

REPORT OF AUDITORS

Auditor's Report to Colchester Borough Council

I have audited the Statement of Accounts on pages 6 to 54, which have been prepared in accordance with the accounting policies applicable to Local Authorities as set out on pages 2 to 5.

Respective Responsibilities of Head of Resources and Auditor

As described on page 1 the Head of Resources is responsible for the preparation of the Statement of Accounts. My responsibilities as an independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my professional ethical guidance.

I report to you my opinion as to whether the Statement of Accounts presents fairly the financial position and results of operations of the Council.

Basis of Opinion

I carried out my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which required compliance with relevant audit standards.

My audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the Statement of Accounts and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Statement of Accounts.

Opinion

In my opinion the Statement of Accounts presents fairly the financial position of Colchester Borough Council at 31 March 2002 and its income and expenditure for the year then ended.

Certificate

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

Wendy Borgartz
Audit Manager
District Audit
Springvale Court
Hadleigh Road
Sproughton, Ipswich
Suffolk IP8 3AS

5 December 2002

COLCHESTER BOROUGH COUNCIL STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2002

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SUMMARY OF FINANCIAL STATEMENTS

Statement of Accounting Policies (page 2)

This explains how the figures are calculated.

Consolidated Revenue Account (page 6)

This shows the cost of the major functions for which we are responsible. It compares this with the money raised from charges, from the Collection Fund and from Central Government.

Housing Revenue Account (page 17)

By law, we must account separately for our housing provision. This account shows the main areas of housing revenue spending – maintenance, management, rent rebates and capital charges – and how this is paid for from rents, subsidies and other income.

Collection Fund Accounts (page 24)

These are transactions covering Council Tax and National Non-domestic Rates, showing how these have been distributed to precepting Authorities, including Colchester Borough Council.

Capital Expenditure and Financing (page 28)

This shows the main items of spending and how they are paid for.

Consolidated Balance Sheet (page 30)

This shows the balances and reserves available to the Council and its long-term debts, net current assets and a summary of fixed assets. It does not cover trust funds. This information is essential for understanding our year-end financial position.

Statement of Total Movements in Reserves (page 43)

This brings together all recognised gains and losses, and identifies those which are shown in the consolidated revenue account. Movements between revenue and capital reserves are shown separately.

Cash Flow Statement (page 45)

This summarises the cashflows for capital and revenue spending, and the cashflows used to pay for these.

Trust Fund Accounts (page 49)

These are the accounts of various funds for which the Council is trustee.

6. Colchester New Theatre Trust

The Colchester New Theatre Trust was established by Trust Deed on 5 April 1969 for the purpose of raising funds by public subscription in order to finance the building of a new theatre for Colchester and from then on to be responsible for the maintenance and upkeep of the building.

The Council became the sole Corporate Trustee of this charity from 9 October 1998.

The Trust is responsible for Mercury House together with the Mercury Theatre buildings.

FINANCIAL ACTIVITIES STATEMENT YEAR ENDED 30 SEPTEMBER 2001

	2000/2001 £	1999/2000 £
Fund Balances as at 1 October	218,856	214,100
<i>Add:</i>		
Donations	-	-
Investment Income	4,928	5,186
	223,784	219,286
<i>Less:</i>		
Management/Admin Expenses	429	430
Balance as at 30 September 2001	223,355	218,856

BALANCE SHEET AS AT 30 SEPTEMBER 2001

	2000/2001 £	1999/2000 £
<i>Fixed Asset</i>		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
<i>Current Assets:</i>		
Cash at Bank	90,759	85,860
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	224,155	219,256
<i>Current Liabilities:</i>		
Sundry creditors	800	400
Total net assets	223,355	218,856
<i>Represented by:</i>		
Unrestricted funds		
<i>Designated Funds:</i>		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	59,971	55,472
	223,355	218,856

■ 5. Colchester Lying-in-Charity

This charity enables one-off grants to be paid to unmarried mothers for such as prams, cots, etc. Payments have not usually exceeded £250. Twenty-eight grants were paid in 2001/2002.

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	2001/2002 £	2000/2001 £
Balance as at 1 April	9,927	12,788
<i>Add:</i>		
Interest Received	140	324
Dividends	637	691
	10,704	13,803
<i>Less:</i>		
Grants Paid	5,170	3,876
Balance as at 31 March	5,534	9,927

BALANCE SHEET AS AT 31 MARCH 2002

	2001/2002 £	2000/2001 £
<i>Assets:</i>		
Investments	18,384	19,556
Cash at Bank	4,134	8,527
Represented by Accumulated Fund	22,518	28,083

Please note: The investments are in Treasury Stock and the Charities Official Investment Fund.

Revenue spending is generally on items used during the year, and is paid for by Council Tax, Business Rates, Government grants and other income.

During this year the net General Fund spending was £18.4 million before the return to revenue of £1.3 million from earmarked reserves. This was met by the precept on the Collection Fund and Government grants. The contribution from earmarked reserves was approved during the year to fund additional spending and to help restore balances. This allowed £0.2 million to be added to the General Fund balance at the year end.

	Original Estimate £m	Actual £m
Total Net Spending for the Year	17.5	18.4
<i>Met by:</i>		
Collection Fund Precept	6.5	6.5
Collection Fund Transfer	-	-
Government Grants	10.8	10.8
Contribution from Earmarked Reserves	-	1.3
Contribution from/(to) Balances	0.2	(0.2)
Total Financing	17.5	18.4

General Fund balances now stand at £3.0 million, of which £1.6 million was uncommitted. They are used as a working balance and to support future spending plans.

Capital spending is on items which have a value to the Council or the community for more than a year and is generally met from loans, revenue or the proceeds of sale of capital assets.

The Council's capital spending was £13.1 million, £0.8 million less than programmed. This shortfall was mainly due to spending on schemes being rescheduled into the following financial year. About 40% of capital spending was paid for from capital receipts from the sale of assets. Some other capital spending is paid for by borrowing, which is repaid by a charge, known as 'minimum revenue provision' to the appropriate revenue account. This provision is calculated as a set percentage of the Council's 'credit ceiling', as defined in the Local Government and Housing Act 1989 (LGHA). Other capital spending was financed from reserves and from grants and contributions.

The Housing Revenue Account

The Council is the major provider of rented housing in the Borough and manages approximately 7,000 properties. The financial statements and supporting notes have been significantly revised to meet the new Housing Resource Accounting requirements. The Housing Revenue Account Financial Statement shows a deficit for the year of £0.6 million. At the year end the Housing Revenue Account balance is £3.8 million of which £3.4 million is earmarked to support future capital spending.

Former Direct Service Organisations

The former Colchester Direct Service (CDS) organisation was set up to run the Council's direct service operations, particularly those subject to Compulsory Competitive Tendering (CCT) under the Local Government Planning and Land Act 1980 and the Local Government Act 1988. The accounts are no longer subject to the directions and regulations made under these acts. As part of the Council restructuring CDS has now been disbanded. The services that were previously subject to CCT

legislation have been integrated into overall service planning, provision and review. The services are no longer accounted for on a trading basis being included as public services within the consolidated revenue account. All these services are subject to the same Best Value requirements as all other Council services.

Preparations for the Introduction of Economic & Monetary Union (Euro)

Given the uncertainty of when and if the Euro will be introduced into the United Kingdom, Colchester Borough Council has not made any budgetary provision in either 2001/2002 or 2002/2003 for its introduction.

Reports have been made to the Executive Management Team about the possible impact of the Euro on the operation of the Council.

Advice has also been given on considering the possible introduction of the Euro when acquiring cash handling machinery and computer applications.

Further action will be taken as necessary.

Revenue Balance

During the year the Council undertook a fundamental review of its need for balances to decide the appropriate level of balances. Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. This review was based on identifying and then evaluating all potential risks. The exercise identified the minimum prudent level of balances required as £1.7 million.

As at 31 March 2002 the Council's General Fund balances stood at £3 million, £1.3 million in excess of the minimum prudent level. However it is estimated that £1.4 million of these will be required to fund schemes carried forward from 2001/02 and to support expenditure during 2002/03. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

Outlook

In recent years the Budget Reviews have delivered savings of over £5 million, some of which has been used to fund new requirements and to improve existing services.

The Council has published its Strategic Plan 2002-2005 which clearly identifies priority services over the next three years. Following the publication of the Strategic Plan in May 2002 the Council has adopted a revised budgetary process for 2003/04 to ensure that the Council's limited resources are focussed on these priority services.

As part of this process the Council has prepared a Medium Term Financial Forecast (MTFF) which predicts the Council's spending needs and likely income from fees and charges, Government Grant and Council Tax. Early indications have shown that the Council will need to make significant reductions in base expenditure over the next year in order to accommodate additional costs arising from pension contributions, additional NI contributions and reduced interest from investments.

Robust financial forecasting together with sound financial planning is important to ensure that the Council meets its objectives.

■ *4. Old British School Trustees*

This charity was originally set up to promote the education of boys and young men under 25 years of age resident in the Borough, or to assist their entry into a profession.

No use of the funds in this account have been made for some years, and the charity is to be transferred to Essex County Council.

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	2001/2002 £	2000/2001 £
Balance as at 1 April	6,173	5,839
Add:		
Interest received	41	76
Dividends	237	258
Balance as at 31 March	6,451	6,173

BALANCE SHEET AS AT 31 MARCH 2002

	2001/2002 £	2000/2001 £
Assets:		
Investments	7,040	7,502
Cash at Bank	5,422	5,144
Represented by Accumulated Fund	12,462	12,646

Please note: The investments are in the Charities Official Investment Fund.

■ 3. Sir Thomas White's Charity

This charity was originally set up to make interest-free loans to the Freemen of Colchester to assist them in setting themselves up in business. The Council has obtained custody of the fund, which has been dormant for a number of years.

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	2001/2002 £	2000/2001 £
Balance as at 1 April	3,125	2,767
Add:	31	66
Interest Received	293	292
Dividends		
	3,449	3,125
Less:	60	-
Expenses		
Balance as at 31 March	3,389	3,125

BALANCE SHEET AS AT 31 MARCH 2002

	2001/2002 £	2000/2001 £
Assets:		
Investments	7,264	7,344
Cash at Bank	3,389	3,125
Represented by Accumulated Fund	10,653	10,469

Please note: The investments are in War Stock, Charinco and Charishare (special investments for charities).

Other Information

This *Statement of Accounts* is one of a number of publications giving information on the Council's finance and other activities.

Other publications include:

- *The Strategic Plan 2002-2005* – sets a clear direction for the Council, and a focus for service planning and budget setting.
- *Best Value Performance Plan* – summarises the Council's strategic objectives and corporate priorities, service performance and targets.

We also produce a wide range of other publications including an *A-Z of Services* and other service-specific booklets and leaflets, available free from Council offices at Angel Court and Lexden Grange, from public libraries and the Visitor Information Centre. You can also visit our website at www.colchester.gov.uk.

