

# Annual Financial Report

## 2014-2015



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# Explanatory Foreword – Guide to the Financial Statements

## POLITICAL STRUCTURE

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

Conservative	17
UK Independence	10
Labour	9
Independence Group	3
Independent Labour	2
Liberal Democrat	1

Councillor Mo Larkin was Mayor of the Council for the municipal year 2014/15 and the Leader of the Council at 31 March 2015 was Councillor Phil Turner.

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

The Cabinet is the Council's 'Executive' and is responsible for delivering the Council's priorities within the budget set by Council and for ensuring that services are delivered to expected levels. The Leader of the Council has delegated authority from the Council to determine the size and membership of the Cabinet. On 31 March 2015 the Cabinet consisted of eight Members of the Council, six of whom were members of the Conservative group and two members of the UK Independence group. They held specific areas of responsibility as indicated below:

- Leader of the Council – *Councillor Phil Turner*
- Deputy Leader of the Council and Arts and Leisure – *Councillor Kevin Blake*
- Resources – *Councillor Stuart Sullivan*
- Regeneration and Planning – *Councillor Richard Moore*
- Environment and Community – *Councillor Terri Sargent*
- Housing and Community Safety and Assistant to the Leader – *Councillor Anthony Hedley*
- Cabinet Member without responsibility – *Councillor Linda Allport-Hodge*
- Cabinet Member without responsibility – *Councillor Mark Ellis*

Other standing committees dealt with a range of non-executive and quasi-judicial matters such as planning, licensing and senior staff appointments. The Overview and Scrutiny Commission and related sub-committees played a key role in holding the Executive to account, monitoring the performance of the Council and undertaking task and finish reviews on specific topics. The Audit and Risk Committee is a Non-Executive Committee whose role is to provide independent assurance to the Council and the Cabinet on the adequacy of the overall corporate governance and internal control environments. This includes scrutiny of treasury management, risk management and financial reporting processes. It reviews and approves the Statement of Accounts following the completion of the audit process. For information on the current Council, its councillors and committee structure, please visit our website at [www.basildon.gov.uk](http://www.basildon.gov.uk).

## ORGANISATIONAL STRUCTURE

The Council's management arrangements reflect an operating model commonly seen in other public services and follows a Gold (strategic), Silver (tactical) and Bronze (operational) approach. The Gold level consists of the Chief Executive, three Commissioning Directors and the Head of Executive Support and Monitoring Officer. Silver (tactical) comprises four Heads of Service, five Group Managers, the Solicitor to the Council and the Marketing and Communications Interim Manager. The Bronze (operational) level restructure was completed during 2014/15. The salaries paid to and benefits received by the Officers in the Gold and Silver levels are set out in Note 14 to the Statement of Accounts.

At 31 March 2015, the Council had 936 employees in post - 713 full-time and 223 part-time. (At 31 March 2014 there were 939 employees in post – 715 full-time and 224 part-time). The full time equivalent of these employees in 2014/15 was 845.5 (2013/14 848.0).

## THE COUNCIL'S VISION

The Council's vision is to create opportunity and this is underpinned by five promises. The first two promises are to get the basics right and to deliver value for money. By achieving these two promises we will create

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the platform to deliver our three aspirational promises to transform our Borough, to support the local economy, and to demand better public services from our partners. Members and officers articulated this vision through a four year corporate plan that was approved in December 2012 and this forms the basis of everything the Council does for local people.

The vision to create opportunity has been extended by the Chief Executive via a sixth promise to staff and funds have been set aside to support enhancing the working environment and to support staff development.

### THE COUNCIL TAX 2014/15

The net budget requirement for Basildon Borough is the amount needed to finance Council services after allowing for planned expenditure and income. For 2014/15, this was set by the Council at £27.0 million, after transferring £1.7 million from reserves. The amount met by Revenue Support Grant, other grants from Central Government and Business Rates (under the retention arrangements) was £12.8 million (47.4%), leaving £14.2 million (52.6%) to be raised locally from Council Tax (the Council Tax Requirement).

The 2014/15 Band D Council Tax for Basildon Council services was held at £252.81 (the same as 2013/14). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverables and the local council tax support scheme) of 56,070 Band D equivalent properties.

### THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2014/15 financial year. The major factors affecting the outturn for the year are discussed in more detail in the section 'Major Influences on the Council's Finances for 2014/15 and the Future'.

The tables below show the original budget for the year as approved by Council on 20 February 2014. This budget was revised during the year to take into account unspent budgets carried forward from 2013/14 and other approved budget changes. The result of these changes is the working budget column. The outturn variance is calculated by comparing the actual outturn plus unspent budgets carried forward to 2015/16 with the working budget. Carry forwards are authorised where there is budget provision for specific items that are committed or planned but the specific goods or services were not received by 31 March. Once authorised the carry forwards are added to the budget for the following year funded by the related unspent reserves.

### GENERAL FUND REVENUE

The following table shows the overall net expenditure across the main General Fund activities of the Council for 2014/15. The General Fund is the main revenue fund of the Council.

Net expenditure for 2014/15 was £0.4 million lower than the working budget for the year, after allowing for £12.8 million of budget items to be carried forward to 2015/16. This was largely as a result of increased efficiency savings, other underspends and increased income, and includes the delivery of the 2014/15 efficiency target of £1.0 million. These reductions in spending are being analysed to identify any effect on the current and future years' budgets.

The main budget items carried forward were for the Local Development Framework (£0.9 million), Planning Special Enforcement (£2.4 million), the continuation of major investment projects that are yet to be completed (£2.2 million) and transformation programme projects approved by Cabinet (£1.9 million). The remainder relates to a wide range of service issues including externally funded projects totalling £0.4 million and regeneration projects totalling £0.3 million.

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	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£m	£m	£m	£m	£m	£m
<b>Service Net Expenditure</b>						
Community	1.6	1.8	1.6	(0.2)	0.2	-
Development and Regulation	1.4	2.8	(1.4)	(4.2)	4.1	(0.1)
Environment	6.6	6.2	6.1	(0.1)	-	(0.1)
Housing	2.6	3.5	3.1	(0.4)	0.2	(0.2)
Leisure	6.5	7.3	7.2	(0.1)	-	(0.1)
Regeneration & Partnerships	1.0	1.6	1.2	(0.4)	0.5	0.1
Corporate & Central	10.1	17.3	9.5	(7.8)	7.8	-
<b>Net Cost of Services</b>	<b>29.8</b>	<b>40.5</b>	<b>27.3</b>	<b>(13.2)</b>	<b>12.8</b>	<b>(0.4)</b>
<b>Funding</b>						
Government Grants (including business rates)	12.8	12.4	13.4	(1.0)	-	1.0
Council Tax	14.2	14.9	14.6	(0.3)	-	(0.3)
<b>Total</b>	<b>27.0</b>	<b>27.3</b>	<b>28.0</b>	<b>(0.7)</b>	<b>-</b>	<b>0.7</b>
Transfer from/(to) reserves	2.8	13.2	(0.7)	(13.9)	12.8	(1.1)
<b>Total Funding</b>	<b>29.8</b>	<b>40.5</b>	<b>27.3</b>	<b>(13.2)</b>	<b>12.8</b>	<b>(0.4)</b>

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## HOUSING REVENUE ACCOUNT

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

The table below sets out the outturn for the HRA for 2014/15.

The variances fall into the following main categories, namely, underspends on on-going projects, planned & cyclical maintenance works that were delayed for various reasons and sums set aside centrally to meet future anticipated costs. The Council is developing a new build acquisition and disposal programme to meet identified housing need and contributions from revenue unspent will be carried forward to meet the programme spend year on year.

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£m	£m	£m	£m	£m	£m
<b>Expenditure</b>						
Management	18.4	17.1	16.0	(1.1)	1.3	0.2
Repairs	10.5	11.4	10.5	(0.9)	0.9	-
Depreciation and Financing costs	23.9	21.3	21.5	0.2	-	0.2
Revenue Contribution to Capital	1.8	3.2	0.3	(2.9)	2.6	(0.3)
<b>Total Expenditure</b>	<b>54.6</b>	<b>53.0</b>	<b>48.3</b>	<b>(4.7)</b>	<b>4.8</b>	<b>0.1</b>
<b>Income</b>						
Rents	51.2	49.6	49.5	(0.1)	-	(0.1)
Service charges	4.2	5.0	5.1	0.1	-	0.1
Contributions	0.5	0.4	0.5	0.1	-	0.1
<b>Total Income</b>	<b>55.9</b>	<b>55.0</b>	<b>55.1</b>	<b>-</b>	<b>4.8</b>	<b>0.1</b>
<b>Total net cost</b>	<b>(1.3)</b>	<b>(2.0)</b>	<b>(6.8)</b>	<b>(4.8)</b>	<b>4.8</b>	<b>-</b>

The Council sets its rents in accordance with the Government preferred policy of rent restructuring which aimed to harmonise rents in the social housing sector (local authorities and housing associations) by 2015/16. As well as Council rents changing to be comparable to similar types of social properties across the country, every year rents also increase, under the policy, by inflation (the Retail Price Index) plus 0.5%. Members determined to moderate the increase that this approach produced resulting in an average rent increase of 3.91% for 2014/15. The average rent per dwelling per week in 2014/15 was £85.83 (£82.60 in 2013/14). There were 11,049 dwellings in the Council's Housing stock as at 31 March 2015 (11,173 as at 31 March 2014).

The Council took the decision during the year that the shops and garages accounted for in the HRA were no longer held primarily for housing purposes. As a consequence they were transferred to the General Fund with effect from 1 April 2014. At 31 March 2015 the Council owned 5,445 garages (5,459 at 31 March 2014).



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## CAPITAL EXPENDITURE

In summary, capital expenditure in 2014/15 amounted to £35.1 million, the largest element of which was £17.6 million for Decent Homes backlog works to the HRA housing stock. The table below summarises the outturn on the capital programme for the year.

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£m	£m	£m	£m	£m	£m
<b>Expenditure</b>						
Housing – General Fund	0.6	3.5	2.1	(1.4)	1.4	-
Housing - HRA	33.0	33.1	29.1	(4.0)	4.0	-
Leisure	3.0	3.6	2.2	(1.4)	1.4	-
Corporate and Central	1.8	2.9	1.7	(1.2)	1.2	-
<b>Total Expenditure</b>	<b>38.4</b>	<b>43.1</b>	<b>35.1</b>	<b>(8.0)</b>	<b>8.0</b>	<b>-</b>
<b>Financing</b>						
Capital Receipts	3.3	3.9	0.6	(3.3)	3.3	-
Grants	0.4	3.6	2.0	(1.6)	1.6	-
Contributions from Revenue	2.3	2.9	1.0	(1.9)	1.9	-
Major Repairs Reserve	13.6	13.6	10.3	(3.3)	1.2	-
Decent Homes Backlog Funding	17.6	17.6	17.6	-	-	-
Borrowing	1.2	1.5	3.6	2.1	-	-
<b>Total Financing</b>	<b>38.4</b>	<b>43.1</b>	<b>35.1</b>	<b>(8.0)</b>	<b>8.0</b>	<b>-</b>

The underspend on the HRA capital programme is largely attributable to funds set aside for the acquisition and development of new affordable housing and these funds have been carried forward to 2015/16.

The Decent Homes Backlog Funding was provided by the Homes and Communities Agency over the four years to 2014/15. The funding was intended to resource the refurbishment of 90% of homes that were non decent (as defined by the Decent Homes Standard) at 31 March 2012. The funding for the remaining 10% has to be found from Council resources as does the cost relating to newly arising non decency. The Council delivered the level of decency required by the Homes and Communities Agency by March 2015.

Budgets carried forward also include £1.0 million in grants for housing schemes and £1.2 million for the rebuilding, following a fire, of the Triangle Shops in Langdon Hills. The balance of the carry forwards includes a number of Leisure, refurbishment and other projects.

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## TREASURY MANAGEMENT

The table below sets out the closing position for the Council's debt and investment portfolios compared with the closing position at 31 March 2014.

	31-Mar-15	31-Mar-14	Change
	£m	£m	£m
Long term borrowing	204.5	187.5	17.0
Transferred Debt	-	0.6	(0.6)
Finance leases	4.4	4.5	(0.1)
<b>Sub-total</b>	<b>208.9</b>	<b>192.6</b>	<b>16.3</b>
Investments	(56.0)	8.9	(47.1)
<b>Net External Debt</b>	<b>152.9</b>	<b>183.7</b>	<b>(30.8)</b>

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

Net external debt fell by £30.8 million in the year due to increased reserve and carry forward levels.

Interest payable on external debt and other liabilities for the year amounted to £10.6 million compared with an original budget of £11.8 million. The average interest rate on external borrowing was 5.27% for the year. Investment income for year was £0.1 million at an average return of 0.30%

## ASSETS AND LIABILITIES

The table below compares the assets and liabilities of the Council at 31 March 2015 with those at 31 March 2014.

	31-Mar-15	31-Mar-14	Variance
	£000	£000	£000
Long Term Assets	703,425	665,203	38,222
Current Assets	84,413	42,682	41,731
Current Liabilities	(40,348)	(26,087)	(14,261)
Long Term Liabilities	(314,556)	(289,181)	(25,375)
<b>Net Assets</b>	<b>432,934</b>	<b>392,617</b>	<b>40,317</b>
Usable Reserves	75,051	56,451	18,600
Unusable Reserves	357,883	336,166	21,717
<b>Total Reserves</b>	<b>432,934</b>	<b>392,617</b>	<b>40,317</b>

Overall the value of the net assets of the Council rose by £40 million. This was largely the result of the revaluation of long term assets, of which the main element was revaluation of the Council's housing stock, upwards by £38 million. However, the Council's pension liability (within long term liabilities) was assessed by the actuary to be £16 million higher than in the previous year. This was offset, however, by an increase in net cash balances which rose largely as a factor of the higher level of reserves that the Council is holding.

Within these balances the most significant set of transactions was right to buy sales. Following the revisions to discounts and other changes introduced by the Government in April 2012 the number of sales has steadily risen. In 2014/15 sales totalled 134 yielding a gross receipt of £9.3 million (2013/14, 64 sales with a gross receipt of £4.1 million). Of this receipt £0.9 million was paid to the Treasury under the pooling arrangements, £4.6 million was retained for use in the provision of affordable housing with the balance being available to the Council to use for any purpose.

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## PENSIONS LIABILITY AND RESERVE

In common with most, if not all, other local authorities, this Council carries a deficit on its Pension Reserve. This reflects Basildon Council's share of the Pension Fund administered by Essex County Council. The deficit increased in 2014/15 from £94.6 million at 31 March 2014 to £110.5 million at 31 March 2015. There are two distinct elements to this change. Firstly the pension obligation, that is the amounts estimated as being accrued in pension rights by members of the scheme, rose by £36.0 million due to changes in actuarial assumptions. Secondly, this pension obligation is funded by the Council's share of the scheme assets, which rose by £20.1 million in the year. The sum of these two factors represents the change in the overall liability.

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

## BALANCES AND RESERVES

In recent years local government finances have experienced unprecedented external pressures and uncertainties, initially through the effect of the global economic recession on demand for public services and then through the Coalition Government's deficit reduction measures. This severely reduced central government financial support for local government at the same time as introducing a programme of reform in areas such as social housing, welfare benefits and planning. The refocusing of public services through the "localism" agenda has also been particularly challenging. In response, Basildon has stepped up its transformation programme to maximise the financial savings that can be made through efficiencies, but these take time to develop and implement.

Taken together, these factors (the most significant of which are discussed below in the 'Major Influences on the Council's Finances' section) have presented a wide range of possible outcomes for Basildon, much of it still unknown at the year end, inevitably increasing the need for higher levels of general revenue reserves (this is a trend that can be seen nationally). The table below compares the outturn balances and reserves at the year end with budgeted levels.

<b>Revenue Reserves</b>	<b>Budget</b>	<b>Outturn</b>	<b>Carry Forwards</b>	<b>Available Reserves</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund Balance	2.5	9.5	6.6	2.9
General Fund Earmarked Reserves	8.3	17.3	6.2	11.1
<b>Sub-total: General Fund</b>	<b>10.8</b>	<b>26.8</b>	<b>12.8</b>	<b>14.0</b>
Housing Revenue Account – General Balance	4.3	8.8	4.8	4.0
Housing Revenue Account – Earmarked Balance	6.2	12.9	-	12.9
<b>Sub-Total: Housing Revenue Account</b>	<b>10.5</b>	<b>21.7</b>	<b>4.8</b>	<b>16.9</b>
<b>Total Balances and Reserves</b>	<b>21.3</b>	<b>48.5</b>	<b>17.6</b>	<b>30.9</b>

## Capital Reserves

The balance on capital reserves available to support capital expenditure rose from £15.3 million at 31 March 2014 to £24.1 million at 31 March 2015. Of this balance £8.5 million (£8.0 million 31 March 2014) can only be used for major repairs of Council dwellings and is budgeted for use over the next few years. £3.3 million is in respect of unapplied capital grants and can only be used for the purpose for which the grant was made. The increase in unapplied capital receipts is largely due to the increase in right to buy sales. Of the balance of capital receipts at 31 March 2015 (£12.3 million) £6.3 million can be used only for the provision of affordable housing.

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## MAJOR INFLUENCES ON THE COUNCIL'S FINANCES FOR 2014/15 AND THE FUTURE

The Council faced a number of challenges, risks and uncertainties during 2014/15, many of which could have medium or long-term financial implications. These were set out in the Section 151 Officer's report to the Council on the robustness of the budget calculations and adequacy of reserves that accompanied the 2015/16 Budget Report a copy of which is available on the Council's website (see link below). Local government finance continues to experience unprecedented pressures and uncertainties as a result of the continued downward pressure on public sector spending.

More specifically there are risks and uncertainties concerning

- 1)The future levels of business rate income
- 2)Future funding through the New Homes Bonus initiative
- 3)The impact on resources on the Localisation of Council Tax Support
- 4)The future trajectory of interest rates

It is clear from a local perspective that the effects of economic pressures will continue to impact on demand led services and both the Council's income and expenditure projections. Indeed 2014/15 saw an unprecedented spike in demand, and the cost of meeting that demand, for homelessness services.

The implications arising from the latest Local Government Finance Settlement indicated significant reductions in the settlement funding assessment for 2014/15 and 2015/16 and the uncertainty caused by the absence of any funding assessment figures for 2016/17 and 2017/18 further emphasises the need to deliver increased savings in the future. The continuing economic uncertainties mean it is essential that a particularly prudent approach is taken in arriving at the Council's future budget, reserves and Council Tax levels. Delivery of the Council's ambitions and meeting its objectives will be dependent upon the Council securing a sustainable financial position over the medium term.

Factors that had a significant influence on the finances of the authority in 2014/15 include:

- Funding mechanisms

- Localisation of Council Tax Support

The Local Government Finance Act 2012 provided for the localisation of support to council tax payers' which was previously delivered through Council Tax Benefit. Each billing authority produced a local support scheme to take effect from April 2013 against the background of a government grant to fund such a scheme. The grant was set at 10% lower than the funding for Council Tax Benefit. Existing claimants of pension credit age were protected, so the reduction in the cost of the scheme had to be found by reducing the entitlement of working-age claimants. Basildon's local scheme for 2014/15 was approved by full Council on 19 December 2013 and provided for all working age customers to pay at least 25% of their full liability. Importantly, support was also restricted to a maximum of a Band D property so those in higher band properties had their support calculated as if they were in a Band D property. Based on this scheme the total Council Tax due for 2014/15 for Basildon was estimated as £13.8 million. This was after assuming a collection rate of 98.3%.

In December 2014 the Council approved a new local scheme to take effect in 2015/16 which retained the main elements of the 2014/15 scheme but reduced the minimum award from £5 a week to £2.50 week. A restriction based on residency in the Borough was removed from the 2014/15 scheme following the outcome of court action elsewhere in the country.

The Act also introduced a number of technical changes to council tax exemptions and discounts, under which greater freedoms and flexibilities became available to billing authorities. In December 2013 the Council reduced the discounts available to certain unoccupied dwellings in the Borough. In December 2014 the discounts available were reduced further and a premium of 50% was introduced for properties that are empty for over 2 years. The focus of these changes is to bring empty properties back into use to help address the shortage of properties in the Borough.

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## Business Rates Retention

The Local Government Finance Act 2012 introduced one of the most significant areas of change in local government finance for many years. From April 2013 a localisation scheme for Business Rates income was implemented under which all principal authorities in England (except Police and Crime Commissioners) share in the benefits of local business rate growth.

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

The new scheme has a considerable degree of complexity and there is also a high degree of uncertainty as future income is dependent, at least in part, on the buoyancy of local business rate growth and the outcome of appeals against valuations and other changes to the rating list.

The budget and outturn position for the Council as regards Business Rates retention is set out below:

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business Rates Income: Basildon Local Share	30.5	29.5	(1.0)
Less tariff	25.5	25.5	-
<b>Funding</b>	<b>5.0</b>	<b>4.0</b>	<b>(1.0)</b>
Section 31 Compensation*	1.2	0.8	(0.4)
<b>Retained income</b>	<b>6.2</b>	<b>4.8</b>	<b>(1.4)</b>

\*largely in respect of small business rates relief and retail relief

Statutory arrangements for accounting for business rates mean that the estimated funding for the year is recognised in the outturn. Any surplus or deficit against this estimate is accounted for over the following two years. A timing difference between the recognition of changes in outturn to the original estimate is managed through the Business Rates Equalisation Reserve and the Collection Fund Adjustment Account.

