

COLCHESTER BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2004

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

*Opinion*

In our opinion the Statement of Accounts present fairly the financial position of Colchester Borough Council as at 31 March 2004 and its income and expenditure for the year then ended.

*Certificate*

My Audit cannot be formally concluded until objections made by a local government elector have been heard and decided. However, I am satisfied that the amounts which are the subject of the objections are not material to the statement of accounts.



Simon Cookson

Audit Commission  
1st and 2nd Floors  
Sheffield House  
Lytton Way  
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24 November 2004

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## SUMMARY OF FINANCIAL STATEMENTS

### *Statement of Accounting Policies (page 5)*

This explains how the figures are calculated.

### *Consolidated Revenue Account (page 10)*

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 20)*

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 26)*

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 30)*

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

### *Consolidated Balance Sheet (page 32)*

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 48)*

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 50)*

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

### *Port Health Authority Accounts (page 53)*

These are the accounts of an independent Authority administered by the Council on behalf of itself and Tendring District Council.

### *Trust Fund Accounts (page 54)*

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

## REPORT OF AUDITORS

### *Independent Auditor's Report to Colchester Borough Council*

We have audited the Statement of Accounts on pages 10 to 52 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 9.

This report is made solely to Colchester Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### *Respective Responsibilities of the Chief Financial Officer and Auditors*

As described on page 1, the Head of Financial Services is responsible for the preparation of the Statement of Accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control on pages 2-4 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### *Basis of Audit Opinion*

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

7. Mayor of Colchester Charities Appeal Fund

The Mayor holds various functions during his year of office, the proceeds from which are paid to chosen charities.

INCOME AND EXPENDITURE ACCOUNT  
FOR YEAR ENDED MAY 2004

	2003/2004	2002/2003
	£	£
Income from functions	44,673	41,058
Less: Function related expenses	10,199	4,853
<b>Net Income</b>	<b>34,474</b>	<b>36,205</b>
Payments to Mayor's Charities	34,500	36,100
<b>Net Deficit/Surplus</b>	<b>(26)</b>	<b>105</b>

BALANCE SHEET AS AT MAY 2004

	2003/2004	2002/2003
	£	£
<b>Current Assets</b>		
Sundry Debtors	3,092	3,812
Cash at Bank	31,830	32,287
	34,922	36,099
<b>Current Liabilities</b>		
Sundry Creditors	(34,949)	(36,100)
<b>Net Current Liabilities</b>	<b>(27)</b>	<b>(1)</b>
<b>Represented by:</b>		
Reserves Brought Forward	(1)	(106)
Deficit/Surplus for Year	(26)	105
Reserves Carried Forward	<b>(27)</b>	<b>(1)</b>

**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 £19.0 million met by the precept on the Collection Fund and Government grants.

	Original Estimate	Actual
	£m	£m
Total Net Spending for the Year	19.3	19.0
<i>Met by:</i>		
Collection Fund Precept	8.0	8.0
Collection Fund Transfer	-	-
Government Grants	11.1	11.1
Contribution from/(to) Balances	0.2	(0.1)
<b>Total Financing</b>	<b>19.3</b>	<b>19.0</b>

General Fund balances now stand at £2.6 million, of which £2.0 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 £15.8 million, £1.8 million less than programmed. This shortfall was mainly due to spending on schemes being rescheduled into the following financial year. About 36% 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.

**Capital Receipts** continue to provide a significant resource to support capital spending plans. Sale of Council houses have provided a regular source of funding; £8.5 million was received in 2003/04. However, regulations require 75% of this to be used to repay debt so only 25% is available for new investment. Other receipts are fully available and £5.5 million was received in 2003/04 but the major part of this came from one exceptional land sale. The accumulated balance of £12.2 million is already planned to support capital spending from 2004/05 onwards.

*The Housing Revenue Account*

The Council is the major provider of rented housing in the Borough and manages approximately 6,500 properties. 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 £2 million which is earmarked to support future capital spending.

### *An Arms Length Management Organisation*

In 2003/04 we set up Colchester Borough Homes Limited as an Arms Length Management Organisation (ALMO). Following the achievement of the required inspection rating this has opened the way to an extra £13.5 million to improve council homes.

The ALMO is a new way of delivering the council's housing landlord services, and will give tenants a bigger say.

It means that council housing is still owned by the council, but managed by an independent organisation.

Colchester Borough Homes is the independent organisation – which will not make a profit – and has tenants, councillors and independent people on its management board.

### *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 2003/04 or 2004/05 for its introduction.

Reports have been made to the Senior 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.