Members of the public are welcome to attend Council, Cabinet and Panel meetings. You may also address meetings under the *Have Your Say!* scheme. Information about meetings, agendas and copies of Council minutes are available from Council offices or by telephoning Colchester 282207.

Our Fairness Policy

We will promote equity and equal opportunity of access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community. We will set out clear standards for services so that everyone knows what to expect. We will write our publications in plain English and offer translations, large print or a reading service where needed.

For more information about these accounts, please contact:
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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the Head of Resources.
- Manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

The Head of Resources' Responsibilities

The Head of Resources is responsible for preparing the authority's statement of accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Resources has:

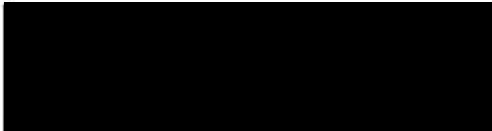
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code

The Head of Resources has also:

- kept proper accounting records which were up to date
- taken reasonable steps to prevent and detect fraud and other irregularities

Head of Resources' Certificate

I certify that the accounts set out on pages 1 to 54 present fairly the financial position of the Council as at 31 March 2002 and the income and expenditure for the year then ended.


 Brian Lawrence
 Head of Resources
 28 September 2002

■ 2. Albert Museum and Art Gallery

The proceeds from the sale of this building, left in trust to the Council, have been invested; the interest is currently used to support the running costs of Tymperleys. The market value of the investments as at 31 March 2002 was £375,482. A further sum of £53,894 was held on deposit pending transfer to the Tymperleys' account.

RECEIPTS & PAYMENTS ACCOUNT FOR YEAR ENDED 31 MARCH 2002

	2001/2002 £	2000/2001 £
Balance as at 1 April	52,739	47,896
<i>Add:</i>		
Interest on Investments	13,776	18,174
Interest on Balance	2,165	2,642
	68,680	68,712
<i>Less:</i>		
Distribution to Tymperleys	14,786	15,973
Balance as at 31 March	53,894	52,739

BALANCE SHEET AS AT 31 MARCH 2002

	2001/2002 £	2000/2001 £
<i>Assets:</i>		
Investments	375,482	396,389
Cash at Bank	53,894	52,739
Represented by Accumulated Fund	429,376	449,128

Please Note: The investments are in the Charities Official Investment Fund (COIF) and with Colchester Borough Council.

TRUST FUND ACCOUNTS

The Council acts as trustee for a number of funds. These accounts are detailed below.

1. The Resident Freeman's Fund

This fund is administered by the Council on behalf of the Freeman of the Borough.

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2001

	2000/2001 £	1999/2000 £
Balance as at 1 October	536	795
Add:		
Interest on Investments	288	288
Bank Interest	32	32
	856	1,115
Less:		
Administration & Distribution Expenses	39	39
Subscription	45	-
Distribution to Freeman	285	540
Balance as at 30 September	487	536

BALANCE SHEET AS AT 30 SEPTEMBER 2001

	2000/2001 £	1999/2000 £
Assets:		
Investments	5,630	5,694
Cash at Bank	487	536
Represented by Accumulated Fund	6,117	6,230

Please note: Investments are stated at market value as at 30 September 2001. These investments are Bank of England 2½ % Consolidated Stock with a nominal value of £11,511.46.

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been drawn up in keeping with the revised Code of Practice on Local Authority Accounting in Great Britain (2000). This is recognised by law as representing proper accounting practices under the Local Government and Housing Act 1989 (LGHA).

Our accounting policies have been set so that they follow the recommended accounting principles and practices as specified in the Code of Practice on Local Authority Accounting. The exception to this is:

Pension Costs

The pension costs that are charged to the Council's accounts for its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise from certain pensions paid to retired employees that are not based on contributions made.

These costs have been based on contribution rates that are set under the relevant Government regulations. The Council does not keep to the accounting requirements of SSAP24, 'Accounting for Pension Costs', and the liabilities in the balance sheet for pension costs are understated. Following standard accounting practice for Local Authorities, the pension costs that would have been shown in the accounts for the period under SSAP24 are in Note 13 to the Consolidated Revenue Account on Page 13.

2. Fixed Assets

All spending on acquiring, creating or improving fixed assets has been capitalised on an accruals basis.

Operational assets have been included in the balance sheet at either net current replacement cost or net realisable value in existing use, whichever is lower, net of depreciation where appropriate. Non-operational assets have been included in the balance sheet at either net current replacement cost or net realisable value, whichever is lower, net of depreciation where appropriate.

The asset values used in the accounts are based upon certificates issued by the Council's Estates Services Officer. Council dwellings were revalued as at 1 April 2000 and the value has now been uplifted to 1 April 2001. Other land and property were revalued as at 1 April 1999. Assets acquired since these dates are included in the accounts at their cost.

Assets are revalued at intervals of not more than five years and the fixed assets figure in the Balance Sheet is adjusted accordingly. A corresponding adjustment is also made in a revaluation reserve known as the Fixed Asset Restatement Reserve. Where a loss in value occurs as a result of physical damage or similar impairment this is reflected in an increased charge to the service revenue account. A loss in value from other impairments, such as obsolescence or decline in market value, is taken to the Fixed Asset Restatement Reserve.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate.

■ 3. Depreciation

Assets are depreciated over their useful economic life. Depreciation is provided on all fixed assets other than freehold land and non-operational investment properties. Where we provide for depreciation, assets are being depreciated using the straight line method, over the expected life, appropriate to the nature of the asset and its use, after allowing for the residual value of an asset.

■ 4. Deferred Charges

Deferred charges represent spending which may properly be capitalised (under the LGHA 1989), but where no tangible fixed asset is created. Where this type of spending does not provide a continuing benefit to the Authority over an extended period, it is not kept in the balance sheet, being written out in the year. Any other deferred charges are written out over an appropriate period. Deferred charges are written out to service revenue accounts.

■ 5. Reserves and Provisions

The Council has the power under the LGHA 1989 to keep reserves for certain purposes. Separate reserves are for capital expenditure, asset replacement and Heritage. Details of these are given in Note 17 to the Consolidated Balance Sheet on Page 40.

These are the main provisions:

- a A provision for doubtful debts in respect of local taxation, housing rents and other debtors.
- b A provision for credit liabilities to meet the Council's duty to repay loans or other forms of credit. This provision is required by the LGHA 1989. (See Note 15 to the Consolidated Balance Sheet on Page 39).
- c A provision for the renewal and repair of buildings and plant. (See Note 12 to the Consolidated Balance Sheet on Page 37).
- d An insurance provision. (See Note 12 to the Consolidated Balance Sheet on Page 37).

■ 6. Charges for the Use of Capital Assets

All service revenue accounts pay a capital charge for all fixed assets used to provide services. The total charge covers the provision for depreciation during the year, plus a capital financing charge. This is worked out by applying a specified notional rate of interest to net asset values. The specified notional rate of interest used for 2001/2002 is 6% for both assets carried at current value, and for assets carried at historical cost. The charge to individual services is linked to the capital employed in each service. The charge met by the Housing Revenue Account is an amount determined by statutory provision.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account. This account is also credited with the capital charges charged to services. Capital charges therefore have no impact on the amounts the Council needs to raise from local taxation or tenants rents.

These are the accounts of the Port Health Authority which is an independent authority administered by Colchester Borough Council on behalf of itself and Tendring District Council.

REVENUE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2002

	2001/2002 £	2000/2001 £
Income:		
Recovered from Riparian Authorities		
Colchester Borough Council	2,266	2,800
Tendring District Council	309	382
Bank Interest	12	32
Total Income	2,587	3,214
Expenditure:		
Administration Expenses	2,587	2,914
Subscription Payments & Licences	-	300
Gross Expenditure	2,587	3,214
Net Expenditure	-	-

BALANCE SHEET AS AT 31 MARCH 2002

	2001/2002 £	2000/2001 £
Current Assets:		
Cash	1,543	1,531
Tendring District Council	-	66
Current Liabilities:		
Colchester Borough Council	(1,518)	(1,597)
Tendring District Council	(25)	
Net Current Assets	-	-

■ 4. Liquid Resources

These are short term investments of surplus cash and include those made by two external cash fund managers. All these investments are repayable within twelve months and are with approved organisations listed in the Council's Treasury Policy Statement.

■ 5. Analysis of Government Grants

	2001/2002		2000/2001
	£'000	£'000	£'000
Revenue Support Grant		4,800	4,084
<i>DWP Grants for Benefits</i>			
Rent Allowances	11,599		11,180
Local Taxation	4,082		4,317
Administration	346		346
Verification Framework	115	16,142	102
Housing Subsidy		6,866	4,836
SRB (Revenue)		117	189
Other		258	52
Total Government Grants		28,183	25,106

Amounts set aside from revenue:

- to repay external loans
- to finance capital spending; or
- as transfers to other earmarked reserves

are disclosed as appropriations, within the consolidated revenue account, after net operating expenditure.

■ 7. Capital Receipts

Capital receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government and Housing Act 1989. Under the Act, certain proportions of housing capital receipts must be set aside as provision for repaying debt. The main receipts affected are: 75% of Council house sales and 50% of other housing asset sales. The Act allows the balance of capital receipts (usable receipts) to be used either to repay debt, or to finance new capital spending. When mortgage loans are granted to purchasers of council houses, this creates deferred capital receipts. These are reduced annually by the amount of principal repayments from mortgagors and any sums received by way of early repayment.

■ 8. Government Grants and Contributions

Where the acquisition of a retained fixed asset is paid for either wholly or in part by a Government grant or other capital contribution, the amount of the grant or contribution is credited at first to either the Government Grants – Deferred Account, or to the Capital Contributions – Deferred Account. Amounts are transferred to the Asset Management Revenue Account over the useful life of the asset, to match any depreciation charged on the asset.

Grants and contributions to deferred charges are written out directly against the relevant deferred charge.

We have secured Government funding for the East Colchester regeneration project from the Single Regeneration Budget (SRB). We act as the accountable body for this project and a number of smaller but similar Government funded partnership projects. All spending and contributions received are included in the appropriate capital or revenue accounts.

Grants and subsidies have been credited to the appropriate revenue and capital accounts, and accruals have been made for balances known to be receivable for the year to 31 March 2002.

■ 9. Provision for Redemption of Debt and Interest Charges

Under the Local Government and Housing Act 1989, provision for debt redemption is made in two ways:

- by a minimum charge to revenue, based on the Authority's credit ceiling (defined in the Act); and
- by setting aside a proportion of the proceeds of the sale of capital assets.

This Council uses the minimum revenue provision, which is 2% of the credit ceiling for Housing Revenue Account items, and 4% for the General Fund.

The total provision for debt redemption is shown in the Provision for Credit Liabilities (see note 15, page 39). We fully show external debt repayment in this account being the use of the provision.

External debt and investments are managed centrally. Interest paid and received is accounted for on an accruals basis.