With the introduction of Business Rates Retention local authorities became liable for the cost of refunding business rates as a consequence of successful appeals against the rateable value of properties. Authorities are also liable for the impact of any changes in respect of requests made by organisations to be assessed for business rates at a national as opposed to a local level. Refunds are always backdated and can amount to significant sums, although for the future any appeals made after 31 March 2015 can only be backdated to 1 April 2015. A provision was made in the accounts for the estimated cost of such appeals. In order to arrive at a robust estimate the Council engaged the services of Wilks, Head and Eve, a firm of Chartered Surveyors, with a specialism in Rating. They provided a detailed analysis of the financial risk which the Council faces under Rates Retention. The methodology devised and delivered by Wilks, Head and Eve derived from analysing each class of property within the Council's Rating List, together with an individual review of higher risk; higher value; or otherwise individual premises for which an individual property valuation assessment needs to be concluded. This analysis was then combined with local knowledge, the historical experience of appeals and statistical analysis to value the provision at £13.3 million of which Basildon's local share is £5.3 million. This is higher than originally estimated largely due to the impact of one single appeal and is the single biggest factor in the difference between the budget and the outturn identified in the table above.

The Business Rate Retention scheme makes provision for local authorities to form pools. Pooling is entirely voluntary and the main advantage of doing so is in the netting off of tariff with top ups and the netting off of growth in some areas with decline in others. The Council joined a four authority pool with Thurrock, Havering and Barking and Dagenham from 1 April 2014 Under the arrangement the levy rate payable on the total growth earned by the pool is only 4.2% compared with 50% for Basildon on its own. The outturn for the pool was disappointing in that the Council did not accrue any benefit from participation.

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## Overall General Government Support and Council Tax

	2013/14	2014/15	Variance
	£m	£m	£m
Revenue Support Grant and NDR	10.9	10.7	(0.2)
Council Tax Freeze Grant	0.2	0.2	-
New Homes Bonus	1.7	2.4	0.7
Other Government Grants	1.1	0.1	(1.0)
<b>Total Government Support</b>	<b>13.9</b>	<b>13.4</b>	<b>(0.5)</b>
Council Tax	13.8	14.6	0.8
<b>Total Council Tax</b>	<b>13.8</b>	<b>14.6</b>	<b>0.8</b>
<b>Borough Council net expenditure</b>	<b>27.7</b>	<b>28.0</b>	<b>0.3</b>

### ■ Efficiencies and service transformation

Achieving efficiencies has always played a key part in the Council's financial strategy. For 2014/15 the General Fund target was £1.0 million but this was forecast to rise to £6.4 million by 2017/18. It is also recognised that there will be ongoing pressure on the public sector to deliver further efficiencies and improvements in value for money beyond the forecast period.

The Council continued to deliver efficiency savings through the corporate transformation and service design programme. The target of £1.0 million for the year was, in the event, exceeded with approximately £0.7 million of on-going efficiencies being identified.

There was no specific efficiency target identified for the HRA for the year. Nevertheless efficiencies of some £1.0 million were identified of which £0.3 million were ongoing.

### ■ New Ways of Working

The Council has continued to invest in new ways of working to enhance the customer experience (for example by enabling self service), as a means of delivering savings and efficiencies and as a way of improving the working environment for employees. Significant investment continues to be made in the Council's ICT infrastructure and systems (for example the Housing Management and HR and Payroll systems). During the year a new rest, relaxation and meeting area was created in the Basildon Centre and a similar facility was provided at Barleylands Depot.

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

### ■ Shared Services

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

### ■ Garages and Shops

The Council decided during the year that the garages and shops accounted for in the HRA were no longer used primarily for housing purposes. This being the case it was no longer appropriate to account for them in the HRA and, therefore, with effect from 1 April 2014 they have been accounted for in the General Fund. The

## Explanatory Foreword – Guide to the Financial Statements

GF effectively paid the HRA £10 million for the assets and now benefits from the income that they generate. The HRA now has the capacity, should an appropriate use be identified, to borrow an additional £10 million.

### ■ Income Generation and Value for Money

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

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

### ■ Regeneration schemes

#### Basildon Town Centre

The development of Acacia Park Phase 1b continued during 2014/15 and at the end of the year some of the 100 homes were weather tight and nearing completion. It is expected that the first completed units will be occupied in the first few months of the 2015/16 financial year. This phase of the development will deliver a tree lined boulevard in the direction of the Town Centre. This is in addition to the new bowls pavilion with greens, new play area, new lake with piazza, footpath lighting and paths delivered as part of Phase 1a. Most of these works were completed during the year with the rest to be completed in 2015/16.

#### Nethermayne/College/Market

The Basildon Town Centre Master Plan envisages the relocation of South Essex College's Nethermayne campus to Market Square in Basildon Town Centre in order to assist in creating a more vibrant and sustainable town centre. The master plan also proposes moving Basildon Market, which currently occupies part of the proposed college site in Market Square, to a more attractive location in St Martin's Square, which represents an opportunity to improve the quality of the market and integrate it better into the core retail circuit in the town centre.

Planning permission for the housing development on the College site (and other land) at Nethermayne and for the provision of the new College on the existing Market Square was secured during the year. Planning permission for the relocation of the market to St Martin's Square was granted in April 2014. Work continues to ensure that this key project is ultimately delivered for the benefit of the Borough.

#### Other Regeneration activity

The Council continues to work on plans to facilitate the regeneration of Pitsea and Wickford town centres. In Wickford the High Street has new paving and improvements were made to some shop fronts. Landscaping has also been introduced to create a new town centre square. The market has been relocated to High Street and the £2.4 million investment in the swim and fitness centre has been completed.

In Pitsea, the market has been relocated, the replacement ALDI store has been completed and opened and work has commenced on a new Morrison's store which is due to open in the Autumn of 2015. Plans are being developed for the rest of the town centre.

The rebuild of the Triangle shops in Langdon Hills following a fire is nearing completion. The new building will provide 6 modern shops where there were previously 4 and the opportunity has been taken to provide 5 flats over the shop.

#### Housing Supply

The regeneration of Fryerns and Craylands estates continued during the year. The latest phase of affordable housing was completed by March 2015. Work is underway with the Council's partners (Swan Housing, the

## Explanatory Foreword – Guide to the Financial Statements

Homes and Communities Agency and Essex County Council) to assess the viability and timing of future phases.

The cost to the Council of delivering its statutory obligations in respect of homelessness rose considerably during the year. This was largely as a consequence of the limited availability of properties to move those to whom an obligation was owed. Various short and medium term measures were put in place to manage this issue but ultimately increasing the supply of social and affordable housing is the key long term solution.

In February 2014 Cabinet approved the establishment of a Wholly Owned Housing Development Company limited by shares to assist in the delivery of the Council's housing development objectives. Outline business case objectives were set out in the report and Officers were authorised to instruct and work with partners to develop a final business case and the proposed working, contractual and other arrangements between the Council and the new company for presentation to a future Cabinet. An outline development programme that identified ten potential sites for the house building was approved and Officers were authorised to continue to develop the programme.

The final business case was approved by Council in December 2014 and Sempra Homes Ltd was incorporated on 20 December 2014. As yet the company has not engaged in any trading activity but it is anticipated that the Council will transfer the flats above the Triangle shops to the Company taking equity in return. The properties will then be let at market rent. The Company will ultimately deliver new dwellings in the Borough to be potentially let on a mix of tenures (social, affordable and market rent and shared ownership) or sold to fund further development.

The activities of Sempra Homes Ltd will be complemented by an HRA construction and acquisition programme. The programme was approved by Council in October 2014. It provides for £10 million investment in the acquisition and construction of new dwellings to be let at social rents within the HRA. The programme is funded by a combination of resources including Right to Buy receipts retained for the purpose of providing replacement dwellings, £3 million of additional borrowing capacity approved by the Government and retained HRA surpluses. The first dwelling purchased under the programme was in March 2015 and in the same month a development site was also purchased.

### ■ Community Investment Fund

The 2013/14 budget established a £1 million Community Investment Fund. The fund was created to provide resources for community projects supported to further the Council's vision of 'Creating Opportunity' and in delivering the five promises set out in the Corporate Plan.

In total £0.5 million has been committed to a range of projects supporting sporting facilities, community facilities, parents groups and open spaces.



# Explanatory Foreword – Guide to the Financial Statements

## FURTHER INFORMATION

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

**Other useful Financial Information can be found on the Council's website, including:**

Prior Years' Statements of Accounts:

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

Prior Years' Budget Forecast information:

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

Invoices paid over £500 in value by month:

<http://www.basildon.gov.uk/index.aspx?articleid=3400>

Agendas and minutes for all Council Meetings. These contain useful information regarding decisions taken during the year:

<http://www.basildonmeetings.info/uuCoverPage.aspx>

Budget Report 2014/15

<http://www.basildonmeetings.info/documents/s50316/Enc.%202%20Budget%20Report.pdf>

Contract Opportunities and Registration, past, current and future:

<http://www.basildon.gov.uk/index.aspx?articleid=302>

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

<http://www.basildon.gov.uk/index.aspx?articleid=2084>

The 30 Year Housing Revenue Account Business Plan

<http://pcser-dem-2:8080/ieListDocuments.aspx?CId=216&MId=4826&Ver=4>

# Explanatory Foreword – Guide to the Financial Statements

## **THE PUBLISHED ACCOUNTS**

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

The main Financial Statements within this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), which defines proper accounting practices for local authorities.

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

The Code is revised every year but the current revision did not introduce any significant changes to the format or content of the accounts for 2014/15. A full description of the contents of the accounts is given at the end of this Explanatory Foreword.

The accounts have been prepared on a Going Concern Basis. This means that the Council will continue to operate its services for the foreseeable future, usually considered to be 12 months, and will continue to be able to generate sufficient resources to stay operational. This conclusion is based on the level of reserves that the Council holds and the successful track record the Council has in delivering ongoing efficiencies. However, if a local authority were to be in financial difficulty the prospects are that central government would step in and provide alternative arrangements for the services the Council provides and/or provide assistance for the recovery of the financial situation over more than one year. Even, therefore, in these circumstances the going concern assumption would be valid.

The figures in this Explanatory Foreword are based on the statutory amounts that impact on Council Tax levels, Housing Rents, Reserves and Balances. They, therefore, include amounts reversed out through the Movement in Reserves Statement (see Movement in Reserves Statement and Notes 9 and 10).

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

The Council's Auditor is Ernst and Young.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **MOVEMENT IN RESERVES STATEMENT**

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and Rent setting purposes. The Net Increase / Decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

# Explanatory Foreword – Guide to the Financial Statements

## **BALANCE SHEET**

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain them at a prudent level and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves relates to those that the authority is not able to use to provide services. These reserves hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide resources if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## **CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

## **HOUSING REVENUE ACCOUNT**

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

## **COLLECTION FUND**

This is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers, distribution to local authorities and the Government of Council Tax and non-domestic rates.



# Statement of Responsibilities

## Basildon Borough Council

The Council is required under local government legislation and other requirements to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this authority, that Officer is the Commissioning Director – Resourcing and Place Shaping.

The Council is also required to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets. It is also required to approve and publish a Statement of Accounts.

## Commissioning Director – Resourcing and Place Shaping (Section 151)

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

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

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

I certify that the Statement of Accounts complies with the Code and gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2015.

Signed:

### **Kieran Carrigan CPFA**

Commissioning Director - Resourcing and Place Shaping (Section 151)

31 July 2015.

## 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 22 July 2015.

Signed:

### **Councillor K Smith**

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

31 July 2015.



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

## **Opinion on the Authority's financial statements**

We have audited the financial statements of Basildon Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to 39.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Basildon Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Commissioning Director – Resourcing and Place Shaping (Section 151 Officer) and auditor**

As explained more fully in the Statement of the Commissioning Director – Resourcing and Place Shaping (Section 151) Officer's Responsibilities set out on page 17, the Commissioning Director – Resourcing and Place Shaping (Section 151) Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioning Director – Resourcing and Place Shaping (Section 151) Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2014-15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Basildon Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Opinion on other matters**

In our opinion, the information given in the Annual Financial Report 2014-15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

## **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Basildon Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

*Debbie Hanson*  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton

31 July 2015



# Statement of Accounts

2014/15



# Index to Financial Statements and Notes to the Accounts

## FINANCIAL STATEMENTS

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

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## NOTES TO THE CORE STATEMENTS

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

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# Core Statements



# Comprehensive Income and Expenditure Statement

	2014/15			2013/14			
		£000	£000	£000	£000	£000	
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		4,290	(2,782)	1,508	4,160	(2,807)	1,353
Cultural and related services		13,154	(3,530)	9,624	10,478	(2,446)	8,032
Environmental and regulatory services		11,965	(5,817)	6,148	12,515	(5,733)	6,782
Planning services		6,350	(3,446)	2,904	5,886	(1,864)	4,022
Highways and transport services		1,373	(590)	783	1,318	(578)	740
Local authority housing (HRA)		36,950	(55,117)	(18,167)	35,923	(55,442)	(19,519)
- Impairment and revaluation		7,885		7,885	(12,542)	-	(12,542)
Other housing services		75,993	(73,331)	2,662	75,154	(71,955)	3,199
Adult social care		1,144	(785)	359	1,309	(837)	472
Corporate and democratic core		5,766	(424)	5,342	4,940	(233)	4,707
Non distributed costs - pension curtailment/settlement costs	35	84	-	84	508	-	508
<b>Cost of Services</b>		<b>164,954</b>	<b>(145,822)</b>	<b>19,132</b>	<b>139,649</b>	<b>(141,895)</b>	<b>(2,246)</b>
Parish council precepts				368			383
Payments to the Government Housing Capital Receipts Pool				916			834
(Gains)/losses on the disposal of non current assets				944			(443)
<b>Other operating income and expenditure</b>				<b>2,228</b>			<b>774</b>
Interest payable and similar charges				10,582			10,818
Net interest on the net defined benefit liability	35			4,034			4,211
Interest receivable and similar income				(160)			(88)
Income and expenditure in relation to investment properties and changes in their fair value	31			(1,732)			(4,605)
<b>Financing and investment income and expenditure</b>				<b>12,724</b>			<b>10,336</b>
Council tax income				(14,662)			(14,416)
Business rates income and expenditure	16			(3,985)			(4,163)
Non-ringfenced government grants	17			(9,426)			(10,101)
Capital grants, contributions and donated assets	17			(20,901)			(17,482)
<b>Taxation and non-specific grant income and expenditure</b>				<b>(48,974)</b>			<b>(46,162)</b>
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(14,890)</b>			<b>(37,298)</b>
Surplus or deficit on revaluation of non-current assets	29,32			(36,442)			(18,125)
Impairment losses on non-current assets charged to the Revaluation Reserve	30			(1,928)			(1,719)
Remeasurements of the net defined pensions liability	35			12,943			(11,660)
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(25,427)</b>			<b>(31,504)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(40,317)</b>			<b>(68,802)</b>

## Movement in Reserves Statement

2014/15	Note	Usable Revenue Reserves				Usable Capital Reserves			Unusable Revenue Reserves			Unusable Capital Reserves			Total Unusable Reserves £000	Total Council Reserves £000
		General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Pensions Reserve £000	Other Statutory Reserves £000	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts £000		
<b>Balance at 1 April 2014</b>		8,600	17,468	4,950	10,160	4,089	8,061	3,123	56,451	(94,580)	(884)	396,195	35,149	286	336,166	392,617
<b>Surplus or (deficit) on the provision of services (Accounting Basis)</b>		(4,317)	-	19,207	-	-	-	-	14,890	-	-	-	-	-	-	14,890
Surplus or deficit on revaluation of non-current assets (charged to the revaluation reserve)	29,32	-	-	-	-	-	-	-	-	-	-	-	36,442	-	36,442	36,442
Impairment losses on non-current assets (charged to the revaluation reserve)	30	-	-	-	-	-	-	-	-	-	-	1,928	-	1,928	1,928	
Remeasurements of the net defined benefit liability	35	-	-	-	-	-	-	-	-	(12,943)	-	-	-	(12,943)	(12,943)	
<b>Other Comprehensive Income and Expenditure</b>		-	-	-	-	-	-	-	-	(12,943)	-	38,370	-	-	25,427	25,427
<b>Total Comprehensive Income and Expenditure</b>		(4,317)	-	19,207	-	-	-	-	14,890	(12,943)	-	-	38,370	-	25,427	40,317
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	30	5,219	-	7,491	-	-	11,090	-	23,800	-	-	(21,598)	(2,202)	-	(23,800)	-
Movements in the fair value of Investment Property	31	(310)	-	-	-	-	-	-	(310)	-	-	310	-	-	310	-
Revenue expenditure funded from capital under statute	34	2,027	-	-	-	-	-	-	2,027	-	-	(2,027)	-	-	(2,027)	-
Net (gain)/loss on sale of non-current assets		2,997	-	(2,124)	-	9,699	-	-	10,572	-	-	(10,570)	-	(2)	(10,572)	-
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		916	-	-	-	(916)	-	-	-	-	-	-	-	-	-	-
Capital Grants, Contributions and income in relation to Donated Assets credited to the CIES		(3,343)	-	(18,573)	-	-	17,621	180	(4,115)	-	-	4,115	-	-	4,115	-
Statutory Provision for the repayment of debt (Minimum revenue provision)	34	(1,411)	-	(99)	-	-	-	-	(1,510)	-	-	1,510	-	-	1,510	-
Capital expenditure charged against the General Fund and HRA Balances	34	(740)	-	(280)	-	-	-	-	(1,020)	-	-	1,020	-	-	1,020	-
Use of the capital receipts reserve to finance new capital expenditure	34	-	-	-	-	(550)	-	-	(550)	-	-	550	-	-	550	-
Use of the Major Repairs Reserve to finance capital expenditure	34	-	-	-	-	-	(27,955)	-	(27,955)	-	-	27,955	-	-	27,955	-
Use of the Major Repairs Reserve to repay debt	34	-	-	-	-	-	(320)	-	(320)	-	-	320	-	-	320	-
Amount by which pension costs calculated in accordance with the Code (IAS19) are different from the contributions due under the pension scheme regulations	35	2,084	-	860	-	-	-	-	2,944	(2,944)	-	-	-	-	(2,944)	-
Reversal of Unpaid Absences cost charged to the CIES in accordance with statutory requirements		46	-	4	-	-	-	-	50	-	(50)	-	-	-	(50)	-
Amount by which finance costs calculated in accordance with the Code are different from those calculated in accordance with statutory requirements		(47)	-	7	-	-	-	-	(40)	-	40	-	-	-	40	-
Amount by which council tax income and business rate income included in the CIES is different from the amount taken to the General Fund in accordance with regulation		137	-	-	-	-	-	-	137	-	(137)	-	-	-	(137)	-
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>		7,575	-	(12,714)	-	8,233	436	180	3,710	(2,944)	(147)	1,585	(2,202)	(2)	(3,710)	-
<b>Net Increase before Transfers to Earmarked Reserves</b>		3,258	-	6,493	-	8,233	436	180	18,600	(15,887)	(147)	1,585	36,168	(2)	21,717	40,317
Transfers to/(from) Earmarked Reserves	11	(2,360)	2,360	(2,657)	2,657	-	-	-	-	-	-	-	-	-	-	-
<b>Increase in year</b>		898	2,360	3,836	2,657	8,233	436	180	18,600	(15,887)	(147)	1,585	36,168	(2)	21,717	40,317
<b>Balance at 31 March 2015 carried forward</b>		9,498	19,828	8,786	12,817	12,322	8,497	3,303	75,051	(110,467)	(1,031)	397,780	71,317	284	357,883	432,934



