



# Annual Financial Report 2016/17

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# Introduction from the Chief Executive

It gives me great pleasure to introduce the Annual Financial Report for 2016/17.

The landscape and challenges for local government have evolved significantly over recent years and it is widely accepted that local government is in a period in which it will have to fundamentally reshape the way that it operates. This will require us to continue a journey of transformation. However, we remain ambitious for the Borough and its residents.

Reductions in Government funding for Council services, combined with inflation on costs, means that by 2019/20 the council will be £6.4 million short of the amount needed to meet the cost of providing services to the Borough's 181,700 residents. In response, the Council launched a major change programme, Future:Basildon, which includes key programmes to compensate for the loss of funding:

**Investing in economic growth and skills** – a major programme of work has been progressed including the regeneration of town centres, facilitating investment in the borough and helping local businesses to grow. This, coupled with programmes to further improve local skills and learning opportunities (such as the Council's role in securing a site for the new South Essex College), will provide opportunities for local people to thrive in the growing job market in Basildon thereby increasing independence and creating opportunities for residents to succeed and improve their lives.

**Reorganising services and partnerships with public bodies and communities** – this involves a wide ranging review of how the council operates and cooperates with its partners to provide public services. For example, the council is saving significant sums through partnership with the Department for Work and Pensions by delivering both agencies services from one location. This approach is being developed into the creation of a community hub that will include delivery of services by other public and voluntary sector organisations. Our partnership with Brentwood Council initially focused on revenues and benefits services and consideration is now being given to including other services within the arrangement. The Council is committed to working with Essex County Council and the other councils in Essex on matters of common interest including education and skills, better lives for older residents and devolution.

**Generating independent income and being commercial with a public purpose** – services will be reviewed to see if they can be operated commercially by buying services and goods more competitively or selling the services they provide to other councils and bodies. This could include new models for service delivery and innovative ways of sharing of services. In March 2017 Council approved the acquisition of an £80 million commercial property portfolio. The Council purchased Freedom House, a significant retail and office block in the centre of Basildon in April 2016. This both generates an income for the council and is a strategically important asset in terms of facilitating the regeneration and reinvigorating of the town centre. Sempra Homes Ltd, the Council's housing company, commenced trading in 2015/16 and at 31 March 2017 managed a portfolio of 9 properties with plans to deliver in excess of 500 more over the next four years.

Despite the challenges we face our ambition will remain. The results set out in the financial statements demonstrate that we continue to be financially well managed and our prudent approach means that we have a level of reserves that can help to manage our risks and provide some resilience against future financial challenges. We are fully aware of the financial challenges we face over the coming years including reductions in government funding, a revised less favourable new homes bonus scheme and the introduction of 100% retention of business rates. The Council has set its strategy in this respect and we are currently working hard to deliver the financial outcomes required to support delivery of the Corporate Plan. We are confident that the challenge can be met in a managed way but some difficult decisions may have to be made.

We will ensure that the resources we have will be used to provide effective services to our community and, in particular, to deliver our strategic priority of "Creating Opportunity, Improving Lives" by promoting inclusive growth. We are also clear that the Council needs its' staff to draw on their expertise and experience over the coming years to respond to the challenges ahead. We will support our staff through this period and in return we expect a commitment from them to manage the challenges we face to ensure continued positive outcomes for our residents.

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

Bala Mahendran  
Chief Executive

# Strategic Report

## OPERATING ENVIRONMENT

### ECONOMY AND SOCIETY

Basildon Borough is the largest district authority in Essex with a population of 181,700 people – just over 13% of the total Essex population. By 2031 the population is expected to have grown to 206,100 people and will continue to have a higher proportion of under-15s than the England average. 28% of Basildon's population is aged 55+ and this is projected to rise to 32% by 2031, there are 3,900 residents aged 85 and over and this is due to increase to 6,700 over the same period.

The Basildon economy is one of the largest in Essex, producing up to 12% of the county's Gross Value Added and a quarter of its manufacturing outputs. The A127 corridor, which provides 40,000 jobs, is the second biggest source of employment in the Thames Gateway. The main employment sectors are public administration, education and health (23.5%), wholesale and retail services (20.4%) and financial services (21.6%) as well as world leading engineering and technology firms. In order to maintain this competitive advantage the Council seeks to attract investment which will stimulate growth in evolving and developing business sectors thus securing future prosperity and job density.

The Borough has a large number of high value jobs, however these are difficult to access by residents who have one of the lowest levels of skills in Essex. 70.6% of the borough's residents have NVQ2 level qualifications or above, which is equivalent to five GCSEs at grades A\*-C – this is lower than both the eastern region (71.5%) and Great Britain as a whole (73.6%). The skills gap becomes even greater when considering the proportion of residents in each geography that have an NVQ4 or above, which is equivalent to a professional BTEC level award or certificate of higher education. 28.8% of Basildon's residents have this level of qualification, while 33.6% of people in the eastern region and 37.1% of Great Britain have an NVQ4 or above. This is also reflected in current levels of educational attainment at both primary and secondary school levels, as they fall just below the Essex average, although this is much more significant with regards to secondary schools in the Borough.

There are around 76,120 homes in the Borough – this is approximately 10% of the housing stock in the Greater Essex area (including Southend and Thurrock). The Borough offers a cost effective housing option for those commuting into London for work, whilst offering many jobs and recreational activities in the Borough itself for those who live and work more locally.

On a national level the localism, decentralisation and devolution agenda followed initially by the Coalition Government and now by the current Conservative Government has had a profound effect on the resources the Council has to deliver services.

Continued austerity measures aimed at reducing the public sector deficit have and will continue to influence the resources that are made available to the Council. The forecast position is that the annual savings required will have reached £6.4 million by 2019/20.

The increasing levels of personal debt being observed nationally are reflected at the local level. Wages have largely stagnated in the Borough and, despite low inflation, prices have outstripped wage increases for many. Dependence on welfare sources for income is high and the current policy of reducing such payments could add to the pressure many households are already facing.

For levels of overall deprivation according to the 2015 Index of Multiple Deprivation, Basildon is ranked as the 3rd most deprived of the Essex boroughs (after Tendring and Southend). The Borough has 12 small areas that fall within the 10% most deprived in England – this is 11% of all Basildon areas. In addition there are 15 small areas in the 10% least deprived in England which is 14% of all areas in Basildon. This demonstrates the stark range of deprivation levels that exist across the borough.

An ageing population is having a profound impact on the structure of our communities and placing a strain on public services, 11,000 of our over 65s live alone and are at risk of being isolated from society and over 2,000 of this group have been diagnosed as having dementia.

It is essential that the Council embraces new technologies to deliver its services in the future. This involves nudging customers away from face to face and telephone interactions towards internet based facilities. Significant progress has been made towards this but more needs to be done.

# Strategic Report

## ENVIRONMENT

The Council has direct responsibilities for the environment through its role as a planning authority and as a recycling and waste collection authority. Recycling rates in the Borough are at a five year average of 52.5% which compares favourably to national averages. The Council has established a Corporate Energy Board which has responsibility for the rationalisation of energy management across the whole of the Council's estate. The Council owns and promotes the use of

- Parks, recreation grounds and country parks – 545.4 hectares
- Open spaces (unrestricted access) – 207.8 hectares

In addition it manages

- Open spaces (restricted access) – 273.4 hectares
- Cemeteries – 15.25 hectares
- Allotments – 9.0 hectares

The Council is responsible for 4 Sites of Special Scientific Interest at Norsey Wood, Wat Tyler Country Park, Pitsea Mount and Mill Meadows in Billericay.

## CORPORATE PLAN

The corporate plan covers the period 2016 to 2020.

The Council's vision statement is 'Basildon Borough Council is committed to improving the lives of our residents and creating opportunity and prosperity for local people and local businesses'.

There are three core principles that underpin everything that the Council does. These are

- 1) Get the basics right
- 2) Value for money and strong governance
- 3) Working with others

The plan makes five promises to the residents and businesses of the Borough

- 1) We will support residents to develop stronger communities
- 2) We will enhance and build pride in the local environment
- 3) We will regenerate town centres and ensure quality homes for residents
- 4) We will help grow the local economy
- 5) We will endeavour to keep communities safe and healthy

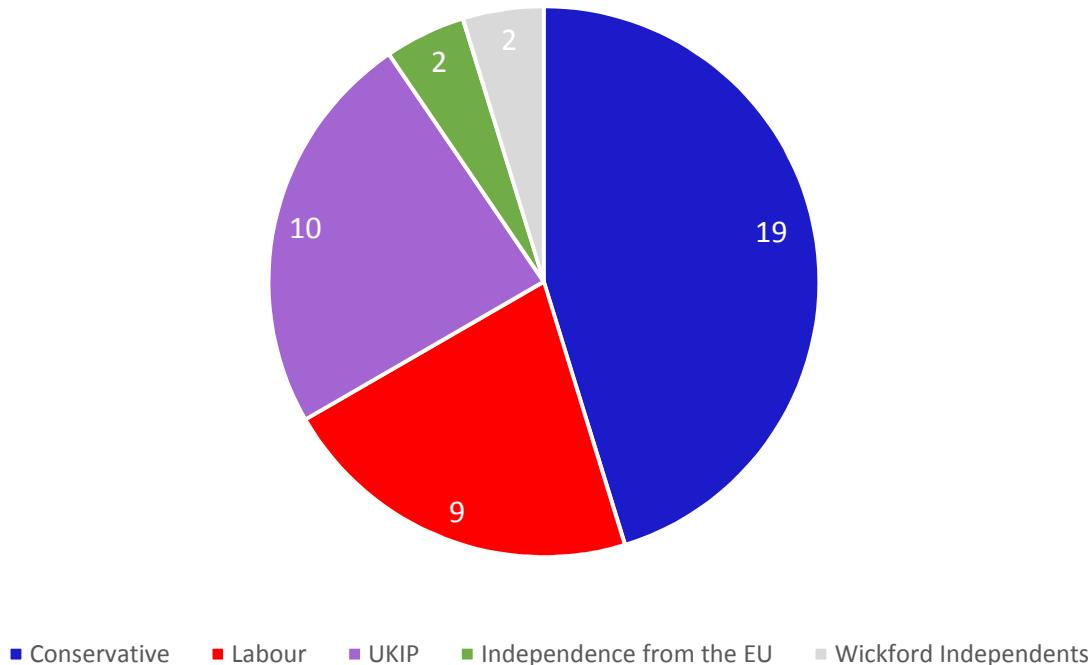
The plan provides for the delivery of outcomes that focus on the key issues that arise from the analysis of the Council's operating environment.

## POLITICAL STRUCTURE

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

# Strategic Report

Composition of the Council 31 March 2017



Councillor Harrison was Mayor of the Council for the municipal year 2016/17 and the Leader of the Council at 31 March 2017 was Councillor 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 2017 the Cabinet consisted of seven Members of the Council, all of whom were members of the Conservative group. They held specific areas of responsibility as indicated below:

- Leader of the Council – *Councillor Turner*
- Deputy Leader of the Council and Arts and Leisure – *Councillor Blake*
- Resources – *Councillor Sullivan*
- Planning – *Councillor Moore*
- Environment and Community – *Councillor Sargent*
- Housing and Community Safety and Assistant to the Leader – *Councillor Hedley*
- Regeneration, Policy Overview and Organisational Delivery – *Councillor Dadds*

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 the website at <http://www.basildon.gov.uk>.

At its meeting on 15 December 2016 the Council resolved in accordance with Section 21 of the Localism Act to cease operating the "Leader and Cabinet" form of governance and to operate a "committee system" from the earliest permitted time which was from the Annual Council Meeting in May 2017.

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The decision was not binding upon the Council and another resolution with further details concerning the precise committee structure to be adopted was required for it to be legally binding. The Council passed such a resolution at an Extraordinary Council Meeting on 25 May 2017 and the new system will operate from the Annual General Meeting held on the same day.

## ORGANISATIONAL STRUCTURE

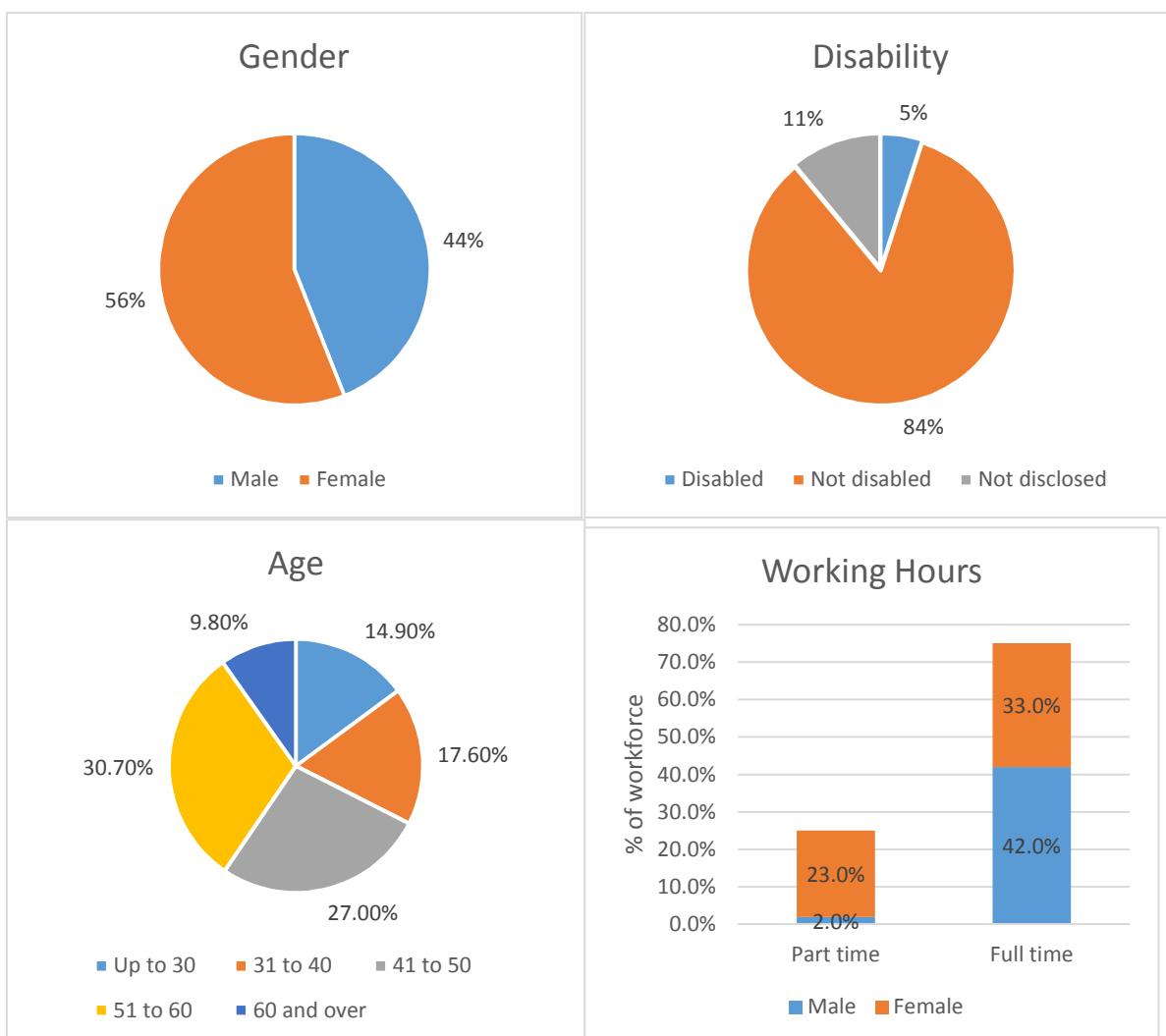
The Council's management arrangements reflect an operating model commonly seen in other public services in that it follows a Gold (strategic), Silver (tactical) and Bronze (operational) approach. The Gold level at 31 March 2017 consisted of the Chief Executive and two Commissioning Directors. The role of Section 151 Officer was fulfilled by a Commissioning Director. The Group Manager (Legal and Procurement) is acting Monitoring Officer. Silver (tactical) comprises ten Managers. 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.

## EMPLOYEES

At 31 March 2017, the Council had 945 employees. (At 31 March 2016 there were 955). The full time equivalent of these employees in 2016/17 was 852 (2015/16 866.5). The Council operates a core/flex approach in managing its staff resources. This means that some of its staffing needs are met on a temporary/agency basis. Temporary staff are also used as cover for vacancies when necessary. Overall staff costs were within the budget for both 2015/16 and 2016/17.

The average salary plus on costs (employer's national insurance and pension contributions) for the year was £33,700 (2015/16 £32,500).

### Workforce profile



All figures relate to the 2015/16 year this being the latest information available.

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To underpin effective delivery of the principles and promises set out in the Corporate Plan the Council has begun to use a behavioural competency framework for all parts of the employee lifecycle – recruitment and selection, learning and development, performance management, and talent and succession planning. The Council has an increasing need for people with both the knowledge of service delivery and the willingness to change and adapt. People with the right skills, knowledge and attitude are key to our future success and the use of this framework will contribute to ensuring that our workforce is appropriately equipped in this regard.

The Council is positive about disabled people and has signed the 'Time to Change' employer pledge meaning that the Council takes action to tackle the stigma and discrimination around mental health, focusing on the workplace in particular. More information on 'Time to Change' can be found on their website <https://www.time-to-change.org.uk/>.

Working days lost to sickness increased in 2016/17 to an average of 10.3 days per annum compared to 9.9 days in 2015/16. Sickness levels are monitored and tracked in line with the departmental sickness action plans.

Further information on the profile of the Council's workforce can be found here

<http://www.basildon.gov.uk/article/2837/Workforce-Information>

## PERFORMANCE

The Council has a well-developed performance and risk management system. Key performance indicators and risk management actions are assigned an appropriate reporting level that reflects a strategic/tactical/operational approach

Level 4 – reported to Members and all teams below

Level 3 – reported to Corporate Management Team and all teams below

Level 2 – reported to Departmental Management Teams and below

Level 1 – used for operational management purposes

There are 34 performance indicators that are reported on a quarterly basis to Members at the Overview and Scrutiny Commission. Reports covering the 2016/17 financial year can be found here <http://www.basildonmeetings.info/ieListMeetings.aspx?CId=331&Year=0>. The outcomes for selected key Level 4 financial performance indicators are set out in the table below

Title	Target	Value	Long trend
% of undisputed invoices paid within 30 days	96.00%	97.60%	Improving
% of business rates collected	98.80%	98.50%	Getting worse
% of council tax collected	97.30%	97.00%	Getting worse
% of leaseholder service charges collected	77.00%	76.40%	Getting worse
% of rent collected	97.80%	95.60%	Improving

Performance that is not on target is addressed through the implementation of agreed action plans. The income collection indicators demonstrate the difficulties the Council continues to face in securing payment in an uncertain economic climate.

## RISK

The Council recognises the importance of identifying, evaluating and managing all key strategic and operational risks that could affect the Council or the community. Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation, and environmental risks. The Council has a Risk Management Policy and a Risk Strategy. Both are available on the Council's website at:

(<http://www.basildon.gov.uk/article/2834/Risk-Management-Policy-and-Strategy#cn2839>).