The policy on premiums and discounts is in line with the guidance in the 2000 Code of Practice. Premiums and discounts arising on the early repayment of long-term debt can be applied to the revenue account in the year of repayment. If the repayment is part of a restructuring arrangement, they are applied over the life of the replacement borrowing.

■ 10. Treatment of Leases

We have leased a variety of assets, ranging from vehicles to computer equipment. These transfer some of the benefits of ownership without actually transferring title to the assets. In keeping with current accounting practice, these leased assets are not stated in the Consolidated Balance Sheet. Rentals are charged to the revenue accounts and no provision is made for outstanding lease commitments.

■ 11. Debtors and Creditors at Year End

The accounts have been completed on the basis of income and expenditure, taking account of known debtors and creditors as at 31 March 2002. Estimates have been used where actual figures were not available.

■ 12. Stocks and Work in Progress

Stocks are all valued at cost. Work in progress on uncompleted jobs is valued at cost and includes an allocation of overheads.

■ 13. Support Services

These expenses have been collected and charged through the use of Service Level Agreements. These agreements act like internal contracts between support service providers and their customers. Charges are made according to the agreements using a number of bases including actual staff time spent, unit costs and fixed retainers.

■ 14. Investments

Investments are shown in the Consolidated Balance Sheet at cost. Short-term investments are repayable within one year and are only made with the approved organisations listed in the Council's Treasury Policy Statement.

■ 15. The Collection Fund

Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) we must have a Collection Fund which records the collection and distribution of Council Tax and National Non-Domestic Rates, and any residual Community Charge.

The law covers transfers which are made between the General Fund and the Collection Fund. The Fund is maintained as far as is practicable on an accruals basis.

NOTES TO THE CASH FLOW STATEMENT

■ 1. Reconciliation of Consolidated Revenue Account to Revenue Activities Cash Flow

	Notes	2001/2002 £'000	2000/2001 £'000
(Surplus)/Deficit per Consolidated Revenue Account	Page 7	(174)	495
Deficit/(Surplus) per Collection Fund	Page 24	164	(202)
Net (Surplus)/Deficit		(10)	293
Interest		(785)	(815)
<i>Non-Cash Transactions:</i>			
Contributions (to)/from provisions		(160)	350
Contributions (to)/from Reserves		(1,162)	(1,585)
Contributions to Capital		(1,266)	-
<i>Items on an Accruals Basis:</i>			
(Decrease)/Increase in Stock and Work in Progress		(169)	(13)
(Decrease)/Increase in Debtors		(291)	880
Decrease/(Increase) in Creditors		597	(482)
Net Cash (Inflow)/Outflow from Revenue Activities		(3,246)	(1,372)

This reconciliation identifies items included within the revenue account which do not result in cash flows under the revenue activities in the statement.

■ 2. Reconciliation of the Net Cash Flow to the Movement in Net Debt

	2001/2002 £'000	
Increase in Cash in the Period	515	
Cash Outflow from Decrease in Debt Financing	10,416	
Cash Inflow from Decrease in Liquid Resources	(7,584)	
Movement in Net Debt in the Period		3,347
Net Debt at 1 April 2000		(11,342)
Net Cash Flow		(7,995)

■ 3. Analysis of Net Debt

	Balance 31 March 2001 £'000	Cashflow £'000	Balance 31 March 2002 £'000
Cash Overdrawn	(1,443)	515	(928)
Debt Due after One Year	(43,856)	8,058	(35,798)
Debt Due within One Year	(2,286)	2,253	(33)
Short Term Investments	36,243	(7,584)	28,659
Net Debt	(11,342)	3,242	(8,100)
Net PWLB Premium Paid/Discount Received		105	105
Net Cash Flow		3,347	(7,995)

There has been a decrease in the level of net debt which is reflected in the net cash outflow from management of liquid resources and financing activities.

**THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002**

This statement has been drawn up to show where the council receives cash from and what this cash has been spent on.

	Notes	2001/2002 £'000	2000/2001 £'000
Revenue Activities			
<i>Payments</i>			
Cash paid to and on behalf of Employees		24,123	22,456
Other Operating Costs		28,469	25,925
Housing Benefit Paid Out		12,963	12,400
		65,555	60,781
Precept paid to - Essex County Council		37,700	34,270
- Essex Police Authority		3,829	3,595
Non-domestic Rates paid to National Pool		39,445	38,774
Total Payments		146,529	137,420
<i>Receipts</i>			
Rents (after rebates)		10,627	9,911
Local Tax Income		42,597	39,688
Local Non-domestic Rate Income		40,316	37,902
Non-domestic Rate Income from National Pool		5,960	5,955
Government Grants	5	28,183	25,106
Cash Received from Goods and Services		13,608	12,333
Other Revenue Cash Payments/Income		8,484	7,897
Total Receipts		149,775	138,792
Net Cash (Inflow)/Outflow from Revenue Activities	1	(3,246)	(1,372)
Servicing of Finance			
<i>Payments</i>			
Interest Paid		3,151	3,242
<i>Receipts</i>			
Interest Received		2,366	2,427
Net Cash Outflow from Servicing of Finance		785	815
Capital Activities			
<i>Payments</i>			
Purchase of Fixed Assets		7,334	4,661
Capital Grants and Advances		5,771	2,607
Total Payments		13,105	7,268
<i>Receipts</i>			
Sale of Fixed Assets		10,172	7,805
Capital Grants Received		2,643	1,795
Other Capital Cash Income		1,176	353
Total Receipts		13,991	9,953
Net Cash (Inflow)/Outflow from Capital Activities		(886)	(2,685)
Net Cash (Inflow)/Outflow before Financing	2/3	(3,347)	(3,242)
Management of Liquid Resources			
Net (Decrease)/Increase in Short Term Deposits	4	(7,584)	5,747
Financing			
<i>Payments</i>			
Repayments of Amounts Borrowed		14,411	10,234
PWLB Premium Paid		565	424
<i>Receipts</i>			
New Loans Raised		4,100	12,650
Discounts Received		460	-
Net Cash Outflow/(Inflow) from Financing		10,416	(1,992)
(Increase)/Decrease in Cash		(515)	513

**CONSOLIDATED REVENUE ACCOUNT FOR
THE YEAR ENDED 31 MARCH 2002**

This statement shows the gross expenditure, income and net expenditure analysed by service and how it was met by contributions from the collection Fund, Non-domestic rate pool, Government grants and balances.

Expenditure on Services 2001/2002 (Note 1)	2001/2002 Gross Expenditure £'000	2001/2002 Total Income £'000	2001/2002 Net Expenditure £'000	2000/2001 Net Expenditure £'000
CENTRAL SERVICES				
Democratic Representation and Management	1,983	125	1,858	1,915
Corporate Management	947	-	947	768
Unapportionable Central Overheads	1,516	-	1,516	934
<i>Central Services to the Public</i>				
Local Taxation (includes Council Tax Benefit)	5,952	4,634	1,318	1,376
Other Central Services	1,237	601	636	739
Total for Central Services	11,635	5,360	6,275	5,732
CULTURAL, ENVIRONMENTAL AND PLANNING SERVICES				
<i>Cultural and Related Services</i>				
Culture and Heritage	2,456	614	1,842	1,777
Recreation and Sport	6,798	3,677	3,121	2,968
Open Spaces	1,619	72	1,547	1,490
Tourism	508	126	382	381
<i>Environmental Services</i>				
Cemetery, Crematorium and Mortuary Services	654	562	92	116
Environmental Health	1,675	247	1,428	1,382
Community Safety	592	115	477	491
Street Cleansing (non-highway)	1,063	5	1,058	799
Waste Collection	3,517	1,010	2,507	2,459
<i>Planning and Development Services</i>				
Building Control	539	467	72	80
Development Control	1,173	571	602	617
Planning Policy	1,033	105	928	673
Economic Development	2,842	1,927	915	1,036
Other Planning and Development Services	205	102	103	219
Total for Cultural, Environmental and Planning Services	24,674	9,600	15,074	14,488
HIGHWAYS, ROADS AND TRANSPORT SERVICES				
Transport Planning and Strategy	443	137	306	259
Highways, Traffic Management and Road Safety	5,267	4,441	826	725
Harbour	1,407	18	1,389	361
Parking Services	2,336	3,231	(895)	(732)
<i>Public Transport</i>				
Concessionary Fares	750	286	464	373
Other Public Transport	203	75	128	161
Total for Highways, Roads and Transport Services	10,406	8,188	2,218	1,147
HOUSING GENERAL FUND				
Private Sector Housing Renewal	1,076	59	1,017	1,348
Homelessness	1,096	290	806	503
Housing Benefits	14,055	12,444	1,611	1,606
Other Housing General Fund	1,108	339	769	775
Total for Housing General Fund	17,335	13,132	4,203	4,232
HOUSING REVENUE ACCOUNT (NOTE 1)	40,608	28,023	12,585	(1,968)
SOCIAL SERVICES - ELDERLY PEOPLE	825	579	246	224
COST OF SERVICES	105,483	64,882	40,601	23,855

CONSOLIDATED REVENUE ACCOUNT FOR
THE YEAR ENDED 31 MARCH 2002 (continued)

	Notes	2001/2002 Net Expenditure £'000	2000/2001 Net Expenditure £'000
Cost of Services (net) Brought Forward	1	40,601	23,855
Precepts paid to Parish Councils		430	383
Transfers from Insurance Fund	2	-	(600)
Transfers from Other Provisions	2	-	(5)
Council Tax Benefit Subsidy Limitation	3	32	18
Deficit/(surplus) on Internal Trading	4	148	181
Total net deficit/(surplus) from DSOs		-	473
Interest Receivable		(2,016)	(2,748)
Surplus on sale of Investment	5	(104)	-
Transfer to/(from) Asset Management	6	(16,320)	(3,807)
Net Operating Expenditure		22,771	17,750
(Deficit)/Surplus transferred from/to HRA Balances	1	(1,189)	1,272
Movement on Earmarked Reserves	7	(1,201)	219
Transfer from Major Repairs Reserves	1	(723)	-
Contribution (from)/to DSO reserves	8	(708)	(280)
Capital Financing Reserve - MRP Adjustment	9	(1,350)	(1,258)
- Deferred Charges		(1,945)	(1,249)
- Transfer to	5	104	-
Financing of Capital Expenditure		1,327	15
Amount to be met from Government Grant and Local Taxpayers		17,086	16,469
Precept demanded from the Collection Fund		(6,460)	(5,902)
Collection Fund Transfer - Community Charge		(5)	(5)
- Council Tax		(35)	(28)
Revenue Support Grant		(4,800)	(4,084)
Contribution from Non-Domestic Rate Pool		(5,960)	(5,955)
(Surplus)/Deficit for the Year		(174)	495
General Fund Balances			
Balance at the Beginning of the Year		(2,850)	(3,345)
(Surplus)/Deficit for the Year		(174)	495
Balance at the End of the Year		(3,024)	(2,850)

NOTES TO THE STATEMENT OF TOTAL
MOVEMENTS IN RESERVES

■ 1. Purpose of Reserves

The Fixed Asset Restatement Reserve and Capital Financing Reserve cannot be called upon to support spending as these reserves are only realised on the disposal of assets. The Usable Capital Receipts Reserve can only be used to meet spending for capital purposes. The Revenue Reserves can be used to meet capital and revenue expenditure. Further information on these reserves is provided in the appropriate notes to the Consolidated Balance Sheet (pages 38-40).