## Movement in Reserves Statement

2013/14	Note	Usable Revenue Reserves				Usable Capital Reserves			Unusable Revenue Reserves			Unusable Capital Reserves			Total Unusable Reserves £000	Total Council Reserves £000
		General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Pensions Reserve £000	Other Statutory Reserves £000	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Cap receipts £000		
<b>Balance at 1 April 2013</b>		8,123	16,335	4,245	5,409	762	6,792	2,808	44,474	(102,870)	(461)	366,127	16,302	243	279,341	323,815
<b>Surplus or (deficit) on the provision of services (Accounting Basis)</b>		(174)	-	37,472	-	-	-	-	37,298	-	-	-	-	-	-	37,298
Surplus or deficit on revaluation of non-current assets (charged to the revaluation reserve)	29,32	-	-	-	-	-	-	-	-	-	-	-	18,125	-	18,125	18,125
Impairment losses on non-current assets (charged to the revaluation reserve)		-	-	-	-	-	-	-	-	-	-	-	1,719	-	1,719	1,719
Actuarial gains/(losses) on pension assets and liabilities	35	-	-	-	-	-	-	-	-	11,660	-	-	-	-	11,660	11,660
<b>Other Comprehensive Income and Expenditure</b>		-	-	-	-	-	-	-	-	11,660	-	-	19,844	-	31,504	31,504
<b>Total Comprehensive Income and Expenditure</b>		(174)	-	37,472	-	-	-	-	37,298	11,660	-	-	19,844	-	31,504	68,802
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	30	2,886	-	(13,193)	-	-	10,468	-	161	-	-	836	(997)	-	(161)	-
Movements in the fair value of Investment Property	31	(3,213)	-	-	-	-	-	-	(3,213)	-	-	3,213	-	-	3,213	-
Revenue expenditure funded from capital under statute	34	920	-	-	-	-	-	-	920	-	-	(920)	-	-	(920)	-
Net gain/loss on sale of non-current assets		343	-	(1,025)	-	4,352	-	-	3,670	-	-	(3,713)	-	43	(3,670)	-
Costs of disposal funded from capital receipts		-	-	83	-	(83)	-	-	-	-	-	-	-	-	-	-
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		834	-	-	-	(834)	-	-	-	-	-	-	-	-	-	-
Capital Grants & Contributions credited to the CIES		(1,261)	-	(16,664)	-	-	16,664	315	(946)	-	-	946	-	-	946	-
Statutory Provision for the repayment of debt (Minimum revenue provision)	34	(1,012)	-	(36)	-	-	-	-	(1,048)	-	-	1,048	-	-	1,048	-
Capital expenditure charged against the General Fund and HRA Balances	34	(560)	-	(2,127)	-	-	-	-	(2,687)	-	-	2,687	-	-	2,687	-
Use of the capital receipts reserve to finance new capital expenditure	34	-	-	-	-	(108)	-	-	(108)	-	-	108	-	-	108	-
Use of the Major Repairs Reserve to finance capital expenditure	34	-	-	-	-	-	(24,907)	-	(24,907)	-	-	24,907	-	-	24,907	-
Use of the Major Repairs Reserve to repay debt	34	-	-	-	-	-	(956)	-	(956)	-	-	956	-	-	956	-
Amount by which pension costs calculated in accordance with the Code (IAS19) are different from the contributions due under the pension scheme regulations	35	2,448	-	922	-	-	-	-	3,370	(3,370)	-	-	-	-	(3,370)	-
Reversal of Unpaid Absences cost charged to the CIES in accordance with statutory requirements		77	-	18	-	-	-	-	95	-	(95)	-	-	-	(95)	-
Amount by which finance costs calculated in accordance with the Code are different from those calculated in accordance with statutory requirements		(48)	-	6	-	-	-	-	(42)	-	42	-	-	-	42	-
Amount by which council tax income and business rate income included in the CIES is different from the amount taken to the General Fund in accordance with regulation		370	-	-	-	-	-	-	370	-	(370)	-	-	-	(370)	-
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>		1,784	-	(32,016)	-	3,327	1,269	315	(25,321)	(3,370)	(423)	30,068	(997)	43	25,321	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		1,610	-	5,456	-	3,327	1,269	315	11,977	8,290	(423)	30,068	18,847	43	56,825	68,802
Transfers to/(from) Earmarked Reserves	11	(1,133)	1,133	(4,751)	4,751	-	-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in year</b>		477	1,133	705	4,751	3,327	1,269	315	11,977	8,290	(423)	30,068	18,847	43	56,825	68,802
<b>Balance at 31 March 2014 carried forward</b>		8,600	17,468	4,950	10,160	4,089	8,061	3,123	56,451	(94,580)	(884)	396,195	35,149	286	336,166	392,617

# Balance Sheet

	Note	31 March 2015 £000	31 March 2014 £000
Property, Plant & Equipment	30	682,270	645,952
Investment Property	31	20,840	18,947
Long-term Debtors		315	304
<b>Long Term Assets</b>		<b>703,425</b>	<b>665,203</b>
Short Term Investments	26	46,521	2,000
Assets held for sale	33	11,365	10,475
Inventories		208	169
Short-term Debtors	20	20,275	23,521
Cash and Cash Equivalents	36	6,044	6,517
<b>Current Assets</b>		<b>84,413</b>	<b>42,682</b>
Borrowing	26	(10,139)	(3,023)
Creditors	21	(23,370)	(18,099)
Provisions	23	(5,421)	(3,655)
Grants Receipts in Advance - Capital	17	(1,355)	(1,228)
Grants Receipts in Advance - Revenue	17	(63)	(82)
<b>Current Liabilities</b>		<b>(40,348)</b>	<b>(26,087)</b>
Provisions	23	(3,745)	(3,385)
Borrowing	26	(196,617)	(186,709)
Other Long-term Liabilities	22	(3,727)	(4,507)
Net Pensions Liability	35	(110,467)	(94,580)
<b>Long Term Liabilities</b>		<b>(314,556)</b>	<b>(289,181)</b>
<b>Net Assets</b>		<b>432,934</b>	<b>392,617</b>
General Fund Balance		9,498	8,600
GF Earmarked Reserves Balance		19,828	17,468
Housing Revenue Account		8,786	4,950
HRA Earmarked Reserves Balance		12,817	10,160
Major Repairs Reserve		8,497	8,061
Capital Receipts Reserve		12,322	4,089
Capital Grants Unapplied		3,303	3,123
<b>Usable reserves</b>		<b>75,051</b>	<b>56,451</b>
Revaluation Reserve		71,317	35,149
Capital Adjustment Account		397,780	396,195
Financial Instruments Adjustment Account		(315)	(355)
Deferred Capital Receipts Reserve		284	286
Pensions Reserve		(110,467)	(94,580)
Collection Fund Adjustment Account		(504)	(367)
Unpaid Absences Account		(212)	(162)
<b>Unusable Reserves</b>		<b>357,883</b>	<b>336,166</b>
<b>Total Reserves</b>		<b>432,934</b>	<b>392,617</b>

## Cash Flow Statement (Indirect Method)

	Note	2014/15 £000	2013/14 £000
<b>Net (surplus) or deficit on the provision of services</b>		<b>(14,890)</b>	<b>(37,298)</b>
Depreciation		(14,152)	(13,061)
(Impairment and downward valuation) / Reversal of previous impairments		(10,044)	12,248
Movement in impairment provision for bad debts		(1,718)	(919)
Movement in creditors		(2,051)	367
Movement in debtors		(705)	4,522
Movement in inventories		39	(8)
Movement in pension liability		(2,944)	(3,370)
Carrying amount of non-current assets sold		(10,570)	(3,712)
Disposal costs of non-current assets sold		-	(83)
Movement in provisions		(2,126)	(3,751)
Movement in the value of Investment Properties		310	3,213
Adjustments to net surplus or deficit on the provision of services for non cash movements		(43,961)	(4,554)
Proceeds from the sale of property plant and equipment and investment property		9,625	4,238
Grants received for the financing of capital expenditure		20,901	17,482
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		30,526	21,720
<b>Net cash flows from Operating Activities</b>	<b>37</b>	<b>(28,325)</b>	<b>(20,132)</b>
<b>Net cash flows from Investing Activities</b>	<b>38</b>	<b>48,448</b>	<b>8,709</b>
<b>Net cash flows from Financing Activities</b>	<b>39</b>	<b>(19,650)</b>	<b>5,049</b>
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>473</b>	<b>(6,374)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>6,517</b>	<b>143</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>36</b>	<b>6,044</b>	<b>6,517</b>



# Notes to the Core Statements



# Notes to the Core Statements

## General Notes

### 1 DATE ACCOUNTS AUTHORISED

These accounts were authorised by the chairman of the Audit and Risk Committee on 31/07/15, under delegated authority from the committee meeting held on 22/07/15.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices.

For 2014/15 these proper accounting practices principally comprise :

- the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code)
- the Service Reporting Code of Practice 2014/15 (SeRCoP)
- the Capital Finance and Accounting (England) Regulations 2003 as amended (2003 Regulations)

The Statement of Accounts has been prepared using the going concern and accrual bases. The historical cost convention has been applied, modified by the fair valuation of certain categories of non-current assets.

The Council's other significant Accounting Policies can be found on page 79.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

#### Leases

Critical judgement has been applied to the assessment of leases to determine whether they are finance or operating leases. Accounting Standard IAS 17 (Leases) describes five primary and three secondary tests of the lease's characteristics, with the over-riding consideration that ownership rests with the party bearing the majority of the risks and rewards of the underlying asset. The standard acknowledges that it is possible for the eight tests to return differing opinions on whether the lease falls to be classified as a finance lease, and advises that accountants must use their professional judgement to assess the substance of the lease. Leases have therefore been judged in the light of their terms and the effect on the Council's ultimate ownership of the assets involved.

#### Grants and contributions

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are deemed as restrictions or conditions and whether any conditions have been met. If conditions are met then the income must be shown in the Comprehensive Income and Expenditure Statement. Treatment is the same if there are no conditions or just restrictions. However if there are conditions and they have not been met they must be shown in the Balance Sheet under Creditors.

#### Investment Properties

The Council is required to judge whether or not it is holding property on an investment basis. The Code requires that, for an investment to be present, the property should only be held: a) for capital appreciation or b) to produce rental income, and for no other reason e.g. other operational reasons.

#### Accruals, provisions and contingent liabilities

In terms of deciding if an item of expenditure should be classified as an accrual, a provision, or a contingent liability a judgement has to be made around whether the expenditure is virtually certain to be incurred or probably to be incurred, coupled with an assessment as to whether there is a present obligation from a past event or only a possible obligation from a past event.

### 4 ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Many assumptions about the future are made by the Pension Fund Actuary in calculating the relevant figures for the Fund as a whole and for the accounts of this Council. Note 35 sets out the main assumptions.

All leases are assessed under the requirements of IFRS. In order to represent the financial impact of lease arrangements, estimates are required in respect of the following;

- The level of rent charged or payable at the outset of the lease
- The value of the underlying asset at the outset of the lease
- The expected life of the asset at the outset of the lease

# Notes to the Core Statements

## General Notes

#### **4 ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

There is a degree of estimation uncertainty in the setting of Allowances for Bad Debts. Historical trends are usually the best technique available to predict the future, but it is becoming ever more important to take account of the current and future economic climate and the impact of legislation e.g. Welfare Reform, on peoples' ability to pay their debts.

Following the introduction of the localisation scheme for Business Rates it is necessary to estimate the local liability for outstanding Rating Appeals. With effect from 1 April 2013 these became the responsibility of the local principal authorities in Essex (with the exception of Police and Crime Commissioners). Prior to the 1 April 2013 they were the responsibility of Central Government. In order to arrive at a robust estimate the Council engaged the services of Wilks Head and Eve, a firm of Chartered Surveyors, with a specialism in Rating. They provided a detailed analysis of the financial risk which the Council faces under Rates Retention and this analysis was updated as at 31 March 2015. The methodology devised and delivered by Wilks Head and Eve derived from analysing each class of property within the Council's Rating List, together with an individual review of higher risk; higher value; or otherwise individual premises for which an individual property valuation assessment needs to be concluded. This analysis was then combined with local knowledge, the historical experience of appeals, details of appeals currently held by the Valuation Office Agency and statistical analysis to value the provision. This resulted in an overall provision of £13.3m which represents 7.0% of the total rateable value of hereditaments at 31 March 2015. Of this provision, Basildon's share is £5.3m. Should the value of appeals actually settled vary by +/- 1% of the total RV this would represent a £1.9m change compared to the sum provided of which Basildon's share would be £0.8m.

Following the introduction of the localisation of support to council tax payers, it is necessary to make estimates regarding numbers of claimants who will be affected, what impact it will have on their ability to pay, and what impact the new levels of support would have on the Council Tax base - across which the Council's main Collection Fund Requirement has to be recovered.

Assets are depreciated over their useful lives and the length of this life is dependent on the level of repairs and maintenance to keep the asset in good order. The current economic climate has created some uncertainty as to the level of resources that might be available in the future to continue with the current repair and maintenance programme. However, for the 2014/15 asset valuations, it is assumed that current levels of expenditure will be maintained.

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

There are some regular material items of income and expense in Basildon's accounts that are worthy of note, due to their size and potential impact on the Council if there are significant fluctuations. These include figures for sums collected through Council Tax - £14.5 million for Basildon Borough Council's proportion (£87.3 million across all preceptors). Housing Benefits involve paying out sums in the region of £67.0 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £10.6 million. The Council also relies heavily on Government Grants. The main "general" grants received from the Government totalled £9.3 million.

Exceptional Items are shown on the face of the Comprehensive Income and Expenditure Statement outside of the usual category of service in which they would otherwise be included. To include them in the service category would distort the true net cost position of the service for the year and be mis-leading to the user of the accounts. A separate disclosure of exceptional items also allows for the appreciation of material and unusual transactions and the year-on-year comparison of a service's regular activity. For this purpose HRA revaluation gains, losses and impairments are shown separately on the Comprehensive Income and Expenditure Statement.

#### **6 EVENTS AFTER THE BALANCE SHEET DATE**

Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised. There are no material events since 31 March 2015 requiring an adjustment to the accounts.



# Notes to the Core Statements

## General Notes

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

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

#### **IFRS 13 Fair Value Measurement**

This standard applies to assets and liabilities covered by those IFRSs (with some exceptions) that currently permit or require measurement at fair value. The adoption of this standard will mean that surplus assets currently valued at existing use value will now have to be valued at fair value. Due to the low value of surplus assets held by the Council this standard is not anticipated to have a material impact of the Statement of Accounts.

#### **IFRIC 21 Levies**

This standard clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. This standard will not have a material impact on the Statement of Accounts.

#### **Annual Improvements to IFRSs (2011 - 2013 Cycle)**

This document introduced changes to 4 extant IFRSs. It is intended to clarify areas in the standards that are currently unclear. It is not anticipated that the impact of these changes will be material to the Statement of Accounts.

# Notes to the Core Statements

## General Notes

### 8 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cashflows (payment of employer's pension contributions) rather than current service cost benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

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

# Notes to the Core Statements

## General Notes

### 8 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

#### Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

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

# Notes to the Core Statements

## General Notes

### 8 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

2013/14	Fees, Charges and Other Service Income £'000	Grants and Contributions £'000	Total Income £'000	Employee Expenses £'000	Other Operating Expenses £'000	Support Service Recharges £'000	Total Operating Expenses £'000	Cost of Services £'000
Community	(1,820)	(354)	(2,174)	1,734	1,486	576	3,796	1,622
Corporate & Central	(15,648)	(56)	(15,704)	6,346	13,261	3,577	23,184	7,480
Development & Regulation	(5,957)	(71,293)	(77,250)	3,198	71,895	2,685	77,778	528
Environment	(5,392)	(2,432)	(7,824)	5,874	6,823	1,453	14,150	6,326
Housing	(1,065)	(474)	(1,539)	1,182	2,347	680	4,209	2,670
Leisure	(1,952)	(309)	(2,261)	1,728	6,708	879	9,315	7,054
Management & Administration	(17,852)	(18)	(17,870)	9,759	3,505	4,606	17,870	-
Regeneration	(94)	(345)	(439)	574	951	481	2,006	1,567
General Fund	(49,780)	(75,281)	(125,061)	30,395	106,976	14,937	152,308	27,247
HRA	(54,596)	(846)	(55,442)	5,025	36,835	8,124	49,984	(5,458)
<b>Cost of services</b>	<b>(104,376)</b>	<b>(76,127)</b>	<b>(180,503)</b>	<b>35,420</b>	<b>143,811</b>	<b>23,061</b>	<b>202,292</b>	<b>21,789</b>

# Notes to the Core Statements

## General Notes

### 8 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont.)

#### Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

2013/14	Service Analysis £'000	Not Reported to Management £'000	Allocation of Recharges & Other Charges £'000	Not Included in Cost of Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(104,161)	(156)	37,300	1,260	(65,757)	(1,824)	(67,581)
Interest & Investment Income	(215)	-	127	88	-	(88)	(88)
Income from Council Tax	-	-	-	-	-	(14,416)	(14,416)
Income from Business Rates	-	-	-	-	-	(29,144)	(29,144)
Grants & Contributions	(76,127)	-	(453)	446	(76,134)	(27,583)	(103,717)
<b>Total income</b>	<b>(180,503)</b>	<b>(156)</b>	<b>36,974</b>	<b>1,794</b>	<b>(141,891)</b>	<b>(73,055)</b>	<b>(214,946)</b>
Employee Expenses	35,420	(746)	-	-	34,674	-	34,674
Other operating expenses	118,339	-	(14,304)	(667)	103,368	303	103,671
Support service recharges	23,061	-	(23,061)	(129)	(129)	129	-
Business Rates Tariff	-	-	-	-	-	24,981	24,981
Depreciation, Amortisation & Impairment	14,654	(12,769)	391	(544)	1,732	(3,213)	(1,481)
Interest Payments	10,818	-	-	(10,818)	-	15,029	15,029
Parish Precepts	-	-	-	-	-	383	383
Payments to Housing Capital Receipts Pool	-	-	-	-	-	834	834
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(443)	(443)
<b>Total operating expenses</b>	<b>202,292</b>	<b>(13,515)</b>	<b>(36,974)</b>	<b>(12,158)</b>	<b>139,645</b>	<b>38,003</b>	<b>177,648</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>21,789</b>	<b>(13,671)</b>	<b>-</b>	<b>(10,364)</b>	<b>(2,246)</b>	<b>(35,052)</b>	<b>(37,298)</b>

# Notes to the Core Statements

## General Notes

### 9 RESERVES

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

#### **Usable Reserves**

Reserves that can be used to meet future expenditure.

#### **General Fund Balance**

This is the accumulated surplus of income over expenditure after allowing for any General Fund Earmarked reserves (as below). Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax and Business Rates levels.

#### **GF Earmarked Reserves Balance**

Resources earmarked for particular spending plans and contingencies.

#### **Housing Revenue Account**

This is the accumulated surplus of income over expenditure. Its strategic use is to safeguard against budget risk and adverse impact on Council rent levels.

#### **HRA Earmarked Reserves**

Resources earmarked for particular spending plans and contingencies.

#### **Major Repairs Reserve**

A resource set aside to finance capital expenditure on dwellings and other property in the HRA.

#### **Capital Receipts Reserve**

Proceeds of non-current asset sales available to finance capital expenditure or repay debt.

#### **Capital Grants Unapplied**

These are grants received for specific purposes which remain unspent at the end of the year.

#### **Unusable Reserves**

Reserves that exist for technical accounting purposes that cannot be used for any other purpose.

#### **Revaluation Reserve**

Gains on revaluation of non-current assets accumulated since 1 April 2007 not yet realised.

#### **Capital Adjustment Account**

Capital resources applied to meet past capital expenditure.

#### **Financial Instruments Adjustment Account**

Unamortised premiums and discounts arising from premature redemption of debt.

#### **Deferred Capital Receipts Reserve**

Proceeds from the sale of non-current assets not yet received.

#### **Pensions Reserve**

Timing differences arising from accounting arrangements in accordance with statutory provisions.

#### **Collection Fund Adjustment Account**

Difference between the Council's share of actual council tax and business rates income for the year and the statutory amount that can be released to the General Fund.

#### **Unpaid Absences Account**

Value of officers remuneration for annual leave accrual not yet borne by the General Fund or HRA balance under statutory regulations.

# Notes to the Core Statements

## General Notes

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

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

#### **Property, Plant and Equipment**

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

#### **Investment Properties**

Movements in fair value charged to the CIES under accounting rules are reversed through the Capital Adjustment Account and replaced by Revenue Provision to cover historical cost determined in accordance with the 2003 Regulations.

#### **Revenue Expenditure funded from Capital under Statute**

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

#### **Capital Grants, Contributions and Donated Assets**

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

#### **Disposal of Non Current Assets**

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

#### **Premiums and Discounts**

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

#### **Pensions costs**

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

#### **Council Tax and Business Rates**

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

#### **Unpaid Absences**

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

# Notes to the Core Statements

## General Notes

### 11 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in the year.

	31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	31 March 2015 £000
Contingency Reserve	6,497	(1,798)	1,700	6,399	(4,399)	4,189	6,189
Insurance Pool	3,111	(111)	-	3,000	-	463	3,463
Major Asset Refurbishment	1,870	(648)	535	1,757	(1,177)	851	1,431
IT Initiatives	1,157	-	20	1,177	(547)	353	983
Invest to Save	1,244	(94)	-	1,150	(1,150)	1,539	1,539
Employment Rationalisation	2,175	(268)	268	2,175	(675)	207	1,707
Treasury Management Reserve	250	-	-	250	-	120	370
Business Rates Equalisation	-	-	1,130	1,130	(876)	1,358	1,612
Regeneration Reserve	31	-	2	33	(90)	1,796	1,739
Sporting Village Lifecycle Fund	-	-	397	397	(13)	411	795
<b>Total General Fund</b>	<b>16,335</b>	<b>(2,919)</b>	<b>4,052</b>	<b>17,468</b>	<b>(8,927)</b>	<b>11,287</b>	<b>19,828</b>
Asset Management Reserve	4,515	-	4,654	9,169	-	2,989	12,158
Treasury Management Reserve	600	-	-	600	-	-	600
Bad Debts Earmarked Reserve	294	-	97	391	(332)	-	59
<b>Total HRA</b>	<b>5,409</b>	<b>-</b>	<b>4,751</b>	<b>10,160</b>	<b>(332)</b>	<b>2,989</b>	<b>12,817</b>
<b>Balance at 31 March</b>	<b>21,744</b>	<b>(2,919)</b>	<b>8,803</b>	<b>27,628</b>	<b>(9,259)</b>	<b>14,276</b>	<b>32,645</b>

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

### 12 EXTERNAL AUDIT COSTS

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

	2014/15 £'000	2013/14 £'000
External audit services carried out under the Code of Audit Practice	89	88
Certification of grant claims and returns for the year	25	25
Statutory inspections/Other	4	1
<b>Total External Audit Costs</b>	<b>118</b>	<b>114</b>

In addition to the above, a refund of £21,189 was received from the Audit Commission during 2014/15, in respect of 2012/13 Audit Fees.