The effectiveness of the Risk Management Policy, Strategy and related Toolkit is monitored regularly as part of the Council's governance assurance processes. All decision reports must include an analysis of the risks

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associated with the decision. The Annual Governance Statement provides assurance through its approval by Members and through the work of both Internal and External Audit. Additional assurance is provided to the Council's Audit & Risk Committee via quarterly corporate risk reports and to the Audit & Risk Committee's Working Group.

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

Risk	Description	Mitigation
Brexit	Threat that the Council does not adequately assess the consequences of Brexit or monitor / evaluate the developing situation and put into effect mitigating actions that minimise any damaging / long-lasting impacts on the Council, its residents and businesses.	Developments are closely monitored and reviewed by senior management to identify any necessary action
ICT Infrastructure	Threat that the Council fails to develop / maintain effective ICT technology and infrastructure, thereby adversely impacting on Officers, Customers and Service Delivery.	Strategy for modernising current infrastructure being developed.
Loss of Data	Threat that physical and ICT logical security arrangements are not robust enough to protect the Council's data. This includes but is not limited to individuals, building and ICT systems and network infrastructure, including physical theft or cyber based event on or off premises, resulting in non-compliance with relevant legislation and other standards. This may affect service delivery or reputation.	Arrangements are in place to minimise the risk of unauthorised access, loss or corruption. This includes an annual self assessment and external health check
Economic - Inward Investment and major businesses	Threat that the Council fails to encourage inward investment into the borough, thereby affecting the Council's ability to achieve its economic development strategic aims. Realisation of this threat will also have a detrimental impact on the local economy and on the physical transformation of the area. Threat that one / more major businesses exit the borough resulting in fewer jobs for local people, with consequential effects on the local economy and the Council's income from business rates.	Activities of the Economic Development, and Development and Investment teams

The remainder of the Council's key corporate risks focus on financial sustainability, corporate governance matters, fraud, partnership working, and planning matters.

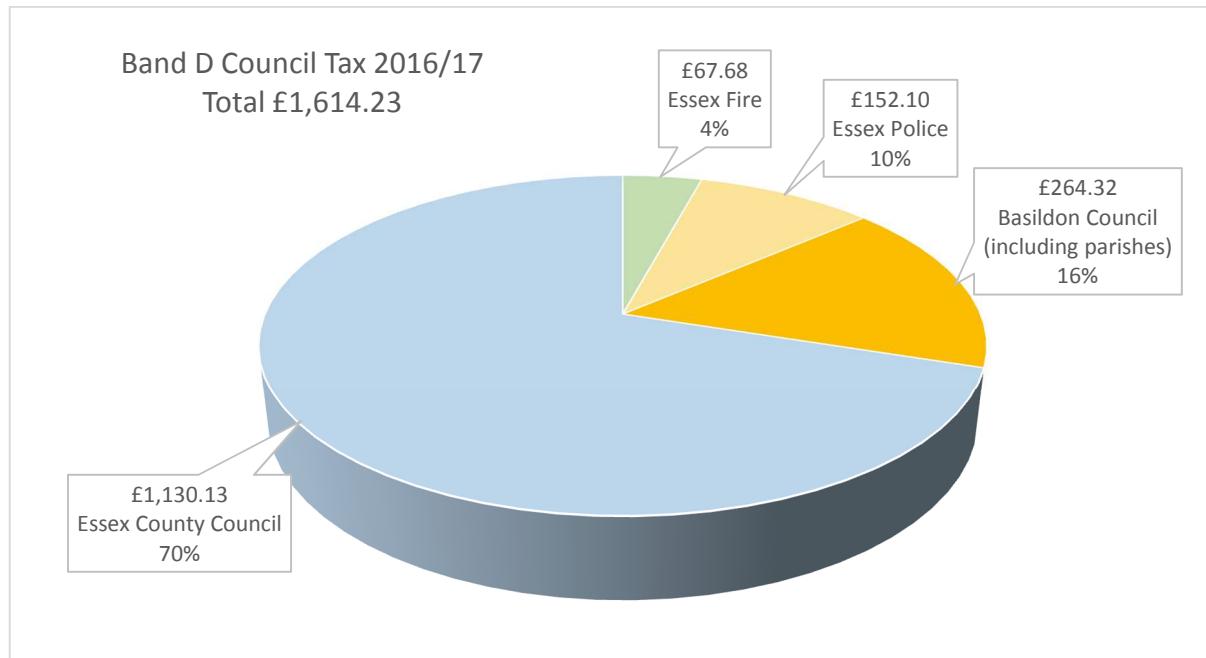
## THE COUNCIL TAX 2016/17

The net budget requirement for a council is the amount needed to finance Council services after allowing for planned expenditure and income. For 2016/17, this was set by the Council at £28.7 million. The amount met by Revenue Support Grant, other grants from Central Government, the projected surplus/deficit in the collection fund, transfers to and from reserves and Business Rates (under the retention arrangements) was £13.6 million leaving £15.1 million to be raised locally from Council Tax (the Council Tax Requirement).

The 2016/17 Band D council tax for Basildon Council services was £257.85 (an increase of 1.99% over the 2015/16 charge of £252.81). The calculated amounts were based on an estimated Council Tax Base (after allowing for irrecoverables and the local council tax support scheme) of 58,577 Band D equivalent properties.

The total Band D council tax for the Borough was £1,614.23 distributed amongst the preceptors as set out in the chart below. The figure for Basildon includes £6.47 collected on behalf of parished areas.

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## THE FINANCIAL OUTTURN

The following sections provide summary information on the financial outturn for the 2016/17 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 2016/17 and the Future'.

The tables below show the original budget for the year as approved by Council on 11 February 2016. This budget was revised during the year to take into account unspent budgets carried forward from 2015/16 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 2017/18 with the working budget. Carry forwards are authorised where there is budget provision for specific items that are committed or planned but the specific goods or services were not received by 31 March. Once authorised the carry forwards are added to the budget for the following year funded by the related unspent reserves.

### GENERAL FUND REVENUE

	Original Budget £000	Working Budget £000	Actuals £000	Variance from Working Budget £000	Carry Forwards £000	Outturn Variance from Working Budget £000
<b>Service Net Expenditure</b>						
Community	1,568	1,785	1,557	-227	190	-37
Development and Regulation	-923	1,039	-1,205	-2,244	2,357	113
Environment	8,084	8,373	7,946	-427	41	-386
Housing	3,285	2,494	1,700	-794	366	-428
Leisure	6,821	7,167	6,942	-225	15	-210
Regeneration & Partnerships	1,757	3,056	3,009	-47	696	649
Corporate & Central	8,058	15,474	5,304	-10,171	8,142	-2,029
<b>Net Cost of Services</b>	<b>28,650</b>	<b>39,388</b>	<b>25,253</b>	<b>-14,135</b>	<b>11,807</b>	<b>-2,328</b>

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The table above shows the overall net expenditure across the main General Fund activities of the Council for 2016/17. The General Fund is the main revenue fund of the Council. The Expenditure and Funding Analysis included before the core statements in the accounts takes the outturn figures reported above and translates them into the segmental analysis as disclosed in the Comprehensive Income and Expenditure Statement

Net expenditure was funded as set out in the table below

	Original Budget £000	Working Budget £000	Actuals £000	Variance from Working Budget £000	Carry Forwards £000	Outturn Variance from Working Budget £000
<b>Funding</b>						
Revenue Support Grant	-2,595	-2,595	-2,595	0	0	0
New Homes Bonus	-3,789	-3,789	-3,789	0	0	0
Other Grants	-225	-225	-495	-270	0	-270
Business Rates Income	-6,377	-6,892	-6,250	642	0	642
Council Tax surplus	-189	-189	-189	0	0	0
Business Rates deficit	3,180	3,177	3,180	3	0	3
Council Tax	-15,104	-15,104	-15,104	0	0	0
Transfer from/(to) reserves	-3,551	-13,771	-11	13,760	-11,807	1,953
<b>Total Funding</b>	<b>-28,650</b>	<b>-39,388</b>	<b>-25,253</b>	<b>14,135</b>	<b>-11,807</b>	<b>2,328</b>

The service variances are explained in the following table

	£000
Insurance Pool provision adjustment	-1,170
insurance damages	-265
Sempra Homes Income	-215
Industrial & Commercial Premises income	-242
Council tax Sharing Agreement.	-122
Contribution from business rates growth to pooled Economic Growth Fund	232
Refuse Collection & Recycling costs	-210
Interim accommodation including bed and breakfast and nightly lets	-203
All others (individually less than £100k)	-133
<b>Outturn variance after carry forwards</b>	<b>-2,328</b>

## 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 2016/17

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HRA Outturn 2016/17

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Management	16,561	15,978	14,144	-1,834	760	-1,074
Repairs	12,057	9,670	9,216	-454	0	-454
Depreciation and Financing costs	31,244	26,697	23,338	-3,359	3,558	199
<b>Total Expenditure</b>	<b>59,862</b>	<b>52,345</b>	<b>46,698</b>	<b>-5,647</b>	<b>4,318</b>	<b>-1,329</b>
<b>Income</b>						
Rents	-48,945	-48,882	-49,546	-664	0	-664
Service charges and contributions	-4,931	-4,857	-5,171	-314	0	-314
<b>Total Income</b>	<b>-53,876</b>	<b>-53,739</b>	<b>-54,717</b>	<b>-978</b>	<b>0</b>	<b>-978</b>
<b>Total net cost</b>	<b>5,986</b>	<b>-1,394</b>	<b>-8,019</b>	<b>-6,625</b>	<b>4,318</b>	<b>-2,307</b>

The variances are explained in the following table

	£000
<b>Income</b>	
Right to Buy sales lower than forecast	-664
Housing Related Support	-125
Other additional income	-188
<b>Expenditure</b>	
Increase in capital financing costs	199
Increase in bad debt provision	190
Savings in council tax	-101
Savings on repairs costs	-454
Savings in staff costs	-393
Savings in utility costs	-364
Other (individually less than £100k)	-407
<b>Total</b>	<b>-2,307</b>

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## CAPITAL EXPENDITURE

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

	Original Budget	Working Budget	Actuals	Variance from Working Budget	Carry Forwards	Outturn Variance from Working Budget
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Housing – General Fund	800	986	980	-6	0	-6
Housing - HRA	21,383	17,525	13,682	-3,843	3,558	-285
General Fund	3,588	29,581	18,586	-10,995	12,039	1,044
<b>Total Expenditure</b>	<b>25,771</b>	<b>48,092</b>	<b>33,248</b>	<b>-14,844</b>	<b>15,597</b>	<b>753</b>
<b>Financing</b>						
Capital Receipts	150	3,126	1,175	-1,951	2,280	329
Grants	1,250	11,830	5,201	-6,629	7,168	539
Contributions from Revenue	11,200	8,281	1,011	-7,270	5,364	-1,906
Major Repairs Reserve	10,183	10,183	11,700	1,517	0	1,517
Borrowing	2,988	14,672	14,161	-511	785	274
<b>Total Financing</b>	<b>25,771</b>	<b>48,092</b>	<b>33,248</b>	<b>-14,844</b>	<b>15,597</b>	<b>753</b>

## TREASURY MANAGEMENT

The table below sets out the closing position for the Council's debt and investment portfolios compared with the closing position at 31 March 2016.

	31-Mar-17 £m	31-Mar-16 £m	Change £m
Borrowing	215.1	204.6	10.5
Finance leases	5.3	6.2	-0.9
<b>Total External Debt</b>	<b>220.4</b>	<b>210.8</b>	<b>9.6</b>
Investments	-86.5	-56.0	-30.5
<b>Net External Debt</b>	<b>133.9</b>	<b>154.8</b>	<b>-20.9</b>

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

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Interest payable on external debt and other liabilities for the year amounted to £10.8 million. The average interest rate on external borrowing was 4.82% for the year. Investment income for year was £0.4 million at an average return of 0.38%. The borrowing rate is the product of taking loans at fixed rates with extended maturities as is appropriate when financing assets with long lives. The principal aim when the Council is investing is to ensure the security of the sum invested this results in relatively low returns.

## ASSETS AND LIABILITIES

The table below compares the assets and liabilities of the Council at 31 March 2017 with those at 31 March 2016.

	31-Mar-17 £m	31-Mar-16 £m	Change £m
Long Term Assets	812.4	755.1	57.3
Current Assets	106.1	92.0	14.1
Current Liabilities	-35.9	-37.0	1.1
Long Term Liabilities	-353.7	-317.1	-36.6
<b>Net Assets</b>	<b>528.9</b>	<b>493.0</b>	<b>35.9</b>
Usable Reserves	103.9	83.5	20.4
Unusable Reserves	425.0	409.5	15.5
<b>Total Reserves</b>	<b>528.9</b>	<b>493.0</b>	<b>35.9</b>

Overall the value of the net assets of the Council rose by £35.9 million. This was largely the result of the revaluation of long term assets. The Council's pension liability (within long term liabilities) was assessed by the actuary to be £33 million higher than in the previous year.

On 20 April 2016 the Council acquired the freehold interest in Freedom House a block comprising office and retail units in Basildon town centre. The cost was £8.35 million. The acquisition is intended to support the regeneration of the town centre.

Right to buy sales represent a significant set of transactions. In 2016/17 sales totalled 93 yielding a gross receipt of £7.4 million (2015/16 131 sales with a gross receipt of £9.4 million). Of this receipt £1.0 million was paid to the Treasury under the pooling arrangements, £4.1 million was retained for use in the provision of affordable housing with the balance being available to the Council for any HRA capital purpose.

## PENSIONS LIABILITY AND RESERVE

In common with most, if not all, other local authorities, this Council carries a deficit on its Pension Reserve. This reflects Basildon Council's share of the Pension Fund administered by Essex County Council. This deficit increase from £101 million at 31 March 2016 to £133 million at 31 March 2017. This reduction is largely the consequence of an increase in the defined benefit liability arising from an assumed fall in bond yields.

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

## BALANCES AND RESERVES

The Council's financial position is subject to a range of external influences and risks particularly in the current Government funding environment. The impact on the economy of the decision to leave the European Union creates further uncertainties. In addition, the Council remains ambitious and is continuing to deliver a number

# Strategic Report

of significant investment and regeneration projects. These projects when combined with the current funding regime mean that the scale of risk and complexity that the Council is managing is significant. In this context it is essential that the Council maintains an adequate level of reserves

The tables below set out the reserves position at 31 March 2017

Revenue Reserves at 31 March 2017	2015/16 Closing position	Outturn	Change	Carry Forwards	Reserves available after carry forwards
			in reserves in year		
				£000	£000
General Fund Balance	12,048	9,406	-2,642	5,936	3,470
General Fund Earmarked Reserves	21,085	23,716	2,631	5,871	17,845
<b>Sub-total: General Fund</b>	<b>33,133</b>	<b>33,122</b>	<b>-11</b>	<b>11,807</b>	<b>21,315</b>
Housing Revenue Account	8,798	4,760	-4,038	760	4,000
HRA – Earmarked Balances	11,393	23,451	12,058	3,558	19,893
<b>Sub-total: Housing Revenue Account</b>	<b>20,191</b>	<b>28,211</b>	<b>8,020</b>	<b>4,318</b>	<b>23,893</b>
<b>Total Balances and Reserves</b>	<b>53,324</b>	<b>61,333</b>	<b>8,009</b>	<b>16,125</b>	<b>45,208</b>

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

## Capital Reserves

	31-Mar- 17	31-Mar- 16	Change
	£000	£000	£000
GF Capital receipts	5,326	1,934	3,392
HRA Capital receipts - any use	10,284	8,792	1,492
HRA Capital receipts - 1 for 1 use only	14,379	10,724	3,655
Major repairs	2,942	1,950	992
Capital grants unapplied	4,689	3,761	928
Lifecycle Funds	1,609	1,267	342
Regeneration	3,310	1,743	1,567
<b>Total capital reserves</b>	<b>42,539</b>	<b>30,171</b>	<b>12,368</b>

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

# Strategic Report

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

## MAJOR INFLUENCES ON THE COUNCIL'S FINANCES FOR 2016/17 AND THE FUTURE

### The budget and financial forecast to 2019/20

The Council faced a number of challenges, risks and uncertainties during 2016/17, 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 2016/17 Budget Report, a copy of which is available on the Council's website. Local government finance continues to experience unprecedented pressures and uncertainties as a result of the continued downward pressure on public sector spending.

The Local Government Finance Settlement for 2017/18 confirmed that there has been no change to the trajectory of Government funding as set out in the settlement for 2016/17. The Council accepted the Government's offer (made in the 2016/17 settlement) of an agreed four year settlement and while this has introduced a degree of certainty in funding it does not cover the main variables in Government support i.e. the New Homes Bonus (NHB) and Business Rates Retention (BRR). The Government settlement figures to 2019/20 show a reduction in Government funding for the Council between 2016/17 and 2017/18 of £1.7 million (14.3%) and a further cut of £3.4 million (34%) from 2017/18 to 2019/20.

Achieving efficiencies has always played a key part in the Council's financial strategy. For 2016/17 the General Fund target of £0.2 million was met. The 2017/18 budget has been balanced without the need to find further efficiencies in the year but a £6.4 million gap is forecast to arise by 2019/20. It is also recognised that there will be ongoing pressure on the public sector to deliver further efficiencies and improvements in value for money beyond the forecast period. Continued delivery of the Council's ambitions is dependent on the Council securing a sustainable financial position over the medium term by delivering the outcomes of its approach to becoming self-financing.

### Self-financing Council

This approach has been developed to ensure that the Council remains financial sustainable into the future. It comprises

- 1) A robust and detailed review of the assumptions that underpin the medium term financial strategy

# Strategic Report

- 2) Service financial health checks to drive out inefficiencies and ensure that resources are directed to where they are most needed
- 3) A programme of commercial activities
- 4) Reviews of the Council's current asset base and the establishment of a commercial asset acquisition strategy
- 5) A focus on key income streams with a view to ensuring that they are maximised

## Value for Money

The Council strives to secure both value for money and added value in its procurement activities. Added value has been achieved by, for example, securing apprenticeships via contracts awarded by the Council. 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.

## Changes in funding mechanisms

### Business Rates Retention

This 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 including applications for charitable relief. The provision for rating appeals totals £7.8 million of which the Council's share is £3.1 million. The number of appeals outstanding at 31 March 2017 was 730.

It is intended by 2019/20 local government will retain 100% of business rates revenue to fund local services. The details of this proposal are currently being worked through and their impact on the Council is, therefore, difficult to assess at this time.

Every few years the Government's Valuation Office Agency carries out a full revaluation of every rateable property in England and Wales. The latest revaluation comes into force in April 2017 and has resulted in many changes to the rateable values on which rates bills are calculated. Nationally there has been an increase in rateable values in England of 10.6% while in Basildon the increase is 3.96%. However, the law requires that the overall level of business rate revenue is to remain the same after as before a revaluation and this is achieved by adjusting the multiplier (in the current case reducing it) that is applied to the rateable value to determine the rates due. While this ensures that rates at a national level remain unchanged it does not necessarily mean that this is the case at local council area level. The Government intends to address the impact that this has on local authorities' income by adjusting the tariff or top-up as appropriate. However, this introduces another level of uncertainty into the income that can be generated from this source and the increase in rateable values is likely to result in a significant number of appeals notwithstanding the reduction in the multiplier.

### New Homes Bonus

New Homes Bonus (NHB) was introduced in 2011/12 as an incentive for planning authorities to increase their local housing stock.