■ 2. Capital Reserves

The movements can be analysed between HRA and General Fund as set out below:

	HRA £'000	General Fund £'000	Total 2001/2002 £'000
Net Surplus/(Deficit) for Year	1,188	(3,879)	(2,691)
Unrealised Gains/(Loss) from Revaluation of Fixed Assets	25,150	447	25,597
<i>Effects of disposals of assets:</i>			
Cost or Value of Assets Disposed of	(7,146)	(6,798)	(13,944)
Proceeds of Disposals	5,663	6,584	12,247
Net Surplus/(Deficit)	(1,483)	(214)	(1,697)
Grants and Contributions	-	80	80
Net Movement	24,855	(3,566)	21,289

■ 3. Revenue Reserves

The analysis of movements between HRA and General Fund is provided in the notes to the Consolidated Balance Sheet (notes 17 and 18, page 40).

**STATEMENT OF TOTAL MOVEMENTS IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2002**

This statement shows all the Councils gains and losses for the period with the movements separated between capital and revenue reserves.

	CAPITAL RESERVES			REVENUE RESERVES		Total 2001/2002 £'000	Total 2000/2001 £'000
	Fixed Asset Restatement Reserve £'000	Capital Financing Reserve £'000	Usable Capital Receipts £'000	Earmarked Reserves £'000	Revenue Balances £'000		
Balance at the Beginning of the Year	202,217	72,363	2,633	5,684	8,190	291,087	213,750
Net Surplus/(deficit) for year		(2,691)		(1,899)	(1,179)	(5,769)	(5,465)
Unrealised gains/(loss) from revaluation of fixed assets	25,597					25,597	82,142
<i>Effects of disposals of assets:</i>							
Cost or value of assets disposed of	(11,998)	(1,946)				(13,944)	(7,971)
Proceeds of disposals		6,124	6,123			12,247	8,577
Net surplus/(deficit)	(11,998)	4,178	6,123			(1,697)	606
Financing of Fixed Assets		5,215	(5,215)			-	-
Grants and Contributions		80				80	54
Balance at the End of the Year	215,816	79,145	3,541	3,785	7,011	309,298	291,087
Consolidated Balance Sheet Note	13	14	16	17	18		

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

■ *1. Consolidated Revenue Account – General*

The services shown follow groupings, under national Best Value guidance, to help comparison between different Local Authorities. The financial statements and supporting notes for the Housing Revenue Account (HRA) have been significantly revised to meet the new Housing Resource Accounting requirements. Further details are provided in the section on HRA on pages 17-23. The revised presentation has made some changes to the way the HRA figures are included in the Consolidated Revenue Account and the Asset Management Revenue Account (note 6). The new guidance has been followed and the actuals for 2000/01 restated as appropriate.

■ *2. Transfers to and from other Provisions*

	2001/2002 £'000	2000/2001 £'000
Transfers from Insurance Fund	-	(600)
Reduction in General Provision for Bad Debts	-	(5)

A review of the Insurance Provision established that the accumulated balance was greater than the minimum required to cover its current risks. Therefore the excess balance of £600,000 was transferred to the Revenue Account in 2000/01. (See note 12, page 37).

A contribution to or from the general provision for bad debts has not been made this year because the overall level of provision is considered adequate.

■ *3. Council Tax Benefit Subsidy Limitation*

In 1999/2000, the Government introduced a scheme to limit council tax benefit subsidy. Up until that point, subsidy had normally been paid to billing Authorities at a level of 95% of the benefits awarded to persons liable for council tax. The other 5% was met by the billing Authority. However, from 1999/2000, billing and precepting Authorities setting council tax above Government guidelines have been required to meet a proportion of the increase in benefits awarded because of their higher tax level.

Our tax increase for 2001/2002 was above the guideline and thus a contribution of £32,000 is payable into the Collection Fund (note 1, page 25).

■ 4. Trading Operations

Significant trading operations are included in this Statement of Accounts as follows:-

Trade Refuse – Included within "Waste Collection" in the Consolidated Revenue Account (page 6). The surplus for the year was £101,000 on a turnover of £457,000. (2000/01 £98,000 on £475,000).

Harbour – Shown within the Consolidated Revenue Account (page 6). The harbour was closed in May 2001. The results for the year include the costs of closure including the writing out of the deferred charge of £1.082 million (page 28).

Building Control – Shown in Note 12, page 12.

Direct Service Organisation – The services that were previously subject to CCT legislation have been integrated into overall service provision and review. The services are no longer accounted for on a trading basis being included as public services within the consolidated revenue account.

Colchester Leisure World – Included within "Recreation and Sport" in the Consolidated Revenue Account (page 6).

	2001/2002 Income £'000	2001/2002 Expenditure £'000	2001/2002 Deficit/(Surplus) £'000	2000/2001 Deficit/(Surplus) £'000
Leisure World	2,926	3,046	120	28

Support Services – We also operate a range of internal trading units which provide support services. These aim to break even and generate income from charges to the services set out in the Consolidated Revenue Account. The deficit for the year was £148,000 on a combined total turnover for these activities of £10,558,000. (2000/01 £181,000 on £10,288,000).

■ 5. Surplus on Sale of Investments

One of our long term investments was repaid during the year and the surplus over cost has been transferred to the Capital Financing Reserve (note 14, page 38).

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with the expected rates of return shown.

	Proportion %	Expected Return %
Equity investments	70.7	7.5
Gilts	10.4	5.25
Bonds and Property	15.4	6.0
Other assets	3.5	4.5
	100.0	6.9

There is no provision for unitising the assets of a Fund under the LGPS. The assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

At 31 March 2002, the following overall assets and liabilities for pensions related to the Council but have not been included in our balance sheet:

	31 March 2002 £000's
Estimated liabilities in scheme	92,300
Estimated assets in scheme	71,000
Net liability	21,300

The £21.3 million is the estimated long term liability, as at 31 March 2002, which would have to be met over a period of years. As such, it does not have an immediate impact on the Council's reserves. However, we are making an annual back-funding contribution (see note 13 to the Consolidated Revenue Account, page 13) designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation. The level of the back-funding contribution is one of the factors taken into account in setting the Council Tax.

■ 21. Contingent Liabilities

There have been claims, with the potential for further claims, on an area of the Council's activities which could amount to substantial sums. It is not appropriate to disclose the nature of the item or the sums at this stage. The claims have been rejected and no provision has been made in the accounts.

On a separate issue we have received a claim in respect of past events on another area of the Council's activities which could amount to a substantial sum. It is not appropriate to disclose the nature of the item or the sum at this stage. There could be a potential liability which could exceed indemnity levels available under the Council's insurance arrangements although this is unlikely. The claim is being investigated and no provision has been made in the accounts.

19. Analysis of Net Assets Employed

The net assets employed represent the local taxpayers 'equity' in the authority and are analysed between the main functions in the table below.

	31 March 2002 £'000	31 March 2001 £'000
General Fund	305,463	284,529
Housing Revenue Account	3,835	5,024
Direct Service Organisations	-	1,534
Total Equity	309,298	291,087

20. Disclosure of Net Pensions Asset/Liability

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

We participate in the Local Government Pensions Scheme (LGPS) administered by Essex County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

In 2001/02, pensions costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the Essex County Council pension scheme (based on a formal actuarial valuation for 31 March 1998) and the pensions payable in the year to retired officers. Further details on the charges to the revenue account are provided in note 13 to the Consolidated Revenue Account, page 13.

The figures disclosed below have been provided by Watson Wyatt, an independent firm of actuaries. The figures have been derived by approximate methods from the full actuarial valuation of the Fund carried out by Watson Wyatt as at 31 March 2001.

The main financial assumptions adopted as at 31 March 2002 were:

	%
Rate of inflation	2.5
Rate of increase in salaries	4.3
Rate of increase in pensions (parts of pensions in payment representing guaranteed minimum pensions are not increased (pre-1998 accrual) or increased at 2.0% per annum (post-1998 accrual)).	2.5
Rate for discounting scheme liabilities	6.1

6. Transactions on the Asset Management Revenue Account

	2001/2002 £'000	2000/2001 £'000
Income		
<i>Capital Charges:</i>		
General Fund	(6,152)	(5,881)
Housing Revenue Account	(19,442)	(2,405)
Other – DSO's	-	(325)
Transfer from Capital Contributions – Deferred Account	(74)	(66)
Transfer from Capital Financing Reserve	-	(3,924)
	(25,668)	(12,601)
Expenditure		
<i>Provision for Depreciation</i>		
General Fund	1,388	1,299
Housing Revenue Account	4,647	3,924
External Interest Charges	3,313	3,571
Balance to Consolidated Revenue Account	(16,320)	(3,807)

External interest charges and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges paid by services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation. For the first time the account includes capital charges and depreciation on Housing Revenue Account (HRA) assets under the new HRA Resource Accounting requirements (see pages 17-23).

7. Movement on Reserves

	2001/2002 £'000	2000/2001 £'000
<i>Transfer to Reserves:</i>		
Heritage Reserve	4	2
Capital Expenditure Reserve	85	403
Asset Replacement Reserve	66	90
Gosbecks Reserve	7	27
Other Earmarked Reserves	57	119
	219	641
<i>Income Attributable to Reserves:</i>		
Contributions & Sales	(10)	(33)
<i>Transfers from Reserves:</i>		
Capital Expenditure Reserve	(1,268)	(83)
Heritage Reserve	(91)	(261)
Asset Replacement Reserve	(51)	(29)
Other Reserves	-	(16)
	(1,420)	(422)
Net Movement on Reserves	(1,201)	219

■ 8. Contribution (from)/to DSO Reserves

The DSO services previously subject to CCT legislation are no longer accounted for on a trading basis. The contribution returns the balance accumulated in previous years to the General Fund.

■ 9. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutorily prescribed minimum charge made to the revenue account to provide for the repayment of debt. This basic element is offset by an adjustment to equalise the impact of commutation.

	2001/2002 £'000	2000/2001 £'000
Non-Housing Amount	(681)	(707)
Housing Amount	645	682
Minimum Revenue Provision	(36)	(25)

Under the 2000 Code depreciation, grants and contributions deferred are regarded as part of the MRP and thus the balance is transferred to or from the revenue account to match the total required.

