arrangements in place to review the authority's vision and its implications for the authority's governance arrangements.

Sources of Assurance:

- Corporate Governance Group
- Manager of Policy, Performance and Review
- Head of Communications
- Inclusion and Diversity Manager

Measuring the quality of service 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 Resources
- Manager of Policy, Performance and Review
- External Audit
- External Inspections

CIPFA/SOLACE Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles.

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

Sources of Assurance:

- Monitoring Officer
- Manager of Democratic Services

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

Sources of Assurance:

- Manager of Legal and Corporate Governance
- Manager of Policy, Performance and Review

CIPFA/SOLACE Core Principle 3 – Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

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

Sources of Assurance:

- Chairman of Standards Committee
- Monitoring Officer
- Human Resources Manager

CIPFA/SOLACE Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

# Annual Governance Statement

## Appendix 1

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
- Monitoring Officer
- Head of Resources
- Manager of Audit and Risk
- Manager of Customer Services (covering Business Continuity)
- Solicitor to the Council
- Manager of Democratic Services
- Manager of Environmental Health
- External Audit

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

Sources of Assurance:

- Chairman of Audit and Risk Committee
- Manager of Democratic Services
- Monitoring Officer

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

Sources of Assurance:

- Section 151 Officer
- Monitoring Officer
- Head of Resources
- Manager of Legal and Corporate Governance
- Solicitor to the Council

Receiving and investigating complaints from the public.

Sources of Assurance:

- Customer Services Manager
- Manager of Audit and Risk

CIPFA/SOLACE Core Principle 5 – Developing the capacity and capability of members and officers to be effective.

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

Sources of Assurance:

- Manager of Democratic Services
- Manager of Human Resources and Organisational Development

CIPFA/SOLACE Core Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.

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

Sources of Assurance:

- Manager of Inclusion and Diversity
- Manager of Policy, Performance and Review

# Annual Governance Statement

## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
<b>CIPFA/SOLACE Core Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area (KLOE references 1.3.2, 2.1.1, 2.2.4, 2.3.1, 2.3.2)</b>				
<p>Use of Resources KLOE 08/09</p> <p>Under Managing Finances:</p> <p>The Council has achieved efficiency savings in the context of costs that start from a high base. It understands its costs but a recurring theme is that the Council does not link its understanding of costs and performance consistently or systematically. The programme of lean service reviews should contribute to addressing this issue.</p>	<p>Continue to develop cost and performance information to gain a clear understanding of the linkage between the two and enable more effective decision making going forwards.</p>	<p>Cost/performance data will be included in all relevant service business plans for 2010/11 by the end of April 2010. Such information will be challenged by relevant Heads of Service and Cabinet members on a quarterly basis.</p> <p>The Council has undertaken a comprehensive financial efficiency programme and as part of the 2010/11 budget process identified a target of some £19 million of ongoing savings for the period April 2009 to March 2014 of which some £13.4 million has already been achieved and deleted from the budget.</p> <p>In addition the Council has initiated a series of lean based service reviews from summer 2008 which looks specifically at the drivers of cost and performance. A further 3 year programme is in place to review all major services with a financial savings target as a minimum of £200k per annum. A particular model being piloted in Leisure services comprises of finance, performance, risk and other service related elements.</p>	<p>Colin Evans, Manager of Policy, Performance and Review/Angela Clarke, Manager of Finance Accounting and Treasury</p>	<p>End of April 2010</p>
<b>CIPFA/SOLACE Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles. (KLOE references 2.3.1, 2.3.4)</b>				
<p>Annual Audit and Inspection Letter</p> <p>and</p> <p>Annual Governance Statement</p>	<p>The Council needs to ensure that there is clarity regarding the roles of officers and Members.</p> <p>Complete a review of the Council's Constitution and</p>	<p>A review of the Council's Constitution has been undertaken and completed leading to increased clarity regarding the role of officers and Members.</p> <p>A review of the Council's scheme of delegation, which will provide further clarity will be concluded and reported to Council in May 2010.</p>	<p>Paul Burkinshaw, Democratic Services Manager</p>	<p>February 2010</p> <p>May 2010</p>