A consultation paper, 'New Homes Bonus: Sharpening the Incentive', was published in December 2015. Following the consultation the government made a number of changes to the New Homes Bonus Scheme.

The Government has chosen:

- to move to 5 yearly payments (originally 6) for new and existing allocations in 2017/18 and then to 4 years from 2018/19.
- to introduce a national baseline for growth in Housing of 0.4%, with effect from 2017/18, below which allocations will not be made.
- to retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth
- to carry out a further consultation on other proposed changes to the scheme

# Strategic Report

While the Council anticipated the reduction in income that these changes have resulted in, the continued uncertainty arising from the further consultation is of concern. The funding received by the Council via this mechanism was £3.8 million in 2016/17 but is forecast to fall to approximately £1.9 million by 2019/20.

## REVIEW OF 2016/17

### Working with partners

#### Co-location of DWP

From late 2016, Job Centre Plus staff have been based at the Basildon Centre. This enables customers to access a range of services – from council tax, housing benefits, leisure and environment services, to employment services offered by the Department for Work and Pensions – all in one central location. This community hub also includes a library, the local Register Office and Citizens Advice Bureau services with plans to add services from other partners in the future. This improves the customer experience by facilitating joined-up services and also generates income for the council.

#### Shared Services

The Council continues to work with neighbouring authorities to explore opportunities for the sharing of services. From April 2015 a shared service arrangement has been in place with Brentwood Borough Council for the delivery of Revenues and Benefits services. From April 2017 the two services will be formally merged and be based at the Basildon Centre. It is anticipated that the contractual framework for these arrangements will be used as a template for sharing further services in the future.

#### Strategic Asset Management

The Council recently let a new long term Strategic Asset Management contract worth up to £336 million over a 15 year period. The contract brings together major work elements such as responsive repairs, servicing and maintenance of gas appliances, planned and cyclical maintenance, and improvement works. The contract runs on a Price per Property basis (with exclusions). This change, plus combining planned and cyclical works with responsive repairs is expected to save the Council in excess of £1 million per annum.

The Council's team and the service provider have co-located in underused office accommodation at Barleylands depot, which has generated additional income and further savings for the Council.

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

#### After-care

An after-care pilot scheme has been launched using 4 units at one of the Council's sheltered schemes. The scheme is being delivered in partnership with Essex County Council, Basildon and Brentwood Clinical Commissioning Group and Basildon Hospital. Its objective is to reduce over reliance on hospital stays by providing interim accommodation for rehabilitation.

#### Regeneration and investment schemes

##### Basildon Town Centre

Groundworks and construction has commenced on the new market site in St Martin's Square which will enable the market to relocate there in late Autumn 2017. This will be followed by improvements to the public realm including new Church gardens, improvements to the Bell Tower area and paving and further enhancements outside the Basildon Centre and Towngate Theatre. Essex County Council is supporting the development with a financial contribution of £1.75m. The relocation of the market will enable South Essex College to deliver their new college in the town centre. Plans continue to be developed to introduce a family friendly night time economy centred on East Square which will create jobs and boost the local economy. This will include a leisure offer and restaurants and Cabinet approval was given to enter into an agreement for lease with a cinema operator should negotiations be successful. New restaurants have already opened and other landowners have

# Strategic Report

begun investment in their assets, indicating that the Council's leadership has led to increased confidence in the town centre as a place to do business.

## Wickford

Construction began on a new £2m health facility in June 2016. This is being developed by the Council with a financial contribution from Essex County Council of £0.5m. Completion is expected in July 2017. A lease has been agreed with a local surgery and the new facility allows for an increase in GP provision as well as providing training facilities. In September 2016, Cabinet approved the strategy for the second phase of regeneration for Wickford Town Centre and work has been commissioned to prepare options for future regeneration opportunities in the town centre.

## Pitsea

Following the £30m regeneration project completed by landowners London and Cambridge Properties Ltd, Cabinet approved the strategy for the next phase of regeneration for Pitsea Town Centre in November 2016. The design principles for the redevelopment of a redundant Area Housing Office and The Place were approved in March 2017, subject to consultation. The principles seek to provide new flexible community space, a new library as well as new town centre homes and improvements to the public realm.

## Laindon

Swan Housing acquired the town centre in May 2015 and, in February 2017, Planning Committee resolved to approve their planning application for the redevelopment of the town centre. The proposal will deliver over 240 new homes, a new supermarket, new retail space with parking to provide a new high street style shopping experience. Swan will be relocating their head office to the town centre into part of the new development. There is also provision for a new health centre. The war memorial will be at the heart of the new high street. The Council has proactively worked with Swan to bring the development forward and will continue to do so during delivery.

## Housing Revenue Account and Housing Supply

### Housing Revenue Account

The rent reduction scheme introduced by the Welfare Reform and Work Act 2016 has had a significant impact on the resources available to the Housing Revenue Account (HRA). It means that the Council's ambition to repay all housing related debt over the life of the 30 year business plan is no longer achievable. However, the HRA remains sustainable financially and, moreover, a review of the asset management plan coupled with the delivery of service savings (in the main through the strategic asset management contract) has identified that it is possible to invest up to £21 million in the acquisition or development of new dwellings for local people in the period to 2019/20.

The new build and acquisition programme is funded through a mix of capital receipts retained to fund replacement affordable housing, HRA reserves, borrowing and other contributions. Three new build projects expected to deliver 5 dwellings are currently planned. It is expected that up to 100 additional homes will be delivered over the next four years.

In February 2016 the Council acquired sheltered housing scheme that was no longer fit for this purpose from a housing association. The 36 units that this provides are now used as temporary accommodation pending the availability of a more permanent solution to the users housing needs.

The Council owns 10,900 dwellings and 2,200 leasehold flats. Since 2012 refurbished kitchens and/or bathrooms have been provided in over 4,500 properties. Customer satisfaction has remained continually high, between 97% and 98%. 98% homes within the Borough meet decent homes standards.

### Other housing

The regeneration of Fryerns and Craylands estates continued during the year with the engagement of the Council's partners (Swan Housing, the Homes and Communities Agency and Essex County Council). Planning permission for the remainder of the re-development that will see a further 587 new homes built and £2.2 million of environmental improvements was granted in October 2017.

# Strategic Report

## Sempra Homes

Sempra Homes Ltd was incorporated on 19 December 2014 and began trading in December 2015 with the transfer of 5 properties at Lincewood Court from the Council to the Company. These properties are let at a market rent. During the year the Company acquired 5 more properties and these are let at an affordable rent. The Company has plans to ultimately deliver up to 584 new dwellings in the Borough to be let on a mix of tenures (social, affordable and market rent and shared ownership) or sold to fund further development. The Company was successful in a bid it made to the Homes and Communities Agency for £1.8 million to support the delivery of shared ownership properties in the Borough. A revised business plan was approved by the Council in March 2017.

## Other significant activity

Work started in December 2014 on a new Local Plan that will provide the planning framework for the future growth and development of the Basildon Borough area until 2034. The new Local Plan will identify land for housing, businesses, shops and leisure, as well as areas for protection, such as open space and sites important for wildlife. The Draft Local Plan, its Sustainability Appraisal, Habitats Regulations Assessment and Service Impact Assessment was prepared and published for public consultation for eight weeks between January and March 2016. Over 21,500 responses were received and subsequently analysed. Following the consultation the Plan will be redrafted to take into account, as appropriate, the comments made during the consultation.

The Economic Development team ran a successful event promoting investment in the Borough in London in July 2016. Basildon's Inward Investment Magazine, BaSE, was also launched in July 2016. Its objective is to raise awareness about Basildon as a location for development and investment. The magazine describes Basildon's economic performance, development opportunities, latest news and arts/culture. It can be found online at <http://base-basildon.com/magazine.html>.

The Wickford Memorial Park project continued with the pavilion being completed, an outdoor gym provided and the refurbishment of the crazy golf facility.

## Recognition

The benefits partnership with Brentwood won a national award from the Institute of Revenue, Rating and Valuation.

The Housing Choice Team have received the National Practitioner Support Service Gold standard only the sixth award to have been made in the country as a whole.

The Council was recognised in a report published by Public Service Audit Appointments for being in the 10% of authorities that published their audited accounts for 2015/16 by 31 July 2016.

The Council's talent management initiative was highly commended and the Council was the winner of the 'Best Use of Management Information' category at the 2016 MHR awards.

# Strategic Report

Further particulars about the accounts can be obtained by writing to the Group Manager (Corporate Finance), Basildon Borough Council, The Basildon Centre, St Martin's Square, Basildon SS14 1DL.

## **Other useful information can be found on the Council's website, including:**

Prior years' Statements of Accounts:

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

Current and prior years' budget information:

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

Invoices paid over £500 in value by month:

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

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

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

Corporate Plan 2012 to 2016

<http://www.basildon.gov.uk/CHttpHandler.ashx?id=4467&p=0>

Budget Report 2016/17

<http://www.basildonmeetings.info/ieListDocuments.aspx?CId=216&MId=5566&Ver=4>

Budget Report 2017/18

<http://www.basildonmeetings.info/ieListDocuments.aspx?CId=216&MId=5799&Ver=4>

Doing business with the Council:

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

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

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

Information published under the requirements of the Transparency Code:

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

Sempra Homes Ltd:

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

# Guide to the Financial Statements

## THE PUBLISHED ACCOUNTS

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

The main Financial Statements within this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 and the current revision introduced the requirement that the Comprehensive Income and Expenditure Statement (CIES) reflect the way activity is reported internally. The Expenditure and Funding Analysis (EFA) has also been introduced to reconcile segmental results reported internally for decision making (as set out in the Strategic Report) with the segmental amounts reported in the CIES.

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. 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 accounts for 2016/17 have been prepared on both a single entity (i.e. the Council only) and a Group basis (i.e. the Council and its wholly owned subsidiary, Sempra Homes Ltd). The notes to the accounts are all presented on a single entity basis except where it is helpful to present information on the Group as a whole.

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

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

The Council's Auditor is Ernst and Young.

## THE CORE STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

### MOVEMENT IN RESERVES STATEMENT

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

# Guide to the Financial Statements

transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, 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 net cash flows arising from operating activities are a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

## HOUSING REVENUE ACCOUNT

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

## COLLECTION FUND

This is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers, distribution to local authorities and the Government of Council Tax and 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 confirm that the Statement of Accounts complies with the Code and gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2017.

Signed:

### **Kieran Carrigan CPFA**

Commissioning Director - Resourcing and Place Shaping (Section 151)

26 July 2017.

## **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 26 July 2017.

Signed:

### **Councillor G Canham**

Chairman of the Audit and Risk Committee

Chairman of the meeting approving the accounts

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

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

We have audited the financial statements of Basildon Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 42 and the Expenditure and Funding Analysis,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 10, and
- Collection Fund Account and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Basildon Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of Responsibilities set out on page 22, the Commissioning Director – Resourcing and Place Shaping (Section 151) is responsible for the preparation of the Annual Financial Report 2016/17, 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 2016/17, 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 Council and Group'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); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2016/17 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 and Group as at 31 March 2017 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 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Annual Financial Report 2016/17 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Basildon Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Controller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Basildon Borough Council 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 issued by the C&AG in November 2016, 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 2017.

### **Certificate**

We certify that we have completed the audit of the accounts of Basildon Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
27 July 2017

The maintenance and integrity of the Basildon Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.  
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Statement of Accounts**

**2016/17**



# Index to Financial Statements and Notes to the Accounts

## FINANCIAL STATEMENTS

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

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## NOTES TO THE CORE STATEMENTS

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

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

# Expenditure and Funding Analysis

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

2015/16			2016/17		
Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES Note 10	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES Note 10
£000	£000	£000	£000	£000	£000
5,924	2,006	7,930	Corporate and Central	5,304	3,155
1,642	(15)	1,627	Community	1,557	58
330	1,487	1,817	Development and Regulation	(1,205)	3,513
1,437	(63)	1,374	Regeneration and Partnerships	3,009	(113)
7,552	(427)	7,125	Environment	7,946	(484)
1,124	792	1,916	Housing	1,700	827
7,064	(742)	6,322	Leisure and Open Spaces	6,942	(1,244)
<b>25,073</b>	<b>3,038</b>	<b>28,111</b>	<b>General Fund</b>	<b>25,253</b>	<b>5,712</b>
1,412	(6,533)	(5,121)	Housing Revenue Account	(8,019)	(644)
<b>26,485</b>	<b>(3,495)</b>	<b>22,990</b>	<b>Cost of Services</b>	<b>17,234</b>	<b>5,068</b>
(31,415)	15,510	(15,905)	Other income and expenditure	(25,242)	264
<b>(4,930)</b>	<b>12,015</b>	<b>7,085</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(8,008)</b>	<b>5,332</b>
48,395		Opening General Fund and HRA Balance		53,325	
4,930		(Surplus) or Deficit on Provision of Services		8,008	
<b>53,325</b>		<b>Closing General Fund and HRA Balance *</b>		<b>61,333</b>	

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

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

# Comprehensive Income and Expenditure Statement (CIES)

2015/16						Note	2016/17						
Council			Group				Council			Group			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
9,762	(1,832)	7,930	9,762	(1,832)	7,930	Corporate and Central	12,645	(4,186)	8,459	12,645	(4,186)	8,459	
2,902	(1,275)	1,627	2,902	(1,275)	1,627	Community	2,946	(1,331)	1,615	2,946	(1,331)	1,615	
74,011	(72,194)	1,817	74,011	(72,194)	1,817	Development and Regulation	70,477	(68,169)	2,308	70,477	(68,169)	2,308	
2,046	(672)	1,374	2,046	(672)	1,374	Regeneration and Partnerships	3,209	(313)	2,896	3,209	(106)	3,103	
11,410	(4,285)	7,125	11,410	(4,285)	7,125	Environment	11,846	(4,384)	7,462	11,846	(4,384)	7,462	
4,583	(2,667)	1,916	4,583	(2,552)	2,031	Housing	2,992	(465)	2,527	2,992	(465)	2,527	
9,065	(2,743)	6,322	9,065	(2,743)	6,322	Leisure and Open Spaces	8,349	(2,651)	5,698	8,349	(2,651)	5,698	
<b>113,779</b>	<b>(85,668)</b>	<b>28,111</b>	<b>113,779</b>	<b>(85,553)</b>	<b>28,226</b>	<b>General Fund</b>	<b>112,464</b>	<b>(81,499)</b>	<b>30,965</b>	<b>112,464</b>	<b>(81,292)</b>	<b>31,172</b>	
50,148	(55,269)	(5,121)	50,148	(55,269)	(5,121)	Housing Revenue Account	46,083	(54,746)	(8,663)	46,083	(54,731)	(8,648)	
<b>163,927</b>	<b>(140,937)</b>	<b>22,990</b>	<b>163,927</b>	<b>(140,822)</b>	<b>23,105</b>	<b>Cost of Services</b>	<b>158,547</b>	<b>(136,245)</b>	<b>22,302</b>	<b>158,547</b>	<b>(136,023)</b>	<b>22,524</b>	
2,069	(2,030)	39	2,069	(2,030)	39	Other operating income and expenditure	17	2,295	-	2,295	2,295	-	2,295
17,673	(2,358)	15,315	17,707	(2,373)	15,334	Financing and investment income and expenditure	18	17,835	(5,118)	12,717	17,981	(5,173)	12,808
26,019	(57,278)	(31,259)	26,019	(57,278)	(31,259)	Taxation and non-specific grant income and expenditure	19	27,446	(67,436)	(39,990)	27,446	(67,436)	(39,990)
<b>209,688</b>	<b>(202,603)</b>	<b>7,085</b>	<b>209,722</b>	<b>(202,503)</b>	<b>7,219</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>206,123</b>	<b>(208,799)</b>	<b>(2,676)</b>	<b>206,269</b>	<b>(208,632)</b>	<b>(2,363)</b>	
		-			(27)	Taxation of group entities	24		-			(52)	
		<b>7,085</b>			<b>7,192</b>	<b>Group (Surplus) or Deficit on Provision of Services</b>			<b>(2,676)</b>			<b>(2,415)</b>	
		(47,332)			(47,332)	Surplus or deficit on revaluation of non-current assets	34		(58,090)			(58,090)	
		(6,687)			(6,687)	Impairment losses on non-current assets charged to the							
		(13,163)			(13,163)	Revaluation Reserve	34		(5,116)			(5,156)	
		(67,182)			(67,182)	Remeasurements of the net defined pensions liability	38		30,009			30,009	
		<b>(60,097)</b>			<b>(59,990)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(35,873)</b>			<b>(35,652)</b>	

## Movement in Reserves Statement

	Note	Usable Revenue Reserves			Usable Capital Reserves				Unusable Reserves						Council's share of subsidiary's reserves	Total Group Reserves £000	
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Capital Reserves £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Other Unusable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000		
<b>2016/17</b>																	
<b>Balance at 1 April 2016</b>		33,134	20,191	1,950	21,450	3,761	3,010	83,496	123,914	390,964	(100,757)	(4,388)	(198)	409,535	493,031	(107)	492,924
Total Comprehensive Income and Expenditure		2,874	(198)	-	-	-	-	2,676	63,206	-	(30,009)	-	-	33,197	35,873	(221)	35,652
Adjustments between accounting basis & funding basis under regulations	9	(2,886)	8,218	992	8,539	928	1,909	17,700	(2,087)	(20,002)	(2,707)	6,778	318	(17,700)	-	-	-
<b>Increase/(Decrease) in year</b>		(12)	8,020	992	8,539	928	1,909	20,376	61,119	(20,002)	(32,716)	6,778	318	15,497	35,873	(221)	35,652
<b>Balance at 31 March 2017 carried forward</b>		33,122	28,211	2,942	29,989	4,689	4,919	103,872	185,033	370,962	(133,473)	2,390	120	425,032	528,904	(328)	528,576
Of which:																	
Earmarked Reserves	12	23,716	23,451														
General Reserves		9,406	4,760														
<b>2015/16</b>																	
<b>Balance at 1 April 2015</b>		26,792	21,603	8,497	12,322	3,303	2,534	75,051	71,317	397,780	(110,467)	(504)	(243)	357,883	432,934	-	432,934
Total Comprehensive Income and Expenditure		(4,732)	(2,353)	-	-	-	-	(7,085)	54,019	-	13,163	-	-	67,182	60,097	(107)	59,990
Adjustments between accounting basis & funding basis under regulations	9	11,074	941	(6,547)	9,128	458	476	15,530	(1,422)	(6,816)	(3,453)	(3,884)	(7,292)	(15,530)	-	-	-
<b>Increase/(Decrease) in year</b>		6,342	(1,412)	(6,547)	9,128	458	476	8,445	52,597	(6,816)	9,710	(3,884)	(7,292)	51,652	60,097	(107)	59,990
<b>Balance at 31 March 2016 carried forward</b>		33,134	20,191	1,950	21,450	3,761	3,010	83,496	123,914	390,964	(100,757)	(4,388)	(198)	409,535	493,031	(107)	492,924
Of which:																	
Earmarked Reserves	12	21,086	11,393														
General Reserves		12,048	8,798														