	2001/2002 £'000	2000/2001 £'000
Amount Charged as Depreciation (Non-HRA)	1,388	1,299
Transfer from Capital Contributions – Deferred Account	(74)	(66)
Credit to Consolidated Revenue Account – Appropriation Account	(1,350)	(1,258)
	(36)	(25)

■ 10. Section 137 Expenditure

Following amendments under the Local Government Act 2000 we are only obliged to publish grants made to charities in the UK, not for profit bodies and mayoral appeals.

We have made no such contributions in this financial year.

■ 17. Earmarked Reserves

	Balance at 1 April 2001 £'000	Transfer (to) From Revenue £'000	Capital Financing £'000	Balance at 31 March 2002 £'000
Major Repairs Reserve	-	3,924	(3,924)	-
Capital Expenditure Reserve	3,434	(1,183)	-	2,251
DSO Reserves	708	(708)	-	-
Asset Replacement Reserve	826	15	-	841
Heritage Reserve	122	(26)	(61)	35
Gosbecks Reserve	398	7	-	405
Sundry Balances	196	57	-	253
Total Reserves	5,684	2,086	(3,985)	3,785

The **Major Repairs Reserve** is maintained to provide for capital spending on housing stock within the Housing Revenue Account. This reserve was created under the new Housing Resource Accounting requirements.

The **Capital Expenditure Reserve** is maintained to provide finance for future capital schemes.

The **Direct Service Organisation Reserve** was maintained to meet future expenditure on capital schemes, and provide for potential redundancy payments and revenue losses incurred. These services are no longer operated on a trading basis and the balance has been transferred into the General Fund.

The **Asset Replacement Reserve** is maintained to provide for the replacement of vehicles, plant and equipment.

The **Heritage Reserve** is maintained to provide funding for the repair, maintenance and continuing development of ancient and historical monuments.

The **Gosbecks Reserve** is maintained to provide for the development of the Archaeological Park. The main source of funding was the 'dowry' agreed on the transfer of the land.

■ 18. Revenue Balances

	Notes	Balance at 1 April 2001 £'000	Additions to Balances £'000	Withdrawal from Balances £'000	Balance at 31 March 2002 £'000
General Fund	Page 7	2,850	174	-	3,024
Housing Revenue Account	page 17	5,024	-	(1,189)	3,835
Collection Fund	page 24	316	-	(164)	152
Total Revenue Balances		8,190	174	(1,353)	7,011

■ 15. Provision for Credit Liabilities (Memorandum Account)

	Notes	2001/2002 £'000	2000/2001 £'000
Balance at the Beginning of the Year		-	-
Capital Receipts Set Aside		6,020	4,167
Statutory Minimum Revenue Provision:			
General Fund	Page 11	(681)	(707)
Housing Revenue Account	Page 17	645	682
Total Provision		5,984	4,142
Applied to:			
Repayment of Long Term Loans		4,904	3,461
Financing Capital Expenditure		1,080	681
Balance at the End of the Year		-	-

From 1 April 1994 these transactions are incorporated within the Capital Financing Reserve (see Note 14, page 38) but are shown separately in this memorandum account for record purposes. We fully show external debt repayment in this account.

■ 16. Usable Capital Receipts Reserve

	Notes	2001/2002 £'000	2000/2001 £'000
Balance at the Beginning of the Year		2,633	119
Capital Receipts in the Year:			
Sale of Council Housing		5,595	4,748
Other Sales and Repayments of Loans		4,646	3,148
Housing Association Grant		1,902	681
Total Capital Receipts in the Year		12,143	8,577
Capital Receipts Applied in the Year:			
Financing of Capital Expenditure		5,215	1,896
Set Aside for the Redemption of Debt	14	6,020	4,167
Total Capital Receipts Applied in the Year		11,235	6,063
Balance at the End of the Year		3,541	2,633

■ 11. Expenditure on Publicity

Section 5 of the Local Government Act, 1986 (Part II) requires a Local Authority to account separately for expenditure on publicity. The following account draws together in one place the net expenditure on general publicity during the year.

	2001/2002 £'000	2000/2001 £'000
Staff Recruitment	178	135
Tourism	295	288
Industry and Commerce	116	122
Miscellaneous Advertising & Publications	229	109
Total Net Expenditure on Publicity	818	654

■ 12. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	2001/2002 Chargeable £'000	2001/2002 Non Chargeable £'000	2001/2002 Building Control £'000	2000/2001 Building Control £'000
Building Regulations Charging Account 2001/2002				
Expenditure				
Employee Expenses	237	113	350	303
Premises	22	9	31	31
Transport	23	9	32	28
Supplies and Services	15	6	21	24
Third Party Payments	5	1	6	3
Central and Support Service Charges	54	41	95	98
TOTAL EXPENDITURE	356	179	535	487
Income				
Building Regulation Charges	457	-	457	408
Miscellaneous Income	10	16	26	17
TOTAL INCOME	467	16	483	425
(Surplus)/Deficit for Year	(111)	163	52	62

The above sums are included within the Consolidated Revenue Account (page 6) together with Disabled Access.

■ 13. Pension Costs

In 2001/2002 the Council paid an employer's contribution of £2,060,800, including back-funding, representing 13.4% of employees' pensionable pay into Essex County Council's Pension Fund, which provides members of the scheme with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31 March 2001. However, for the financial year 2001/2 the rate was set under the valuation as at 31 March 1998. Rates are set to meet 100% of the overall liabilities of the fund.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2001/2002 the annual payments amounted to £316,114, representing 2.05% of pensionable pay. The sum of £435,000, representing 2.83% of pensionable pay, is also payable to the fund for the additional costs of early retirements approved in the year.

The capital cost of the added years increases in pension payments agreed by the Authority in the year amounts to £445,700. The capital cost of increases agreed in earlier years, for which payments are still being made, amounts to £5,530,000. The Fund's Actuary has advised that the pension costs it would have been necessary to provide for in the year in accordance with SSAP 24, 'Accounting for Pension Costs' are £2,026,010, representing 13.17% of pensionable pay.

The results of the review at 31 March 2001 are implemented with effect from 1 April 2002. The Actuary advised that the overall funding level of the Pension Fund had fallen from 90.5% in 1998 to 88.6% in 2001. The decline in the funding level means the overall contribution from participating authorities has to be increased. The under funding is planned to be cleared over a twelve year period. The increased back-funding contribution will be phased in over three years and will then increase each year by RPI plus 1.75%. The sum required from this authority for back-funding is £649,000 for 2002/2003 and this is expected to increase to £1,090,000 for 2004/05. Further details on pension liabilities are provided in note 20 to the balance sheet, page 41.

Further information can be found in Essex County Council's Pension Fund's Annual Report which is available upon request from Essex County Council, Treasurer's Department, P.O. Box 4, County Hall, Chelmsford CM1 1JZ.

■ 13. Fixed Asset Restatement Reserve

	2001/2002 £'000	2000/2001 £'000
Balance at the beginning of the Year	202,217	127,344
Less: Disposal of Fixed Assets	11,998	7,269
Add: Restatement Increases	25,597	82,142
Balance at the End of the Year	215,816	202,217

The system of capital accounting, introduced in 1994/95, required the establishment of the fixed asset restatement reserve. The reserve is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations.

■ 14. Capital Financing Reserve

	2001/2002 £'000	2000/2001 £'000
Balance at the beginning of the Year	72,363	73,364
Capital Receipts Set Aside	6,020	4,167
Sale of Investment	104	-
<i>Capital Financing</i>		
Capital Receipts	5,215	1,896
Revenue	1,266	-
Reserves	3,985	15
Contributions	80	54
MRP (less non-HRA depreciation provision)	(1,350)	(1,258)
	87,683	78,238
<i>Less: Write Down of:</i>		
Deferred Charges – via revenue	1,945	1,249
Long Term Debtors	1,946	702
HRA Depreciation	4,647	3,924
Balance at the End of the Year	79,145	72,363

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as capital expenditure which does not produce a retained asset for the Authority is written out.

11. Deferred Credits

	Balance at 31 March 2002 £'000	Balance at 31 March 2001 £'000
Council House Sales	337	446
Other Sales	-	-
Total Deferred Capital Receipts	337	446
Discounts Received	435	-
Total Deferred Credits	772	446

Discounts can be received when long term debt is redeemed and this benefit is applied to later years' revenue accounts. The benefit for 2001/02 is £24,500. This has been offset against interest charges within the Asset Management Revenue Account (note 6, page 10). Premiums paid on long term debt redemption are detailed in a separate note (note 4, page 34).

12. Provisions

Category of Provision	Balance at 1 April 2001 £'000	Contribution from Revenue in the Year £'000	Transfer to Revenue in the Year £'000	Payments in the Year £'000	Balance at 31 March 2002 £'000
Renewal & Repairs	3,975	443	-	(370)	4,048
Insurance	749	63	-	(15)	797
Other	203	-	-	-	203
Total Provisions	4,927	506	-	(385)	5,048

The **Renewal and Repairs Provision** is maintained for the replacement of plant and equipment, and the maintenance of premises. Annual contributions are based upon the estimated renewal or repair cost, spread over the anticipated life of the asset.

The **Insurance Provision** is kept to cover the risk of fire and damage to Council Houses and other selected properties, as well as certain other risks.

The major risks covered at present are:

- (1) **Housing Stock** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with general properties, for any one period of insurance, of £100,000.
- (2) **General Properties** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with Housing stock, for any one period of insurance, of £100,000.
- (3) **All Risks Items** – Accidental damage or any loss associated with theft which is excluded from our external theft policy but qualifies under the provision policy.
- (4) **Car Loan Guarantee** – Covers any unrecoverable amount in the event of payment default.

14. Members and Employees

The total of Members' allowances paid in the year was £233,227 and this is included within Democratic Representation and Management in the Consolidated Revenue Account (page 6).

To provide the services of the Council the following number of full-time and part-time staff were employed as at March.

	2001/2002	2000/2001
Transportation	18	27
Refuse and Cleansing	152	148
Planning	52	72
Leisure and Museums	340	311
Housing	201	197
Finance and Computing	120	119
Environmental Health	45	42
Contracted Direct Public Services	85	80
Architectural and Highway Services	73	77
Administration and Other Services	142	140
	1,228	1,213

Within the total number of employees are those whose remuneration, excluding pension contributions but including termination payments, was £40,000 or more. These are shown in bands of £10,000.

Remuneration Band	Number of Employees (left during the year)	
	2001/2002	2000/2001
£40,000 - £49,999	12(3)	10(2)
£50,000 - £59,999	4(3)	1(1)
£60,000 - £69,999	4(3)	4
£70,000 - £79,999	1(0)	-
£80,000 - £89,999	2(2)	-
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	1(1)	1(1)

15. Highways Agency Income and Expenditure

The Council has an agency agreement with Essex County Council whereby the Council is responsible for maintaining highways within the Borough on their behalf. The County Council reimburses the Borough for this work, including a contribution towards administrative costs.