### 13 COUNCILLORS' ALLOWANCES

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

	2014/15 £'000	2013/14 £'000
Allowances	389	415
Expenses	1	4
<b>Total</b>	<b>390</b>	<b>419</b>



# Notes to the Core Statements

## General Notes

### 14 OFFICERS' REMUNERATION

		Salary, Fees and Allowances £	Performance Related Pay and other one off payments £	Expense Allowance £	Benefits in Kind £	Pension Contribution £	Total £
<b>Corporate Management Team</b>							
Bala Mahendran Chief Executive	2014/15	118,417	31,927	3,000	1,767	-	<b>155,111</b>
Part time from 1.8.13	2013/14	137,762	37,492	3,000	1,660	10,972	<b>190,886</b>
Commissioning Director - Place Shaping & Futures	2014/15	-	-	-	-	-	-
Consultancy Basis	2013/14	105,043	-	-	-	-	<b>105,043</b>
Commissioning Director - Corporate Support	2014/15	101,492	5,637	2,100	-	15,353	<b>124,582</b>
	2013/14	97,710	3,091	1,200	-	11,881	<b>113,882</b>
Commissioning Director - Resourcing & Place Shaping	2014/15	101,154	6,577	3,000	1,617	15,460	<b>127,808</b>
	2013/14	96,838	3,091	3,000	1,593	11,777	<b>116,299</b>
Commissioning Director - People and Places	2014/15	99,752	5,389	3,000	908	15,065	<b>124,114</b>
	2013/14	93,467	2,958	3,000	-	11,360	<b>110,785</b>
Director of Transformation	2014/15	-	-	-	-	-	-
Left 28.8.13	2013/14	23,831	-	1,250	589	-	<b>25,670</b>
Head of Executive Support Services	2014/15	58,703	5,343	912	1,823	-	<b>66,781</b>
Part time from 1.4.14	2013/14	92,334	7,014	912	1,686	11,708	<b>113,654</b>
<b>Corporate Development Team</b>							
Head of Street Scene and Leisure Services	2014/15	94,772	5,342	456	1,701	14,304	<b>116,575</b>
	2013/14	90,804	2,525	-	1,631	10,992	<b>105,952</b>
Head of Housing Services	2014/15	93,474	5,108	304	1,617	14,149	<b>114,652</b>
	2013/14	89,349	2,414	-	1,593	10,805	<b>104,161</b>
Head of Customer Services	2014/15	90,986	5,582	912	1,188	13,826	<b>112,494</b>
From 16.4.13	2013/14	81,405	-	836	924	9,577	<b>92,742</b>
Head of Regeneration & Economic Development	2014/15	89,122	4,712	-	875	13,455	<b>108,164</b>
From 3.6.13	2013/14	69,175	-	-	642	8,163	<b>77,980</b>
Group Manager (Corporate Finance)	2014/15	67,922	3,748	-	-	10,392	<b>82,062</b>
	2013/14	63,516	1,761	-	-	7,768	<b>73,045</b>
Group Manager (Corporate Governance & Support)	2014/15	68,683	3,575	-	-	5,007	<b>77,265</b>
	2013/14	63,130	2,062	-	-	-	<b>65,192</b>
Group Manager (Regulation)	2014/15	67,347	3,123	-	-	10,218	<b>80,688</b>
	2013/14	65,523	1,174	-	-	7,937	<b>74,634</b>
Group Manager (Human Resources) Agency to 5.1.15	2014/15	92,015	-	-	-	-	<b>92,015</b>
	2013/14	82,123	-	-	-	-	<b>82,123</b>
Group Manager (Human Resources) From 6.1.15	2014/15	15,895	-	-	-	2,305	<b>18,200</b>
	2013/14	-	-	-	-	-	-
Group Manager (Commercial Services) Interim appointment	2014/15	79,575	-	-	-	-	<b>79,575</b>
	2013/14	40,750	-	-	-	-	<b>40,750</b>
Marketing & Communications Interim Manager	2014/15	117,000	-	-	-	-	<b>117,000</b>
	2013/14	117,000	-	-	-	-	<b>117,000</b>
Solicitor to the Council	2014/15	61,946	3,025	-	-	9,710	<b>74,681</b>
	2013/14	61,646	1,174	-	-	7,722	<b>70,542</b>
<b>Total 2014/15</b>		<b>1,418,255</b>	<b>89,088</b>	<b>13,684</b>	<b>11,496</b>	<b>139,244</b>	<b>1,671,767</b>
<b>Total 2013/14</b>		<b>1,471,406</b>	<b>64,756</b>	<b>13,198</b>	<b>10,318</b>	<b>120,662</b>	<b>1,680,340</b>

# Notes to the Core Statements

## General Notes

### 14 OFFICERS' REMUNERATION (cont.)

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

Remuneration Band	Number of employees	
	2014/15	2013/14
£50,000 - £55,000	7	11
£55,001 - £60,000	5	7
£60,001 - £65,000	2	7
£65,001 - £70,000	7	-
£70,001 - £75,000	1	4
<b>Total</b>	<b>22</b>	<b>29</b>

### 15 TERMINATION BENEFITS (EXIT COSTS)

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

2014/15				
Exit costs banding (including special payments)	No. of compulsory redundancies	No. of other departures agreed	Total number of exits	Total cost of exits £
Less than £20,000	5	14	19	176,512
£20,001 - £40,000	-	3	3	89,015
£40,001 - £60,000	1	3	4	211,130
<b>Total</b>	<b>6</b>	<b>20</b>	<b>26</b>	<b>476,657</b>

2013/14				
Exit costs banding (including special payments)	No. of compulsory redundancies	No. of other departures agreed	Total number of exits	Total cost of exits £
Less than £20,000	5	35	40	351,717
£20,001 - £40,000	-	6	6	157,607
<b>Total</b>	<b>5</b>	<b>41</b>	<b>46</b>	<b>509,324</b>

Total cost of exits includes payments to individuals of £412,237 in 2014/15 (£461,834 2013/14) and strain on pension fund costs of £64,419 in 2014/15 (£47,490 2013/14) paid to the pension authority, Essex County Council.

It has not been necessary to estimate and make provision for any committed redundancy schemes in respect of non-specific or groups of employees. As a result, all figures in the exit costs bandings represent the total costs reflected in the CIES.

# Notes to the Core Statements

## General Notes

### 16 BUSINESS RATES INCOME AND EXPENDITURE

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

	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Business Rates Income	(29,452)	(27,769)
Tariff	25,467	24,981
Safety Net Compensation	-	(1,375)
<b>Business Rates Income</b>	<b>(3,985)</b>	<b>(4,163)</b>
Business Rates Compensation Grants included in Non-ringfenced government grants	(746)	(444)
<b>Net Retained Income relating to Business Rates</b>	<b>(4,731)</b>	<b>(4,607)</b>
<b>Baseline Funding Allocation</b>	<b>(5,078)</b>	<b>(4,981)</b>
<b>Safety Net Funding (92.5%)</b>	<b>(4,697)</b>	<b>(4,607)</b>

The Business Rate Retention scheme makes provision for local authorities to form pools. Pooling is entirely voluntary and the main advantage of doing so is in the netting off of tariff with top ups and the netting off of growth in some areas with decline in others. The Council joined a four authority pool with Thurrock, Havering and Barking and Dagenham from 1 April 2014. Under the arrangement the levy rate on the total growth earned by the pool is only 4.2% compared with 50% for Basildon on its own. The volatility in Business Rates income has meant that the Council did not derive any benefit from participation in the pool during 2014/15.

### 17 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

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

	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(5,868)	(7,487)
Council Tax Freeze Grant	(162)	(162)
Business Rates Compensation Grants	(746)	(444)
New Homes Bonus	(2,396)	(1,742)
Local Council Tax New Burdens	(116)	(117)
Social Housing Fraud	(91)	(91)
Other Non Ringfenced Grants	(47)	(58)
<b>Non-ringfenced government grants</b>	<b>(9,426)</b>	<b>(10,101)</b>
Government Contributions: Decent Homes Funding	(17,621)	(16,664)
Other Non-Government Contributions	(1,143)	(818)
Donated Assets	(2,137)	-
<b>Capital Grants and Contributions</b>	<b>(20,901)</b>	<b>(17,482)</b>
<b>Total credited to Taxation and Non Specific Grant Income</b>	<b>(30,327)</b>	<b>(27,583)</b>

# Notes to the Core Statements

## General Notes

### 17 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS (cont.)

	2014/15 £'000	2013/14 £'000
<b>Credited to Services</b>		
<b>Central Government</b>		
Department for Work and Pensions:		
Rent Allowances: subsidy	(38,903)	(40,717)
Rent Rebates: subsidy	(27,758)	(28,004)
Council Tax and Housing Benefit Administration Grant	(937)	(1,347)
Transitional Housing Benefit Subsidy Grant	(6)	(30)
Council Tax and Rent Allowances: discretionary grants	(488)	(467)
Housing Options	(974)	(158)
Department for Communities and Local Government:		
Disabled Facilities Grant	(457)	(444)
Localising Council Tax Admin Subsidy	(285)	-
Other Government Funding (individually below £150k)	(58)	(37)
	<b>(69,866)</b>	<b>(71,204)</b>
<b>Local Authorities</b>		
Essex County Council:		
Supporting People Grant	(918)	(846)
Election Funding	(9)	(152)
Recycling Credits	(2,408)	(2,396)
Basildon Family Project	-	(270)
Highways Maintenance	(208)	(199)
Collection Fund Sharing Agreement	(283)	(94)
Other Local Authority Grants and Contributions (individually below £150k).	(210)	(176)
	<b>(4,036)</b>	<b>(4,133)</b>
<b>Non-Government</b>		
Basildon Town Centre Regeneration Project (Developer)	(300)	(391)
Developer Contributions - Affordable Housing	(570)	-
Other Non-Government Grants and Contributions (individually below £75k).	(657)	(406)
	<b>(1,527)</b>	<b>(797)</b>
<b>Revenue Grants and Contributions credited to Services</b>	<b>(75,429)</b>	<b>(76,134)</b>

The Council also received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that if not met, will require the monies or property to be returned to the giver. The balances at the year end, including a sum of £500K from Essex County Council, are as follows:

	31 March 2015 £'000	31 March 2014 £'000
<b>Capital Grants &amp; Contributions</b>		
Government Funding	6	1
Local Authority Funding	587	96
Non-Government Support: Developer Contributions	762	1,131
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>1,355</b>	<b>1,228</b>
<b>Revenue Grants &amp; Contributions</b>		
Government Funding	17	-
Local Authority Funding	42	82
Non-Government Support	4	-
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>63</b>	<b>82</b>

# Notes to the Core Statements

## General Notes

### 18 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government and other Public Bodies**

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and other public bodies are set out in Note 17. Debtors and creditors are set out in Notes 20 and 21 respectively. Grant receipts not yet received but related to the current year are included in Note 17.

#### **Members & Senior Officers**

No Members (apart from Cllr Dadds - see below), or the Chief Executive, or Commissioning Directors of the Council had declared any material direct related party transactions during the year. However some Members are also trustees of Community Associations and some were members of the managing committee of the Basildon Community Resource Centre, DIAL, the Citizens' Advice Bureau or the Basildon Borough Volunteer Carers, each of which received services and/or minor grant funding from the Council.

Councillor D. Dadds entered into a transaction with the Council, at open market value and following due process, which is deemed to be a related party transaction. It is in respect of a lease taken out by Councillor Dadds and two business partners, for the use of shop premises on the ground floor of the Lift Tower building in the Town Square which is owned by the Council. The rentals, excluding VAT, paid under the lease during 2014/15 were £25,279 (£25,176 2013/14).

### 19 SUBSIDIARY & ASSOCIATE COMPANIES

The Council established a wholly owned company, Sempra Homes Ltd (Company Number 9362729), for the development of properties for sale and letting. The company was incorporated on 19 December 2014, but is yet to commence trading.

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

There is currently no requirement for either company to be consolidated in the Council's accounts.

# Notes to the Core Statements

## General Notes

### 20 DEBTORS

#### Short Term Debtors (Amounts falling due within one year)

	Central government bodies £000	Other local authorities £000	Other entities and individuals £000	Total £000
<b>31 March 2015</b>				
Council Tax (Preceptors)	-	1,705	-	<b>1,705</b>
Business Rate Payers Arrears	-	-	812	<b>812</b>
Council Tax Payers Arrears	-	-	1,286	<b>1,286</b>
Council Tenants Arrears	-	-	2,514	<b>2,514</b>
Housing Benefits	-	-	5,991	<b>5,991</b>
HM Revenue & Customs (VAT)	2,810	-	-	<b>2,810</b>
Trade Debtors	10	497	2,270	<b>2,777</b>
Sundry Debtors	6	-	272	<b>278</b>
Capital Debtors	4,405	-	-	<b>4,405</b>
Accrued Income	-	396	475	<b>871</b>
Prepayments	-	-	1,652	<b>1,652</b>
	<b>7,231</b>	<b>2,598</b>	<b>15,272</b>	<b>25,101</b>
<b>Less: Impairment Allowances</b>				
Council Tax Payers Arrears	-	-	(577)	<b>(577)</b>
Business Rate Payers Arrears	-	-	(367)	<b>(367)</b>
Council Tenants	-	-	(1,247)	<b>(1,247)</b>
Housing Benefits	-	-	(2,067)	<b>(2,067)</b>
Trade and Sundry Debtors	-	-	(568)	<b>(568)</b>
	-	-	<b>(4,826)</b>	<b>(4,826)</b>
<b>Total</b>	<b>7,231</b>	<b>2,598</b>	<b>10,446</b>	<b>20,275</b>

### 21 CREDITORS

#### Short Term Creditors (Amounts falling due within one year)

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

# Notes to the Core Statements

## General Notes

### 20 DEBTORS

#### Short Term Debtors (Amounts falling due within one year)

	Central government bodies £000	Other local authorities £000	Other entities and individuals £000	Total £000
<b>31 March 2014</b>				
Council Tax (Preceptors)	-	2,628	-	<b>2,628</b>
Business Rate Payers Arrears	-	-	886	<b>886</b>
Council Tax Payers Arrears	-	-	1,112	<b>1,112</b>
Council Tenants Arrears	-	-	2,171	<b>2,171</b>
Housing Benefits	-	-	4,943	<b>4,943</b>
Rent Allowances	2,971	-	-	<b>2,971</b>
HM Revenue & Customs (VAT)	1,892	-	-	<b>1,892</b>
Trade Debtors	-	580	2,217	<b>2,797</b>
Sundry Debtors	83	-	583	<b>666</b>
Capital Debtors	4,166	-	124	<b>4,290</b>
Accrued Income	-	285	378	<b>663</b>
Prepayments	-	1	1,609	<b>1,610</b>
	<b>9,112</b>	<b>3,494</b>	<b>14,023</b>	<b>26,629</b>
<b>Less: Impairment Allowances</b>				
Council Tax Payers Arrears	-	-	(303)	<b>(303)</b>
Business Rate Payers Arrears	-	-	(371)	<b>(371)</b>
Council Tenants	-	-	(700)	<b>(700)</b>
Housing Benefits	-	-	(1,321)	<b>(1,321)</b>
Trade and Sundry Debtors	-	-	(413)	<b>(413)</b>
	-	-	<b>(3,108)</b>	<b>(3,108)</b>
<b>Total</b>	<b>9,112</b>	<b>3,494</b>	<b>10,915</b>	<b>23,521</b>

### 21 CREDITORS

#### Short Term Creditors (Amounts falling due within one year)

	Central government bodies £000	Other local authorities £000	Other entities and individuals £000	Total £000
<b>31 March 2014</b>				
Business Rates (Preceptors)	(3,457)	(691)	-	<b>(4,148)</b>
Council Tax & Business Rate Payers Prepayments	-	-	(565)	<b>(565)</b>
Council Tenants Prepayments	-	-	(752)	<b>(752)</b>
HRA Leaseholders	-	-	(1,068)	<b>(1,068)</b>
HRA Contractors	-	-	(1,064)	<b>(1,064)</b>
Trade Creditors	-	(166)	(4,187)	<b>(4,353)</b>
Sundry Creditors	(1,494)	(292)	(1,169)	<b>(2,955)</b>
Capital Creditors	-	-	(1,330)	<b>(1,330)</b>
Accrued Expenses	-	(302)	(1,039)	<b>(1,341)</b>
Receipts in Advance	-	-	(523)	<b>(523)</b>
<b>Total</b>	<b>(4,951)</b>	<b>(1,451)</b>	<b>(11,697)</b>	<b>(18,099)</b>

# Notes to the Core Statements

## General Notes

### 22 OTHER LONG-TERM LIABILITIES

	Note	31 Mar 15 £'000	31 Mar 14 £'000
Finance Leases	25	(3,727)	(3,935)
Transferred Debt		-	(572)
<b>Total Long-Term Liabilities</b>		<b>(3,727)</b>	<b>(4,507)</b>

The Current element of long-term liabilities is included in the figures for Sundry Creditors in the previous note. The outstanding balance on the transferred debt was paid in full during 2014/15.

### 23 PROVISIONS

	Insurance Pool £'000	Land Charges £'000	Total Long-Term £'000	Business Rates Appeals £'000	Litigation & Other Costs £'000	Total Short-Term £'000
<b>Balance at 1 April 2014</b>	(2,932)	(453)	(3,385)	(3,560)	(95)	(3,655)
Additional provisions made in 2014/15	(1,082)	-	(1,082)	(3,073)	(50)	(3,123)
Amounts used in 2014/15	516	6	522	1,313	-	1,313
Unused amounts reversed in 2014/15	-	200	200	-	44	44
<b>Balance at 31 March 2015</b>	<b>(3,498)</b>	<b>(247)</b>	<b>(3,745)</b>	<b>(5,320)</b>	<b>(101)</b>	<b>(5,421)</b>

#### Provision for Known Insurance Claims

Provision is made for known outstanding insurance claims, excesses on self-insured risks and insured events that have not yet been reported to the Council. The Council submits the balance on the insurance provision to independent actuarial review every three years to ensure a proper reflection of the aggregate liabilities. (The next actuarial review is due in 2015/16). This is separate from the Insurance Pool Reserve, which is held as a protection against future exposure to risk.

#### Provision for Land Charges

Provision has been made to reflect the decision to remove the ability to charge for a Personal Search of the Local Land Charge register and the collection of the prescribed fee being unlawful from 1st January 2005 under European Directive. The provision was revised during 2014/15 but is still based on the volume of searches undertaken and collected from 1st January 2005 to October 2010. It also includes an allowance for legal costs and interest.

#### Provision for Business Rates Appeals

Provision has been made for outstanding Rating Appeals. The provision includes £1.8m in respect of a major business ratepayer that lodged an appeal, during 2014/15, with the Valuation Office Agency to have all their hereditaments consolidated on to one list.

#### Provision for Litigation & Other Costs

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



# Notes to the Core Statements

## General Notes

### 24 CONTINGENT LIABILITIES

#### Municipal Mutual Insurance

Municipal Mutual Insurance (MMI) ceased trading in September 1992 and remained liable for all claims arising from previous policy commitments. The company was continuing to settle its outstanding liabilities, however, in November 2012 it was announced that the company's realisable assets had proved to be insufficient to meet its liabilities to claimants and, therefore, any deficiency would be recoverable from policyholders, which include Basildon Borough Council, under a "scheme of arrangement" (SOA) approved by the High Court in January 1994.

Now that the SOA is triggered, a payment was requested by the Scheme Administrator (Ernst & Young) from each authority, which will be 15% of the total potential clawback figure of £650,000 allowed for within the Insurance Pool Reserve. This equated to £97,000 which has been paid. Now that this amount of clawback has been paid, each authority is still responsible for paying a percentage towards future claims and may be asked for further clawback contributions in the future. This situation is subject to regular review, but the Council has allowed within its Insurance Pool Reserves for the balance of the full potential clawback (£553,000) to be paid if necessary.

#### Litigation and other costs

There were also a number of High Court appeals, judicial processes and prospective challenges in progress at this date in relation to planning, planning enforcement, land charges, contract disputes and housing issues, which may give rise to costs depending on the outcomes. It is not practicable to estimate the financial effect or timing of these issues as they are too remote at this stage.

### 25 LEASES

#### Council as Lessee

##### Finance Leases

The Council holds some industrial units, plant and vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2015 £'000	Repaid in year £'000	Additions in year £'000	31 March 2014 £'000
Other Land and Buildings	1,817	-	-	1,817
Vehicles, Plant, and Equipment	2,568	(708)	579	2,697
	<b>4,385</b>	<b>(708)</b>	<b>579</b>	<b>4,514</b>

Additions in year - these are in respect of embedded leases within existing contracts to supply vehicles, equipment and services to the Council.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2015 £'000	31 March 2014 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	658	579
Payable between two and five years	1,808	1,895
Payable after five years	1,919	2,040
	<b>4,385</b>	<b>4,514</b>
Finance costs payable in future years (not discounted)	13,930	14,143
<b>Minimum lease payments</b>	<b>18,315</b>	<b>18,657</b>

# Notes to the Core Statements

## General Notes

### 25 LEASES (cont.)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	979	885	658	579
Later than one year and not later than five years	2,614	2,783	1,808	1,895
Later than five years	14,722	14,989	1,919	2,040
	<b>18,315</b>	<b>18,657</b>	<b>4,385</b>	<b>4,514</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15, £84,973 in contingent rents was payable by the Council (2013/14 £49,769). This relates to an agreement within a lease to pay to the head lessor 90% of the rents receivable through sub-letting the property concerned.