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

# Balance Sheet

31 March 2016					31 March 2017			
Council	Group			Note	Council	Group		
£000	£000				£000	£000		
753,919	754,794	Property, Plant & Equipment		34	810,904	812,167		
875	-	Investment in Subsidiary		24	875	-		
301	328	Long-term Debtors		25	593	302		
<b>755,095</b>	<b>755,122</b>	<b>Long Term Assets</b>			<b>812,372</b>	<b>812,469</b>		
61,047	61,047	Investments		30	73,054	73,054		
3,340	3,340	Assets Held for Sale		36	-	-		
221	221	Inventories			180	180		
18,860	18,745	Short-term Debtors		25	19,322	18,940		
8,514	8,524	Cash and Cash Equivalents		39	13,514	13,524		
<b>91,982</b>	<b>91,877</b>	<b>Current Assets</b>			<b>106,070</b>	<b>105,698</b>		
(890)	(890)	Cash and Cash Equivalents (overdrawn)		39	(1,404)	(1,404)		
(9,596)	(9,596)	Borrowing		30	(4,552)	(4,552)		
(17,352)	(17,381)	Short Term Creditors		26	(24,139)	(24,192)		
(6,873)	(6,873)	Provisions		27	(3,771)	(3,771)		
(2,144)	(2,144)	Grants Receipts in Advance - Capital		22	(1,906)	(1,906)		
(163)	(163)	Grants Receipts in Advance - Revenue		22	(91)	(91)		
<b>(37,018)</b>	<b>(37,047)</b>	<b>Current Liabilities</b>			<b>(35,863)</b>	<b>(35,916)</b>		
(3,856)	(3,856)	Provisions		27	(3,122)	(3,122)		
(207,152)	(207,152)	Borrowing		30	(212,686)	(212,686)		
(5,263)	(5,263)	Finance Lease Liabilities		29	(4,394)	(4,394)		
(100,757)	(100,757)	Net Pensions Liability		38	(133,473)	(133,473)		
<b>(317,028)</b>	<b>(317,028)</b>	<b>Long Term Liabilities</b>			<b>(353,675)</b>	<b>(353,675)</b>		
<b>493,031</b>	<b>492,924</b>	<b>Net Assets</b>			<b>528,904</b>	<b>528,576</b>		
12,048	12,048	General Fund Balance			9,406	9,406		
21,086	21,086	GF Earmarked Reserves Balance		12	23,716	23,716		
-	(107)	Subsidiary Reserves			-	(328)		
8,798	8,798	Housing Revenue Account			4,760	4,760		
11,393	11,393	HRA Earmarked Reserves Balance		12	23,451	23,451		
1,950	1,950	Major Repairs Reserve			2,942	2,942		
21,450	21,450	Capital Receipts Reserve			29,989	29,989		
3,761	3,761	Capital Grants Unapplied			4,689	4,689		
3,010	3,010	Earmarked Capital Reserves		12	4,919	4,919		
<b>83,496</b>	<b>83,389</b>	<b>Usable reserves</b>			<b>103,872</b>	<b>103,544</b>		
123,914	123,914	Revaluation Reserve			185,033	185,033		
390,964	390,964	Capital Adjustment Account			370,962	370,962		
(100,757)	(100,757)	Pensions Reserve			(133,473)	(133,473)		
(4,388)	(4,388)	Collection Fund Adjustment Account			2,390	2,390		
(198)	(198)	Other Unusable Reserves			120	120		
<b>409,535</b>	<b>409,535</b>	<b>Unusable Reserves</b>			<b>425,032</b>	<b>425,032</b>		
<b>493,031</b>	<b>492,924</b>	<b>Total Reserves</b>			<b>528,904</b>	<b>528,576</b>		

These financial statements replace the unaudited financial statements that were certified by the Section 151 Officer on 30 May 2017.

Signed:

Kieran Carrigan CPFA  
Commissioning Director - Resourcing and Place Shaping (Section 151)

26 July 2017.

# Cash Flow Statement

2015/16		Note	2016/17	
Council £000	Group £000		Council £000	Group £000
7,085	7,192	<b>Net (surplus) or deficit on the provision of services</b>	(2,676)	(2,415)
(16,749)	(16,749)	Depreciation	(16,661)	(16,683)
(11,508)	(11,508)	(Impairment and downward valuation) / Reversal of previous impairments	(12,998)	(12,998)
(1,596)	(1,596)	Movement in impairment provision for bad debts	(1,132)	(1,132)
2,479	2,450	Movement in creditors	(1,894)	(1,918)
4,636	4,548	Movement in debtors	2,595	2,380
13	13	Movement in inventories	(41)	(41)
(3,453)	(3,453)	Movement in pension liability	(2,707)	(2,707)
(15,527)	(15,527)	Carrying amount of non-current assets sold	(11,851)	(11,851)
457	457	Disposal costs of non-current assets sold	(141)	(141)
(1,563)	(1,563)	Movement in provisions	3,836	3,836
(42,811)	(42,928)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(40,994)	(41,255)
17,557	17,557	Proceeds from the sale of property, plant and equipment	11,382	11,382
3,353	3,353	Grants received for the financing of capital expenditure	22	7,590
20,910	20,910	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	18,972	18,972
(14,816)	(14,826)	<b>Net cash flows from Operating Activities</b>	40	(24,698)
22,960	22,960	<b>Net cash flows from Investing Activities</b>	41	23,655
(9,724)	(9,724)	<b>Net cash flows from Financing Activities</b>	42	(3,443)
(1,580)	(1,590)	<b>Net (increase) or decrease in cash and cash equivalents</b>		(4,486)
6,044	6,044	<b>Cash and cash equivalents at the beginning of the reporting period</b>		7,624
7,624	7,634	<b>Cash and cash equivalents at the end of the reporting period</b>	39	12,110
				12,120

# Notes to the Core Statements

## General Notes

### 1 DATE ACCOUNTS AUTHORISED

These accounts were authorised for issue by the chairman of the Audit and Risk Committee on 27 July 2017.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The Council is required to prepare a Statement of Accounts for each financial year by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

For 2016/17 these proper accounting practices principally comprise :

- the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code)
- Update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (Code Update)
- the Service Reporting Code of Practice 2016/17 (SeRCoP)
- the Capital Finance and Accounting (England) Regulations 2003 as amended (2003 Regulations)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets:

Asset Class	Valuation Basis
Property, Plant and Equipment: Dwellings	Existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists, or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair value
Pensions Assets	Fair value

The Code requires local authorities with interests in subsidiaries to prepare group accounts in addition to their single entity financial statements. These accounts comprise the consolidated financial statements of the Council and its subsidiary Sempra Homes Limited. Consolidation has been performed on a line-by-line basis combining similar items, and any intra-group balances and transactions have been eliminated. The notes to the financial statements have been prepared for the single entity, where there are material differences to the single entity accounts separate disclosures are shown for the group position.

Detailed Accounting policies for these and all other areas can be found on page 81.

### 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

#### Leases

Critical judgement has been applied to the assessment of leases to determine whether they are finance or operating leases. Accounting Standard IAS 17 (Leases) describes five primary and three secondary tests of the lease's characteristics, with the over-riding consideration that ownership rests with the party bearing substantially all of the risks and rewards of the underlying asset. The standard acknowledges that it is possible for the eight tests to return differing opinions on whether the lease falls to be classified as a finance lease, and advises that accountants must use their professional judgement to assess the substance of the lease. Leases have therefore been judged in the light of their terms and the effect on the Council's ultimate ownership of the assets involved. See Note 29 for details of the Council's leasing arrangements.

#### Grants and contributions

The appropriate accounting treatment of Grants and Contributions is a result of critical judgements made about whether any attached terms are deemed as restrictions or conditions and whether any conditions have been met, see Accounting Policy 10. If conditions are met then the income must be shown in the Comprehensive Income and Expenditure Statement. Treatment is the same if there are no conditions or just restrictions. However if there are conditions and they have not been met they must be shown in the Balance Sheet under Creditors. Details of grants recognised during the year can be found in Note 22.

# Notes to the Core Statements

## General Notes

### Investment Properties

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

### Accruals, provisions and contingent liabilities

In terms of deciding if an item of expenditure should be classified as an accrual, a provision, or a contingent liability a judgement has to be made around whether the expenditure is virtually certain to be incurred or probably to be incurred, coupled with an assessment as to whether there is a present obligation from a past event or only a possible obligation from a past event. See Notes 27 and 28 for more information.

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

Many assumptions about the future are made by the Pension Fund Actuary in calculating the relevant figures for the Fund as a whole and for the accounts of this Council. Note 38 sets out the main assumptions.

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

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

There is a degree of estimation uncertainty in the setting of Impairment Allowances (for Bad Debts). Historical trends are usually the best technique available to predict the future, but it is important to take account of the economic climate and the potential impact of legislation on peoples' ability to pay their debts.

The provision for losses in business rates income arising from appeals is based on an assessment using local knowledge, the historical experience of appeals, the details of appeals held by the Valuation Office Agency and statistical analysis of such data. This is supported by a detailed assessment provided by Wilks, Head and Eve, a firm of Chartered Surveyors with a specialism in rating. This assessment is derived from analysing each class of property within the rating list combined with individual reviews of higher risk and higher value properties and reviews of properties where it is known an appeal process needs to be completed. This resulted in an overall provision of £7.8 million (2015/16 £16.8 million) which represents 4% (2015/16 9%) of the total rateable value of hereditaments at 31 March 2017. Of this provision Basildon's share is £3.1 million (2015/16 £6.7 million). The main factors that resulted in the fall in the provision were the withdrawal of a very large appeal by a major ratepayer and a reassessment of the appropriate level of provision for specific categories of hereditament, for example high value properties and surgeries. Should the value of appeals actually settled vary by +/- 1% of the total rateable value this would represent a £1.9 million (2015/16 £1.9 million) difference from the sum provided of which Basildon's share would be £0.8 million (2015/16 £0.8 million).

Assets are depreciated over their useful lives and the length of this life is dependent on the level of repairs and maintenance to keep the asset in good order. The current economic climate has created some uncertainty as to the level of resources that might be available in the future to continue with the current repair and maintenance programme. However, for the 2016/17 asset valuations, it is assumed that current levels of expenditure will be maintained.

## 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are some regular material items of income and expense in Basildon's accounts which, due to their size and potential impact on the Council if there are significant fluctuations. These include figures for sums collected through Council Tax and Business rates - £48.6 million for Basildon Borough Council's proportion (£177.4 million across all preceptors). Housing Benefits involve paying out sums in the region of £62.5 million and claiming this back from Central Government. The Council's debt portfolio currently incurs interest of £10.8 million.

## 6 EVENTS AFTER THE BALANCE SHEET DATE

Consideration for events arising after the Balance Sheet date is given up to the date the accounts are authorised for issue. There are no material events since 31 March 2017 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. The new standards that would require additional disclosures in the 2016/17 and 2017/18 financial statements are not applicable to the Council.

### 8 RESERVES

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

#### Usable Reserves

General Fund Balance	This is the accumulated surplus of income over expenditure. Its strategic use is to safeguard against budget risk and adverse impact on future Council Tax and Business Rates income levels.
GF Earmarked Reserves	Part of the General Fund Balance earmarked for particular spending plans and contingencies.
Housing Revenue Account	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	Part of the Housing Revenue Account earmarked for particular spending plans and contingencies.
Major Repairs Reserve	A resource set aside to finance capital expenditure on dwellings and other property in the HRA.
Capital Receipts Reserve	Proceeds of non-current asset sales available to finance capital expenditure or repay debt.
Capital Grants Unapplied	These are grants received for specific purposes which remain unspent at the end of the year.

#### Unusable Reserves

Revaluation Reserve	Gains on revaluation of non-current assets accumulated since 1 April 2007 not yet realised.
Capital Adjustment Account	Capital resources applied to meet past capital expenditure.
Pensions Reserve	Timing differences arising from accounting arrangements in accordance with statutory provisions.
Collection Fund Adjustment Account	Difference between the Council's share of actual council tax and business rates income for the year and the statutory amount that can be released to the General Fund.

Other unusable reserves comprising:

Financial Instruments Adjustment Account	Unamortised premiums and discounts arising from premature redemption of debt.
Deferred Capital Receipts	Proceeds from the sale of non-current assets not yet received.
Unpaid Absences Account	Value of officers remuneration for annual leave accrual not yet borne by the General Fund or HRA balance under statutory regulations.

# Notes to the Core Statements

## General Notes

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

The resources available to the Council in any financial year, and the expenses that are charged against those resources, are specified by statute (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 usable reserves reflect the funding available at the end of the accounting period. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The adjustments are:

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

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

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

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

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

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

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

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

#### **Premiums and Discounts**

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

#### **Pensions costs**

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

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

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

#### **Unpaid Absences**

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

# Notes to the Core Statements

## General Notes

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

2016/17	Note	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Capital Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Other Unusable Reserves	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	34	6,335	10,660	12,708	-	-	-	29,703	(2,087)	(27,616)	-	(29,703)
Revenue expenditure funded from capital under statute	37	980	-	-	-	-	-	980	-	(980)	-	(980)
Net (gain)/loss on sale of non-current assets		2,822	(2,468)	-	11,161	-	-	11,515	-	(11,800)	285	(11,515)
Costs of disposal funded from capital receipts	20	121	-	(141)	-	-	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		1,306	-	-	(1,306)	-	-	-	-	-	-	-
Capital grants, contributions and income in relation to donated assets credited to the CIES		(7,592)	-	-	-	2,391	-	(5,201)	-	5,201	-	5,201
Statutory provision for the repayment of debt (Minimum revenue provision)	37	(1,116)	(175)	-	-	-	-	(1,291)	-	1,291	-	1,291
Capital expenditure charged against the General Fund and HRA Balances	37	(815)	(642)	-	-	(1,463)	1,909	(1,011)	-	1,011	-	1,011
<b>Capital Adjustments</b>		<b>1,940</b>	<b>7,496</b>	<b>12,708</b>	<b>9,714</b>	<b>928</b>	<b>1,909</b>	<b>34,695</b>	<b>(2,087)</b>	<b>(32,893)</b>	<b>285</b>	<b>(34,695)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	37	-	-	-	(1,175)	-	-	(1,175)	-	1,175	-	1,175
Use of the Major Repairs Reserve to finance capital expenditure	37	-	-	(11,700)	-	-	-	(11,700)	-	11,700	-	11,700
Use of the Major Repairs Reserve to repay debt	37	-	-	(16)	-	-	-	(16)	-	16	-	16
<b>Financing Adjustments</b>		-	-	(11,716)	(1,175)	-	-	(12,891)	-	12,891	-	12,891
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services		6,640	2,407	-	-	-	-	9,047	-	-	(9,047)	(9,047)
Employer's contributions to Essex County Council Pension Scheme		(4,653)	(1,687)	-	-	-	-	(6,340)	-	-	6,340	6,340
<b>Pensions costs (transferred to the Pensions Reserve)</b>	38	<b>1,987</b>	<b>720</b>	-	-	-	-	<b>2,707</b>	-	-	<b>(2,707)</b>	<b>(2,707)</b>
Unpaid Absences (transferred to the Accumulated Absences Reserve)		5	2	-	-	-	-	7	-	-	(7)	(7)
Finance costs (transferred to the Financial Instruments Adjustments Account)		(40)	-	-	-	-	-	(40)	-	-	40	40
Council tax and business rate income (transferred to the Collection Fund Adjustment Account)		(6,778)	-	-	-	-	-	(6,778)	-	-	6,778	6,778
<b>Other Adjustments</b>		<b>(6,813)</b>	<b>2</b>	-	-	-	-	<b>(6,811)</b>	-	-	<b>6,811</b>	<b>6,811</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>		<b>(2,886)</b>	<b>8,218</b>	<b>992</b>	<b>8,539</b>	<b>928</b>	<b>1,909</b>	<b>17,700</b>	<b>(2,087)</b>	<b>(20,002)</b>	<b>4,389</b>	<b>(17,700)</b>

# Notes to the Core Statements

## General Notes

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

2015/16	Note	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Capital Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Other Unusable Reserves	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation, impairment and revaluation losses of non-current assets (charged to SDPS)	34	5,733	10,722	11,933	-	-	-	28,388	(1,422)	(26,966)	-	(28,388)
Revenue expenditure funded from capital under statute	37	1,165	-	-	-	-	-	1,165	-	(1,165)	-	(1,165)
Net gain/loss on sale of non-current assets		394	(2,904)	-	18,037	-	-	15,527	-	(15,527)	-	(15,527)
Costs of disposal funded from capital receipts		300	157	-	(457)	-	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)		1,493	-	-	(1,493)	-	-	-	-	-	-	-
Capital grants, contributions and income in relation to donated assets credited to the CIES		(2,381)	(973)	-	-	458	-	(2,896)	-	2,896	-	2,896
Statutory provision for the repayment of debt (Minimum revenue provision)	37	(1,129)	(157)	-	-	-	-	(1,286)	-	1,286	-	1,286
Capital expenditure charged against the General Fund and HRA Balances	37	(891)	(6,806)	-	-	-	476	(7,221)	-	7,221	-	7,221
<b>Capital Adjustments</b>		<b>4,684</b>	<b>39</b>	<b>11,933</b>	<b>16,087</b>	<b>458</b>	<b>476</b>	<b>33,677</b>	<b>(1,422)</b>	<b>(32,255)</b>	-	<b>(33,677)</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	37	-	-	-	(1,964)	-	-	(1,964)	-	1,964	-	1,964
Use of the Major Repairs Reserve to finance capital expenditure	37	-	-	(18,457)	-	-	-	(18,457)	-	18,457	-	18,457
Use of the Capital Receipts Reserve to repay debt		-	-	-	(4,995)	-	-	(4,995)	-	4,995	-	4,995
Use of the Major Repairs Reserve to repay debt	37	-	-	(23)	-	-	-	(23)	-	23	-	23
<b>Financing Adjustments</b>		-	-	(18,480)	(6,959)	-	-	(25,439)	-	25,439	-	<b>25,439</b>
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services		7,084	2,504	-	-	-	-	9,588	-	-	(9,588)	(9,588)
Employer's contributions to Essex County Council Pension Scheme		(4,533)	(1,602)	-	-	-	-	(6,135)	-	-	6,135	6,135
<b>Pensions costs (transferred to the Pensions Reserve)</b>	38	<b>2,551</b>	<b>902</b>	-	-	-	-	<b>3,453</b>	-	-	<b>(3,453)</b>	<b>(3,453)</b>
Unpaid Absences (transferred to the Accumulated Absences Reserve)		(4)	-	-	-	-	-	(4)	-	-	4	4
Finance costs (transferred to the Financial Instruments Adjustments Account)		(41)	-	-	-	-	-	(41)	-	-	41	41
Council tax and business rate income (transferred to the Collection Fund Adjustment Account)		3,884	-	-	-	-	-	3,884	-	-	(3,884)	(3,884)
<b>Other Adjustments</b>		<b>3,839</b>	-	-	-	-	-	<b>3,839</b>	-	-	<b>(3,839)</b>	<b>(3,839)</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>		<b>11,074</b>	<b>941</b>	<b>(6,547)</b>	<b>9,128</b>	<b>458</b>	<b>476</b>	<b>15,530</b>	<b>(1,422)</b>	<b>(6,816)</b>	<b>(7,292)</b>	<b>(15,530)</b>