A summary of expenditure incurred in respect of the activity, which is included in the Consolidated Revenue Account, is as follows:

	2001/2002 £'000	2000/2001 £'000
Routine Maintenance	2,008	2,334
Street Lighting	449	431
Other	405	402
Administrative Costs	1,133	1,186
Capital works	587	835
Total Expenditure	4,582	5,188

The accounts have been drawn up on the basis that this expenditure will be fully reimbursed.

16. Related Party Transactions

During the year material transactions with related parties, which are not fully disclosed elsewhere in the Statement of Accounts, arose as follows:

	2001/2002		2000/2001	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Central Government:				
Revenue grants (see note 5, page 47)	28,183		25,106	
Non-domestic Rate Income from National Pool	5,960		5,955	
<i>Capital grants</i>				
- Department of Transport				
Local Government & the Regions	250		359	
- English Heritage	110		62	
- Single Regeneration Budget	517		798	
Essex County Council:				
Precept (see notes 5 & 6, page 27)		37,700		34,270
Highways Agency (see note 15, page 14)	4,582		5,188	
Countywide Concessionary Travel Scheme		402		384
Trade Waste Disposal		100		108
Contributions to Capital Schemes	36		82	
Recycling Credits	249		244	
High Diversion Trial Contribution	140		107	
Joint Use of Sports Centres	71	98	90	81
Other, including County Supplies	9	118	6	117
Essex County Council Pension Fund				
Employers Contributions (see note 13, page 13)		2,812		2,523
Parish Councils	3	587	4	531
The payments are grants and precepts to support services provided by Parish Councils. The receipts are contributions to joint finance schemes.				
Colchester Primary Care Trust	44		32	
Contributions for joint finance schemes for housing special needs and health promotion.				
Mercury Theatre Company – Grant		264		259
We work with the company and the Eastern Arts Board to support theatre provision in Colchester. The Council is the sole trustee of the Colchester New Theatre Trust (see page 54).				
Colchester United Football Club	18		18	
The receipt for rent of the Layer Road ground is £12,000. The balance of the sum due of £118,000 is not collected being recorded as a grant. The Council is working with the Club on plans to relocate the Club to a new community stadium to be built on land owned by the Council. The Club have contributed £5,875 as their share of expenses this year.				

9. Creditors

	Value as at 31 March 2002 £'000	Value as at 31 March 2001 £'000
Non Domestic Rate Prepayment	1,165	1,008
Community Charge Overpayment	6	5
Council Tax Prepayment	890	1,025
Contribution to NNDR Pool	125	-
Interest Payable	963	1,055
Government Departments	919	1,298
Council Tenants	240	168
Contractors' Deposits	300	249
Essex County Council	638	491
Contractors re Capital Schemes	636	820
General Creditors	3,741	4,215
Total Creditors	9,623	10,334

10. Long Term Borrowing

	Amount outstanding as at 31 March	
	2002 £'000	2001 £'000
Public Works Loan Board	15,798	23,856
Money Market	20,000	20,000
Total Long Term Borrowing	35,798	43,856

The average interest rate for all loans (including short term borrowing) was 7.24% (2000/2001= 7.25%).

An analysis by maturity date of long term borrowing is shown below.

	2002 £'000	2001 £'000
Maturing:		
between one and two years	31	33
between two and five years	-	31
between five and ten years	-	-
over ten years	35,767	43,792
Total Long Term Borrowing	35,798	43,856

In April 2002 we prematurely repaid £6.0 million PWLB debt under a debt restructuring exercise. This debt is in the 'over ten years' category above at 31 March 2002.

6. Long Term Debtors

There are debtors which fall due over a period of at least one year. They comprise of mortgages held by the Council.

Category of Long Term Debtor	Balance at 1 April 2001 £'000	Advances in the year £'000	Repayments in the year £'000	Balance at 31 March 2002 £'000
Sale of Council Houses	446	-	(109)	337
Purchase/Improvement of Private Sector Houses	142	-	(17)	125
Loans to Housing Associations	99	1,902	(1,929)	72
Total Long Term Debtors	687	1,902	(2,055)	534

7. Stocks & Work in Progress

	Value as at 31 March 2002 £'000	Value as at 31 March 2001 £'000
Stocks		
Direct Service Organisations	243	282
Other	132	171
	375	453
Less: Provision for Obsolete Stock	74	74
Total Stocks	301	379
Work in Progress		
Direct Service Organisations	-	91
Total Work in Progress	-	91

8. Debtors

	Value as at 31 March 2002 £'000	Value as at 31 March 2001 £'000
Sums falling due within One Year:		
Non-domestic Rate Arrears	1,853	2,983
Community Charge Arrears	188	193
Council Tax Arrears	3,194	2,451
Contribution from NNDR Pool	-	304
Government Departments	460	95
Council Tenants	1,779	1,406
Essex County Council	520	889
Customs & Excise (VAT)	343	514
Car Leasing Scheme	48	79
General Debtors	3,573	3,503
Total Due within One Year	11,958	12,417
Sums falling due after One Year:		
General Debtors	186	205
Total Due after One Year	186	205
Gross Debtors	12,144	12,622
Less: Provision for Doubtful Debts	(3,584)	(3,904)
Total Debtors	8,560	8,718

	2001/2002		2000/2001	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Voluntary Organisations – Grants				
Arts Development		180		170
Welfare Organisations		126		139
East Colchester Single Regeneration Budget		149		113
Village Halls and Community Centres		12		48
Community Partnership Schemes		71		-
Recreation Development		25		53
Housing Groups		53		52
Shopmobility (Joint with CCVS)		43		43
Other		39		40
Economic Development activities – Grants				
Colchester Business Enterprise Agency		19		19
Other		65		53

17. Leasing

Leasing rentals are charged to operating costs in the revenue account.

The Council used finance leasing to acquire vehicles and equipment up to 1988/89. The rentals paid on these leases during the year were £325 (£486 in 2000/01).

The Council uses operating leases to obtain cars for officers, some vehicles and plant and computer equipment. The amount paid under these arrangements in 2001/2002 was £175,356 (2000/01 £286,597). All these arrangements provide for charges to be made evenly throughout the period of the lease.

The future cash payments required under these leases at 31 March 2002 are:

	Total Outstanding Obligations under Non-Finance Leases £'000
2002/2003	43
2003/2004	33
2004/2005	13
2005/2006	6
	95
31 March 2001	256

There are no outstanding obligations on Finance Leasings as at 31 March 2002.

**HOUSING REVENUE ACCOUNT FOR THE
YEAR ENDED 31 MARCH 2002**

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and sales of the Council houses and flats. The account has to be self-financing and the total cost is met by income from rents, charges and Government subsidies. Contributions to or from Council Taxpayers, other than for strictly defined purposes, are not permitted under the Local Government and Housing Act 1989.

The Act also prescribes the items of expenditure and income to be included within the account and the accounting treatment of capital financing charges.

Since last year there have been a number of changes to the HRA Accounting Practices and therefore the 2000/01 figures have been restated to comply with the new reporting standards.

	Notes	2001/2002 £'000	2000/2001 £'000
INCOME			
Dwelling Rents (Gross)	1&2	18,159	17,818
Non-Dwelling Rents (Gross)	3	624	604
Charges for Services and Facilities		1,620	1,331
Contributions towards Expenditure		123	13
HRA Subsidy Receivable (including MRA)	10	7,497	4,265
Total Income		28,023	24,031
EXPENDITURE			
Repairs & Maintenance		4,325	3,974
Supervision and Management		5,794	4,505
Rents, Rates and Other Charges		179	167
Rent Rebates		10,646	10,634
Increased provision for Bad or Doubtful Debts	11	177	334
Cost of Capital Charges	6	14,795	2,405
Depreciation and Impairments of Fixed Assets	7&8	4,647	-
Amortisation of Deferred Charges	9	-	-
Debt Management Costs		45	44
Gross Expenditure		40,608	22,063
Net Cost of Services		12,585	(1,968)
Net HRA Income from the Asset Management Account	6	(12,630)	-
Transfers from the General Fund as directed by the Secretary of State		-	-
Amortised Premiums and Discounts		262	326
HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)		(216)	(312)
Net Operating Expenditure			
Revenue Contribution to Capital Expenditure	14	678	-
HRA contribution to Minimum Payment Provision		645	682
Transfer to/(from) Major Repairs Reserve	4	(723)	-
Deficit/(Surplus) for the Year Before Use of Balances		601	(1,272)
Capital Expenditure met from Balances	14	588	-
Deficit/(Surplus) for the Year After Use of Balances		1,189	(1,272)
Balance Brought Forward		(5,024)	(3,752)
Balance Carried Forward	13	(3,835)	(5,024)

that there has been any other material change in asset values and therefore the remaining valuations have not been updated.

The valuations were carried out by Mr Keith Durrant, ARICS, Estates Services Officer, Estates and Economic Development Services, Colchester Borough Council.

3. Deferred Charges

	2001/2002 £'000	2000/2001 £'000
Balance at the beginning of the Year	206	309
Expenditure in Year		
Renovation Grants	872	1,321
Other	3,407	586
	4,485	2,216
Less:		
Government Grants	847	761
Amounts Written Off to Consolidated Revenue Account	1,945	1,249
Balance at the End of the Year	1,693	206

4. Deferred Premiums

Premiums can be incurred where long term debt is redeemed and this charge is applied to future years revenue accounts in line with recommended practice. The charge for 2001/2002, £289,800, has been included under interest charges within the Asset Management Revenue Account (Note 6, page 10).

5. Long Term Investments

	Balance at 31 March 2002 £'000	Balance at 31 March 2001 £'000
Association of District Councils (ADC) Debenture	10	10
Marketable Securities (at cost)	21	31
Total Long Term Investments	31	41
Market Value of Marketable Securities at 31 March	10	147

■ 2. Valuation of Fixed Assets

Council dwellings were revalued at 1 April 2000 at a gross value of £232.6 million. Since the accounts for 2000/01 were completed, further information has become available which has led to the valuation being reviewed. The result is an increase in the valuation of £3.5 million. This has been introduced into the 2001/02 accounts. The valuation of dwellings has been uplifted to 1 April 2001 in the 2001/02 accounts and this is reflected in the valuation at 31 March 2002. Land and property assets other than Council dwellings are valued as at 1 April 1999 (gross valuation at 1 April 1999 was £76.6 million).

The valuations were made in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Asset Valuation Standards Committee of the Royal Institution of Chartered Surveyors.

These valuations have been based upon available records, some of which have proved to be quite limited, and hence personal experience and judgement has had to be relied upon to a large degree. Many valuations are therefore indicative only. Specific inspections and structural or soil surveys have not been carried out and service installations have not been tested. Plant and machinery which would normally be regarded as an integral part of the buildings on letting or sale has been included in the valuation of the building but all items of loose furnishings and fittings, for example desks, computers, curtains and the like, are excluded.

Operational assets are those held occupied and used in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility. They have been valued on the basis of Open Market Value in Existing Use (OMVEU) where this could be assessed. This assumes that the asset will continue to be owner-occupied, or let pursuant to the delivery of a service, for the existing use for the foreseeable future.