The Council has sub-let industrial units in Wickford held under a finance lease. At 31 March 2015 the minimum payments expected to be received under non-cancellable sub-leases was £1,389,687 (£1,384,895 at 31 March 2014).

### Council as Lessee

#### Operating Leases

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

	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	6	193
Later than one year and not later than five years	10	6
Later than five years	9	9
<b>Future minimum lease payments due under non-cancellable leases in future years</b>	<b>25</b>	<b>208</b>

There is one property hired under an operating lease which has been sub-let on a non-cancellable lease. The total of future minimum sub-lease payments expected to be received under this sub-lease at 31st March 2015 amounts to £500 (£11,522 as at 31 March 2014).

	31 March 2015 £'000	31 March 2014 £'000
Minimum lease payments	6	193
Sub lease payments receivable	(1)	(5)
<b>Expenditure charged to CIES</b>	<b>5</b>	<b>188</b>

# Notes to the Core Statements

## General Notes

### 25 LEASES (cont.)

#### Council as Lessor

##### Finance Leases

In terms of Finance Leases generally, the Council will have a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

	31 March 2015 £'000	31 March 2014 £'000
Finance lease debtor (net present value of minimum lease payments):		
- non current	200	200
Unearned finance income	2,407	2,441
Unguaranteed residual value of property	65	65
<b>Gross investment in the lease</b>	<b>2,672</b>	<b>2,706</b>

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	36	36	-	-
Later than one year and not later than five years	143	143	1	1
Later than five years	2,493	2,527	199	199
	<b>2,672</b>	<b>2,706</b>	<b>200</b>	<b>200</b>

As there is a possibility that lease payments will not be received by the Council, an allowance for uncollectable amounts has been made of £24,000 as at 31 March 2015 (£24,000 at 31 March 2014).

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15, £78,470 was receivable by the Council in respect of contingent rents (£73,723 in 2013/14).

##### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	1,813	1,888
Later than one year and not later than five years	4,585	5,262
Later than five years	4,249	4,853
<b>Future minimum lease payments due under non-cancellable leases in future years</b>	<b>10,647</b>	<b>12,003</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £148,680 contingent rents were receivable by the Council (2013/14 £154,387).

# Notes to the Core Statements

## Financial Instrument Notes

### 26 CATEGORIES OF FINANCIAL INSTRUMENTS

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

	Long Term			Current	
	31 March	31 March		31 March	31 March
	2015	2014		2015	2014
	£'000	£'000		£'000	£'000
<b>Short Term Deposits</b>					
Short Term Investments	-	-		46,521	2,000
Cash & Cash Equivalents	-	-	Note 1	9,454	6,870
Loans and receivables	-	-		55,975	8,870
<b>Total Short Term Deposits</b>	-	-		<b>55,975</b>	<b>8,870</b>
<b>Debtors</b>					
Loans and receivables	315	304		42	26
Financial assets carried at contract amounts	-	-		16,794	12,098
<b>Total Debtors</b>	<b>315</b>	<b>304</b>	Note 2	<b>16,836</b>	<b>12,124</b>
<b>Total Financial Assets</b>	<b>315</b>	<b>304</b>		<b>72,811</b>	<b>20,994</b>
<b>Borrowings</b>					
Financial liabilities at amortised cost	(196,617)	(186,709)		(10,139)	(3,023)
<b>Total Borrowings</b>	<b>(196,617)</b>	<b>(186,709)</b>		<b>(10,139)</b>	<b>(3,023)</b>
<b>Other Liabilities</b>					
Finance lease liabilities	(3,727)	(3,935)		(658)	(579)
Transferred Debt	-	(572)		-	(73)
<b>Total Other Liabilities</b>	<b>(3,727)</b>	<b>(4,507)</b>	Note 3	<b>(658)</b>	<b>(652)</b>
<b>Creditors</b>					
Bank Overdraft (Cash & Cash Equivalents)	-	-	Note 1	(3,426)	(366)
Financial liabilities carried at contract amounts:	-	-	Note 3	(10,601)	(12,005)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>		<b>(14,027)</b>	<b>(12,371)</b>
<b>Total Financial Liabilities</b>	<b>(200,344)</b>	<b>(191,216)</b>		<b>(24,824)</b>	<b>(16,046)</b>

The following notes enable the Financial Instruments disclosed above to be located in the Balance Sheet:

1. Cash held by the Council is excluded from Financial Assets £16k per General Note 36 (£13k in 2013/14).
2. Current Debtors comprises: Council Tenants Arrears, Housing Benefits, Trade Debtors, Sundry Debtors, Capital Debtors and Accrued Income per General Note 20. Current Debtors are exclusive of Bad Debt provisions.
3. Current liabilities comprises: HRA Leaseholders and Contractors, Trade Creditors, Sundry Creditors, Capital Creditors and Accrued Expenses per General Note 21. Statutory amounts due to Central Government of £2,553k are also excluded (£729k 2013/14.)

It should be noted that interest payable is not accrued on debt incurred prior to April 1987. The figures for Carrying Amount and Fair Value do not therefore reflect unaccrued interest of £189,159 at 31 March 2015 (£229,977 at 31 March 2014).

### 27 INCOME, EXPENSE, GAINS AND LOSSES

	2014/15			2013/14		
	Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Total £'000	Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Total £'000
Total Interest expense in Surplus or Deficit on the Provision of Services	(10,582)	-	(10,582)	(10,818)	-	(10,818)
Total Interest income in Surplus or Deficit on the Provision of Services	-	160	160	-	88	88
<b>Net gain/(loss) for the year</b>	<b>(10,582)</b>	<b>160</b>	<b>(10,422)</b>	<b>(10,818)</b>	<b>88</b>	<b>(10,730)</b>

# Notes to the Core Statements

## Financial Instrument Notes

### 28 FAIR VALUES OF ASSETS AND LIABILITIES

Financial liabilities, financial assets represented by loans and receivables, and long-term debtors and creditors are carried in 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 term of the instruments, using the following assumptions:

- The range of interest rates payable on PWLB debt at 31 March 2015 was from 2.91% to 15.25%, weighted average 5.13% (5.41% at 31 March 2014). The equivalent figures for non-PWLB long-term debt ranged from 11.25% to 11.44% (weighted average, 11.33%) at 31 March 2015, which was unchanged from 31 March 2014.
- 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. 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.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade creditors and debtors is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2014/15			2013/14		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(202,301)	(204,506)	(265,268)	(185,301)	(187,482)	(218,625)
Non PWLB long-term debt	(2,250)	(2,250)	(2,913)	(2,250)	(2,250)	(2,957)
Money Market debt	-	-	-	-	-	-
Finance lease liabilities	(4,385)	(4,385)	(4,385)	(4,514)	(4,514)	(4,514)
Transferred Debt	-	-	-	(615)	(645)	(645)
Bank Overdraft	(3,426)	(3,426)	(3,426)	(366)	(366)	(366)
Trade Creditors	(10,601)	(10,601)	(10,601)	(12,005)	(12,005)	(12,005)
<b>Total Financial Liabilities</b>	<b>(222,963)</b>	<b>(225,168)</b>	<b>(286,593)</b>	<b>(205,051)</b>	<b>(207,262)</b>	<b>(239,112)</b>

	2014/15			2013/14		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
Short Term Deposits	55,952	55,975	55,967	8,868	8,870	8,870
Other Loans	357	357	357	330	330	330
Trade Debtors	16,794	16,794	16,794	12,098	12,098	12,098
<b>Total Financial Assets</b>	<b>73,103</b>	<b>73,126</b>	<b>73,118</b>	<b>21,296</b>	<b>21,298</b>	<b>21,298</b>

# Notes to the Core Statements

## Financial Instrument Notes

### 29 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 might fail to pay amounts due to the Council.

**Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.

**Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by full Council as part of the Annual Treasury Management Strategy Report. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which defines the minimum credit criteria required for a financial institution to be considered as a counterparty in the Council's investment activities and highlights the need to consider factors outside the formal credit ratings. In addition, the Annual Investment Strategy sets a maximum sum to be invested with a financial institution located within each category at any one time.

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 banking crisis, the Council tightened its criteria by taking a variety of temporary measures to further reduce risk exposure and similar measures remained in place throughout 2013/14 and 2014/15. The continued uncertainty in the banking sector and the general economic instability in the European Union and the rest of the world means that these strict controls remain in place.

For investments placed with bodies other than the UK government, local authorities and building societies, the Council determined its credit criteria by reference to both ratings produced by the major credit rating agencies and other available information. The part nationalised banks are, therefore, included on the Council's counterparty list on the basis that they are supported by the UK's sovereign rating. The Council also places investments with a highly rated Money Market Fund. 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, and this restriction remains in place to date. 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.

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 2014/15 was £64.9 million (£34.6 million, 2013/14).

Customers for goods and services are given 28 days in which to settle their debt, after which time a succession of recovery measures are taken. The Council's current debtors included in the Balance Sheet are shown net of allowances for bad debt, which are based on historical default experience for collections.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £64,862K cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence as at 31 March 2015 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on financial assets other than investments, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

# Notes to the Core Statements

## Financial Instrument Notes

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

	Amount at 31 March 2015 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability at 31 March 2015 £'000	Estimated maximum exposure at 31 March 2014 £'000
Debtors	17,151	5.69	4.74	(813)	(858)

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council has also considered the risk that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To address this danger, the Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment within a short period of time. The Council has organised its debt portfolio such that the maturity profile of long-term debt is well-balanced, and new borrowing is planned prudently to ensure that an excessive amount of debt does not fall due for repayment at the same time, or within the same financial year. Where it is economical to do so, the Council will also make early repayment of debt.

The maturity analysis of financial liabilities (the principal amount of PWLB debt, bonds, and temporary borrowing) as at 31 March 2015 was as follows:

	31/3/2015 £'000	31/3/2014 £'000
Less than one year	10,000	3,000
Between one and two years	9,500	10,000
Between two and five years	14,000	20,500
Between five and ten years	18,575	18,163
Between ten and fifteen years	37,000	35,412
Between fifteen and twenty years	40,500	17,000
Between twenty and twenty five years	64,051	69,051
More than twenty five years	10,925	14,425
<b>Principal Amount</b>	<b>204,551</b>	<b>187,551</b>

#### Market Risk

##### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

Borrowings at fixed rates – the fair value of the liabilities will fall

Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

# Notes to the Core Statements

## Financial Instrument Notes

### **29 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont.)**

The Council has a number of strategies for managing interest rate risk. As part of this, its policy is to aim for a maximum of 15% of its debt to be exposed to variable rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The Council has created a Treasury Management Reserve to ensure that revenue resources are not compromised by fluctuations in interest rates.

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.

The Council has no financial assets or liabilities at variable interest rates and is therefore not exposed to interest rate risk .

The impact of a 0.25% change in fair value would decrease/increase the value of fixed rate borrowings by £7,560k (£5,743k in 2013/14), but this would not impact on charges to the Comprehensive Income and Expenditure Statement.

The Council does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of shares.

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



# Notes to the Core Statements

## Capital Notes

### 30 PROPERTY, PLANT AND EQUIPMENT

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

# Notes to the Core Statements

## Capital Notes

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

Comparative Movements in 2013/14	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation:</b>								
At 1 April 2013	512,876	84,976	12,383	1,124	7,932	596	457	620,344
Additions	27,034	1,025	602	-	-	1,128	-	29,789
Derecognition - Disposals	(3,279)	(395)	(1)	-	-	-	(148)	(3,823)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(27,034)	(2,180)	-	-	-	-	-	(29,214)
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-	1,719	-	-	-	-	-	1,719
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,894	-	-	-	-	-	-	7,894
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	30,344	-	-	-	-	-	-	30,344
Other movements in cost or Valuation - Reclassifications	-	6	32	-	-	-	(38)	-
<b>At 31 March 2014</b>	<b>547,835</b>	<b>85,151</b>	<b>13,016</b>	<b>1,124</b>	<b>7,932</b>	<b>1,724</b>	<b>271</b>	<b>657,053</b>
<b>Accumulated Depreciation and Impairments:</b>								
At 1 April 2013	-	3,094	6,216	-	-	-	23	9,333
Depreciation Charge for 2013/14	10,258	1,832	960	-	-	-	11	13,061
Depreciation eliminated on Disposals	(66)	(40)	-	-	-	-	(5)	(111)
Depreciation written out to the Revaluation Reserve	-	(64)	-	-	-	-	-	(64)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(10,192)	(1,133)	207	-	-	-	-	(11,118)
Other movements in cost or Valuation - Reclassifications	-	(1)	3	-	-	-	(2)	-
<b>At 31 March 2014</b>	<b>-</b>	<b>3,688</b>	<b>7,386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>11,101</b>
<b>Net Book Value:</b>								
<b>At 31 March 2014</b>	<b>547,835</b>	<b>81,463</b>	<b>5,630</b>	<b>1,124</b>	<b>7,932</b>	<b>1,724</b>	<b>244</b>	<b>645,952</b>
<b>At 1 April 2013</b>	<b>512,876</b>	<b>81,882</b>	<b>6,167</b>	<b>1,124</b>	<b>7,932</b>	<b>596</b>	<b>434</b>	<b>611,011</b>

# Notes to the Core Statements

## Capital Notes

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

#### Revaluations

The statement below shows the total of revaluations of non-current assets carried out by the Council during the financial year and for the previous four years. The valuations were carried out by the Council's Principal Estates Surveyor and Wilkes, Head & Eve, a leading firm of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies, item 14.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipmen £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	-	13,149	8,368	2,566	188	24,271
Carried at fair value as at:							
31.3.2015	585,758	65,631	-	-	-	-	651,389
31.3.2014	-	4,451	-	-	-	-	4,451
31.3.2013	-	10,263	-	-	-	-	10,263
31.3.2012	-	2,947	-	-	-	-	2,947
31.3.2011	-	274	-	-	-	-	274
<b>Gross Book Value at 31 March 2015</b>	<b>585,758</b>	<b>83,566</b>	<b>13,149</b>	<b>8,368</b>	<b>2,566</b>	<b>188</b>	<b>693,595</b>

### 31 INVESTMENT PROPERTIES

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

The Council holds one investment property under a lease.

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

	2014/15 £'000	2013/14 £'000
Rental income from investment property	(1,891)	(1,757)
Other Income	(71)	(67)
Direct operating expenses arising from investment property	540	432
	<b>(1,422)</b>	<b>(1,392)</b>
Change in the fair value of Investment Properties	(310)	(3,213)
<b>Net gain credited to the Comprehensive Income and Expenditure Statement</b>	<b>(1,732)</b>	<b>(4,605)</b>

The following table summarises the movement in the fair value of investment properties over the year:

	2014/15 £'000	2013/14 £'000
Balance at start of the year	18,947	15,734
Additions: Transfer from Other Land and Buildings	1,583	-
Net gains/(losses) from fair value adjustments	310	3,213
<b>Balance at end of the year</b>	<b>20,840</b>	<b>18,947</b>

### 32 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2015 was £20,913,400 including fees (£5,055,600 at 31 March 2014).

# Notes to the Core Statements

## Capital Notes

### 33 ASSETS HELD FOR SALE

	2014/15 £'000	2013/14 £'000
<b>Balance outstanding at start of year</b>	10,475	310
Assets newly classified as held for sale:		
- Property, Plant and Equipment	1,185	10,165
Revaluation gains to Revaluation Reserve	15	-
Assets sold	(310)	-
<b>Balance outstanding at end of year</b>	<b>11,365</b>	<b>10,475</b>

### 34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>244,031</b>	<b>244,626</b>
<u>Capital Expenditure</u>		
Property, Plant and Equipment:		
General Fund	4,133	1,615
Housing Revenue Account	28,917	28,174
	<b>33,050</b>	<b>29,789</b>
<u>Revenue expenditure funded from capital under statute:</u>		
Private Sector Housing Grants	2,027	920
<b>Total Capital Expenditure to be Financed</b>	<b>35,077</b>	<b>30,709</b>
<b>Sources of Finance:</b>		
Usable Capital Receipts	550	108
Capital Contributions	1,978	947
Major Repairs Reserve	27,955	24,907
Direct revenue contributions	1,020	2,687
Sums set aside from revenue:		
Minimum Revenue Provision	1,510	1,048
HRA depreciation and impairments	395	651
Use of Major Repairs Reserve to repay debt	320	956
<b>Total Financing</b>	<b>33,728</b>	<b>31,304</b>
<b>Closing Capital Financing Requirement</b>	<b>245,380</b>	<b>244,031</b>
<b>Explanation of movements in year</b>		
Increase/(Decrease) in underlying need for borrowing (unsupported by government financial assistance)	1,349	(595)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,349</b>	<b>(595)</b>

# Notes to the Core Statements

## Pension Notes

### 35 DEFINED BENEFIT PENSION SCHEMES

#### Characteristics of the Pension Scheme

The Council offers retirement benefits to its officers and other employees as part of the terms and conditions of their employment. For this purpose, the Council participates in the Essex County Council Pension Fund (the Fund), which is administered under regulations governing the Local Government Pension Scheme and provides defined benefits related to pay and service. The Fund is reviewed on a triennial basis by the Fund actuary. The last triennial actuarial valuation was at 31 March 2013 and was effective from 1 April 2014. The next valuation will be at 31 March 2016 and will be effective from 1 April 2017.

#### Risks associated with the Pension Scheme

##### Investment Risk

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

##### Interest Rate Risk

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

##### Inflation Risk

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

##### Longevity Risk

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

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

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

#### Assets and Liabilities in Relation to Post-employment Benefits

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

	2014/15 £'000	2013/14 £'000
Present value of the defined benefit obligation	276,097	240,080
Fair value of plan assets	(165,630)	(145,500)
<b>Net liability arising from the defined benefit obligation</b>	<b>110,467</b>	<b>94,580</b>

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2016 is £5.5 million (including £0.5m relating to discretionary benefits).

# Notes to the Core Statements

## Pension Notes

### Transactions Relating to Retirement Benefits

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

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

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

<b>Comprehensive Income and Expenditure Statement</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<i>Cost of Services:</i>		
Service cost comprising:		
- Current service cost, including administration expense	4,800	4,608
- Past service costs, including curtailments	84	508
<i>Financing and Investment Income and Expenditure:</i>		
Net interest on the defined liability	4,034	4,211
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>8,918</b>	<b>9,327</b>
<i>Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure:</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest cost)	(13,728)	(6,488)
- Experience gain (loss)	(224)	(1,216)
- Actuarial gains and losses arising from changes in demographic assumptions	-	(14,307)
- Actuarial gains and losses arising from changes in financial assumptions	26,895	2,878
- Other Actuarial gains/(losses)	-	7,473
	12,943	(11,660)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>21,861</b>	<b>(2,333)</b>
<b>Movement in Reserves Statement</b>		
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	8,918	9,327
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(2,944)	(3,370)
<b>Actual amount charged against Council Tax for pensions in the year:</b>		
Employers' contributions payable to the scheme	<b>5,974</b>	<b>5,957</b>
<b>Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance at 1 April</b>	<b>240,080</b>	<b>243,744</b>
Current Service Cost	4,733	4,585
Interest Cost	10,437	10,122
Contributions from scheme participants	1,349	1,245
Remeasurements of the net defined benefit liability:		
- Actuarial gains and losses arising from changes in demographic assumptions	-	(14,307)
- Actuarial gains and losses arising from changes in financial assumptions	26,895	2,878
- Experience loss (gain)	(224)	(1,216)
Past Service Costs, including curtailments	84	508
Benefits Paid	(6,840)	(7,044)
Unfunded Pension Payments	(417)	(435)
<b>Closing Balance at 31 March</b>	<b>276,097</b>	<b>240,080</b>

# Notes to the Core Statements

## Pension Notes

<b>Reconciliation of the Movements in the Fair Value of Scheme Assets</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance at 1 April</b>	<b>145,500</b>	<b>140,874</b>
Actual Return on scheme assets	20,064	12,376
Actuarial Gains (Losses)	-	(7,473)
Contributions by scheme participants	1,349	1,245
Employer Contributions including unfunded	5,974	5,957
Benefits Paid including unfunded	(7,257)	(7,479)
<b>Closing Balance at 31 March</b>	<b>165,630</b>	<b>145,500</b>

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

<b>Asset Share - Bid value</b>	<b>31 March 2015</b>		<b>31 March 2014</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equity Investments	111,421	67%	97,010	67%
Gilts and Bonds	23,130	14%	23,166	16%
Property	17,990	11%	16,636	11%
Cash and Other Investments	13,089	8%	8,688	6%
	<b>165,630</b>	<b>100%</b>	<b>145,500</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2015, the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19.