# Notes to the Core Statements

## General Notes

### 10 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

	2016/17				
	Adjustments for Capital purposes £000	Net change for Pensions adjustments £000	Allocation of Other income and expenditure £000	Other adjustments £000	Net Adjustments £000
Corporate and Central	3,686	(412)	(84)	(35)	3,155
Community	76	(18)	-	-	58
Development and Regulation	(15)	(21)	3,543	6	3,513
Regeneration and Partnerships	(97)	(16)	-	-	(113)
Environment	(405)	(79)	-	-	(484)
Housing	841	(14)	-	-	827
Leisure and Open Spaces	(1,221)	(23)	-	-	(1,244)
<b>General Fund</b>	<b>2,865</b>	<b>(583)</b>	<b>3,459</b>	<b>(29)</b>	<b>5,712</b>
Housing Revenue Account	9,842	(211)	(10,271)	(4)	(644)
<b>Cost of Services</b>	<b>12,707</b>	<b>(794)</b>	<b>(6,812)</b>	<b>(33)</b>	<b>5,068</b>
Other income and expenditure	(3,271)	3,501	6,812	(6,778)	264
<b>Adjustments to (Surplus) or Deficit on Provision of Services</b>	<b>9,436</b>	<b>2,707</b>	-	<b>(6,811)</b>	<b>5,332</b>
Adjustments to General Fund balances	1,940	1,987	-	(6,813)	(2,886)
Adjustments to Housing Revenue Account balances	7,496	720	-	2	8,218
	<b>9,436</b>	<b>2,707</b>	-	<b>(6,811)</b>	<b>5,332</b>
	2015/16				
	Adjustments for Capital purposes £000	Net change for Pensions adjustments £000	Allocation of Other income and expenditure £000	Other adjustments £000	Net Adjustments £000
Corporate and Central	2,413	(49)	(313)	(45)	2,006
Community	(13)	(2)	-	-	(15)
Development and Regulation	(34)	(3)	1,524	-	1,487
Regeneration and Partnerships	(62)	(1)	-	-	(63)
Environment	(419)	(8)	-	-	(427)
Housing	817	(2)	(23)	-	792
Leisure and Open Spaces	(740)	(2)	-	-	(742)
<b>General Fund</b>	<b>1,962</b>	<b>(67)</b>	<b>1,188</b>	<b>(45)</b>	<b>3,038</b>
Housing Revenue Account	3,759	(25)	(10,267)	-	(6,533)
<b>Cost of Services</b>	<b>5,721</b>	<b>(92)</b>	<b>(9,079)</b>	<b>(45)</b>	<b>(3,495)</b>
Other income and expenditure	(998)	3,545	9,079	3,884	15,510
<b>Adjustments to (Surplus) or Deficit on Provision of Services</b>	<b>4,723</b>	<b>3,453</b>	-	<b>3,839</b>	<b>12,015</b>
Adjustments to General Fund balances	4,684	2,551	-	3,839	11,074
Adjustments to Housing Revenue Account balances	39	902	-	-	941
	<b>4,723</b>	<b>3,453</b>	-	<b>3,839</b>	<b>12,015</b>

# Notes to the Core Statements

## General Notes

### **Adjustments for Capital purposes:**

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

### **Net change for Pensions adjustments:**

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

### **Allocation of other income and expenditure:**

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

### **Other adjustments:**

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

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

## 11 EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>		
Employee expenses	36,574	36,947
Housing benefit	62,505	65,796
Other operating expenses	8,772	9,621
Support service recharges	24,595	26,732
Business rates tariff	26,170	25,954
Contribution to business rates pool	1,276	65
Depreciation, amortisation & impairment	29,659	28,257
Interest payments - debt	10,776	10,902
Interest payments - pensions	3,501	3,545
Parish precepts	379	376
Loss on disposal of non-current assets	610	-
Payments to Housing Capital Receipts Pool	1,306	1,493
<b>Total expenditure</b>	<b>206,123</b>	<b>209,688</b>
<b>Income</b>		
Fees, charges & other service income	(72,636)	(70,312)
Gain on disposal of non-current assets	-	(2,030)
Interest & investment income	(421)	(322)
Income from council tax	(15,672)	(15,060)
Income from business rates	(36,749)	(30,622)
Grants & contributions	(83,321)	(84,257)
<b>Total income</b>	<b>(208,799)</b>	<b>(202,603)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(2,676)</b>	<b>7,085</b>

# Notes to the Core Statements

## General Notes

### 12 TRANSFERS TO/FROM EARMARKED RESERVES

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

	31 March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	31 March 2017 £'000
Contingency Reserve	6,189	(846)	1,919	7,262	-	319	7,581
Insurance Pool	3,463	-	37	3,500	-	1,170	4,670
Major Asset Refurbishment	1,431	(333)	-	1,098	(1,098)	-	-
Commercial Development	-	-	-	-	-	313	313
Sempra Equalisation	-	-	-	-	-	214	214
IT Initiatives	983	(291)	-	692	-	727	1,419
Invest to Save	1,539	(179)	-	1,360	-	375	1,735
Employment Rationalisation	1,707	(238)	-	1,469	-	339	1,808
Treasury Management Reserve	370	-	-	370	-	480	850
Asset Management Reserve	-	-	500	500	-	1,302	1,802
Business Rates Equalisation	1,612	-	3,223	4,835	(1,511)	-	3,324
<b>Total General Fund</b>	<b>17,294</b>	<b>(1,887)</b>	<b>5,679</b>	<b>21,086</b>	<b>(2,609)</b>	<b>5,239</b>	<b>23,716</b>
Asset Management Reserve	12,158	(1,365)	-	10,793	-	12,058	22,851
Treasury Management Reserve	600	-	-	600	-	-	600
Bad Debts Earmarked Reserve	59	(59)	-	-	-	-	-
<b>Total HRA</b>	<b>12,817</b>	<b>(1,424)</b>	<b>-</b>	<b>11,393</b>	<b>-</b>	<b>12,058</b>	<b>23,451</b>
Regeneration Reserve	1,739	-	4	1,743	(71)	1,638	3,310
Lifecycle Funds	795	-	472	1,267	(96)	438	1,609
<b>Total Capital Reserves</b>	<b>2,534</b>	<b>-</b>	<b>476</b>	<b>3,010</b>	<b>(167)</b>	<b>2,076</b>	<b>4,919</b>
<b>Total</b>	<b>32,645</b>	<b>(3,311)</b>	<b>6,155</b>	<b>35,489</b>	<b>(2,776)</b>	<b>19,373</b>	<b>52,086</b>

### 13 EXTERNAL AUDIT COSTS

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

	2016/17 £'000	2015/16 £'000
External audit services carried out under the Code of Audit Practice	67	67
Certification of grant claims and returns	29	23
Other services provided during the year	4	5
<b>Total External Audit Costs</b>	<b>100</b>	<b>95</b>

In addition to the above, the Group incurred £7,500 (£5,400 2015/16) for the audit of the financial statements of Sempra Homes Ltd plus £720 (£600 2015/16) for taxation compliance services. The appointed auditor for this purpose was Rickard Luckin Limited.

# 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	2016/17	133,185	39,564	4,411	2,830	-	<b>179,990</b>
	2015/16	128,957	36,556	3,963	2,318	-	<b>171,794</b>
Commissioning Director - Corporate Support left 28.2.16	2016/17	-	5,727	-	-	344	<b>6,071</b>
	2015/16	99,489	12,676	3,630	1,205	15,975	<b>132,975</b>
Commissioning Director - Resourcing & Place Shaping	2016/17	114,799	8,394	3,963	2,365	17,863	<b>147,384</b>
	2015/16	107,240	11,741	3,963	2,027	17,233	<b>142,204</b>
Commissioning Director - People and Places	2016/17	114,670	5,246	3,963	-	17,388	<b>141,267</b>
	2015/16	107,709	11,538	2,963	446	17,223	<b>139,879</b>
Head of Executive Support Services left 30.6.16	2016/17	15,306	3,446	241	432	-	<b>19,425</b>
	2015/16	59,231	4,449	1,115	2,426	-	<b>67,221</b>
<b>Corporate Development Team</b>							
Head of Street Scene and Leisure Services	2016/17	98,792	5,264	2,269	837	15,088	<b>122,250</b>
	2015/16	96,999	7,415	1,875	2,189	15,037	<b>123,515</b>
Head of Housing Services	2016/17	99,897	6,700	2,269	2,365	15,457	<b>126,688</b>
	2015/16	97,589	7,249	1,875	2,027	15,194	<b>123,934</b>
Head of Customer Services	2016/17	98,151	5,614	2,269	1,868	15,167	<b>123,069</b>
	2015/16	94,901	7,976	1,875	1,570	14,842	<b>121,164</b>
Head of Regeneration & Economic Development	2016/17	96,828	5,949	2,012	1,389	14,903	<b>121,081</b>
	2015/16	92,453	7,797	856	1,176	14,505	<b>116,787</b>
Group Manager (Corporate Finance)	2016/17	77,140	3,988	2,041	1,607	11,763	<b>96,539</b>
	2015/16	73,557	5,395	963	1,410	11,443	<b>92,768</b>
Group Manager (Corporate Governance & Support)	2016/17	79,632	3,626	2,269	983	-	<b>86,510</b>
	2015/16	75,134	5,395	1,039	1,118	1,788	<b>84,474</b>
Group Manager (Regulation)	2016/17	76,659	2,901	2,041	2,441	11,536	<b>95,578</b>
	2015/16	73,086	4,047	963	2,150	11,184	<b>91,430</b>
Group Manager (HR & OD)	2016/17	78,476	3,871	2,041	583	11,940	<b>96,911</b>
	2015/16	71,277	1,261	963	1,587	10,471	<b>85,559</b>
Group Manager (Legal & Procurement)	2016/17	73,660	3,351	2,041	-	11,526	<b>90,578</b>
	2015/16	68,973	6,784	401	-	10,539	<b>86,697</b>
Commercial Implementation and Change Manager from 1.3.16	2016/17	71,445	4,206	-	-	5,180	<b>80,831</b>
	2015/16	5,809	-	-	-	-	<b>5,809</b>
<b>Total 2016/17</b>		<b>1,228,640</b>	<b>107,847</b>	<b>31,830</b>	<b>17,700</b>	<b>148,155</b>	<b>1,534,172</b>
<b>Total 2015/16</b>		<b>1,252,404</b>	<b>130,279</b>	<b>26,444</b>	<b>21,649</b>	<b>155,434</b>	<b>1,586,210</b>

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	
	2016/17	2015/16
£50,000 - £55,000	9	7
£55,001 - £60,000	10	4
£60,001 - £65,000	2	4
£65,001 - £70,000	6	7
£70,001 - £75,000	3	2
£75,001 - £80,000	1	1
<b>Total</b>	<b>31</b>	<b>25</b>

# Notes to the Core Statements

## General Notes

### 15 TERMINATION BENEFITS (EXIT COSTS)

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

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	9	10	19	90,105
£20,001 - £40,000	1	-	1	36,965
<b>Total 2016/17</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>127,070</b>
Less than £20,000	-	18	18	126,540
£20,001 - £40,000	-	3	3	93,099
<b>Total 2015/16</b>	<b>-</b>	<b>21</b>	<b>21</b>	<b>219,639</b>

Total cost of exits includes payments to individuals of £99,459 in 2016/17 (£195,007 2015/16) and strain on pension fund costs of £27,611 in 2016/17 (£24,632 2015/16) paid to the pension authority, Essex County Council.

### 16 COUNCILLORS' ALLOWANCES

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

	2016/17 £'000	2015/16 £'000
Allowances	417	403
Expenses	1	1
<b>Total</b>	<b>418</b>	<b>404</b>

### 17 OTHER OPERATING INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Parish council precepts	379	376
Payments to the Government Housing Capital Receipts Pool	1,306	1,048
Payments to the Homes and Communities Agency on sale of land (clawback)	-	445
Impairment losses on assets held for sale	-	200
(Gains)/losses on the disposal of non current assets	610	(2,030)
<b>Total</b>	<b>2,295</b>	<b>39</b>

### 18 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Note	Council		Group	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	10,776	10,902	10,776	10,902
Net interest on the net defined benefit liability	38	3,501	3,545	3,501
Interest receivable and similar income		(421)	(322)	(415)
Surplus or deficit on trading operations	21	(1,139)	1,190	(1,054)
<b>Total</b>	<b>12,717</b>	<b>15,315</b>	<b>12,808</b>	<b>15,334</b>

# Notes to the Core Statements

## General Notes

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

	Note	2016/17 £'000	2015/16 £'000
Council tax income		(15,672)	(15,060)
Business rates income and expenditure	20	(9,303)	(4,603)
Non-ringfenced government grants	22	(7,425)	(8,243)
Capital grants, contributions and donated assets	22	(7,590)	(3,353)
<b>Total</b>		<b>(39,990)</b>	<b>(31,259)</b>

### 20 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.

		2016/17 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>			
Business Rates Income		(36,749)	(30,622)
Tariff		26,170	25,954
Contribution to Pool		1,276	65
<b>Business Rates Income</b>		<b>(9,303)</b>	<b>(4,603)</b>
Business Rates Compensation Grants included in Non-ringfenced government grants		(706)	(936)
<b>Net Retained Income relating to Business Rates</b>		<b>(10,009)</b>	<b>(5,539)</b>

The Business Rates 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 has been part of a four authority pool with Thurrock, Havering and Barking and Dagenham since 1 April 2014. Under the arrangement the levy rate on the total growth earned by the pool is only 4.2% compared with 50% for Basildon on its own.

### 21 TRADING OPERATIONS

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

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

	Council		Group	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Rental income	(4,656)	(1,981)	(4,717)	(1,996)
Other Income	(41)	(55)	(41)	(55)
Direct operating expenses arising from trading operations	1,053	498	1,169	532
	<b>(3,644)</b>	<b>(1,538)</b>	<b>(3,589)</b>	<b>(1,519)</b>
Impairment and depreciation	2,505	2,728	2,535	2,728
<b>Net (surplus)/deficit</b>	<b>(1,139)</b>	<b>1,190</b>	<b>(1,054)</b>	<b>1,209</b>

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

# Notes to the Core Statements

## General Notes

### 22 INCOME FROM GRANTS AND OTHER CONTRIBUTIONS

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

	2016/17 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(2,595)	(4,245)
New Homes Bonus	(3,789)	(2,833)
Business Rates Compensation Grants	(706)	(936)
Transition Grant	(139)	-
Localising Council Tax Support Grants	-	(43)
Council Tax Freeze Grant	-	(165)
New Burdens Grants	(139)	-
Other Non Ringfenced Grants	(57)	(21)
<b>Non-ringfenced government grants</b>	<b>(7,425)</b>	<b>(8,243)</b>
Government Contributions: Disabled Facilities Grant	(989)	(552)
Other Government Contributions	(635)	-
Local Authority Funding	(1,597)	(745)
Other Non-Government Contributions	(3,999)	(2,018)
Donated Assets	(370)	(38)
<b>Capital Grants and Contributions</b>	<b>(7,590)</b>	<b>(3,353)</b>
<b>Total credited to Taxation and Non Specific Grant Income</b>	<b>(15,015)</b>	<b>(11,596)</b>
<b>Credited to Services</b>		
<b>Central Government</b>		
Department for Work and Pensions:		
Housing Benefit Subsidy	(62,252)	(65,589)
Discretionary grants	(462)	(364)
Department for Communities and Local Government	(643)	(382)
Election and Referendum Funding	(216)	-
Other Government Funding (individually below £150k)	(52)	(249)
	<b>(63,625)</b>	<b>(66,584)</b>
<b>Local Authorities</b>		
Essex County Council:		
Housing Related Support	(575)	(858)
Election Funding	-	(179)
Recycling Credits	(2,402)	(2,427)
Highways Maintenance	(217)	(228)
Collection Fund Sharing Agreement	(1,002)	(905)
Other Local Authority Grants and Contributions (individually below £150k).	(41)	(295)
	<b>(4,237)</b>	<b>(4,892)</b>
<b>Non-Government</b>		
Basildon Town Centre Regeneration Project (Developer)	-	(320)
Other Non-Government Grants and Contributions (individually below £75k).	(444)	(865)
	<b>(444)</b>	<b>(1,185)</b>
<b>Revenue Grants and Contributions credited to Services</b>	<b>(68,306)</b>	<b>(72,661)</b>

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

	31 March 2017 £'000	31 March 2016 £'000
<b>Capital Grants &amp; Contributions</b>		
Local Authority Funding - Essex County Council	29	609
Non-Government Support: Developer Contributions	1,877	1,535
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>1,906</b>	<b>2,144</b>

# Notes to the Core Statements

## General Notes

	31 March 2017 £'000	31 March 2016 £'000
<b>Revenue Grants &amp; Contributions</b>		
Government Funding	49	83
Local Authority Funding	41	50
Non-Government Support	1	30
<b>Credited to Receipts in Advance in the Balance Sheet</b>	<b>91</b>	<b>163</b>

### 23 RELATED PARTY TRANSACTIONS

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

#### Central Government and other Public Bodies

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and other public bodies are set out in Note 22. Debtors and creditors are set out in Notes 25 and 26 respectively. Grant receipts not yet received but related to the current year are included in Note 22.

#### Members & Senior Officers

No Members (apart from Cllr Dadds - see below), or the 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 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 2016/17 were £25,625 (£25,625 2015/16).

#### Subsidiary Companies

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

### 24 INTERESTS IN SUBSIDIARIES

#### Sempra Homes Limited

Sempra Homes Ltd (Company Number 09362729), is a wholly owned subsidiary of the Council for the development of residential properties for sale and letting. The Company was incorporated on 19 December 2014, and commenced trading on 4 December 2015. The financial statements have been consolidated into the Group Financial Statements on a line by line basis, after eliminating inter-company transactions and balances, as follows:

##### Long term assets

- Elimination of the Council's investment in the subsidiary (£875,001) comprising 875,001 ordinary shares at £1 each;
- Elimination of a £370,000 loan to Sempra Homes issued on 31 March 2017.

##### Short-term Debtors

- Elimination of £161,066 short-term borrowing and other amounts due to the Council of £230,293 (£116,946 2015/16).

##### Comprehensive Income and Expenditure

- The Company reported a net loss (after tax) of £221,427 (£107,287 2015/16) which included transactions with the Council of £222,206 administrative expenses (£114,579 2015/16) plus £6,298 finance costs (£314 2015/16), both of which have been eliminated on consolidation into the Group accounts;

# Notes to the Core Statements

## General Notes

In calculating the net loss for the period the Company provided for deferred tax of £52,470 (£26,822 2015/16) to be carried forward to net against future profits in calculating tax liabilities, which has been consolidated into the Group accounts.

Basildon Council has a floating charge over the assets of Sempra Homes Ltd in the form of a debenture, issued 2 March 2016.

Further information can be obtained from the website at [www.semprahomes.co.uk](http://www.semprahomes.co.uk).