Specialised properties are those which are rarely, if ever, sold on the open market due to their specialised nature, location or use. They have been valued on the basis of Depreciated Replacement Cost (DRC). The DRC basis of valuation requires an estimate of the value of the land in its existing use together with the current gross replacement of the building and its external works, from which appropriate deductions have been made to reflect the age, condition, economic and functional obsolescence and other locational factors which might result in the existing property being worth less than a new replacement building.

Council dwellings were revalued in preparation for the introduction of Resource Accounting for the Housing Revenue Account. Guidance on the valuation approach was provided by the Department of the Environment, Transport and the Regions. The dwellings were valued on the basis of Existing Use Value – Social Housing (EUV-SH). The stock was broken down into archetype groups and an average based on beacon values applied to each group. The figure applied per unit is based upon tenanted individual properties.

Non-operational assets are assets held by the Council but which are not directly occupied or used in the delivery of services. They have been valued on the basis of Open Market Value (OMV). This basis reflects the highest of all potential uses and not simply the existing use.

Fixed assets are updated for additions and disposals in the year. One property has been revalued following a deterioration in its condition and the impairment loss has been recognised in the accounts. Other than these and the changes in Council dwellings noted above it is not considered

NOTES TO THE HOUSING REVENUE ACCOUNT

■ 1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2002 1% of lettable properties were vacant.

The Council was responsible for the management of approximately 7,000 properties during the year. The stock at the beginning and end of the year was made up as follows:

	31 March 2002	1 April 2001
Analysis by Type of Dwelling:		
Houses	2,563	2,679
Flats & Maisonettes	3,450	3,547
Bungalows	834	834
Total Dwellings	6,847	7,060
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,682	2,734
2 Bedrooms	2,027	2,088
3 Bedrooms	2,042	2,131
4 or more bedrooms	96	107
Total Dwellings	6,847	7,060

The change in stock can be summarised as follows:

	2001/2002	2000/2001
Stock at the beginning of the year	7,060	7,224
Add: Acquisitions, etc.	-	1
	7,060	7,225
Deduct: Sales, demolitions, conversions etc.	213	165
Stock at the End of the Year	6,847	7,060

The most recent valuation of HRA assets that has been prepared was at 1 April 2000. The valuation of dwellings has been uplifted to 1 April 2001 in the 2001/02 accounts and this is reflected in the valuation at 31 March 2002.

Balance Sheet Valuation of HRA Assets	At 31 March 2002 £'000	At 1 April 2001 £'000
Operational Assets	244,481	226,470
Non Operational Assets	471	395

■ 2. Vacant Possession

The Vacant Possession Value is the Authority's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet Value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the Balance Sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value.

Vacant Possession Value	At 31 March 2002 £'000	At 1 April 2001 £'000
HRA Dwellings	400,683	375,892

■ 3. Non Dwelling Rents

These total £624,000 and are made up as follows:

Non Dwelling Rents	2001/2002 £'000	2000/2001 £'000
Garages and other Charges	532	518
Land and other Buildings	92	86
Total	624	604

■ 4. Major Repairs Reserve

Major Repairs Reserve	2001/2002 £'000
Balance as at 1 April 2001	-
Transfers in – depreciation (note 7)	4,647
Transfers out to the HRA	(723)
Capital Spending met from Reserve	(3,924)
Balance as at 31 March 2002	-

■ Fixed Assets (continued)

The table below shows movements in net fixed assets.

	Council Dwellings, Land & Property £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Non- Operational Assets £'000	TOTAL £'000
Value as at 1 April 2001	230,472	41,426	5,221	3,134	52	35,785	316,090
Additions	4,649	1,429	500	422	2	(249)	6,753
Disposals	(7,269)	(116)	(91)	-	-	(4,704)	(12,180)
Impairment	-	(44)	-	-	-	-	(44)
Revaluations/Restatements	25,126	607	(153)	-	(1)	(4)	25,575
Gross Book Value at 31 March 2002	252,978	43,302	5,477	3,556	53	30,828	336,194
Depreciation b/fwd as at 1 April 2001	(4,002)	(696)	(1,738)	(419)	-	-	(6,855)
Depreciation for the Year	(4,642)	(670)	(517)	(157)	-	(5)	(5,991)
Depreciation on Assets revalued	24	7	-	-	-	(9)	22
Depreciation on Assets Sold	123	35	24	-	-	-	182
Depreciation balance as at 31 March 2002	(8,497)	(1,324)	(2,231)	(576)	-	(14)	(12,642)
Net Book Value at 31 March 2002	244,481	41,978	3,246	2,980	53	30,814	323,552
Net Book Value at 31 March 2001	226,470	40,730	3,483	2,715	52	35,785	309,235

The revaluations/restatements take account of the adjustment to the revaluation at 1 April 2000, the uplift of Council dwellings to 1 April 2001 value and the impact of additions during 2001/2002.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

Major assets held by the Council are as follows:

	31 March 2002	31 March 2001
Operational Assets		
Council Dwellings		
Council House Stock	6,847	7,060
Council Garages	2,613	2,660
Shared Ownership Properties	21	23
Other Land and Buildings		
Town Hall	1	1
Other Office Locations	5	5
Depots	4	4
Sports Centres (plus 3 jointly used with schools)	1	1
Cemetery	1	1
Crematorium	1	1
Public Conveniences	20	20
Activity Centres for Older People	2	2
Harbour (closed)	-	1
Visitor Information Centre	1	1
Highwoods Interpretation Centre	1	1
Bus Station	1	1
Car Parks (plus 2 temporary sites)	14	14
Colchester Castle	1	1
Other Museums	3	4
Nurseries	1	1
Sports Pavilions	8	8
Vehicles, Plant and Equipment		
DSO Vehicles and Plant	111	110
CCTV Town Centre Monitoring System	1	1
Community Assets		
Museum Exhibits (including artwork)	Circa 500,000	Circa 500,000
Civic Regalia	78	78
Commons and Greens	13	13
Parks and Open Spaces	939 acres	939 acres
Sports Grounds	170 acres	170 acres
Woodland	163 acres	163 acres
Children's Play Area	50	51
Balkerne Gate Roman Features	1	1
Gosbecks Archaeological Park	1	1
Non-Operational Assets		
Former Outdoor Swimming Pool	1	1
Industrial Lettings	47	47
Managed Workshop Scheme	2	2
Shopping Centre (site only)	1	1
Office Complex (site only)	1	1
Business Park (site only)	1	1
Shops	30	30
Office Premises	4	4
Doctors Surgeries	3	3
Vacant Industrial Land	2 acres	2 acres
Allotments	57 acres	57 acres
Oyster Fishery on River Colne	1	1
West Mersea Beach Area	1	1
Farmland	551 acres	551 acres
Sites for Advertising	4	4
Football Stadia	2	2

5. HRA Capital Financing

Capital Financing	2001/2002 £'000	2000/2001 £'000
HRA Capital Expenditure	5,190	2,335
Financed by:		
Borrowing	-	2,335
Usable Capital Receipts	-	-
Revenue Contributions	1,266	-
Major Repairs Reserve	3,924	-
Total	5,190	2,335

Summary of HRA Capital Receipts	2001/2002 £'000	2000/2001 £'000
Sale of Council Houses – Direct	5,486	4,646
Sale of Council Houses – Deferred	109	102
Other (including shared ownership)	68	121
Total	5,663	4,869

The capital receipts are used to repay debt and to finance non-HRA capital expenditure (see page 28 and page 39, note 16).

6. Asset Management Account

The cost of capital charge reflects the cost of capital tied up in Council Housing and other HRA assets. It is calculated as 6% of the value of HRA Operational Assets. However, this charge does not impact on the amount of income to be generated to achieve a balanced budget.

As in previous years, the actual charge to the HRA is its share of the external interest costs of the Council. To reflect this, the capital asset charges accounting adjustment is made as a credit to the HRA, being the difference between the cost of capital charge and the actual HRA interest.

Cost of Capital Charge	2001/2002 £'000
Cost of Capital charge (6% of £246,584,279)	14,795
Cost of Capital Accounting Adjustment	(12,630)
HRA Interest Charge	2,165

This statement shows the financial position of the Council as a whole and summarises its assets and liabilities.

7. Depreciation

Depreciation	2001/02 £'000
Depreciation on HRA Operational Assets (including dwellings)	4,642
Depreciation on HRA non-operational assets	5
Total	4,647

8. Impairment Charges

There were no impairment charges as calculated in accordance with proper practices.

9. Deferred Charges

Deferred Charges	2001/02 £'000	2000/01 £'000
	-	-

Deferred Charges are created when expenditure has been incurred on items that are not capitalised as fixed assets, but have been financed from capital resources. Deferred Charges are written down to the HRA over an appropriate period, usually in the same year in which expenditure has been incurred.

10. Housing Subsidy

The Government pay a subsidy to the Housing Revenue Account. The amount of subsidy received is based on a notional amount which represents the Government's assessment of what the Council should be collecting and spending.

Housing Subsidy	2001/2002 £'000	2000/2001 £'000
Allowance for Management	2,817	2,922
Allowance for Maintenance	3,435	3,380
Allowance for Major Repairs	3,924	-
Charges for Capital	3,610	3,893
Rent Rebates	9,696	9,846
Other Items of Reckonable Expenditure	-	-
Allowance for Tenants Participation Compacts	19	18
Allowance for Resource Accounting	43	42
Rent	(16,002)	(15,836)
Interest on Receipts	(36)	(51)
Housing Subsidy Payable	7,506	4,214

The figure of £7.506 million is the estimate of the amount of subsidy payable to the Council in respect of the financial year 2001/02. This differs from the subsidy receivable in the year because of adjustments to previous years' claims.

	Notes	31 March 2002 £'000	31 March 2001 £'000
Fixed Assets			
<i>Operational Assets</i>			
Council Dwellings		244,481	226,470
Other Land and Buildings		41,978	40,730
Vehicles, Plant and Equipment		3,246	3,483
Infrastructure Assets		2,980	2,715
Community Assets		53	52
Non-Operational Assets		30,814	35,785
Total Fixed Assets	1 & 2	323,552	309,235
Deferred Charges	3	1,693	206
Deferred Premiums	4	909	634
Investments (Long Term)	5	31	41
Long Term Debtors	6	534	687
Total Long Term Assets		326,719	310,803
Current Assets			
Stock	7	301	379
Work in Progress	7	-	91
Debtors	8	8,560	8,718
Investments (short term)		28,659	36,243
Total Current Assets		37,520	45,431
Current Liabilities			
Short Term Borrowing		(33)	(2,286)
Creditors	9	(9,623)	(10,334)
Cash Overdrawn		(928)	(1,443)
Total Current Liabilities		(10,584)	(14,063)
Net Current Assets		26,936	31,368
Long Term Borrowing	10	(35,798)	(43,856)
Capital Contributions – Deferred		(2,739)	(1,855)
Deferred Credits	11	(772)	(446)
Provisions	12	(5,048)	(4,927)
Total Net Assets		309,298	291,087
<i>Represented by:</i>			
Fixed Asset Restatement Reserve	13	215,816	202,217
Capital Financing Reserve	14	79,145	72,363
Usable Capital Receipts Reserve	16	3,541	2,633
Earmarked Reserves	17	3,785	5,684
Revenue Balances	18	7,011	8,190
Total Equity	19	309,298	291,087

NOTES TO THE STATEMENT OF CAPITAL EXPENDITURE & FINANCING

■ 1. Committed Capital Contracts

The following significant contracts have been entered into by the Council at 31 March 2002, for which the committed sums of £3.5 million shown below are yet to be reflected in the accounts.