# Annual Governance Statement

## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
	Scheme of Delegation.	The Use of Resources Assessment 2009 report highlighted that there is a good working relationship between Members and officers		
Statement of Internal Control	Continue to review elements of the scheme of delegation in particular those relating to development control functions. Review of procedural rules in particular those relating to procurement and contracts.	<p>The review of the scheme of delegation does not include a review in connection with development control functions. However, a review of the scheme of delegation in connection with development control functions is being undertaken by the Cabinet Member for Development Control and Customer Services and officers who will bring forward any proposed amendments following completion of the review.</p> <p>As previously reported to the Audit and Risk Committee, the review of the contract procedure rules had been completed but a further review has been commenced with an officer working group. The outcome of the latter review is to consider whether the revised procedure rules meet the needs of the services and are up to date with procurement legislation and good practice ensuring value for money and transparency is achieved</p>	<p>Paul Burkinshaw, Democratic Services Manager</p> <p>Lisa Hamilton, Manager of Legal and Corporate Governance</p>	<p>Review of Scheme of Delegation – May 2010.</p> <p>Review of Scheme of Delegation – Development Control Functions – July 2010.</p> <p>Completion due end of June 2010.</p>
<b>CIPFA/SOLACE Core Principle 3 – Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour. (KLOE references 2.3.3)</b>				
Annual Governance Statement	Monitor compliance with Council policies.	A new IT system ‘Metacompliance’ has been developed to test staff awareness and compliance with	Lisa Hamilton, Manager of Legal	Launch of Meta-

# Annual Governance Statement

## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
		the Council's policies. The outcome of the pilots has been successful and it is planned to roll out the system to all staff by the end of May 2010. Officers will undertake a review to assess whether the approach is meeting its objectives with a view to expanding the scope of the system further.	and Corporate Governance	compliance system by end of May 2010.
<b>CIPFA/SOLACE Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk. (KLOE references 2.3.3, 2.4.1, 2.4.3)</b>				
Annual Governance Statement	Undertake a review of the Corporate Complaints Procedure.	This full corporate review and implementation has been carried out (Oct 09), and will be presented to SMT during Jan 10. Full agreement and roll out is planned by the end of Jan 10. This review includes a fully documented process with formal training guide, including a corporate use of CRM, reporting and analysis feedback.	Lee Washbrook, Customer Services and Office Facilities Manager	April 10 The Complaints process will fully cover all corporate requirements including full CRM service implementation, and a training programme to ensure full compliance.
Annual Governance Statement	Review and monitoring of actions arising from the production of the Annual Governance Statement and Local Code of Governance.	The process for undertaking the Annual Governance Statement has been revised and the Corporate Governance Group has agreed a new procedure. Presentations were delivered to the Council's Management Teams in November to raise awareness and explain the process. Service Managers will take responsibility for completing their service assessments with the production of plans where action identified. Heads of Service will approve the statements and sign	Lisa Hamilton, Manager of Legal and Corporate Governance	Presentations completed in November 2009  Heads of Service to approve service

# Annual Governance Statement

## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
		off the action plans in March 2010. In addition appropriate statements have been prepared for officers with corporate responsibilities.		statements in March 2010.
Annual Governance Statement	Raise the level of awareness of corporate governance amongst staff, the public and other stakeholders.	<p>The revised process for the Annual Governance Statement has raised the awareness with service managers. The Council's Standards and Overview and Scrutiny Committees have both received reports on the governance arrangements with partnerships in June and September 2009.</p> <p>Assessment of the level of awareness will be made during production of the Annual Governance Statement which will be produced by the end of April 2010 (It is intended that the 6 key principles of governance will form part of our future approach to corporate planning).</p> <p>The Overview and Scrutiny Committee have referred Partnership Governance to the Audit and Risk Committee who will receive a report in March 2010 setting out how the Council is meeting the requirements as outlined in the KLOE and seeking to obtain assurance over the governance arrangements for partnerships.</p> <p>A review has commenced at the request of the Standards Committee (June 2010) to seek assurance of the Code of Conduct and decision making arrangements with the Council's partners.</p>	Lisa Hamilton, Manager of Legal and Corporate Governance.	<p>End of April 2010</p> <p>March 2010</p> <p>June 2010</p>
Annual Governance Statement	Implementation of actions arising from internal audit reviews.	<p>It is the responsibility of service management to ensure that the recommendations made following an audit review are appropriately implemented within the timescales agreed.</p> <p>It is planned that such actions will be monitored through</p>	Malcolm Gorringe Interim Manager of Internal Audit	Ongoing