	31 March 2017 £	31 March 2016 £
<b>Comprehensive Expenditure Statement</b>		
Rental Income	(60,737)	(15,290)
Cost of Sales	4,952	3,799
<b>Gross Profit</b>	<b>(55,785)</b>	<b>(11,491)</b>
Administrative expenses	332,660	145,286
Finance Costs	6,339	314
Change in Fair Value of Investment Properties	(9,317)	-
<b>Deficit from trading operations</b>	<b>273,897</b>	<b>134,109</b>
Income tax (deferred)	(52,470)	(26,822)
<b>Total Comprehensive expenditure for the period</b>	<b>221,427</b>	<b>107,287</b>
<b>Statement of Shareholder's Equity</b>		
Shareholder's Equity at 1 April	767,714	-
Share Capital issued	-	875,001
Expenditure	(221,427)	(107,287)
<b>Shareholder's Equity at 31 March</b>	<b>546,287</b>	<b>767,714</b>

### St Georges Community Housing Limited

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

### 25 DEBTORS

	Council		Group	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
<b>Long-term debtors</b>				
Loan to Sempra Homes	370	-	-	-
Deferred income tax	-	-	79	27
Other entities and individuals	223	301	223	301
<b>Total Long-term Debtors</b>	<b>593</b>	<b>301</b>	<b>302</b>	<b>328</b>

	Council		Group	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
<b>Amounts falling due within one year</b>				
Central government bodies	2,414	1,626	2,414	1,626
Other local authorities	1,973	2,698	1,973	2,698
Other entities and individuals	22,489	20,958	22,107	20,843
<b>Short-term Debtors</b>	<b>26,876</b>	<b>25,282</b>	<b>26,494</b>	<b>25,167</b>
Impairment Allowance	(7,554)	(6,422)	(7,554)	(6,422)
<b>Total Short-term Debtors</b>	<b>19,322</b>	<b>18,860</b>	<b>18,940</b>	<b>18,745</b>

# Notes to the Core Statements

## General Notes

### 26 CREDITORS

Amounts falling due within one year	Council		Group	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
	(8,975)	(4,453)	(8,975)	(4,453)
Central government bodies				
Other local authorities	(3,475)	(896)	(3,475)	(896)
Other entities and individuals	(11,689)	(12,003)	(11,742)	(12,032)
<b>Total Short-term Creditors</b>	<b>(24,139)</b>	<b>(17,352)</b>	<b>(24,192)</b>	<b>(17,381)</b>

### 27 PROVISIONS

	Long-term	Short-term		
		Business Rates Appeals £'000	Litigation & Other Costs £'000	Total Short-Term £'000
<b>Balance at 1 April 2016</b>	(3,856)	(6,700)	(173)	(6,873)
Additional provisions	-	-	(502)	(502)
Amounts used	382	556	24	580
Unused amounts reversed	352	3,024	-	3,024
<b>Balance at 31 March 2017</b>	<b>(3,122)</b>	<b>(3,120)</b>	<b>(651)</b>	<b>(3,771)</b>

#### Provision for Known Insurance Claims

Provision is made for known outstanding insurance claims, excesses on self-insured risks and insured events that have not yet been reported to the Council. The Council submits the balance on the insurance provision to independent actuarial review every three years to ensure a proper reflection of the aggregate liabilities. (The next actuarial review is due in 2018/19). This is separate from the Insurance Pool Reserve, which is held as a protection against future exposure to risk.

#### Provision for Business Rates Appeals

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

#### Provision for Litigation & Other Costs

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

### 28 CONTINGENT LIABILITIES

#### Municipal Mutual Insurance

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

Since the SOA was triggered, two payments have been requested by the Scheme Administrator (Ernst & Young) from each authority, being 25% of the total potential clawback figure of £650,000 allowed for within the Insurance Pool Reserve. These two payments equated to £162,500 which have been paid. Now that this amount of clawback has been paid, each authority is still responsible for paying a percentage towards future claims and may be asked for further clawback contributions in the future. This situation is subject to regular review, but the Council has allowed within its Insurance Pool Reserves for the balance of the full potential clawback (£487,500) to be paid if necessary.

# Notes to the Core Statements

## General Notes

### Litigation and other costs

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

## 29 LEASES

### Council as Lessee

#### Finance Leases

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

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

	31 March 2017 £'000	Repaid in year £'000	Additions in year £'000	31 March 2016 £'000
Other Land and Buildings	1,817	-	-	1,817
Vehicles, Plant, and Equipment	3,518	(985)	95	4,408
	<b>5,335</b>	<b>(985)</b>	<b>95</b>	<b>6,225</b>

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

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

	31 March 2017 £'000	31 March 2016 £'000
Finance lease liabilities (discounted - net present value of minimum lease payments):		
Payable within twelve months	941	962
Payable between two and five years	2,425	2,792
Payable after five years	1,969	2,471
	<b>5,335</b>	<b>6,225</b>
Finance costs payable in future years (not discounted)	14,273	14,798
<b>Minimum lease payments</b>	<b>19,608</b>	<b>21,023</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	1,446	1,549	941	962
Later than one year and not later than five years	3,636	4,273	2,425	2,792
Later than five years	14,526	15,201	1,969	2,471
	<b>19,608</b>	<b>21,023</b>	<b>5,335</b>	<b>6,225</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 2016/17, £194,606 in contingent rents was payable by the Council (2015/16 £189,297). 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.

# Notes to the Core Statements

## General Notes

The Council has sub-let industrial units in Wickford held under a finance lease. At 31 March 2017 the minimum payments expected to be received under non-cancellable sub-leases was £1,104,372 (£1,094,304 at 31 March 2016).

### 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 2017 £'000	31 March 2016 £'000
Finance lease debtor (net present value of minimum lease payments)	200	200
Unearned finance income	2,335	2,371
Unguaranteed residual value of property	65	65
<b>Gross investment in the lease</b>	<b>2,600</b>	<b>2,636</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 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'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	2,421	2,457	199	199
	<b>2,600</b>	<b>2,636</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 2017 (£24,000 at 31 March 2016).

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 2016/17, £91,945 was receivable by the Council in respect of contingent rents (£79,834 in 2015/16).

#### Operating Leases

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

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

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

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	2,258	1,663
Later than one year and not later than five years	5,262	4,110
Later than five years	5,684	4,193
<b>Future minimum lease payments due under non-cancellable leases in future years</b>		<b>13,204</b>
		<b>9,966</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £192,353 contingent rents were receivable by the Council (£135,552 2015/16).

# Notes to the Core Statements

## Financial Instrument Notes

### 30 CATEGORIES OF FINANCIAL INSTRUMENTS

Note	Long Term				Current			
	31 March		31 March		31 March		31 March	
	2017	£'000	2016	£'000	2017	£'000	2016	£'000
Investments (Fixed term deposits)	-		-		73,054		61,047	
Cash Equivalents	39	-	-		13,502		11,370	
Loans and receivables		-	-		86,556		72,417	
<b>Total Short Term Deposits</b>		-	-		<b>86,556</b>		<b>72,417</b>	
<b>Debtors</b>								
Loans and receivables		593		301		15		38
Financial assets carried at contract amounts		-		-	18,989		16,078	
<b>Total Debtors</b>		593		301	19,004		16,116	
<b>Total Financial Assets</b>		<b>593</b>		<b>301</b>		<b>105,560</b>		<b>88,533</b>
<b>Borrowings</b>								
Financial liabilities at amortised cost		(212,686)		(207,152)		(4,552)		(9,596)
<b>Total Borrowings</b>		(212,686)		(207,152)		(4,552)		(9,596)
<b>Other Liabilities</b>								
Finance lease liabilities	29	(4,394)		(5,263)		(941)		(962)
<b>Total Other Liabilities</b>		(4,394)		(5,263)		(941)		(962)
<b>Creditors</b>								
Cash Equivalents (overdrawn)		-		-		(1,404)		(3,759)
Financial liabilities carried at contract amounts		-		-	9,269		8,989	
<b>Total Creditors</b>		-		-	(10,673)		(12,748)	
<b>Total Financial Liabilities</b>		<b>(217,080)</b>		<b>(212,415)</b>		<b>(16,166)</b>		<b>(23,306)</b>

### 31 INCOME, EXPENSE, GAINS AND LOSSES

	2016/17				2015/16			
	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	(10,776)	-		(10,776)	(10,902)	-		(10,902)
Total Interest income in Surplus or Deficit on the Provision of Services	-	421		421	-	322		322
<b>Net gain/(loss) for the year</b>	<b>(10,776)</b>	<b>421</b>		<b>(10,355)</b>	<b>(10,902)</b>	<b>322</b>		<b>(10,580)</b>

The range of interest rates payable on borrowing at 31 March 2017 was from 2.86% to 15.25%, weighted average 4.81% (4.78% at 31 March 2016).

# Notes to the Core Statements

## Financial Instrument Notes

### 32 FAIR VALUES OF ASSETS AND LIABILITIES

Trade creditors and debtors are carried in the balance sheet at invoiced or billed amount. Financial assets and liabilities are carried at amortised cost i.e. the aggregate of the principal sum and accrued interest. The valuation basis adopted in calculating the fair value of these assets and liabilities, set out in the table below, uses Level 2 inputs of the fair value hierarchy i.e. inputs other than quoted prices that are observable for the financial asset/liability, as follows:

- For borrowing (including non-PWLB borrowing) by reference to PWLB redemption rules and redemption rates prevailing at the Balance Sheet date as an estimate of the market rate for the purchase of the loans as assets;
- Where an instrument will mature in the next 12 months the carrying amount is assumed to be approximate to fair value;
- For all other financial assets and liabilities the carrying amount is considered to be an appropriate measure of fair value.

	2016/17			2015/16		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
PWLB debt	(214,301)	(216,488)	(291,548)	(212,301)	(214,498)	(275,411)
Non PWLB long-term debt	(750)	(750)	(1,122)	(2,250)	(2,250)	(2,715)
Finance lease liabilities	(5,335)	(5,335)	(5,335)	(6,225)	(6,225)	(6,225)
Bank Current accounts	(1,404)	(1,404)	(1,404)	(3,759)	(3,759)	(3,759)
Trade Creditors	(9,269)	(9,269)	(9,269)	(8,989)	(8,989)	(8,989)
<b>Total Financial Liabilities</b>	<b>(231,059)</b>	<b>(233,246)</b>	<b>(308,678)</b>	<b>(233,524)</b>	<b>(235,721)</b>	<b>(297,099)</b>

	2016/17			2015/16		
	Nominal £'000	Carrying amount £'000	Fair value £'000	Nominal £'000	Carrying amount £'000	Fair value £'000
Short Term Deposits	86,500	86,556	86,569	72,370	72,417	72,439
Other Loans	608	608	608	339	339	339
Trade Debtors	18,989	18,989	18,989	16,078	16,078	16,078
<b>Total Financial Assets</b>	<b>106,097</b>	<b>106,153</b>	<b>106,166</b>	<b>88,787</b>	<b>88,834</b>	<b>88,856</b>

The fair value of PWLB Debt differs quite significantly from the carrying amount. This is due to the impact of committing to long-term borrowing at fixed rates of interest, with the Fair Value reflecting the cost of repayment, or exit cost.

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

The Council's management of risk focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Treasury management is carried out by a central team, under policies approved by the Council in the Annual Treasury Management and Investment Strategy Reports. These strategies provide principles for overall risk management, and are supplemented by written procedure notes.

The Treasury Management and Investment Strategy Reports for 2016/17 were approved by Full Council on 11 February 2016, and can be found on the Council's website.

#### Credit Risk

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

This risk is minimised through the operation of the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies and other criteria as appropriate.

The Annual Investment Strategy also imposes a maximum sum and duration of deposit that can be invested with any given financial institution that meets the counterparty criteria. The Annual Investment Strategy is contained within the Council's approved Treasury Management Strategy.

# Notes to the Core Statements

## Financial Instrument Notes

The Council's assessment of the credit quality of its debtors is reflected in the impairment allowance. This assessment takes into account the age of the debt, the historical experience of default and, in appropriate cases, particular knowledge of the position of the debtor.

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

	31/03/2017 £'000	31/03/2016 £'000
Less than one year	4,500	10,000
Between one and two years	6,500	9,500
Between two and five years	11,750	14,000
Between five and ten years	23,325	18,575
Between ten and fifteen years	34,500	37,000
Between fifteen and twenty years	73,051	40,500
Between twenty and twenty five years	29,500	64,051
More than twenty five years	31,925	10,925
<b>Principal Amount</b>	<b>215,051</b>	<b>204,551</b>

### Market Risk

#### Interest Rate Risk

The Council is exposed to changes in interest rates as a result of its borrowings being at long-term fixed rates and investments being short-term and, therefore, exposed to variable rates of interest. Consequently falls in interest rates will have an adverse impact on the Council's finances. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings do not have an impact on the resources available to the Council. However, changes in interest payable and receivable due to interest rate changes do have an impact such resources. In the Council's assessment, at 31 March 2017, if interest rates had been 0.25% lower with all other variables held constant, the financial effect would not have been material due to the low value of loans and investments held on a variable basis.

#### Price Risk

The Council does not hold any financial instruments where the capital value may fluctuate as a result of market conditions.

#### Refinancing Risk

The Council has also considered the risk that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To address this risk, the Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment within a short period of time. The Council has organised its debt portfolio such that the maturity profile of long-term debt is well-balanced, and new borrowing is planned prudently to ensure that an excessive amount of debt does not fall due for repayment at the same time, or within the same financial year.

# Notes to the Core Statements

## Capital Notes

### 34 PROPERTY, PLANT AND EQUIPMENT

#### Movements in 2016/17

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Subsidiary Other Land & Buildings £000	Group Property, Plant & Equipment £000
<b>Cost or Valuation:</b>										
At 1 April 2016	628,154	114,097	15,165	-	8,358	3,884	201	769,859	875	770,734
Additions	12,660	4,788	567	24	-	13,489	-	31,528	378	31,536
Donations	-	370	-	-	-	-	-	370	-	370
Disposals	(5,284)	(3,491)	(26)	-	-	-	-	(8,801)	-	(8,431)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(12,068)	(5,145)	-	(24)	-	-	-	(17,237)	(8)	(17,245)
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	5,116	-	-	-	-	-	5,116	-	5,116
Revaluation increases / (decreases) recognised in the Revaluation Reserve	27,758	13,819	-	-	-	-	-	41,577	18	41,595
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,471	(4,642)	-	-	-	-	-	(3,171)	-	(3,171)
Other movements in cost or valuation - Reclassifications	-	9,057	955	-	3	(10,015)	-	-	-	-
<b>At 31 March 2017</b>	<b>652,691</b>	<b>133,969</b>	<b>16,661</b>	<b>-</b>	<b>8,361</b>	<b>7,358</b>	<b>201</b>	<b>819,241</b>	<b>1,263</b>	<b>820,504</b>
<b>Accumulated Depreciation and Impairments:</b>										
At 1 April 2016	-	9,157	6,783	-	-	-	-	15,940	-	15,940
Depreciation Charge for year	12,563	2,609	1,486	-	-	-	3	16,661	22	16,683
Depreciation eliminated on Disposals	(106)	(235)	-	-	-	-	-	(341)	-	(341)
Depreciation written out to the Revaluation Reserve	(12,457)	(4,056)	-	-	-	-	-	(16,513)	(22)	(16,535)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(7,410)	-	-	-	-	-	(7,410)	-	(7,410)
<b>At 31 March 2017</b>	<b>-</b>	<b>65</b>	<b>8,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>8,337</b>	<b>-</b>	<b>8,337</b>
<b>Net Book Value:</b>										
<b>At 31 March 2017</b>	<b>652,691</b>	<b>133,904</b>	<b>8,392</b>	<b>-</b>	<b>8,361</b>	<b>7,358</b>	<b>198</b>	<b>810,904</b>	<b>1,263</b>	<b>812,167</b>
<b>At 1 April 2016</b>	<b>628,154</b>	<b>104,940</b>	<b>8,382</b>	<b>-</b>	<b>8,358</b>	<b>3,884</b>	<b>201</b>	<b>753,919</b>	<b>875</b>	<b>754,794</b>

# Notes to the Core Statements

## Capital Notes

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

#### Comparative Movements in 2015/16

	Council £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Subsidiary Other Land & Buildings £000	Group Property, Plant & Equipment £000
<b>Cost or Valuation:</b>										
At 1 April 2015	585,758	83,566	13,149	-	8,368	2,566	188	693,595	-	693,595
Additions	24,877	1,751	2,738	-	10	3,135	-	32,511	875	33,386
Donations	-	38	-	-	-	-	-	38	-	38
Disposals	(6,959)	(883)	(722)	-	-	-	-	(8,564)	-	(8,564)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Impairment (losses)/reversals recognised in the Revaluation Reserve	(24,338)	381	-	-	1	(122)	14	(24,064)	-	(24,064)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	36,650	-	-	-	(25)	-	(1)	6,687	-	6,687
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	12,166	-	-	-	-	-	-	12,166	-	12,166
Other movements in cost or valuation - Reclassifications	-	22,531	-	-	4	(1,695)	-	20,840	-	20,840
<b>At 31 March 2016</b>	<b>628,154</b>	<b>114,097</b>	<b>15,165</b>	-	<b>8,358</b>	<b>3,884</b>	<b>201</b>	<b>769,859</b>	<b>875</b>	<b>770,734</b>
<b>Accumulated Depreciation and Impairments:</b>										
At 1 April 2015	-	5,317	5,992	-	-	-	16	11,325	-	11,325
Depreciation Charge for year	11,715	3,517	1,513	-	-	-	4	16,749	5	16,754
Depreciation eliminated on Disposals	(139)	(1)	(722)	-	-	-	-	(862)	-	(862)
Depreciation written out to the Revaluation Reserve	(9,934)	(728)	-	-	-	-	(20)	(10,682)	(5)	(10,687)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,642)	1,052	-	-	-	-	-	(590)	-	(590)
<b>At 31 March 2016</b>	-	<b>9,157</b>	<b>6,783</b>	-	-	-	-	<b>15,940</b>	-	<b>15,940</b>
<b>Net Book Value:</b>										
<b>At 31 March 2016</b>	<b>628,154</b>	<b>104,940</b>	<b>8,382</b>	-	<b>8,358</b>	<b>3,884</b>	<b>201</b>	<b>753,919</b>	<b>875</b>	<b>754,794</b>
<b>At 1 April 2015</b>	<b>585,758</b>	<b>78,249</b>	<b>7,157</b>	-	<b>8,368</b>	<b>2,566</b>	<b>172</b>	<b>682,270</b>	-	<b>682,270</b>

# Notes to the Core Statements

## Capital Notes

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

#### Revaluations

The statement below shows the total of revaluations of non-current assets carried out by the Council during the financial year and the previous year. The valuations were carried out by the Council's Principal Estates Surveyor and Wilkes, Head & Eve, a leading firm of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies, item 13.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	-	16,661	8,361	7,358	-	32,380
Carried at fair value as at:							
31.3.2017	652,691	132,811	-	-	-	201	785,703
31.3.2016	-	1,158	-	-	-	-	1,158
<b>Gross Book Value at 31 March 2017</b>	<b>652,691</b>	<b>133,969</b>	<b>16,661</b>	<b>8,361</b>	<b>7,358</b>	<b>201</b>	<b>819,241</b>

### 35 CAPITAL COMMITMENTS

The total commitment on various significant capital contracts at 31 March 2017 was £12,721,100 including fees (£4,957,400 at 31 March 2016). The increase from last year is due, in the main, to works related to the new market in St Martin's Square and associated public realm works.