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

The principal assumptions used by the actuary are as follows:

<b>Assumed life expectancy from age 65 (years)</b>	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2014</b>
Assumed longevity retiring at current date		
- Males	22.8	22.7
- Females	25.2	25.1
Assumed longevity retiring in 20 years		
- Males	25.1	24.9
- Females	27.6	27.4

### Financial assumptions:

Rate of inflation - RPI	3.2%	3.6%
Rate of inflation - CPI	2.3%	2.8%
Rate of increase in salaries	4.1%	4.6%
Rate of increase in pensions	2.3%	2.8%
Rate for discounting scheme liabilities	3.3%	4.4%

### Other assumptions:

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

# Notes to the Core Statements

## Pension Notes

### Sensitivity Analysis of major assumptions

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

Adjustment to:		Present value of Total Obligation £'000	Change £'000	Projected Service Cost £'000
Discount Rate	+0.1%	271,394	(124)	5,438
	-0.1%	280,886	127	5,689
Long-term salary increase	+0.1%	276,562	3	5,565
	-0.1%	275,633	(3)	5,559
Pension increases and deferred revaluation	+0.1%	280,463	125	5,687
	-0.1%	271,807	(122)	5,440
Mortality age rating assumption	+ 1 year	266,450	(189)	5,373
	- 1 year	285,831	190	5,752

### Effect on the Council's cashflows

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

		2015/16 £'000	2016/17 £'000
Ongoing rate	14.50%	2,932	2,932
Deficit payment		2,567	2,693
<b>Total</b>		<b>5,499</b>	<b>5,625</b>

The cost of the ongoing rate is based on an estimated pensionable payroll of £20.219 million and will change to the extent that the actual payroll differs from this figure. The deficit payments were fixed for 3 years and are intended, combined with payments for the next 15.5 years, to eliminate the deficit over a period of 18.5 years. Both figures will be revised at the next valuation.



# Notes to the Core Statements

## Cash Flow Notes

### 36 CASH AND CASH EQUIVALENTS

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

	31 March 2015 £'000	31 March 2014 £'000
Cash held by the Council	16	13
Bank current accounts	(3,426)	(366)
Short-term deposits	9,454	6,870
<b>Total Cash and Cash Equivalents</b>	<b>6,044</b>	<b>6,517</b>

### 37 CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	2014/15 £'000	2013/14 £'000
Interest received	(140)	(92)
Interest paid	10,588	10,910
<b>Total</b>	<b>10,448</b>	<b>10,818</b>

### 38 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2014/15 £000	2013/14 £000
Purchase of property, plant and equipment and investment property	32,447	29,841
Purchase of short-term investments	44,500	2,000
Other payments for investing activities	38	71
Proceeds from the sale of property, plant and equipment and investment property	(9,625)	(4,155)
Capital Grants Received	(18,891)	(19,013)
Other receipts from investing activities	(21)	(35)
<b>Net cash flows from investing activities</b>	<b>48,448</b>	<b>8,709</b>

### 39 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2014/15 £000	2013/14 £000
Cash receipts of short and long-term borrowing	(20,579)	(305)
Other receipts from financing activities	(3,394)	(4,824)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	708	659
Repayments of short and long-term borrowing	3,615	9,519
<b>Net cash flows from financing activities</b>	<b>(19,650)</b>	<b>5,049</b>

# Housing Revenue Account

## HRA Income and Expenditure Statement

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

<b>Expenditure</b>	<b>Note</b>	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Repairs and Maintenance		10,476	11,249
Supervision and Management		14,413	13,383
Rents, rates, taxes and other charges		222	334
Depreciation of non-current assets	<b>7</b>	11,090	10,469
Impairment of non-current assets (Net of Revaluation Gains)	<b>8</b>	7,885	(12,542)
Debt Management Costs		65	60
Movement in the allowance for bad debts		684	428
<b>Total Expenditure</b>		<b>44,835</b>	<b>23,381</b>
<b>Income</b>			
Dwelling rents	<b>1</b>	(49,403)	(47,981)
Non-dwelling rents	<b>3</b>	(140)	(1,964)
Charges for services and facilities		(5,093)	(5,026)
Contributions towards expenditure		(481)	(471)
<b>Total Income</b>		<b>(55,117)</b>	<b>(55,442)</b>
<b>Net (Income) / Expenditure of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(10,282)</b>	<b>(32,061)</b>
HRA share of Non Distributed Costs		25	138
HRA share of Corporate and Democratic Core		312	304
<b>Net (Income)/Expenditure of HRA Services</b>		<b>(9,945)</b>	<b>(31,619)</b>
<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>			
(Gain)/Loss on sale of HRA non-current assets		(2,124)	(942)
Interest payable and similar charges		10,258	10,605
Net interest on the net defined benefit liability		1,177	1,148
Capital Grants, contributions and donated assets		(18,573)	(16,664)
<b>Surplus for the year on HRA services</b>		<b>(19,207)</b>	<b>(37,472)</b>

# Housing Revenue Account

## Movement on the Housing Revenue Account Statement

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

	Note	2014/15 £'000	2013/14 £'000
<b>Balance on the HRA at the end of the previous year</b>		(4,951)	(4,245)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		(19,207)	(37,472)
Adjustments between Accounting basis and Funding basis under the legislative framework		12,714	32,015
<b>Net increase before transfers to or from reserves</b>		<b>(6,493)</b>	<b>(5,457)</b>
<b>Transfers to or from earmarked reserves</b>	<b>GN 11</b>	<b>2,657</b>	<b>4,751</b>
<b>Increase in year on the HRA</b>		<b>(3,836)</b>	<b>(706)</b>
<b>Balance on the HRA at the end of the current year</b>		<b>(8,787)</b>	<b>(4,951)</b>

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

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

	Note	2014/15 £'000	2013/14 £'000
<b>Reversal of items debited or credited to the HRA Income and Expenditure Statement</b>			
(Gain)/Loss on sale of HRA non-current assets		(2,124)	(942)
HRA share of contributions to or from the Pensions Reserve		860	922
Transfer to Major Repairs Reserve: Decent Homes backlog funding		(17,621)	(16,664)
Donated Assets transferred to the Capital Adjustment Account		(952)	-
Revaluation gains and impairment losses (charged to SDPS)	7	7,490	(13,193)
Statutory Provision for the repayment of debt (Minimum revenue provision)		(99)	(36)
Capital expenditure charged against the HRA Balance		(279)	(2,127)
Depreciation transferred to the Capital Adjustment Account	7	11,090	10,469
Absences accrual transferred to the Accumulated Absences Account		4	18
		<b>(1,631)</b>	<b>(21,553)</b>
<b>Insertion of items not debited or credited to the HRA Income and Expenditure Statement</b>			
Transfer to Major Repairs Reserve		(11,090)	(10,468)
Transfer to Financial Instruments Adjustment Account, amortisation of deferred discounts		7	6
		<b>(11,083)</b>	<b>(10,462)</b>
<b>Net additional amount required by statute to be debited (credited) to the HRA</b>		<b>(12,714)</b>	<b>(32,015)</b>

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

# Housing Revenue Account

## Notes

### 1 DWELLING RENTS

	2014/15 £'000	2013/14 £'000
Dwellings	(49,796)	(48,313)
Less: Void properties	393	332
<b>Total Income from Dwelling Rents</b>	<b>(49,403)</b>	<b>(47,981)</b>

Rent loss due to void dwellings was 0.8% in the year (0.8% in 2013/14). The average weekly rent in 2014/15 was £85.83, which was £3.03 above the average for the previous year. This reflects the impact of rent restructuring.

### 2 RENT REBATES

About 59% of the Council's tenants receive some assistance with their rent. Rent rebates are available under the Housing Benefit scheme for households on low income. Expenditure on rent rebates includes the discretionary element of benefit where war pensions are disregarded in assessing claimants' income.

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

### 3 NON-DWELLING RENTS

	2014/15 £'000	2013/14 £'000
Garages	(1,076)	(2,712)
Less: Void properties	941	912
	<b>(135)</b>	<b>(1,800)</b>
Shops	-	(162)
Land and Other Buildings	(5)	(2)
<b>Total Income from Non-Dwelling Rents</b>	<b>(140)</b>	<b>(1,964)</b>

On 1 April 2014 all of the shops and a majority of the garages were transferred from the HRA to the General Fund.

### 4 RENT ARREARS

	31 March 2015 £'000	31 March 2014 £'000
Current tenants	2,136	1,994
Former tenants	476	188
<b>Total gross rent arrears</b>	<b>2,612</b>	<b>2,182</b>
<b>Less: Allowance for uncollectable rents</b>	<b>(1,247)</b>	<b>(700)</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 £890,239 at 31 March 2015 (£752,386 at 31 March 2014).

# Housing Revenue Account

## Notes

### 5 ANALYSIS OF HOUSING STOCK

The Council was responsible for 11,173 dwellings at the start of the year (11,239 at 1 April 2013). Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2015	31 March 2014
<i>Analysis by Type of Dwelling :</i>		
Houses and Bungalows	6,252	6,337
Flats and Maisonettes	4,797	4,836
<b>Total Dwellings</b>	<b>11,049</b>	<b>11,173</b>
<i>Change in Stock during the Year :</i>		
Stock at 1 April	11,173	11,239
Purchases and donations	11	-
Sales and other Disposals	(135)	(66)
<b>Total Dwellings</b>	<b>11,049</b>	<b>11,173</b>

The number of dwellings at 31 March 2015 includes the Council's interest in shared ownership properties, which is equivalent to 119 wholly owned dwellings (120 at 31 March 2014).

### 6 VALUATION OF HOUSING ASSETS

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

	31 March 2015 £'000	31 March 2014 £'000
<i>Operational Assets :</i>		
Dwellings	585,758	547,835
Other land and buildings	650	12,088
Vehicles, plant and equipment	361	253
<i>Non Operational Assets :</i>		
Asset under construction	686	317
<b>Total Value of Housing Assets</b>	<b>587,455</b>	<b>560,493</b>

All property has been valued in accordance with guidance on stock valuation published by the Secretary of State. The vacant possession value of dwellings in the HRA, valued in accordance with the guidance, was £1,501.9 million at 31 March 2015. The difference of £916.2 million between the vacant possession value and the Balance Sheet value shown in the table above represents the economic cost to the public sector of providing council housing at less than open market rents.

### 7 DEPRECIATION

	31 March 2015 £'000	31 March 2014 £'000
<i>Operational Assets :</i>		
Dwellings	10,835	10,141
Shared Ownership Dwellings	122	117
Other land and buildings	25	67
Vehicles, plant and equipment	108	144
<b>Total Depreciation</b>	<b>11,090</b>	<b>10,469</b>

# Housing Revenue Account

## Notes

### 8 REVALUATION GAINS, LOSSES AND IMPAIRMENTS

	31 March 2015 £'000	31 March 2014 £'000
<i>Operational Assets:</i>		
Dwellings	(20,465)	(40,226)
Shared Ownership Dwellings	-	(310)
<b>Total Revaluation (gains)/losses</b>	<b>(20,465)</b>	<b>(40,536)</b>
<i>Operational Assets:</i>		
Dwellings	27,955	27,034
Other land and buildings	321	953
Vehicles, plant and equipment	74	7
<b>Total Impairments</b>	<b>28,350</b>	<b>27,994</b>

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

### 9 CAPITAL EXPENDITURE AND FINANCING

	Note	2014/15 £'000	2013/14 £'000
<b>Analysis of Expenditure and Financing</b>			
Housing		29,077	27,034
Other Property		1,239	1,140
<b>Total Capital Expenditure to be Financed</b>		<b>30,316</b>	<b>28,174</b>
<i>Financed from:</i>			
Major Repairs Reserve	10	27,955	24,907
Capital Contributions		952	-
Usable Capital Receipts		132	-
Borrowing – unsupported		45	1,140
Revenue contributions		280	2,127
<b>Total Financing</b>		<b>29,364</b>	<b>28,174</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).

	2014/15 £'000	2013/14 £'000
<b>Balance on 1 April</b>	<b>(8,061)</b>	<b>(6,792)</b>
Transfer from the HRA	(11,090)	(10,468)
Decent Homes Backlog Funding received	(17,621)	(16,664)
Decent Homes Backlog Funding applied to Capital Expenditure	17,621	16,664
Amount applied to Capital Expenditure	10,334	8,243
Amount applied to repay debt	320	956
<b>Balance on 31 March</b>	<b>(8,497)</b>	<b>(8,061)</b>

# Housing Revenue Account

## Notes

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

In common with all housing authorities, a proportion of the proceeds of the sale of all HRA land, houses and other property is payable into a government 'pool' in accordance with regulations.

The result of this deduction is that only a proportion of the original proceeds of sale are normally available to finance new capital expenditure. A sum of £4,617k has been retained in 2014/15 for the 1:1 replacement of social housing (£1,705k during 2013/14).

	2014/15 Total £'000	2013/14 Total £'000
Gross receipt	9,312	4,137
Sale Expenses	-	(83)
Pooled amount	(916)	(834)
<b>Usable element</b>	<b>8,396</b>	<b>3,220</b>

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

For the purposes of IAS19 adjustments, the deficit on the Pensions Reserve has been apportioned between the General Fund and the Housing Revenue Account based on levels of employer contributions and Past Service Deficit. This equates to approximately 71% General Fund and 29% Housing Revenue Account.

### 13 EARMARKED BALANCE

The Council have earmarked part of the HRA balance for Bad Debts, Treasury Management Risk, and Asset Investment. This brings the earmarked part of the HRA balance to £12,817,000 at 31 March 2015 (£10,160,000 at 31 March 2014).

### 14 FURTHER INFORMATION

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

# Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council, as billing authority, in relation to the collection and distribution of council tax and business rates to Local Authorities and Central Government.

	2014/15			2013/14		
	Council Tax £'000	Business Rates £'000	Total £'000	Council Tax £'000	Business Rates £'000	Total £'000
<b>Income:</b>						
Amounts receivable (net of discounts and reliefs)	89,830	83,477	173,307	86,749	79,737	166,486
Collection of previous year's deficit:						
- Central Government		1,095	1,095	-	-	-
- Essex County Council		197	197	-	-	-
- Essex Fire Authority		22	22	-	-	-
- Basildon Borough Council		876	876	-	-	-
		2,190	2,190		-	-
<b>Total Income</b>	<b>89,830</b>	<b>85,667</b>	<b>175,497</b>	<b>86,749</b>	<b>79,737</b>	<b>166,486</b>
<b>Expenditure:</b>						
Precepts and shares						
- Central Government	-	38,161	38,161	-	35,499	35,499
- Essex County Council	60,934	6,869	67,803	59,106	6,390	65,496
- Police & Crime Commissioner for Essex	8,089	-	8,089	7,695	-	7,695
- Essex Fire Authority	3,724	763	4,487	3,612	710	4,322
- Basildon Borough Council	14,543	30,529	45,072	14,120	28,399	42,519
	87,290	76,322	163,612	84,533	70,998	155,531
Transitional protection payment receivable	-	1,451	1,451	-	485	485
Impairment of debts/appeals:						
- Write-offs of uncollectable amounts	301	485	786	393	538	931
- Allowance for impairment	1,519	(12)	1,507	58	156	214
Allowance for losses on appeals	-	7,683	7,683	-	8,900	8,900
	1,820	8,156	9,976	451	9,594	10,045
Charge to General Fund for allowable collection costs		238	238		237	237
Distribution of previous year's estimated surplus:						
- Essex County Council	234		234	141		141
- Police & Crime Commissioner for Essex	30		30	18		18
- Essex Fire Authority	14		14	9		9
- Basildon Borough Council	56		56	33		33
	334		334	201		201
<b>Total Expenditure</b>	<b>89,444</b>	<b>86,167</b>	<b>175,611</b>	<b>85,185</b>	<b>81,314</b>	<b>166,499</b>
<b>Movement on Fund Balance</b>	<b>386</b>	<b>(500)</b>	<b>(114)</b>	<b>1,564</b>	<b>(1,577)</b>	<b>(13)</b>
<b>Opening Fund Balance</b>	<b>(1,583)</b>	<b>1,577</b>	<b>(6)</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>
<b>Closing Fund Balance</b>	<b>(1,969)</b>	<b>2,077</b>	<b>108</b>	<b>(1,583)</b>	<b>1,577</b>	<b>(6)</b>
<b>Movement on fund balance</b>	<b>386</b>	<b>(500)</b>	<b>(114)</b>	<b>1,564</b>	<b>(1,577)</b>	<b>(13)</b>



# Collection Fund Account

## Notes

### 1 COUNCIL TAX BASE

Whilst the annual Council Tax levy is expressed as a Band D equivalent, it is actually charged across nine different valuation bands. The Council Tax base for 2014/15 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)	7	7	5/9	4
A	8,629	7,086	6/9	4,724
B	15,414	13,705	7/9	10,660
C	23,445	21,309	8/9	18,941
D	14,018	13,480	9/9	13,480
E	7,119	6,733	11/9	8,229
F	4,404	4,235	13/9	6,117
G	1,890	1,814	15/9	3,024
H	150	135	18/9	270
	<b>75,076</b>	<b>68,504</b>		<b>65,449</b>
Less: Net impact of Local Council Tax Support Scheme				(8,311)
				<b>57,138</b>
Less: Allowance for irrecoverables			% 1.87	(1,068)
<b>Total Council Tax Base</b>				<b>56,070</b>

### 2 INCOME FROM COUNCIL TAX

For 2014/15 the Council set an average Council Tax levy of £1,556.81 per Band D equivalent property, made up of precepts from authorities as follows:

	2014/15 £	2013/14 £
Basildon Borough Council	252.81	252.81
Parish and Town Councils in the Basildon Borough (average)	6.56	6.81
Essex County Council	1,086.75	1,086.75
Police & Crime Commissioner for Essex	144.27	141.48
Essex Fire Authority	66.42	66.42
<b>Total average Council Tax Band D</b>	<b>1,556.81</b>	<b>1,554.27</b>

The Council Tax requirement is made up of the sum of all precepts levied on this Council as Billing Authority. Basildon's own precept for the year 2014/15 (£14.54 million) included £367,965 (£369,921 in 2013/14) in respect of precepts from Parish, Town and Village Councils within the borough. The payments to Parish, Town and Village Councils are met initially from the General Fund and included in Basildon's budget requirement.

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

	2014/15 £'000	2013/14 £'000
Council Tax	101,882	100,794
Less: Council Tax Support	(12,052)	(14,045)
<b>Net Income to Collection Fund</b>	<b>89,830</b>	<b>86,749</b>

# Collection Fund Account

## Notes

### 3 INCOME FROM BUSINESS RATES

The Council calculates the rates due on non-domestic property in the Borough by multiplying the rateable value of the property by a uniform national rate in the pound. The total amount, less certain reliefs and other deductions, is shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority (1%), with the remainder being retained by the council (40%). Police and Crime Commissioners are not included in the scheme.

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

	2014/15 £'000	2013/14 £'000
Business Rate (including voids and exemptions)	84,284	83,770
<i>Add: Appeals settled</i>	3,283	-
<i>Less: Reliefs, and Other Adjustments</i>	(4,090)	(4,033)
<b>Net Income to Collection Fund</b>	<b>83,477</b>	<b>79,737</b>

The total rateable value for the Basildon Borough at 31 March 2015 was £187.7m (£192.8 million, 2014). The business rate for 2014/15 was 47.1p per £ of rateable value for small businesses and 48.2p for other businesses (46.2p and 47.1p respectively for 2013/14).

# Significant Accounting Policies

## 1. Accruals of Income and Expenditure (including Revenue Recognition).

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from Grants, Contributions and Donations is recognised immediately if no conditions exist or if all conditions have been met.
- Supplies that are held in inventories are recorded as expenditure when they are consumed, i.e. where there is a gap between the date supplies are received and when they are consumed they are carried as inventories in the Balance Sheet. Other supplies are expensed when received.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

## 2. Cash and Cash Equivalents

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

A financial instrument will be treated as a cash equivalent if it meets the definition given in IAS 7; “short-term, highly liquid investments which are readily convertible to known amounts of cash without penalty and which are subject to an insignificant risk of changes in value”. In this context, ‘short-term’ is defined as three calendar months or less, while ‘insignificant’ is defined as less than 1% risk of default or impairment. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management.

## 3. Exceptional Items

When items of income and expense are material and significant to an understanding of the Council’s financial performance their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

# Significant Accounting Policies

## 4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise e.g. on grounds of materiality) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, or revaluation and impairment losses. However, the General Fund is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Such charges are termed 'minimum revenue provision' or MRP.

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

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

The only exception to these arrangements are

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

Further descriptions of methods available to the Council can be found in the Secretary of State's guidance here:

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

Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The HRA is also charged with depreciation, revaluation and impairment losses. The Council has applied the transitional arrangements as set out in the Item 8 determination for 2013/14 and has adjusted the charge for dwellings (excluding shared ownership properties) to the level of the need to spend on major repairs as set

## Significant Accounting Policies

out in the self financing valuation for 2012/13. Impairments in respect of dwellings have been reversed through the movement in reserves statement. A balance equivalent to the depreciation charged to the HRA is transferred from the Capital Adjustment Account to the Major Repairs Reserve as required by the Accounts and Audit (England) Regulations 2011.

### 6. Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. Private Health Care) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, such entitlements being termed 'accumulated absences') earned by employees but not taken before the year-end and which employees can carry forward to the next financial year. The accrual is made at an average salary rate estimated to be applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then taken out of the General Fund through the Movement in Reserves Statement into the Unpaid Absences Account with the transaction being reversed in the following year.