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## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
		<p>the Councils corporate performance tracking system and escalated to senior management if and when required.</p> <p>In addition Internal Audit will regularly provide evidence that actions have been implemented by management and these will feature in performance reports to the Audit and Risk Committee.</p>		
Annual Governance Statement	Continue providing procurement training for relevant staff.	Training on the Council's Corporate Procurement Strategy and Framework continues to be rolled out across the Council. So far 7 sessions delivered with 62 officers attending. A review of the representation of officers having attended the training has been undertaken and services areas will ensure that appropriate officers are programmed to attend as this training is part of the Governments mandatory training arrangements.	Lisa Hamilton, Manager of Legal and Corporate Governance	Further training sessions will be delivered throughout 2010 being targeted at relevant officers.
Annual Audit and Inspection Letter 2007 - 2008 (March 2009)	Ensure that the action plan arising from the Access to Services inspection is delivered as planned in 2009/10.	Progress against the action plan is being monitored and was reported to the Leisure and Health Scrutiny Committee on 16 <sup>th</sup> September 2009. A full review of the action plan will take place in early 2010 to look at what actions remain outstanding and what actions need to be removed, with an update to Leisure and Health Scrutiny Committee due in March 2010	Scott Logan, Head of Customer Services	March 2010
Use of Resources KLOE 08/09  Under governing the business:  Data security and data quality generally meet minimum standards,	Further develop the arrangements for securing of data quality, particularly in respect of partnership data.	The Council has reviewed its performance management arrangements and has recently added data quality functionality into the corporate performance management system, Performance Plus, rather than use a separate data quality system. Once embedded, it is anticipated that this will support the integration of data quality with performance reporting. Basildon Crime and Disorder Reduction Partnership have adopted a data sharing protocol with partners to enable	Colin Evans, Manager of Policy, Performance & Review	Performance Management Arrangements in place March 2010

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## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
<p>although the exception to this is the arrangements for ensuring data quality of partnership data which is reflected in the results of our data quality spot checks.</p>		<p>the sharing of data for the purposes of profiling, statistical analysis and performance management. This protocol will be enhanced to include a data quality statement and rolled out across the Local Strategic Partnership in 2010, building upon existing arrangements and best practice from partners.</p> <p>The Local Strategic Partnership have also recently adopted performance management arrangements to track progress towards delivery of the Sustainable Community Strategy and LAA targets. The performance indicator data used to track progress include data from the National Indicator set and other sources including IQUANTA (crime data) and other local data sets. All of these indicators are subjected to assessment or audit in order to ensure data quality. Regular reports are submitted to the LSP Support &amp; Coordination group and the LSP Executive.</p>		
<p>There is further work required to deliver GCSX.</p>	<p>Continue to work to achieve GCSX (secure government internet connection)</p>	<p>The Council went live on GC on the 29<sup>th</sup> September 2009. There are a number of initiatives that need to be fully implemented as agreed as part of the compliance process. Further evaluation will be taking place in conjunction with the Essex Online Partnership on any changes required to comply with future revisions of the code of connection in line with the annual renewal process. The updated version of the Code of Connection that the Council needs to comply with by end Sept 2009 has recently been released. Further clarification work is underway with the Essex Online Partnership. Main area of change relates to remote working and this could have an impact on existing BDC arrangements.</p>	<p>Lee Hession, Manager of IT</p>	<p>Annual renewal process (Sept 2010)</p>
<p><b>CIPFA/SOLACE Core Principle 5 – Developing the capacity and capability of Members and officers to be effective. (KLOE references 2.3.1, 3.3.1)</b></p>				

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## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
Annual Governance Statement	Identification and delivery of the development needs of Members.	<p>This is an area identified for further development in the future and will be a key focus over the next 12 months, with the identification of individual Members development needs proposed to be at the heart of the Member Development Programme. It is intended that work is undertaken between now and the end of the current municipal year in order that Members specific development needs can be delivered throughout the 2010/11 municipal year and beyond.</p> <p>Member Training continues to be provided, as required and at the request of individual Members.</p>	Paul Burkinshaw, Democratic Services Manager	<p>Identification of members development needs – May 2010.</p> <p>Delivery of training – commence June 2010</p>
Use of Resources 08/09 Under Managing Resources	Continue to develop the identification of skills gaps at the Council supported by a plan to identify staff requirements in the medium to longer term.	<p>An updated People Strategy is being finalised with a three year action plan which has identified a number of key corporate priorities.</p> <p>This includes a council wide skills gap analysis and a link to implementing a talent management structure.</p> <p>This follows the successful implementation of our 'Good to Great' Programme with 30 staff having been identified and personal development plans have been put into place to ensure their relevant identified training needs can be met.</p> <p>We are also undertaking a full review of our corporate training and evaluation provision to ensure that it reflects future workforce requirements in the medium to long term. Further pilots have also taken place to consider workforce planning taking into account complementary issues such as succession planning.</p> <p>The Council's Inclusion &amp; Diversity Manager has met with all relevant service managers and updated the Opportunities for All Action Plan.</p>	Caroline Nugent Manager of HR/OD	March 2010