### 36 ASSETS HELD FOR SALE

	2016/17 £'000	2015/16 £'000
<b>Balance outstanding at start of year</b>	<b>3,340</b>	<b>11,365</b>
Impairment losses	-	(200)
Assets sold	(3,340)	(7,825)
<b>Balance outstanding at end of year</b>	<b>-</b>	<b>3,340</b>

### 37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016/17 £'000	2015/16 £'000
<b>Opening Capital Financing Requirement</b>	<b>243,258</b>	<b>245,380</b>
<u>Capital Expenditure</u>		
Property, Plant and Equipment:		
General Fund	18,216	5,496
Housing Revenue Account	13,682	27,015
	<b>31,898</b>	<b>32,511</b>
Investment in Subsidiary	-	875
Loan to Subsidiary	370	-
<u>Revenue expenditure funded from capital under statute:</u>		
Disabled Facilities Grants	980	1,165
<b>Total Capital Expenditure to be Financed</b>	<b>33,248</b>	<b>34,551</b>

# Notes to the Core Statements

## Capital Notes

	2016/17 £'000	2015/16 £'000
<b>Sources of Finance:</b>		
Capital receipts	1,175	1,964
Government grants and other contributions	5,201	2,858
Major Repairs Reserve	11,700	18,457
Direct revenue contributions	1,011	7,221
Sums set aside from revenue:		
Minimum Revenue Provision	1,291	1,286
HRA impairments / reversals of impairment	(44)	(131)
Use of Major Repairs Reserve to repay debt	16	23
Use of Capital Receipts to repay debt	-	4,995
<b>Total Financing</b>	<b>20,350</b>	<b>36,673</b>
<b>Closing Capital Financing Requirement</b>	<b>256,156</b>	<b>243,258</b>
<b>Analysis by Fund:</b>		
General Fund	50,851	37,095
HRA	205,305	206,163
<b>Closing Capital Financing Requirement</b>	<b>256,156</b>	<b>243,258</b>
<b>Explanation of movements in year:</b>		
Increase/(Decrease) in underlying need for borrowing	12,803	(4,807)
Assets acquired under finance leases	95	2,685
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>12,898</b>	<b>(2,122)</b>

# Notes to the Core Statements

## Pension Notes

### 38 DEFINED BENEFIT PENSION SCHEMES

#### Characteristics of the Pension Scheme

The Council offers retirement benefits to its employees as part of the terms and conditions of their employment. For this purpose, the Council participates in the Essex County Council Pension Fund (the Fund), which is administered under regulations governing the Local Government Pension Scheme and provides defined benefits related to pay and service. The Fund is reviewed on a triennial basis by the Fund actuary. The last triennial actuarial valuation was at 31 March 2016 and was effective from 1 April 2017. The next valuation will be at 31 March 2019 and will be effective from 1 April 2020.

#### Risks associated with the Pension Scheme

##### Investment Risk

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

##### Interest Rate Risk

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

##### Inflation Risk

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

##### Longevity Risk

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

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

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

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

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

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	333,132	270,805
Fair value of plan assets	(199,659)	(170,048)
<b>Net liability arising from the defined benefit obligation</b>	<b>133,473</b>	<b>100,757</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 2018 is £10.6 million (including £0.4m relating to discretionary benefits).

# Notes to the Core Statements

## Pension Notes

### Transactions relating to Retirement Benefits

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

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

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

<u>Comprehensive Income and Expenditure Statement</u>	2016/17 £'000	2015/16 £'000
<i>Cost of Services:</i>		
Service cost comprising:		
- Current service cost	5,585	5,962
- Administration expense	71	81
- Settlements	(135)	-
- Past service costs, including curtailments	25	-
<i>Financing and Investment Income and Expenditure:</i>		
Net interest on the defined liability	3,501	3,545
<i>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</i>	<b>9,047</b>	<b>9,588</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)	(27,007)	1,484
- Experience gain (loss)	(4,711)	(51)
- Actuarial gains and losses arising from changes in demographic assumptions	(4,837)	-
- Actuarial gains and losses arising from changes in financial assumptions	64,794	(14,596)
- Other actuarial gains/(losses)	1,770	-
	<b>30,009</b>	<b>(13,163)</b>
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>	<b>39,056</b>	<b>(3,575)</b>
<u>Movement in Reserves Statement</u>		
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	9,047	9,588
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(2,707)	(3,453)
<u>Actual amount charged against Council Tax for pensions in the year:</u>		
Employers' contributions payable to the scheme	<b>6,340</b>	<b>6,135</b>
<u>Reconciliation of the Movements in the Fair Value of Scheme Assets</u>		
	2016/17 £'000	2015/16 £'000
<b>Opening Balance at 1 April</b>	<b>170,048</b>	<b>165,630</b>
Actual Return on scheme assets (less administrative expense)	33,030	3,909
Actuarial Gains (Losses)	(1,770)	-
Contributions by scheme participants	1,519	1,476
Employer Contributions including unfunded	6,340	6,135
Settlement prices paid	(402)	-
Benefits Paid including unfunded	(9,106)	(7,102)
<b>Closing Balance at 31 March</b>	<b>199,659</b>	<b>170,048</b>

# Notes to the Core Statements

## Pension Notes

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)	2016/17 £'000	2015/16 £'000
<b>Opening Balance at 1 April</b>	<b>270,805</b>	<b>276,097</b>
Current Service Cost	5,585	5,962
Interest Cost	9,595	9,019
Contributions from scheme participants	1,519	1,476
Remeasurements of the net defined benefit liability:		
- Actuarial gains and losses arising from changes in demographic assumptions	(4,837)	-
- Actuarial gains and losses arising from changes in financial assumptions	64,794	(14,596)
- Experience loss (gain)	(4,711)	(51)
Past Service Costs, including curtailments	25	-
Liabilities extinguished on settlements	(537)	-
Benefits Paid	(8,702)	(6,690)
Unfunded Pension Payments	(404)	(412)
<b>Closing Balance at 31 March</b>	<b>333,132</b>	<b>270,805</b>

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

Asset Share - Bid value	31 March 2017		31 March 2016	
	£'000	%	£'000	%
Equity Investments	136,371	68%	115,090	68%
Gilts and Bonds	15,669	8%	13,175	8%
Property	19,424	10%	20,251	12%
Cash and Other Investments	28,195	14%	21,532	12%
	<b>199,659</b>	<b>100%</b>	<b>170,048</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

To assess the value of the Employer's liabilities at 31 March 2017, the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions that comply with IAS19.

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

The principal assumptions used by the actuary are as follows:

	31 March 2017	31 March 2016
<b>Assumed life expectancy from age 65 (years)</b>		
Assumed longevity retiring at current date		
- Males	22.1	22.9
- Females	24.6	25.3
Assumed longevity retiring in 20 years		
- Males	24.3	25.2
- Females	26.9	27.7
<b>Financial assumptions:</b>		
Rate of inflation - RPI	3.6%	3.2%
Rate of inflation - CPI	2.7%	2.3%
Rate of increase in salaries	4.2%	4.1%
Rate of increase in pensions	2.7%	2.3%
Rate for discounting scheme liabilities	2.7%	3.6%

# Notes to the Core Statements

## Pension Notes

### **Other assumptions:**

Take-up of option to pay 50% of contributions for 50% of benefits	10.0%	10.0%
Take-up of option to convert annual pension into retirement lump sum	50.0%	60.0%
Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average retirement age.		

### **Sensitivity Analysis of major assumptions**

The sensitivity analysis below shows the impact on the Council's obligations given the stated changes to the major assumptions used by the actuary. The change column is the change to the estimated base projected service cost of £8,529,000. 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.

<b>Adjustment to:</b>	Present value of Total Obligation £'000		Projected Service Cost £'000
	Change £'000		
Discount Rate	+0.1%	327,169	(201) 8,328
	-0.1%	339,211	206 8,735
Long-term salary increase	+0.1%	333,928	- 8,529
	-0.1%	332,343	- 8,529
Pension increases and deferred revaluation	+0.1%	338,409	206 8,735
	-0.1%	327,953	(201) 8,328
Mortality age rating assumption	+ 1 year	345,775	272 8,801
	- 1 year	320,966	(264) 8,265

### **Effect on the Council's cashflows**

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

	2017/18	2018/19	2019/20 £'000
Ongoing rate	16.0%	3,528	3,528
Deficit payment (Triennial)		7,057	-
<b>Total</b>	<b>10,585</b>	<b>3,528</b>	<b>3,528</b>

The cost of the ongoing rate is based on an estimated pensionable payroll of £22.049 million and will change to the extent that the actual payroll differs from this figure. The deficit payment is intended, combined with payments for the next 11 years, to eliminate the deficit over a period of 14 years. Both figures will be revised at the next valuation.

# Notes to the Core Statements

## Cash Flow Notes

### 39 CASH AND CASH EQUIVALENTS

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

	Council		Group	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash held by the Council	12	13	12	13
Short-term deposits (Money Market Funds)	13,502	8,501	13,512	8,511
<b>Cash and Cash Equivalents</b>	<b>13,514</b>	<b>8,514</b>	<b>13,524</b>	<b>8,524</b>
Bank current accounts	(2,692)	(3,759)	(2,692)	(3,759)
Special Interest Bearing Account (SIBA)	1,288	2,869	1,288	2,869
<b>Cash and Cash Equivalents (overdrawn)</b>	<b>(1,404)</b>	<b>(890)</b>	<b>(1,404)</b>	<b>(890)</b>
<b>Total Cash and Cash Equivalents</b>	<b>12,110</b>	<b>7,624</b>	<b>12,120</b>	<b>7,634</b>

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

### 40 CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	2016/17 £'000	2015/16 £'000
Interest received	(406)	(297)
Interest paid	10,786	10,910
<b>Net interest included in operating activities</b>	<b>10,380</b>	<b>10,613</b>

### 41 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment	30,922	33,296
Purchase of short-term investments	12,000	14,526
Other payments for investing activities	15	20
Proceeds from the sale of property, plant and equipment	(11,584)	(17,139)
Capital Grants Received	(7,641)	(7,709)
Other receipts from investing activities	(57)	(34)
<b>Net cash flows from investing activities</b>	<b>23,655</b>	<b>22,960</b>

### 42 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Cash receipts of short and long-term borrowing	(10,095)	(22,685)
Other receipts from financing activities	(3,833)	2,116
Cash payments for the reduction of the outstanding liabilities relating to finance leases	985	845
Repayments of short and long-term borrowing	9,500	10,000
<b>Net cash flows from financing activities</b>	<b>(3,443)</b>	<b>(9,724)</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.

Expenditure	Note	2016/17 £'000	2015/16 £'000
Repairs and maintenance		9,198	11,944
Supervision and management		12,483	14,783
Rents, rates, taxes and other charges		279	317
Depreciation of non-current assets	5	12,708	11,933
Impairment of non-current assets (net of revaluation gains)	6	10,616	10,591
Debt management costs		64	63
Movement in the allowance for bad debts		735	518
<b>Total Expenditure</b>		<b>46,083</b>	<b>50,149</b>
<b>Income</b>			
Dwelling rents	1	(49,545)	(50,242)
Non-dwelling rents		-	(42)
Charges for services and facilities		(4,724)	(4,479)
Contributions towards expenditure		(477)	(506)
<b>Total Income</b>		<b>(54,746)</b>	<b>(55,269)</b>
<b>Net (Income) / Expenditure of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(8,663)</b>	<b>(5,120)</b>
HRA share of expenditure charged to Corporate and Central in the CIES		335	331
<b>Net (Income)/Expenditure of HRA Services</b>		<b>(8,328)</b>	<b>(4,789)</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		(2,347)	(2,747)
Interest payable and similar charges		9,942	9,936
Net interest on the net defined benefit liability		931	926
Capital grants, contributions and donated assets		-	(973)
<b>Surplus for the year on HRA services</b>		<b>198</b>	<b>2,353</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	2016/17 £'000	2015/16 £'000
<b>Balance on the HRA at the end of the previous year</b>		(8,798)	(8,786)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement		198	2,353
Adjustments between Accounting basis and Funding basis under the legislative framework		(8,218)	(941)
<b>Net increase before transfers to or from reserves</b>		<b>(8,020)</b>	<b>1,412</b>
Transfers to or from earmarked reserves	9	12,058	(1,424)
<b>Increase in year on the HRA</b>		<b>4,038</b>	<b>(12)</b>
<b>Balance on the HRA at the end of the current year</b>		<b>(4,760)</b>	<b>(8,798)</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	2016/17 £'000	2015/16 £'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		(2,347)	(2,747)
HRA share of contributions to or from the Pensions Reserve		720	902
Capital grants transferred to the Capital Adjustment Account		-	(973)
Revaluation gains and impairment losses (charged to SDPS)	6	10,660	10,722
Provision for the repayment of debt		(175)	(157)
Capital expenditure charged against the HRA Balance		(642)	(6,806)
Depreciation transferred to the Capital Adjustment Account	5	12,708	11,933
Absences accrual transferred to the Accumulated Absences Account		2	-
		<b>20,926</b>	<b>12,874</b>
<b>Insertion of items not debited or credited to the HRA Income and Expenditure Statement</b>			
Transfer to Major Repairs Reserve		(12,708)	(11,933)
		<b>(12,708)</b>	<b>(11,933)</b>
<b>Net additional amount required by statute to be debited (credited) to the HRA</b>		<b>8,218</b>	<b>941</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

	2016/17 £'000	2015/16 £'000
Dwellings	(50,024)	(50,754)
Less: Void properties	479	512
<b>Total Income from Dwelling Rents</b>	<b>(49,545)</b>	<b>(50,242)</b>

Rent loss due to void dwellings was 1.0% in the year (1.0% in 2015/16). The average weekly rent in 2016/17 was £86.81, which was £0.88 below the average for the previous year (£87.69).

### 2 RENT ARREARS

	31 March 2017 £'000	31 March 2016 £'000
Current tenants	2,666	2,497
Former tenants	1,128	789
<b>Total gross rent arrears</b>	<b>3,794</b>	<b>3,286</b>
Less: Allowance for uncollectable rents	(2,100)	(1,612)
<b>Total net rent arrears</b>	<b>1,694</b>	<b>1,674</b>

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

All figures ignore prepayments of rent amounting to £782,642 at 31 March 2017 (£645,753 at 31 March 2016).

### 3 ANALYSIS OF HOUSING STOCK

The Council was responsible for 10,935 dwellings at the start of the year (11,049 at 1 April 2015). Below is a summary of the dwellings under management and the change in stock numbers during the year.

	31 March 2017	31 March 2016
<u>Analysis by Type of Dwelling:</u>		
Houses and Bungalows	6,139	6,183
Flats and Maisonettes	4,705	4,752
<b>Total Dwellings</b>	<b>10,844</b>	<b>10,935</b>
<u>Change in Stock during the Year:</u>		
Stock at 1 April	10,935	11,049
Purchases and donations	5	10
Sales and other Disposals	(96)	(124)
<b>Total Dwellings</b>	<b>10,844</b>	<b>10,935</b>

The number of dwellings at 31 March 2017 includes the Council's interest in shared ownership properties, which is equivalent to 111 wholly owned dwellings (114 at 31 March 2016).

# Housing Revenue Account

## Notes

### 4 VALUATION OF HOUSING ASSETS

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

	31 March 2017 £'000	31 March 2016 £'000
<b><u>Operational Assets :</u></b>		
Dwellings	652,691	628,154
Other land and buildings	495	471
Vehicles, plant and equipment	1,157	182
<b><u>Non Operational Assets :</u></b>		
Asset under construction	2,513	3,024
<b>Total Value of Housing Assets</b>	<b>656,856</b>	<b>631,831</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 £1,717.6m at 31 March 2017. The difference of £1,064.9m 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.

### 5 DEPRECIATION

	31 March 2017 £'000	31 March 2016 £'000
<b><u>Operational Assets :</u></b>		
Dwellings	12,430	11,593
Shared Ownership Dwellings	133	122
Other land and buildings	16	23
Vehicles, plant and equipment	129	195
<b>Total Depreciation</b>	<b>12,708</b>	<b>11,933</b>

### 6 REVALUATION GAINS, LOSSES AND IMPAIRMENTS

	31 March 2017 £'000	31 March 2016 £'000
<b><u>Operational Assets :</u></b>		
Dwellings	(1,408)	(13,616)
Shared Ownership Dwellings	(63)	(192)
<b>Total Revaluation (gains)/losses</b>	<b>(1,471)</b>	<b>(13,808)</b>
<b><u>Operational Assets :</u></b>		
Dwellings	12,068	24,338
Other land and buildings	19	61
<b>Total Impairments</b>	<b>12,087</b>	<b>24,399</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.

# Housing Revenue Account

## Notes

### 7 CAPITAL EXPENDITURE AND FINANCING

	Note	2016/17 £'000	2015/16 £'000
<b>Analysis of Expenditure and Financing</b>			
Housing		12,660	24,877
Other Property		1,022	2,138
<b>Total Capital Expenditure to be Financed</b>		<b>13,682</b>	<b>27,015</b>
<i>Financed from:</i>			
Major Repairs Reserve		11,700	18,457
Capital Contributions		-	973
Usable Capital Receipts		1,175	468
Borrowing		165	311
Revenue contributions		642	6,806
<b>Total Financing</b>		<b>13,682</b>	<b>27,015</b>

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

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

	2016/17 Total £'000	2015/16 Total £'000
Sale of dwellings under right to buy	7,646	9,720

### 9 EARMARKED BALANCE

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

	2016/17 Total £'000	2015/16 Total £'000
Asset Management Reserve	22,851	10,793
Treasury Management Reserve	600	600
<b>Total HRA Earmarked Reserves</b>	<b>23,451</b>	<b>11,393</b>

### 10 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

	2016/17			2015/16		
	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)	96,897	85,141	182,038	92,181	84,398	176,579
Collection of previous year's deficit:						
- Central Government		3,976	3,976		-	-
- Essex County Council		716	716		-	-
- Essex Fire Authority		79	79		-	-
- Basildon Borough Council		3,180	3,180		-	-
		7,951	7,951		-	-
<b>Total Income</b>	<b>96,897</b>	<b>93,092</b>	<b>189,989</b>	<b>92,181</b>	<b>84,398</b>	<b>176,579</b>
<b>Expenditure:</b>						
Precepts and shares						
- Central Government	-	41,439	41,439	-	40,633	40,633
- Essex County Council	66,200	7,459	73,659	62,359	7,314	69,673
- Police & Crime Commissioner for Essex	8,910	-	8,910	8,444	-	8,444
- Essex Fire Authority	3,964	829	4,793	3,811	813	4,624
- Basildon Borough Council	15,483	33,152	48,635	14,882	32,506	47,388
	94,557	82,879	177,436	89,496	81,266	170,762
Transitional protection payment receivable	-	227	227	-	315	315
Impairment of debts/appeals:						
- Write-offs of uncollectable amounts	390	112	502	207	222	429
- Allowance for impairment	796	243	1,039	1,418	100	1,518
Allowance for losses on appeals	-	(7,559)	(7,559)	-	6,973	6,973
	1,186	(7,204)	(6,018)	1,625	7,295	8,920
Charge to General Fund for allowable collection costs		245	245		234	234
Distribution of previous year's estimated surplus:						
- Central Government	-	-	-	-	2,328	2,328
- Essex County Council	794	-	794	1,319	419	1,738
- Police & Crime Commissioner for Essex	108	-	108	175	-	175
- Essex Fire Authority	49	-	49	80	47	127
- Basildon Borough Council	189	-	189	315	1,862	2,177
	1,140	-	1,140	1,889	4,656	4,217
<b>Total Expenditure</b>	<b>96,883</b>	<b>76,147</b>	<b>173,030</b>	<b>93,010</b>	<b>93,766</b>	<b>184,448</b>
<b>Movement on Fund Balance</b>	<b>14</b>	<b>16,945</b>	<b>16,959</b>	<b>(829)</b>	<b>(9,368)</b>	<b>(7,869)</b>
Opening Fund Balance	(1,140)	11,445	10,305	(1,969)	2,077	108
Closing Fund Balance	(1,154)	(5,500)	(6,654)	(1,140)	11,445	7,977
<b>Movement on fund balance</b>	<b>14</b>	<b>16,945</b>	<b>16,959</b>	<b>(829)</b>	<b>(9,368)</b>	<b>(7,869)</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 2016/17 was calculated as follows:

Tax Band	No. of Properties in Band	No. of Properties after Discounts	Ratio to Band D	Equivalent No. of Band D Properties
A (Disabled)	8	7	5/9	4
A	8,819	7,122	6/9	4,748
B	15,827	13,996	7/9	10,886
C	24,055	21,868	8/9	19,438
D	14,446	13,442	9/9	13,442
E	7,314	6,934	11/9	8,475
F	4,516	4,340	13/9	6,269
G	1,948	1,884	15/9	3,140
H	147	143	18/9	286
	<b>77,080</b>	<b>69,736</b>		<b>66,688</b>
Less: Net impact of Local Council Tax Support Scheme				(7,519)
				<b>59,169</b>
Less: Allowance for irrecoverables			% 1.00	(592)
<b>Total Council Tax Base</b>				<b>58,577</b>

### 2 INCOME FROM COUNCIL TAX

For 2016/17 the Council set an average Council Tax levy of £1,614.23 per Band D equivalent property, made up of precepts from authorities as follows:

	2016/17 £	2015/16 £
Basildon Borough Council	257.85	252.81
Parish and Town Councils in the Basildon Borough (average)	6.47	6.55
Essex County Council	1,130.13	1,086.75
Police & Crime Commissioner for Essex	152.10	147.15
Essex Fire Authority	67.68	66.42
<b>Total average Council Tax Band D</b>	<b>1,614.23</b>	<b>1,559.68</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 2016/17 (£15.48 million) included £379,032 (£375,568 in 2015/16) 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:

	2016/17 £'000	2015/16 £'000
Council Tax	108,244	103,562
Less: Council Tax Support	(11,347)	(11,381)
<b>Net Income to Collection Fund</b>	<b>96,897</b>	<b>92,181</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:

	2016/17 £'000	2015/16 £'000
Business Rate (including voids and exemptions)	85,697	85,935
Add: Appeals settled	1,391	3,523
Less: Reliefs, and Other Adjustments	(1,947)	(5,060)
<b>Net Income to Collection Fund</b>	<b>85,141</b>	<b>84,398</b>

The total rateable value for the Basildon Borough at 31 March 2017 was £187.6m (£186.9 million, 2016). The business rate for 2016/17 was 48.4p per £ of rateable value for small businesses and 49.7p for other businesses (48.0p and 49.3p respectively for 2015/16).