	Total Anticipated Contract Expenditure £'000	Less Total Expenditure to 31 March 2002 £'000	Committed Contracts as at 31 March 2002 £'000
<i>Council Housing</i>			
Upgrading Stock	4,592	2,543	2,049
Environmental Improvements	840	-	840
Registered Social Landlords' Schemes	2,464	1,887	577
	7,896	4,430	3,466

Where a significant element of an overall project has been contracted by 31 March the full project cost is included above even if some elements were not contracted until after 31 March.

■ 2. Approved Capital Schemes

In addition to the above contracts there are schemes with Registered Social Landlords, with a total estimated value of £0.33 million, which had been approved to proceed but had not been contracted at 31 March 2002.

■ 3. Leasing

The use of items acquired through leasing are not shown as capital expenditure. Leasing rentals are charged to operating costs in revenue (see Note 17, page 16).

■ 11. Rent Arrears

The arrears at 31 March totalled £1.779 million. This excludes prepayments of £0.24 million, and may be analysed as follows:

Arrears	2001/2002		2000/2001	
	£'000	£'000	£'000	£'000
Due from Current Tenants	929		666	
Due from Former Tenants	850	1,779	739	1,405
Prepayments		(240)		(168)
Net Arrears		1,539		1,237

These arrears include all charges due from tenants i.e. rent, rates, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31 March 2002 the provision totalled £1.208 million.

■ 12. Exceptional or Prior Year Items

There are none.

■ 13. Revenue Balances

Out of the revenue balance of £3.835 million a sum of £3.424 million has already been committed for specific future use.

Revenue Balances	2001/2002		2000/2001
	£'000	£'000	£'000
Revenue Balance at the beginning of the Year		5,024	3,752
Less: Housing Revenue Account Deficit 2001/2002	(601)		1,272
Less: Use of Accumulated Balance	(588)	(1,189)	-
Revenue Balance at the End of the Year		3,835	5,024
Less:			
Committed Sum			
Housing Investment Programme 2002/2003 & Future Years	(3,424)		(3,980)
Estimate Balance Carried Forward	-		(286)
Earmarked for Replacement of Housing Computer System	-		(32)
Earmarked Surplus on Housing Management Contract	-	(3,424)	(150)
Uncommitted Balance		411	576

**STATEMENT OF CAPITAL EXPENDITURE AND
FINANCING FOR THE YEAR ENDED 31 MARCH 2002**

■ *14. Capital Expenditure Charged to Revenue*

This represents the cost of capital works spent on Council housing which have been funded from revenue. In addition to an annual contribution (£678,000 agreed for 2001/2002) the Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme.

Further Information

The Authority is required to provide tenants with information on its effectiveness in housing management services. This information is available from Housing Strategic Services 01206 282570.

This statement identifies capital expenditure during the year, and how that expenditure was financed.

	2001/2002 Total £'000
Fixed Assets:	
Improvements to Council Housing	4,649
Buying Land and Buildings	798
Museum Developments	396
Preparing Land for Development	321
Traffic Management Schemes	296
Sport and Playground Developments	207
Other Schemes	86
Total Fixed Assets	6,753
Capital Expenditure not Resulting in Fixed Assets:	
Grants to Registered Social Landlords	1,902
Investment in Information Technology – Software	1,535
Closing the Harbour	1,082
Renovation Grants	872
Grants for Health and Community Centres	449
Conservation Area Partnership Grants	181
Other	160
Total Capital Expenditure not Resulting in Fixed Assets	6,181
Total Capital Expenditure	12,934
Add Net Capital Accruals	171
Total Capital Expenditure to be Financed	13,105
Financed by:	
Borrowing (use of Credit Approvals)	1,206
Application of Capital Receipts	5,215
Major Repairs Reserve	3,924
Application of Heritage Reserve	61
Direct Revenue Funding	1,266
Grants and Contributions	1,358
Renewal and Repairs	75
Total Financing	13,105

■ 5. Precepts

These are cash sums demanded from the Collection Fund by the authorities named below in order to finance their activities.

	2001/2002 £'000	2000/2001 £'000
Essex County Council	37,496	34,108
Colchester Borough Council	6,460	5,902
Essex Police Authority	3,807	3,577
Total Precepts	47,763	43,587

■ 6. Council Tax Surplus/Deficit

Any surplus or deficit on the Fund is shared between the Authorities in proportion to their precept on the Fund and will impact directly on the Council Tax of following years.

The previous years cumulative surplus on Council Tax has been distributed to Essex County Council, Essex Police Authority and this Council in proportion to the value of the respective precepts made by the three Councils on the Collection Fund in 2000/2001. The difference between the surplus achieved and distributed is because the surplus is distributed on an estimated basis.

	2001/2002 £'000	2000/2001 £'000
Essex County Council	204	162
Colchester Borough Council	35	28
Essex Police Authority	22	18
Total Distributed	261	208

■ 7. Community Charge

Community Charge was replaced by the Council Tax from 1 April 1993. However, the Council continues to collect and account for Community Charges raised in earlier years. The income to the Fund reflects the level of collections achieved in 2001/2002.

■ 8. Distribution to Colchester Borough Council

Upon the transition to Council Tax on 1 April 1993 the deficit on the Collection Fund was required to be made good by contributions from this Council's General Fund. This was achieved during 1996/97. The income for Community Charge (Note 7) has been used by the Council to reduce the level of Council Tax in subsequent years.

The Collection Fund accounts independently for income relating to the Council Tax and non-domestic rates on behalf of those bodies (including this Council) for whom the income has been raised.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2001/2002 £'000	2000/2001 £'000
INCOME			
Council Tax	1 - 3	48,084	44,259
Non-Domestic Rates	4	40,127	37,149
Total Income		88,211	81,408
EXPENDITURE			
Precepts	5	47,763	43,587
Non-Domestic Rates:			
Payment to National Pool	4	39,874	36,892
Cost of Collection Allowance		253	257
Bad and Doubtful Debts:			
Write-offs - Council Tax		2	-
Provisions - Council Tax		222	260
Total Expenditure		88,114	80,996
Surplus for the Year - Council Tax	6	(97)	(412)
Distribution/(Collection) of Previous Estimated Surplus/Deficit	6	261	208
Net adjustments for Previous Year's Community Charges	7	(5)	(3)
Distribution to Colchester Borough Council from estimated Collection Fund Surplus (Community Charge)	8	5	5
Deficit/(Surplus) for the Year		164	(202)
Collection Fund Balance			
Balance at the Beginning of the Year		(316)	(114)
Deficit/(Surplus) for the Year		164	(202)
Balance at the End of the Year		(152)	(316)

Notes to the Collection Fund Accounts

1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £891.00 with an estimated tax base of 53,606 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2001/2002 £'000	2000/2001 £'000
Council Tax Income		
Tax Payers	43,462	39,896
Council Tax Benefits transferred from General Fund	4,270	4,156
<i>Contribution to Council Tax Benefit Subsidy Limitation:</i>		
Essex County Council	320	189
Colchester Borough Council	32	18
Transitional Relief	-	-
	48,084	44,259

In 1999/2000 the Government introduced a scheme to limit Council Tax benefit subsidy. Up until that point subsidy had normally been paid to billing Authorities at a level of 95% of the benefits awarded to persons liable for Council Tax. The other 5% was met by the billing Authority. However, from 1999/2000, billing and precepting Authorities setting Council Tax above Government guidelines have been required to meet a proportion of the increase in benefits awarded because of their higher tax level. Essex County Council and Colchester Borough Council (see Note 3, page 8) both made contributions under the scheme in 2001/2002.

2. Council Tax Base

The Council's Tax Base is the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings.

Band	Chargeable Dwellings	Estimated Properties after discounts – exemptions etc.	Ratio to Band D	Band D Equivalent Dwellings
A	8,225	6,159	6/9	4,106
B	17,060	14,295	7/9	11,118
C	17,290	14,978	8/9	13,313
D	11,030	9,837	9/9	9,837
E	6,288	5,863	11/9	7,166
F	3,047	2,880	13/9	4,160
G	2,074	1,867	15/9	3,111
H	151	110	18/9	220

Contributions in lieu for Ministry of Defence Properties 1,115

Total Band D 54,146

Less:

Adjustment for collection rate and for anticipated changes during the year for successful appeals against banding, new properties, demolitions, disabled relief and exempt properties (540)

Council Tax Base 53,606

3. Band D Council Tax

The basic Band D Council Tax, including parishes, for this Council and each of the other Essex districts is as follows:

Authority	Population	District Spend Per Head	Band D Council Tax
Basildon	166,986	140.98	935.75
Colchester	159,945	107.72	891.00
Chelmsford	155,433	105.45	905.03
Tendring	136,922	114.53	885.12
Braintree	134,852	105.15	897.62
Epping Forest	120,817	119.44	903.50
Castle Point	85,049	108.57	931.05
Rochford	79,220	96.52	909.82
Harlow	76,628	175.46	985.68
Brentwood	71,691	114.59	887.64
Uttlesford	70,253	105.85	900.85
Maldon	58,483	101.86	885.64

4. National Non-Domestic Rate (NNDR) Income

Non-domestic rates are organised on a national basis. The Government specifies an amount (43p in 2001/2002) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value assigned to the property that they occupy by that amount. The Council is responsible for collecting rates due from business ratepayers in its area but pays the proceeds into a National pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities on the basis of a fixed amount per head of population.

	2001/2002 £'000	2000/2001 £'000
NNDR Income		
Bills Issued	43,036	38,917
Mandatory Reliefs	(2,007)	(1,315)
Discretionary Reliefs	(144)	(100)
Provision for Bad Debts	(820)	(406)
Net Income	40,065	37,096
General Fund contribution to Discretionary Reliefs	62	53
NNDR Income to Income & Expenditure Account	40,127	37,149
Cost of Collection Allowance	(253)	(257)
Amount Payable to NNDR Pool	39,874	36,892

The total non-domestic rateable value at 31 March 2002 was £112,211,723, the multiplier for the year was 43p. The product of this is £48,251,000. This represents potential income at a point in time, the year end, and thus differs from bills issued during the year due to relief for empty properties, transitional relief, partial relief, changes in rateable value and movements in the property base.