#### Termination Benefits

Termination benefits, are amounts payable as a result of a decision by Basildon Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept an offer of voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the appropriate Service, or, where applicable, to the Non Distributed Costs line, in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post Employment Benefits

The Local Government Pension Scheme is administered by Essex County Council. The Scheme is accounted for as a defined benefits scheme.

The liabilities of the Essex County Pension Fund attributable to Basildon Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on e.g. assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of deemed to be appropriate for the scheme (usually based on the indicative rate of return on high quality corporate bonds).

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

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

## Significant Accounting Policies

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net Interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated using the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Discretionary Benefits

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

## 7. Events After the Balance Sheet Date

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

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

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

## 8. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability,

## Significant Accounting Policies

multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The only exception to this is for loans taken out prior to April 1987 the interest on which is accounted for on a cash basis.

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

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

### Financial Assets

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

### Soft Loans

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

The Council has made soft loans which were funded by Government grant. The cost to the Council of making the loans at a reduced rate of interest is offset by this grant. The Council has, therefore, decided that in these circumstances it is not appropriate to apply the requirements of the Code and statute as the impact on the Council's Comprehensive Income and Expenditure Statement is negligible and any impact would be reversed out via the Movement in Reserves Statement meaning that there would be no impact on the General Fund Balance.

### Loans and Receivables

Loans and receivables are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

## 9. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. No amounts of foreign currency were held or outstanding at the year-end.

## 10. Grants, Contributions and Donations (including Donated Assets)

Whether paid on account, by instalments or in arrears, grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council has complied with the conditions attached to the grant, contribution or donations, and
- the grants, contributions or donations will be received.

## Significant Accounting Policies

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired in the form of a grant, contribution or donation are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance (creditors). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable/specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Donated Assets received unconditionally are debited in the Council's Balance Sheet at Fair Value and credited to the Comprehensive Income and Expenditure Statement.

Where capital grants and donated assets are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account. However, where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve instead. When it has been applied, it is then posted to the Capital Adjustment Account.

### 11. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### 12. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment ("Embedded Leases") are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Council as Lessee

##### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. The Council's initial indirect costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.



## Significant Accounting Policies

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. (See policy number 6)

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease). The leased assets are not recognised on the Balance Sheet of the lessee.

### The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

# Significant Accounting Policies

## 13. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – for example the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale

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

## 14. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price, and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Non current assets are classified into the groupings required by the Code of Practice. They are valued on the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. In accordance with the Code of Practice, the Council revalues its non current assets once every five years as a minimum, unless evidence suggests that this would lead to a significant difference between the true valuation and the balance sheet value, in which case valuations are carried out more frequently as required.. Valuations are undertaken mainly by the Council's Principal Estates Surveyor, with the support of external Chartered Surveyors if required.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised

## Significant Accounting Policies

gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### De Minimis

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

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

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, Infrastructure Assets and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset based on its capital value.
- Infrastructure, Investment Properties, Community Assets and Assets under Construction are not depreciated.

Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Significant Accounting Policies

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. If the estimated useful life of a component is the same as that of the host asset the component is not accounted for separately from the host asset as there will be no impact on depreciation calculations.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the

Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

### **Disposals and Capital Receipts**

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government under the pooling arrangements set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The balance of receipts (after deductions are made for any liability arising from the disposal to the extent that these are permitted by statute) is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

### **Donated Assets**

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

# Significant Accounting Policies

## 15. Provisions and Contingent Liabilities

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly

within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

## 16. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

## 17. Revenue Expenditure Funded from Capital under Statute

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

## 18. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 19. Deferred Capital Receipts

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 to the Capital Receipts Reserve by the amount of capital debt repaid by mortgagors in that year. This method is also used to record the leasing rentals due under a Finance Lease where the Council is the lessor and also to record sums due from repayments on other loans.

## Significant Accounting Policies

### **20. Agency Arrangements / Collection of Local Taxes**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). In the

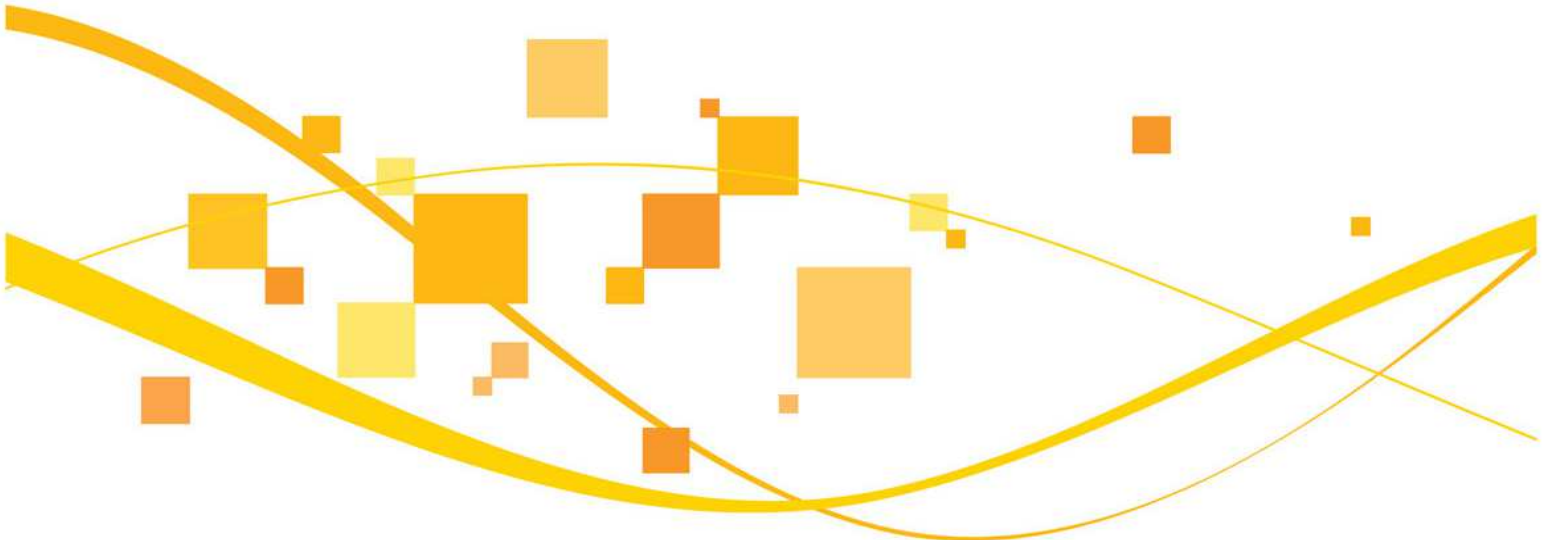
Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. With effect from the year commencing 1 April 2009, only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from council tax payers.

The Council also acts as an agent in collecting national non-domestic rates (NNDR) on behalf of the Government, Essex County Council and Essex Fire and Rescue. Only the Council's share of income and expenditure and balance sheet items are included in the core financial statements. There is a debtor/ creditor position between the billing authority and each major preceptor to be recognised since net cash paid to each major preceptor is not necessarily its full share of cash collected from business ratepayers.

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

# Annual Governance Statement

2014 - 2015



## Leader and Chief Executive Foreword

The Council's vision is to create opportunity for the residents of Basildon. This is supported by its five promises to local people and formalised in the Council's Corporate Plan.

One of the key promises engrained within the Corporate Plan is to 'get the basics right'. Ensuring that we get our governance arrangements right is essential to allow us to do this and deliver the other promises set out in the Corporate Plan. In this way, we can deliver good services to our residents whilst ensuring that we do things properly and with the right checks and balances in place.

In addition to getting the basics right, we maintain a very ambitious agenda and are committed to supporting the local economy and to transforming the Borough through our various regeneration schemes. Our governance arrangements ensure that whilst we embark on often challenging programmes and take up exciting opportunities to improve the Borough, these are all embedded on the foundation of solid governance ensuring that we do things correctly and secure value for money.

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

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

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

In conclusion, good governance and financial arrangements give us the solid foundation on which we build our whole programme of work and services, from our most basic services to our more ambitious regeneration projects.

Leader of the Council,

Bala Mahendran, Chief Executive



# ANNUAL GOVERNANCE STATEMENT 2014-15

## SCOPE OF RESPONSIBILITY

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

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

The Council has previously approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. A copy of the authority’s code is on our website at [www.basildon.gov.uk](http://www.basildon.gov.uk) and attached **at Enclosure No. 2**. This statement demonstrates how the Council has complied with its code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit Regulations 2011, which require the Council to prepare an annual governance statement.

## PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it accounts to, engages with and leads its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council’s policies, aims and objectives, evaluation of the likelihood and impact should risks be realised and efficient, effective and economic management of risk.

This statement gives assurances on compliance with Basildon Borough Council’s governance framework for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

## The Six Principles of Local Governance:

The six core principles of governance contained in CIPFA/SOLACE Framework Document are as follows:

- a clear definition of the council's purpose and desired outcomes;
- well defined functions and responsibilities;
- an appropriate corporate culture;
- transparent decision making;
- a strong governance team; and
- real accountability to stakeholders.

The Council's governance environment is consistent with the six core principles. For each principle we have identified the Council's commitment and the key elements of assurance together with areas identified for improvement. This is known as the Council's Local Code of Corporate Governance. A copy of the Council's Local Code of Corporate Governance is attached at Appendix 2.

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

**Principle 1 - Focusing on the purpose of Basildon Council and on outcomes for the community and creating and implementing a vision for the local area.**

**This principle aims to set out the overall governance arrangements of the authority to ensure that the Council fulfils its purpose and achieve its intended outcomes for citizens and service users, and that this vision is clearly communicated, both within the organisation and to external stakeholders. In addition, this principle also addresses the need for the Council to operate in an effective, efficient, economic and ethical manner.**

### Summary of Assurance received throughout 2014/15

The Council has a Corporate Plan that communicates the Council's strategic vision, promises and values and was produced taking into account the results of consultation and was supported by a delivery plan of key priorities for 2014/15 which were reflected in the council's budget.

Service areas work was guided by their service plans for 2014/15 which took into account the Corporate Plan, delivery plan, key service projects and performance measures. Performance against service plans has been monitored during the year through the performance management arrangements. During 2015/16, it will be necessary to review the Council's Corporate Plan and work has already been undertaken to support this including developing an enhanced understanding of the profile and demography of the Borough and a number of key surveys which will be used to inform the Council's vision for the local area.

Performance Management across the Council has continued to develop during the year. The Council has systems in place to capture performance information which is used to manage performance. Whilst the Council does not have any major concerns, it is felt that there is a continued need to review performance management arrangements to ensure this remains streamlined and focused on the priorities of the Council. This will further enhance reporting and transparency and help officers continue to develop a performance management culture across the organisation.

The Council has recognised the importance and benefits of producing a comprehensive annual report setting out how it has performed against its priorities and service levels and will be producing such a report in early 2015/16 to reflect the performance during the 2014/15 year and will also reflect the effectiveness of its governance arrangements as set out in this AGS.

The Council has a Local Code of Corporate Governance which provides a clear framework of the Council's governance arrangements. The Local Code is reviewed on an annual basis. The Council has in place strong assurance mechanisms in relation to its governance arrangements, with both service areas and corporate leads for areas of governance being required to provide assurance on a quarterly basis.

The assurances received are evaluated and discussed at a senior management level, with corrective action taken where concerns have been identified. This process is currently being reviewed to enhance its effectiveness in providing the necessary assurance. The Council works in partnership with many organisations both private and public. The Council has an agreed Community Strategy in place which is in the process of being reviewed. During 2015/16 the Council will be finalizing an assessment of partnership governance arrangements and the assurances needed for the partnerships in each category of partnership.

The Council works in partnership to assist in the protection of children and vulnerable adults, and has in place appropriate policies, procedures and a designated Safeguarding Officer. During 2014/15 the Council submitted its section 11 joint audit, which provided assurance that the Council is meeting its obligations. The audit was peer reviewed and will be re submitted in early 2015/16. The audit identified some areas for improvement and an action plan has been produced, which will be delivered and monitored during 2015/16.

Our customers' experience of engaging Council services has changed significantly over the last year with the introduction of the new customer service centre and enhanced customer self service facilities. Further work will also be required in 2015/16 to ensure that customer standards in place are further informed by consultation with service users, having regard to the new ways of serving our customers.

In relation to consultation and engagement, whilst individual services provide a positive assurance that they consult with the community when setting service standards, there is no formal assurance that this is consistently being undertaken corporately. Services will be required in the future to provide further information regarding this in the Council's performance management system. The Council's consultation and engagement policy was reviewed in 2014/15 to ensure a consistent approach and understanding of the Council's consultation and engagement arrangements and work is progressing to complete this in 2015/16.

In relation to customer complaints the Council has had in place for many years established processes and procedures. The Council has a very low number of cases investigated by the Ombudsman which is comparable to last year. In 2013/14 and 2014/15 there were no findings of maladministration against the Council. This indicates that the Council has effective complaints handling arrangements.

In relation to value for money, the Corporate Plan identifies VFM as one of the five main promises of the organisation. The Council's Transformation & Resourcing Strategy Board, strongly represented at executive management level, considers and monitors how the Council's efficiency targets are being delivered. A significant programme of activity during 2014/15 has resulted in the targeted efficiencies being achieved and a further programme is planned for 2015/16.

The Council's mechanisms for ensuring VFM have also been reviewed during the year, including the Procurement Strategy; further work is to be undertaken on improved contract management to ensure and demonstrate VFM and contract procedure rules are being revised. A draft VFM Strategy is being finalized and is to be consulted on. During the year the External Auditor has confirmed that the Council has in place adequate arrangements that would secure value for money.

**Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

**The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the Elected Members of the Council. To achieve this Members and Officers need to work together to fulfill a common purpose with clearly defined functions and roles.**

## Summary of Assurance received throughout 2014/15

The Council has an effective framework and mechanisms to be clear about executive and non executive functions and roles and responsibilities of Officers and Members. The Council has a Constitution and a Scheme of Delegation which are both regularly reviewed with changes being approved by Full Council.

The Council has a formal Member/Officer Relations Protocol and a protocol for dealing with communication between Members and Officers. The Member/Officer Relations Protocol was subject to review during 2013/14 and a revised protocol was approved by and adopted by Full Council.

The Chief Executive and Leader of the Council meet formally on a regular basis to ensure effective communication and awareness of key issues.

As part of its governance arrangements the Council has numerous policies, strategies and procedures, which govern the way in which Officers work. A new corporate framework for policy development and review has been developed to provide clarity of approach and to support more streamlined review of procedures.

The Council has made adequate arrangements to discharge the statutory requirements of the Section 151 Officer, meet the requirements of the CIPFA statement on the role of the Chief Finance Officer in local government, and maintain financial standards and regulations. During 2014/15, Financial Regulations were updated, along with the associated financial procedure notes and training modules. Assurance has been provided that there have not been any significant breaches of financial regulations.

Assurance is provided that the Council adequately manages its finances, with matters affecting budgets being highlighted and managed, with the Council's efficiency target for 2014/15 being met. Further work during 2015/16 is needed to ensure that efficiency targets for future years are addressed and to strengthen assurance processes over consistent compliance with budget monitoring requirements. Generally no significant concerns have been raised by the Chief Finance Officer/Section 151 Officer or service managers in relation to budgetary control arrangements. However effective and early identification and management of risks which may have adverse impacts on the Council's budget has been identified as an area for focus for Heads of Service and budget holders.

The Council has in place arrangements to discharge the statutory requirements of an internal audit service. An assessment was completed against the Public Sector Internal Audit Standards. The assessment highlighted that the service is predominantly compliant, with only a few minor areas for improvement.

In relation to the Council's internal control arrangements, the Audit & Governance Manager has reported an overall positive assurance on the audits completed during the year. In addition, the External Auditor has not highlighted any significant concerns. There were previous concerns over the number of actions arising from internal audit recommendations that are regularly overdue. A review of the approach to the agreement of actions required following the findings of audit reviews was undertaken, which places ownership firmly with relevant service managers. In addition, enhancements have been made to the corporate performance management system to ensure audit actions are brought to the fore of performance management arrangements. As a consequence significant improvement has been noted in this area but will be kept under review.

The Council has made adequate arrangements to discharge the statutory requirements of the Monitoring Officer; no concerns were noted during 2014/15. The Council has in place arrangements to ensure that applicable statutes and regulations are complied with, including improved arrangements to identify and implement new or changing legislation. This new legislation tracking framework will be further embedded during 2015/16.

The Council maintains a Scheme of Member Allowances which forms part of the Constitution. The scheme was reviewed by an Independent Remuneration Panel during 2013/14 and the recommendations from the Panel were approved unanimously by Full Council. The changes to the scheme took effect from the Annual Council Meeting in June 2014.

In relation to staff, the Council has in place pay and condition policies for staff, which have been formally approved and implemented and no concerns are noted. A Pay Policy Statement is approved by Full Council on an annual basis. Details of senior staff salaries are published on the Council's website.

### **Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

**Good governance flows from a shared ethos or culture, as well as from systems and structures. A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff.**

## Summary of Assurance received throughout 2014/15

The governance assurance process concludes that the Council has in place processes and procedures to meet the requirements of this Principle.

The Council has in place codes of conduct and register of interests for both Officers and Members with appropriate mechanisms to monitor and address issues or concerns. This includes a Joint Standards Committee providing a consistent approach for both the Borough Council and our eight Local Councils

Over the year there have been 5 complaints in relation to Member conduct which is fewer than in previous years. No breaches of the Member Code of Conduct were found during the year. A review of the processes and arrangements in place for investigating complaints against Members was undertaken.

Within its Corporate Plan, the Council has clearly outlined the key values of the organisation. However these are not yet fully embedded in the performance culture of the organisation. These will be reviewed as part of the review of the Corporate Plan.

Effective arrangements are in place for employees, contractors, partners and the public to raise concerns regarding upholding the values of the organisation and conduct of staff, and for these to be investigated.

In recognition of the changing skills, competencies and behaviours required of the senior leadership team of the Council, the High Performing Organisation Programme Board commissioned a new Leadership and Management Development Programme and identified the organisational skills and knowledge requirements to meet the Corporate Plan. These new activities began to be delivered in 2014/15.

The Council's sickness figure for 2014/15 equated to an average of 8.67 days which was above the Council's target of 7.5 days but similar to the level seen in 2013/14. The Council has reviewed its sickness absence policies, has enhanced the level of information reported about the reasons for

sickness absence and has reviewed its occupational health arrangements, and can provide assurance that the Council is committed to meeting its sickness absence target.

#### **Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

**Decision making forms part of the day to day activity of the Council and is intrinsic to the organisation's purpose and strategic direction. Decision making must be robust in the medium and longer term. In order to make decisions, Officers and Members need to be well informed and decision making must be transparent. There is a need for appropriate systems to help to ensure that decisions are implemented and that resources are used legally and efficiently.**

**Risk management is fundamental to decision making. The Council must have an effective risk management system that identifies and assesses risks, that decides on and implements appropriate responses and then provides assurance that the chosen responses are effective.**

### **Summary of Assurance received throughout 2014/15**

During 2014/15 the Council performed well against this principle, with Officers ensuring that appropriate advice and information, risks and legal implications were identified in relation to the options detailed within comprehensive reports. Council decisions were evidenced, recorded and published appropriately and in line with the scheme of delegation and relevant legislation.

Briefing sessions for members were provided on key policy issues during the year. Additionally briefings were provided on all reports prior to Cabinet and a number of "hot topic" briefings were offered to members during the year.

The Council has in place robust procedures for consultation on committee reports and matters for decision by individual Cabinet Members, ensuring that good quality information, advice and support in the decision making process is obtained. Key areas such as Legal Services, Corporate Finance, Risk Management and Inclusion & Diversity are standard consultees. Corporate assurers have confirmed in most cases that good consultation occurs.

In order to ensure transparency in decision making, the Council complies with all relevant legislation and publishes decisions on its website.

Assurance is provided that the Council considers the outcome of constructive scrutiny and recognises the importance of this. The Council has a scrutiny function which plays a role in constructively challenging the Council's performance and decision making. The Council has an Audit & Risk Committee. New updated practical guidance was issued by CIPFA in December 2013 and as such, an assessment was undertaken during 2013/14 to assess compliance with the new guidance. The results of this were fed into the Chairman's Annual Report, and an action plan was produced and implemented during 2014/15.

As detailed under Principle 1 the Council has in place effective arrangements for dealing with customer complaints.

In terms of the management of information held by the Council, there has been an increase in minor breaches of data protection arrangements which are being addressed by further training and an internal audit review during 2015/16. Services have provided assurance that appropriate arrangements are in place to ensure that data held is appropriate and secure.

The Risk Management Policy and Strategy has been reviewed and updated. Whilst the Council has comprehensive processes in place with regards to risk management, particularly with regards to service risks and risks being considered as part of decision making as referred to above, it has been identified that the Council needs to develop effectiveness in identifying and managing risks of a more

strategic nature. Work has already commenced on this with a review of the corporate risk register and the management of these risks with enhanced ownership. As well as Corporate risks which are now reviewed quarterly with the Corporate Development Team, there are service specific risks which are reviewed with services and project risks which are reviewed with Project Leads.

Risk Management forms a key part of the project and programme management arrangements and work will be continued to ensure closer integration so that the risks and opportunities associated with the Council's programmes and projects are identified, managed and monitored accordingly, from the project initiation stage right through to the post-project integration stage.