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## Appendix 2

Conclusions from work	Recommendations	Action Taken In Response To Recommendation	Responsibility	Timing
	Work to meet the “achieving” level of the New Equality Framework	<p>A cross-party member’s group is set up on a needs basis to discuss the following in relation to the Opportunities For All Action Plan:</p> <ul style="list-style-type: none"> <li>- Changes to legislation that affect the Opportunities for All Action Plan and Scheme</li> <li>- Progress on delivering targets and areas for concern</li> </ul> <p>The cross party member group is also involved in the annual review of the Opportunities For All Action Plan.</p> <p>The Council is working towards the criteria of the “New Equality Framework”. A group of officers held an initial meeting in November to produce a gap analysis and improvement plan. A peer review has been programmed for October 2010 prior to our formal assessment by the Improvement and Development Agency (IDeA)</p> <p>The responsible Cabinet Member (for Community) is closely involved in these developments and a number of members have attended a meeting with the IDeA to discuss the requirements for the “achieving level” of the New Equality Framework</p> <p>Outcome; The ultimate desired outcome will be to raise the profile and mainstreaming of Inclusion &amp; Diversity across the Council in order to meet the diverse needs of our customers.</p> <p>Additional Inclusion &amp; Diversity training for members will be considered</p>	Ndunge Kivuitu, Manager of Inclusion & Diversity	October 2010

CIPFA/SOLACE Core Principle 6 – engaging with local people and other stakeholders to ensure robust public accountability. (KLOE references 2.1.1, 3.3.4)



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## Glossary



# Glossary

## **Accrual**

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

## **Appropriations**

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

## **Balances**

A Council's accumulated surplus of income over expenditure, after allowing for any Reserves.

## **Balance Sheet**

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

## **Benefits**

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

## **Billing Authority**

This refers to Basildon District Council as the authority responsible for the invoicing and collection of the Council Tax from all residential properties in the District. This is undertaken on behalf of Basildon District Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Parish and Town Councils. The Billing Authority is also the authority responsible for the invoicing and collection of National Non-Domestic Rates on behalf of central government.

## **Budget Requirement**

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

## **Capital Charge**

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

## **Capital Expenditure**

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

## **Capital Financing Costs**

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

## **Capital Financing Requirement**

The statutory measure of a local authority's underlying need to borrow for capital purposes.

## **Capital Programme**

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

## **Capital Receipts**

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

## **Carry Forwards**

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

# Glossary

## **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services. It publishes the Statement of Recommended Practice (SORP) on which local authority accounts are prepared.

## **Collection Fund**

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

## **Community Assets**

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

## **Commuted Sums**

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

## **Contingency**

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

## **Contingent Liability**

An amount at the Balance Sheet date that the Council may be liable to incur but which is dependent on the occurrence, or non-occurrence, of some future event. The potential liability is disclosed as a Note to the accounts rather than reflected in the accounts themselves.

## **Council Tax**

A local tax on the occupiers of residential properties to finance the Budget Requirement of the local authority for the year.

## **Council Tax Base**

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

## **Creditors**

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

## **Debtors**

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

## **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. A full schedule of current fees and charges is published on the Council's website.

# Glossary

## **Financial Regulations**

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

## **Financial Year**

The period of twelve months covered by the accounts and 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 are accounted for here.

## **Housing Revenue Account (HRA)**

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

## **Impairment**

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

## **Insurance Pool**

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

## **Intangible Assets**

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

## **Leasing - Finance and Operating**

A method of acquiring the use of capital assets by which the investment is made by a lessor and a rental is charged to a lessee. The Council operates both as lessor and lessee in respect of land and property and as lessee in respect of vehicles, plant and equipment and certain other land and property. 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**

Cash in hand, money at bank and readily realisable short-term investments.

## **Major Repairs Allowance (MRA)**

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

## **Major Repairs Reserve (MRR)**

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

## **Management and Administration**

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

## **Materiality**

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

## 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 service-related income.

### **Non-distributed Costs**

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

### **Non-Domestic Rates**

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

### **Post Balance Sheet Events**

Events that occur between the Balance Sheet date and the date on which the Responsible Officer signs the Statement of Accounts. These are disclosed where required in the Notes to the Core Statements.

### **Precept**

The amount that local authorities providing services within the Basildon 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 an obligation at the Balance Sheet date, but where the exact amount or the date on which it will arise is uncertain. A provision is created by making a charge to revenue in the year in which the obligation is recognised.

### **Public Works Loans Board (PWLB)**

A government agency that offers longer-term loans to local authorities at interest rates marginally above the government's own cost of borrowing. It also acts as lender of last resort.

### **Reserves**

Reserves are set aside at the discretion of the Council to meet items of expenditure in future years.

### **Responsible Officer**

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

### **Revenue Support Grant**

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

### **Running Expenses**

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

### **SORP**

The Statement of Recommended Practice which sets down in detail how accounting standards are to be applied to the preparation of the Statement of Accounts in local government.