For further information on Business Rates Appeals see Note 4.

# Accounting Policies

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

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from Grants, Contributions and Donations is recognised immediately if no conditions exist or if all conditions have been met. Otherwise they are accounted for as outlined in Section 10.
- Supplies that are held in inventories are recorded as expenditure when they are consumed, i.e. where there is a gap between the date supplies are received and when they are consumed they are carried as inventories in the Balance Sheet. Other supplies are expensed when received.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

## 2. Cash and Cash Equivalents

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

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

## 3. Exceptional Items

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

# Accounting Policies

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

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

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

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

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

Should any of the above instances arise, the appropriate disclosures will be made within the accounts.

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

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

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

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

It is for each authority to determine a prudent level of MRP, though regard must be had to statutory guidance issued by the Secretary of State for Communities and Local Government.

The statutory guidance can be found here

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

The Council's MRP policy for 2016/17 can be found in the 2016/17 budget report here

<http://www.basildonmeetings.info/documents/s79071/Enc.%202%20for%20Budget%20and%20Council%20T ax.pdf>

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

The HRA is also charged with depreciation, revaluation and impairment losses. Impairments 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 Regulations 2015.

## 6. Employee Benefits

### Benefits Payable During Employment

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

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, such entitlements being termed 'accumulated absences') earned by employees but not taken before the year-end

# Accounting Policies

and which employees can carry forward to the next financial year. The accrual is made at an average salary rate estimated to be applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then taken out of the General Fund through the Movement in Reserves Statement into the Unpaid Absences Account with the transaction being reversed in the following year.

## Termination Benefits

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

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

## Post Employment Benefits

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

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

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

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

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

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Net Interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated using the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:

# Accounting Policies

- Return on scheme assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## Discretionary Benefits

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

## 7. Events After the Balance Sheet Date

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

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

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

## 8. Financial Instruments

### Fair Value

The Council measures some of its non-financial assets, such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

# Accounting Policies

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

## Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

## Financial Assets

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

### Loans and Receivables

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

## 9. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. 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.

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

# Accounting Policies

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. (See policy number 5)

## Operating Leases

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

## The Council as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

## Operating Leases

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

# Accounting Policies

## 13. Overheads and Support Services

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

## 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 as required.

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

# Accounting Policies

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

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

## De Minimis

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

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

## Impairment

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

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

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

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

## Depreciation

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

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset based on its capital value, with the exception of assets acquired through a Finance Lease, where they are depreciated on an annuity basis, in line with the principal repayment of the lease.
- Infrastructure, Investment Properties, Community Assets and Assets under Construction are not depreciated.

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

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

# Accounting Policies

## Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

## Disposals and Capital Receipts

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

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

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

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

## Donated Assets

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

## 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.

# Accounting Policies

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, council tax and business rates, financial instruments, and 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

Future rentals due under a Finance Lease, where the Council is the lessor, are included as a deferred capital receipt. These are written down each year to the Capital Receipts Reserve by the amount of capital debt repaid. This treatment also relates to sums due from repayments on other loans.

## 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. 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

## Accounting Policies

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 2016-2017



# ANNUAL GOVERNANCE STATEMENT 2016-17

## FOREWORD

Basildon Borough Council is committed to improving the lives of our residents and creating opportunity and prosperity for local people and business. This is supported by its three core principles and five promises to local people, which is formalised in the Council's Corporate Plan 2016-2020.

One of the core principles is "Value for Money and Strong Governance". Ensuring that we get our governance arrangements right is essential in allowing us to deliver the Corporate Plan. In this way, we can deliver good services to our residents whilst ensuring that we do things properly with the right checks and balances in place.

In addition to ensuring value for money and strong governance, we maintain a very ambitious agenda. Our governance arrangements ensure that whilst we embark on often challenging programmes and take up exciting opportunities to improve the lives of residents and create opportunity, these are all embedded in 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 during 2016/17. 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, in the main, 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 strive for continuous improvement.

This statement is an honest appraisal of our arrangements, but it is important to recognise that this year we have met our legal and statutory obligations to our residents and that there have not been any major failings. The External Auditor has continued to provide a positive opinion over our arrangements to secure value for money and has provided an unqualified opinion on the Council's Statement of Accounts for 2015/16. The 2016/17 opinion is pending and this statement will be updated once received.

In conclusion, good governance and financial arrangements are giving us the solid foundation on which we build our whole programme of work and services, and deliver our vision of improving the lives of residents and creating opportunity for local people and businesses.



## SCOPE OF RESPONSIBILITY

Basildon Borough Council ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, is properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

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

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 2016'. A copy of the authority's 2016/17 Local Code is available on our website at [www.basildon.gov.uk](http://www.basildon.gov.uk). The Annual Governance Statement (AGS) demonstrates how the Council has complied with its code and meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, which require the Council to prepare an annual governance statement.

## PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is based on an on-going process designed to identify and prioritise risks, evaluate the likelihood and impact should risks be realised, and efficiently, effectively and economically manage such risks.

This statement gives assurances on compliance with Basildon Borough Council's governance framework for the year ending 31 March 2017 and up to the date of approval of the statement of accounts.



## CHANGES MADE TO THE 2016/17 GOVERNANCE REQUIREMENTS

In 2016 CIPFA/SOLACE reviewed the Delivering Good Governance in Local Government Framework, which has resulted in the necessity to change the Council's Local Code of Corporate Governance.

The Council's Local Code is supported by an Assurance Framework that sets out how and what the Council seeks to obtain assurance on. The Framework is based on the 'three lines of defence' model:

1. Individual Service Leadership and Management Assurances;
2. Corporate Oversight Function Assurances;
3. Internal Audit Assurances.

As a result, the adopted approach has been significantly streamlined and the framework clarifies responsibilities and accountabilities for assessing service performance in meeting the organisation's commitments and addressing/escalating issues of concern.

Corporate Oversight Functions are asked to provide assurance as to whether the Council has appropriate/proportionate procedures in place and to provide an evaluation on overall compliance.

A copy of the authority's 2016/17 Assurance Framework is available on our website at [www.basildon.gov.uk](http://www.basildon.gov.uk).

## SIGNIFICANT CHANGES TO THE COUNCIL'S GOVERNANCE ARRANGEMENTS

The Council resolved at its Extraordinary Meeting of 25 May 2017 to change from a Leader and Cabinet form of governance, to a Committee System with effect from the Annual Council Meeting which took place on the rising of the Extraordinary Meeting of 25 May 2017.

In preparation for the change in governance arrangements, the Chief Executive has developed a Constitution to comply with legislative requirements, providing for an effective and efficient form of governance. The Chief Executive has also made arrangement to ensure training is provided for Members and Officers.



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

The Council has responsibility for conducting an annual review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the senior managers responsible for the development and maintenance of the governance environment, the Manager of Strategic and Executive Support's annual Audit Opinion and also by comments made by the Section 151 Officer, the Monitoring Officer, External Auditors and other review agencies.

In preparing the Annual Governance Statement for 2016/17, the processes detailed within Appendix A of the Local Code have been applied, to review the effectiveness of the Council's governance framework. The outcomes of the review is presented to the Audit and Risk Committee, for review and endorsement.

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

The Council considers that its governance arrangements in place during 2016/17 are regarded as fit for purpose and generally comply with the Council's Local Code of Corporate Governance. The Council's Local Code of Corporate Governance is consistent with the CIPFA/SOLACE 'Delivering Good Governance in Local Government'.

The review has not identified any significant weaknesses, however, the Council has identified some areas that, whilst we have arrangements in place, we consider could be further developed, for example; Information Governance. These areas have been highlighted within the table below, as "comments" under the relevant Principle.

Whilst the Council has strong financial management it is important to reflect in this statement that the Council does have financial gaps in the Medium Term Financial Strategy of £4.1 million in 2018/19 and £6.4 million in 2019/20. The Councils' Future: Basildon Programme which incorporates a self-financing Commission outlines clear plans to manage this deficit through a combination of service efficiencies, creating new income streams and delivery of its commercial programme.

The Council has also commissioned an independent corporate financial management review to assess and identify ways in which the council can further improve its corporate financial management.

Whilst a number of assurances have been obtained to support this conclusion, it is important that the following specific assurances are considered to support this statement:

### 1. Chief Financial, Section 151 Officer

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the



Council's arrangements conform to the CIPFA requirements and the Section 151 Officer has no significant concerns.

2. Monitoring Officer

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

The Monitoring Officer has, however, highlighted the need for improvements in terms of Information Governance, and as such this issue has been specifically highlighted in the action plan.

3. Head of Internal Audit

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

The Manager of Strategic and Executive Support is satisfied that sufficient work has been undertaken to allow her to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based on the work performed during 2016/17 and other sources of assurance, the Manager of Strategic and Executive Support can provide adequate assurance that the Council's risk management, control, counter fraud and governance processes, in operation during the year to 31 March 2017, generally accord with proper practice and are fundamentally sound. The Manager of Strategic and Executive Support has, however, identified that there are opportunities to improve the arrangements to enhance the Council's governance framework. These key areas are identified in the table below. Full details of the assurance provided by the Manager of Strategic and Executive Support is detailed within the Internal Audit Annual Report for 2016/17.

Under the Accounts and Audit (England) Regulations 2015 and the PSIAS, the Council is required to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. As in previous years, it is considered that the Council has effective arrangements in place for the provision of the Internal Audit Service. An independent assessment against the Public Sector Internal Audit Standards was undertaken in December 2016 where it was identified that the service is fully compliant with the PSIAS and the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit in local government.



Principle	Sub Principle	Comments	Overall Assessment	Rec Ref
<b>Principle A:</b>  Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law	1. Behaving with integrity  2. Demonstrating strong commitment to ethical values  3. Respecting the rule of law			
<b>Principle B:</b>  Ensuring openness and comprehensive stakeholder engagement	1. Openness  2. Engaging comprehensively with institutional stakeholders  3. Engaging with individual citizens and service users effectively	The Council has in place a Community Strategy which sets out key priorities for the Council and its partners. The Council has completed a review of its partnership arrangements and now needs to review and refresh the Community Strategy.  Whilst the Council has in place a Consultation & Engagement Policy, this is now due for review, and the Council will need to develop a Strategy to support delivery of the Policy. As part of this exercise the Council will include learning from recent and previous consultation exercises.		1  2
<b>Principle C:</b>  Defining outcomes in terms of sustainable economic, social, and environmental benefit	1. Defining outcomes  2. Sustainable economic, social and environmental benefits	The Council was expected to have prepared and submitted a Local Plan to the Government by early 2017. Whilst work on finalising the Local Plan has advanced since the Draft in 2016, there remain activities which need to be completed to demonstrate that the Council has been informed in its choices by weighing up the responses to earlier consultations, by a robust and credible evidence base and statutory sustainability and environmental assessments. The Council is at increased risk of intervention from the Government the longer it takes to get its Local Plan in		3

Principle	Sub Principle	Comments	Overall Assessment	Rec Ref
		place and therefore the Council must make every effort to ensure it submits it as quickly as possible.		
Principle D:  Determining the interventions necessary to optimise the achievement of the intended outcomes	1. Determining interventions  2. Planning interventions  3. Optimising achievement of intended outcomes			
Principle E:  Developing the entity's capacity, including the capability of its leadership and the individuals within it	1. Developing the entity's capacity  2. Developing the capability of the entity's leadership and other individuals			
Principle F:  Managing risks and performance through robust internal control and	1. Managing risk  2. Managing performance	The Council's is currently in the process of reviewing its approach to performance management with the development of a new "Balanced Scorecard" which will provide a summary of performance over key areas of the Council demonstrating delivery of the Corporate Plan.		4

Principle	Sub Principle	Comments	Overall Assessment	Rec Ref
strong public financial management	3. Robust internal control			
	4. Managing data	The Council has completed a number of reviews in relation to Information Governance arrangements, which covers Information Management Framework, Information Security, Data Protection Compliance, Freedom of Information and Transparency Compliance and has identified requirements for improvement. Whist progress has been made to address the issues identified, there is still work to be completed in this area. As part of the 2015/16 AGS the Council highlighted that it had reported to the Information Commissioner's Office (ICO) a potential breach of the Data Protection Act and that this was being investigated. The Council has now received notification that the ICO have concluded their investigation and have issued a monetary penalty. The Council has sought legal advice and are seeking to appeal the decision. An internal investigation has been completed with lessons learnt identified and appropriate action being put in place to address issues identified.		5
	5. Strong public financial management			
Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	1. Implementing good practice in transparency	As detailed above at F4, the Council has had a number of reviews in relation to our Information Governance arrangements, which covers Transparency Compliance, and has identified the requirements for improvement. Whist progress has been made to address the issues identified, there is still work to be completed in this area.		5
	2. Implementing good practices in reporting			
	3. Assurance and effective accountability			

# PROGRESS ON ADDRESSING GOVERNANCE AREAS FROM 2015/16

The Council's Annual Governance statement in 2015/16 identified some areas for improvement; the Council is able to report that good progress has been made to advance these areas with the majority of recommendations being completed. There are a few areas where further work is still on going, and as such, this work has been included within the action plan for the 2016/17 AGS. Note these actions are highlighted with an \* for ease of reference.

## GOVERNANCE AREAS TO BE DEVELOPED IN 2017/18

This Annual Governance Statement identifies that the Council has effective arrangements in place, but that we recognise the need to continuously review, adapt and develop our governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed, it is important to recognise that there are no significant weaknesses. The particular governance areas that the Council wishes to further develop during 2017/18 are set out in the table below. It should be noted that the majority of these areas are already being progressed.

	Actions to Enhance Governance Arrangements	Responsible Officer	Link to Principle	Due Date
1	Review the Borough Community Strategy*	Manager of Strategic and Executive Support	B2	31/03/18
2	Review Consultation and Engagement Policy and Develop the supporting Strategy.	Manager of Strategic and Executive Support	B3	31/03/18
3	Submit Local Plan to Government	Head of Regeneration and Economic Development	C2	31/03/18
4	Finalise the review of the Council's Performance Management Framework to ensure consistent and effective performance management arrangements across the Council.*	Manager of Strategic and Executive Support	F2	30/09/17
5	To address the outstanding issues relating to Information Governance, a detailed action plan is to be developed together with key milestones. This is to include: <ul style="list-style-type: none"><li>• Putting in place the right infrastructure</li><li>• Providing training to staff</li><li>• Provision of effective support to services areas.</li><li>• Addressing the findings of the ICO investigation.</li></ul>	Manager of Legal and Procurement  Manager of Strategic and Executive Support  Head of Customer Services  Manager of Corporate Governance & Support  Manager of Regulation  Other service managers	F4	30/09/17



## CERTIFICATION

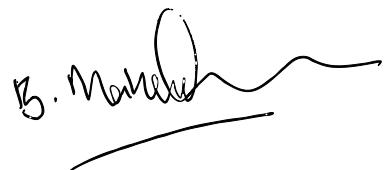
We have been advised of the implications of the review of the effectiveness of the governance framework by Senior Management and the Audit & Risk Committee. Actions identified to further develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems are in place.

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



Chairman of Policy and Resources

Date:



Chief Executive

Date:

## 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.

**Actuarial gains and losses**

These arise where actual events have not coincided with the actuarial assumptions made for the last valuation of the pension fund (known as experience gains and losses) or the actuarial assumptions have been changed.

**Annual Governance Statement**

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

**Appropriations**

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

**Balance Sheet**

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

**Billing Authority**

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

**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.

**Business Rates**

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.

**Business Rates Retention Scheme**

The scheme under which the Council is permitted to retain an agreed portion of business rates collected.

**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**

A cash equivalent is a short-term, highly liquid investment which is readily convertible to cash without penalty. In this context, 'short-term' is defined as three calendar months or less.

## **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.

## **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 Business 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 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.

**Defined Benefit Scheme**

A pension or other retirement benefit scheme in which, usually, the scheme rules define the benefits payable independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

**Depreciation**

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

**Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Fees and Charges**

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

**Financial Regulations**

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

**Financial Year**

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

**General Fund**

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

**Going Concern**

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

**Housing Benefit**

An allowance paid 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.

**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. 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.

**New Homes Bonus (NHB)**

A grant paid to Councils on an incentive basis from central government to encourage housing growth.

**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 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.

**Projected unit method – pension fund valuation**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

**Provision**

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

**Public Works Loans Board (PWLB)**

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

**Related Parties**

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

**Related Party Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

# Terminology and Definitions

## 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

### 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.

## Revenue Support Grant

A grant paid to local authorities by central government

## SIC

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

## UK GAAP

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

## Voluntary Revenue Provision (VRP)

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