In relation to Programme and Project Management, the use of project management tools and Verto remains variable. A number of project assurance reviews were undertaken in 2014/15. During 2015/16 the focus for the Council will be to embed project, programme and change management processes and assurances across the organisation. The role of the Council's Performance, Programme and Risk Management team is being re-aligned to one which provides support and advice at important stages in the project lifecycle, with a light touch assurance over key corporate projects.

As detailed under Principle 2 the Council has in place appropriate financial standards and regulations, which are reviewed and submitted to Annual Council. Assurance has also been provided that following audit reviews, actions are agreed to address control and risk issues.

Assurance is provided over the Council's counter fraud arrangements. There is a strong counter fraud culture in place at the Council which is supported by the Counter Fraud and Corruption Framework and Whistleblowing Policy, with services responsible for specific areas of fraud detection and investigation having separate supporting policies. Work has started to review the Council's Counter Fraud Framework and associated procedures in the light of new CIPFA guidance and the pending transfer of Benefit Fraud Investigation staff to the Department for Work and Pensions to ensure that these remain appropriate. As detailed under Principle 3, effective arrangements are in place for employees, contractors, partners and the public to raise concerns. The Council is compliant with the Regulatory Investigatory Powers Act.

The Council responded to the changes in Procurement Legislation during 2014/15 and implemented the necessary changes required.

Assurance has been provided regarding contract management and monitoring by service areas. However, the planned Contract Management Framework was not implemented by the end of the year and it is planned that this work will be completed in 2015/16.

The Council has in place arrangements to ensure that applicable statutes and regulations are complied with. This includes ensuring that legal implications are considered in decision making. Specific assurance can be provided over the following statutory obligations of the Council:

1. **Inclusion and Diversity** – Assurance is provided that Inclusion and Diversity matters are given consideration in decision making. During 2014/15 the Council saw an improvement in the proactive completion of Service Impact Assessments. In addition, during 2014/15 SIAs were incorporated within the project management methodology and the policy development review framework.
2. **Business Continuity Management** – Assurances are provided that the Council has in place good arrangements for Business Continuity Management.
3. **Health and Safety** – The Council's Health and Safety management system ensures that the Council remains compliant in its Health and Safety obligations. Assurance is provided that appropriate policies and risk assessments are in place. The Council maintains a Health and Safety Committee which monitors the Council's Health and Safety performance, to ensure that all Health and Safety arrangements remain in place.

### **Principle 5 Developing the capacity and capability of Members and officers to be effective.**

**Effective local government relies on public confidence in authority Members and officers. The organisation needs people with the right skills to direct and control the Council effectively. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience. Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge.**

## Summary of Assurance received throughout 2014/15

Whilst the Council has in place processes to ensure that Members and Officers have the skills, knowledge and experience to perform their duties, it is recognised that this is an area for continuous review, in recognition of the changing skills, competencies and behaviours required of the senior leadership team and Members of the Council, in the ever changing environment of Local Government.

The specific briefing sessions given to Members were referred to earlier.

Senior leadership and management development was reviewed under the High Performing Organisation work stream as detailed under Principle 3. Whilst Service Managers did not raise concerns regarding staff skills and knowledge, as the organisation changes the way in which it works, there will be a need to develop staff to take on different roles and responsibilities. This has been recognised and will start to be addressed during 2015/16, together with a review of the performance management framework for staff, the development of a new workforce strategy aligned to the Corporate Plan and action plan and the undertaking of a skills audit for key services and posts.

Assurance has been provided that expert advice from outside the Council is sought where required and that reports on which Members are asked to take decisions include additional professional advice, where considered necessary.

As previously highlighted under Principle 1 further work will be undertaken during 2015/16 to fully implement the Council's consultation and engagement arrangements.

### **Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.**

**Elected local authority Members are democratically accountable to their local communities. All members of the Council must account to their communities for the decisions they have taken and the rationale behind those decisions. The Council is subject to external review through the external audit of the financial statements and there is a requirement to publish this. In addition, the Council is encouraged to prepare an annual report.**

**The Council's budgets are subject to significant influence and overview by government, which has powers to intervene. Both Members and officers of the Council are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the ombudsman.**

## Summary of Assurance received throughout 2014/15

The Council has in place an effective Scrutiny function which provides an annual report to Full Council. Decisions of the Council are effectively recorded and published, including on the Council's website.

The Council has adopted a new consultation and engagement policy and the accompanying strategy is being developed to improve consistent application of effective consultation and engagement in 2015/16.



The Council has in 2014/15 undertaken consultation on the Borough Interim Planning Obligation Strategy and on the Dunton Garden Suburb. Officers are working with Members in response to the issues raised.

The Council supports and encourages participation in decision making processes from a range of diverse groups. The Council is getting better at consulting and engaging with these groups. Work in relation to the Council's Consultation and Engagement Policy will assist Service Managers in understanding who should be consulted and when.

The Council continues to collect enhanced information on its workforce profile. However, it also recognises that there is further work to be undertaken on how this data is effectively analysed and used.

To facilitate accountability to the public and to engage local people the Council publishes a range of information on the Council's Website and has ensured compliance with the openness of local government legislation. During 2015/16 the Council will be reviewing its Publication Scheme and the range of information it pro-actively makes available and the format in which it makes it available.

Assurances have been provided that the Council adequately consults with staff and their representatives in decision making that has employee relations implications.

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

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

In preparing the Annual Governance Statement for 2014/15, the assurance gathering processes detailed within Appendix A have been applied to maintain and review the effectiveness of the Council's governance framework. Areas of improvement have been identified and are detailed within the Annual Governance Statement..

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

The Corporate Development Team acting as the Corporate Governance Group has the responsibility for:

1. overseeing the implementation and monitoring the operation of the Local Code of Corporate Governance;
2. maintaining and updating the code in light of latest guidance on best practice;
3. reporting to Corporate Management Team and Members on compliance with the code and any changes that may be necessary to maintain and ensure its effectiveness in practice.

The review of compliance with the governance framework has involved:

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

The Role of the Chief Financial, Section 151, Officer

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the Council's arrangements conform to the CIPFA requirements.

The Role of the Information Security Officer

The Council annually obtains external assurances on the Council's IT infrastructure. The Council has in place a comprehensive external assurance assessment process to ensure that the electronic data is secure and configured to current best practice to protect the organisation. The results of these assurances provide a positive opinion, but there are opportunities for improving the internal control environment to further mitigate risks.

The Role of the Chief Internal Auditor

In accordance with the Accounts and Audit Regulations 2011 and the Public Sector Internal Auditing Standards, the Audit & Governance Manager is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control, counter fraud and governance processes.

The Audit & Governance Manager is satisfied that sufficient work has been undertaken to allow him to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based

on the work performed during 2013/14 and other sources of assurance, the Audit & Governance Manager can provide adequate assurance that the Council's risk management, control, counter fraud and governance processes, in operation during the year to 31 March 2015, accords with proper practice and is fundamentally sound, although there are opportunities to improve the arrangements to enhance the Council's governance framework.



A review by the Internal Audit and Counter Fraud team named 'Protecting the Public Purse Report', which reviews the Council's arrangements for Counter Fraud, has not yet been received.



Within the audit reports issued to management, opportunities to improve the Council's control and governance arrangements have been made. As previously detailed under Principle 2, there have been concerns during the year over the number of actions arising from audit recommendations that were regularly overdue. A review of the approach to recommendations and enhancements to the corporate performance management arrangements have assisted to achieve an improvement in this area, but this will be kept under review during 2015/16.



Under the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards the Council is required to undertake a review of the effectiveness of its Internal Audit function and to feed the results into the Annual Governance Statement. As in previous years, it is considered that the Council has effective arrangements in place for the provision of the Internal Audit Service. An assessment against the Public Sector Internal Audit Standards was undertaken where it was identified that the service is predominantly compliant with only a few minor areas for improvement. An action plan has been developed accordingly. The service is considered to be fully compliant with the five principles that define the core activities and behaviours that belong to the role of the Head of Audit and Internal Audit in local government.



Full details of the assurance provided by the Audit and Governance Manager is detailed within the Internal Audit Annual Report for 2014/15.


## GOVERNANCE ISSUES RAISED IN 2014/15 – PROGRESS MADE

Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 01	Consultation and Engagement Policy	Finalise and embed the Council's Consultation and Engagement Policy	Samantha Nicholson	 (progressing)
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		30-Jun-2015	2014/15 Q4 The consultation and engagement policy was approved by Cabinet on 6th Nov 2014. However, the supporting strategy to deliver the policy will be presented to CDT in May 2015 and will be presented to Cabinet for approval after the May elections.	14-Apr-2015

Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 03	Safeguarding	Deliver the Action Plans for safeguarding	Paula Mason	
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		01-Jul-2015	<p>Section 11 Safeguarding Children and the Vulnerable Adults Audits have been moderated and amendments are being made to update the submissions. To be resubmitted within next 4 weeks.</p> <p>Recruitment of Safeguarding Officer (Business Support) is completed.</p>	10-Apr-2015



Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 04	Value for Money	Document the Council's definition of value for money and the strategy to demonstrate this	Angela Clarke	 (delayed)
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		31-Mar-2015	Document has been drafted and is now at the final review stage.	26-Mar-2015



Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 05	Contract Management Framework	Improve contract management framework to ensure and demonstrate Value for Money	Stephanie Fields; Diane Southam	
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		30-Nov-2015	Contract Management and Specification Writing training has been provided. Further formal training sessions will be considered once the Framework is introduced. However ad hoc training and advice is always available if required. Work is underway and ongoing on the completion of the Framework. A Corporate Procurement Board has been agreed and this will help to identify specific areas for focus and targeted work has been undertaken with specific services. The framework will be a comprehensive management tool containing significant guidance on all relevant aspects of Contract Management in its widest sense from pre Specification through to Review and Closure of contracts and as such requires significant resource to complete which is being managed along with other Council priorities. In the interim, as mentioned, advice and guidance is provided where requested. However, following the recent changes in resourcing, in order to meet the resource requirements to complete this project it has been decided to use external expertise and work to procure this will be undertaken in 2015. Therefore, the target date for completion has been extended.	10-Apr-2015


Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 06	Legislation Tracking	Embed the Council's legislation tracking framework	Steve Bird	
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		31-Mar-2015	This will form part of the council's performance management arrangements. A policy preview has been sent to CMT/CDT which details actions required from service managers to enable legislation tracking on covalent. A meeting has been held with Lorraine Browne to discuss legal services involvement in this process. It is planned to recruit to the PP&R team and this person will be responsible for updating covalent with legislation changes.	14-Apr-2015



Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 10	Partnership Governance	<p>Define the future partnership governance arrangements for the different categories of partnerships to ensure that they are fit for purpose and are appropriate to the size and complexity of the partnership, ensuring that these are focused on key priorities for the Borough.</p> <p>Seek assurance that governance arrangements are in place within Partnerships in line with the Council's expectations</p>	Paul Burkinshaw	
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		30-Sep-2015	A review has been undertaken of existing boards, fora and partnerships both public and private sector , which is currently under consideration. The governance arrangements which it is necessary to have in place for each type of partnership are being defined and will then be assessed against current arrangements for individual partnerships	13-Apr-2015

Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 15	Budget Monitoring	Strengthen assurance process over Budget monitoring requirements	Angela Clarke; Tony Foucher; Amy Lau	
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		30-Sep-2015	New budget monitoring reports being developed to enhance the budget monitoring process this to include assurance requirements.	26-Mar-2015

Code	Area of Governance	Action to be Taken	Responsibility	Action Status
GOV ACTION 16	Staff Performance Management	Delivery of the High Performing Organisation (HPO) stream to address staff performance; including: embedding the Council's Values and Behaviours into these arrangements; an analysis of the learning, training and development needs of the organisation; Skills Audit for key services/posts	Louise Evans; Emma Horne; Catherine Leighfield; Alison Sadik	
Action Progress		Due Date	Progress Commentary	Notes & History Latest Note Date
		30-Nov-2015	Learning Needs analysis is complete and an L&OD programme produced in response. iTrent date field in place and development of the iTrent performance module has commenced	21-Apr-2015

Code	Area of Governance	Action to be Taken		Responsibility	Action Status
GOV ACTION 17	Workforce Strategy	Develop a new workforce strategy and action plan		Louise Evans; Emma Horne; Catherine Leighfield; Alison Sadik	
Action Progress		Due Date	Progress Commentary		Notes & History Latest Note Date
<div style="border: 1px solid black; background-color: #d9e1f2; padding: 2px; display: inline-block;">50%</div>		30-Sep-2015	The development of the workforce strategy will commence in line with the refresh of the Corporate Plan. There is, however, Directorate People Plans due to be implemented in May 2015 to support the strategic planning of individual directorates.		02-Apr-2015

## GOVERNANCE AREAS TO BE ADDRESSED IN 2015/16

This Annual Governance Statement identifies a number of areas which the Council is already progressing and are set out in the Annual Governance Statement and those that have arisen from assessments into the Council's governance arrangements during 2014/15. Whilst the Council has identified areas to be addressed, it is important to recognise that there are no significant weaknesses which require immediate improvement.

The particular areas to be addressed in 2015/16 will be:

- finalise the actions arising from the 2014/15 action plan;
- publish an annual report for 2014/15;
- ensure compliance with CIPFA's guidance on managing the risk of fraud and corruption;
- complete the review of the Council's Corporate Plan and ensure alignment of wider strategic policy framework;
- continue to embed consistent and effective project and change management arrangements across the Council; and
- develop the Council's approach to the proactive identification and management of key risks.

## CERTIFICATION

We have been advised on the implications of the review of the effectiveness of the governance framework by the Corporate Governance Group and the Audit & Risk Committee and the revised and updated Local Code of Corporate Governance. Actions identified to address the weaknesses to ensure continuous improvement of the Council's systems are in place.

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

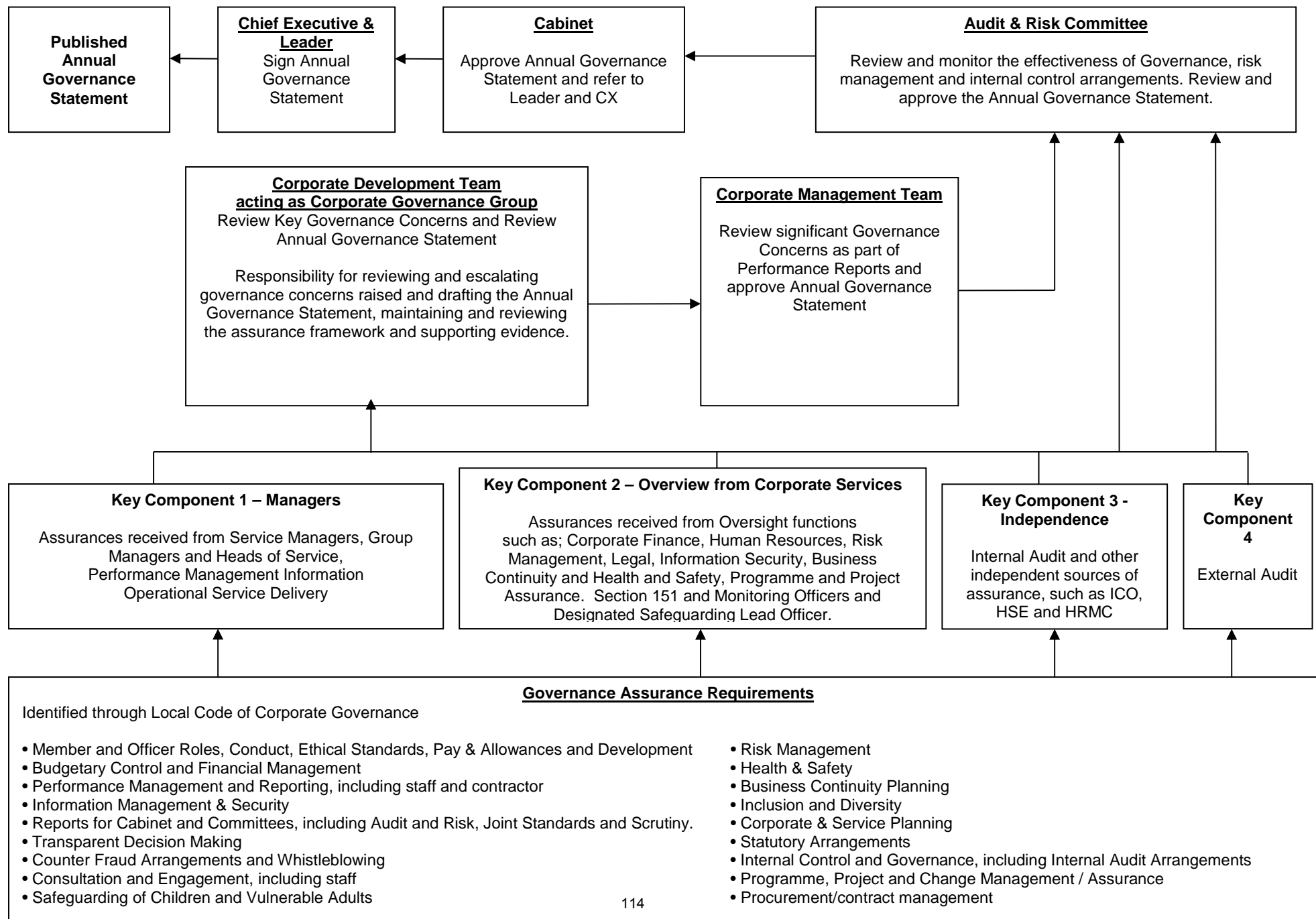
**Leader of the Council:** \_\_\_\_\_

**Chief Executive:** \_\_\_\_\_

**Date:** July 2015

**Date:** July 2015

**The Council's Governance Assurance Framework**



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## Terminology and Definitions





# Terminology and Definitions

## **Accrual**

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

## **Appropriations**

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

## **Balance Sheet**

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

## **Billing Authority**

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

## **Budget Requirement**

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

## **Capital Charge**

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

## **Capital Expenditure**

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

## **Capital Financing Costs**

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

## **Capital Financing Requirement**

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

## **Capital Programme**

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

## **Capital Receipts**

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

## **Carry Forwards**

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

## **Cash Equivalents**

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

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

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

# Terminology and Definitions

## **Code of Practice**

The Code of Practice on Local Authority Accounting in the United Kingdom, also referred to as the Code. This document is based on International Financial Reporting Standards, and states how these must be applied to the preparation of the Statement of Accounts by local authorities.

## **Collection Fund**

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

## **Community Assets**

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

## **Commuted Sums**

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

## **Contingency**

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

## **Contingent Liability**

These are the result of a past event which may mean that that the Council is liable to incur costs but this is dependent on the occurrence, or non-occurrence, of some future event. The potential liability is disclosed as a note to the accounts rather than reflected in the accounts themselves.

## **Council Tax**

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

## **Council Tax Base**

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

## **Council tax support**

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

## **Creditors**

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

## **Debtors**

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

## **Deferred Liabilities**

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

## **Depreciation**

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

## **Fair Value**

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

# Terminology and Definitions

## **Fees and Charges**

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

## **Financial Regulations**

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

## **Financial Year**

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

## **General Fund**

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

## **Going Concern**

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

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

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

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

## **IAS (International Accounting Standards)**

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

## **IFRIC (International Financial Reporting Interpretation Committee)**

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

## **IFRS (International Financial Reporting Standards)**

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

## **Impairment**

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

## **Inventories**

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

## **Insurance Pool**

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

## **Leasing - Finance and Operating**

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

# Terminology and Definitions

## **Long Term Assets**

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

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

A capital reserve intended for the elemental replacement of building structures and components in the Housing stock. The reserve is funded from the HRA via a depreciation charge. Any balance on the reserve may be carried forward to future years. Interest earned on the MRR balance is credited directly to the HRA.

## **Management and Administration**

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

## **Materiality**

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

## **Minimum Revenue Provision (MRP)**

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

## **Net Book Value**

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

## **Net Cost of Services**

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

## **Non-distributed Costs**

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

## **Non-Domestic Rates**

Non-Domestic Rates (NDR), or Business Rates, are the means by which occupiers of non-residential property contribute to the cost of providing local authority services. They are levied on the rateable value of each business property multiplied by a uniform amount set annually by the government. Business rates are collected by all Billing Authorities on behalf of other preceptors and the Government.

## **Non specific grant income**

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

## **Post Balance Sheet Events**

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

## **Precept**

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

## **Preceptor**

A body that levies a precept.

## **Provision**

An amount set-aside in the accounts to provide for a liability that is an obligation at the Balance Sheet date, but where the exact amount or the date on which it will arise is uncertain. A provision is created by making a charge to revenue in the year in which the obligation is recognised.

# Terminology and Definitions

## Public Works Loans Board (PWLB)

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

## Reserves

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

### Reserves – earmarked

Reserves set aside for specific purposes as follows:

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

### Reserves – usable

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

### Reserves – unusable

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

## Responsible Officer

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

## Running Expenses

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

## SIC

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

## UK GAAP

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

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## Terminology and Definitions

### **Voluntary Revenue Provision (VRP)**

Local authorities must make prudent provision for the repayment of debt. The minimum amount is set annually by the Council, having regard to statutory guidance issued by the Secretary of State, and may be nil. Authorities may choose to make voluntary provision for the repayment of debt, in addition to the minimum requirements.