### *Pension Costs*

For the last two years transitional arrangements have been in place for the reporting of pension costs. For the first time in 2003/04 the full new reporting arrangements have been included in this Statement of Accounts. There have been significant changes in the presentation of information and there are extensive notes included with the relevant statements. The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long term implications. However the overall amount to be met from Government Grants and local taxation remains unchanged. The Council's share of the assets and liabilities of the pension fund show an estimated £29.6 million shortfall at 31 March 2004. While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to Colchester Borough Council or indeed local authorities generally. There is a national problem for pension funds both private and public sector.
- The Essex pension fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

### ■ 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 2003

	2002/2003 £	2001/2002 £
Fund Balances as at 1 October	225,513	223,355
Add:		
- Investment Income	1,926	2,587
	<hr/> 227,439	<hr/> 225,942
Less:		
- Management/Admin Expenses	429	429
<b>Balance as at 30 September</b>	<hr/> <b>227,010</b>	<hr/> <b>225,513</b>

### BALANCE SHEET AS AT 30 SEPTEMBER 2003

	2002/2003 £	2001/2002 £
<i>Fixed Asset:</i>		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
<i>Current Assets:</i>		
Cash at Bank	95,272	93,346
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	<hr/> 228,668	<hr/> 226,742
<i>Current Liabilities:</i>		
Sundry Creditors	1,658	1,229
<b>Total Net Assets</b>	<hr/> <b>227,010</b>	<hr/> <b>225,513</b>
<i>Represented by:</i>		
<b>Unrestricted Funds</b>		
<i>Designated Funds:</i>		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	63,626	62,129
	<hr/> <b>227,010</b>	<hr/> <b>225,513</b>



## ■ 5. Colchester Lying-in-Charity

This charity enables one-off grants to be paid to unmarried mothers for such items as prams, cots, etc. Payments have not usually exceeded £250. Twelve grants were paid in 2003/2004.

### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	2003/2004	2002/2003
	£	£
Balance as at 1 April	4,487	5,534
<i>Add:</i>		
- Interest received	13	39
- Dividends	637	637
	5,137	6,210
<i>Less:</i>		
- Grants Paid	1,620	1,723
<b>Balance as at 31 March</b>	<b>3,517</b>	<b>4,487</b>

### BALANCE SHEET AS AT 31 MARCH 2004

	2003/2004	2002/2003
	£	£
<i>Assets:</i>		
Investments	16,090	14,513
Cash at Bank	2,117	3,087
<b>Represented by Accumulated Fund</b>	<b>18,207</b>	<b>17,600</b>

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

## Revenue Balance

During the year the Council undertook a further 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 £1.5 million. However, in view of the difficult future medium term position, it was agreed to set balances at £2.0 million when planning the 2004/05 budget.

As at 31 March 2004 the Council's General Fund balances stood at £2.6 million. It is estimated that £0.6 million of these will be required to fund schemes carried forward from 2003/04 and to support expenditure during 2004/05. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

## Outlook

The Council published its revised Strategic Plan 2004-2007 during the year, which clearly identifies priority services over the next three years. The Council continues, through its budgetary process, to ensure that the Council's limited resources are focussed on these priority services.

The Council prepares a Medium Term Financial Forecast (MTFF) which predicts the Council's spending needs and likely income for the next three years. The forecast shows that the Council is facing significant financial pressure and tough decisions will need to be made to maintain investment in priority areas set out in the Strategic Plan.

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

## 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 2004-2007** – 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](http://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 equality 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. **If you need any help with reading or understanding this document take it to the Council Offices at Angel Court, High Street, Colchester, or telephone 282222, or textphone 282266. We will try to provide a reading service, translation or any other format you may need.**

### 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.

#### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	2003/2004	2002/2003
	£	£
Balance as at 1 April	6,708	6,451
Add:		
- Interest received	10	21
- Dividends	236	236
<b>Balance as at 31 March</b>	<b>6,954</b>	<b>6,708</b>

#### BALANCE SHEET AS AT 31 MARCH 2004

	2003/2004	2002/2003
	£	£
Assets:		
Investments	6,105	5,454
Cash at Bank	5,925	5,679
<b>Represented by Accumulated Fund</b>	<b>12,030</b>	<b>11,133</b>

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

For more information about these accounts, please contact:  
Andy Wilks, Financial Services, Angel Court, High Street, Colchester, C01 1QY  
Telephone: Colchester (01206) 282355  
E-mail: andy.wilks@colchester.gov.uk

**STATEMENT OF RESPONSIBILITIES FOR THE  
STATEMENT OF ACCOUNTS**

■ *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 AND PAYMENTS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2004**

	2003/2004 £	2002/2003 £
Balance as at 1 April	3,692	3,390
<i>Add:</i>		
- Interest Received	30	23
- Dividends	270	279
	3,992	3,692
<i>Less:</i>		
- Expenses	20	-
<b>Balance as at 31 March</b>	<b>3,972</b>	<b>3,692</b>

**BALANCE SHEET AS AT 31 MARCH 2004**

	2003/2004 £	2002/2003 £
<i>Assets:</i>		
Investments	6,758	6,097
Cash at Bank	3,972	3,669
<b>Represented by Accumulated Fund</b>	<b>10,730</b>	<b>9,766</b>

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

*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 Financial Services.
- Manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were approved by the Accounts Committee at the meeting held on 31 August 2004.



Signed on behalf of Colchester Borough Council  
Councillor G Oxford  
Chair of meeting approving the accounts:  
31 August 2004

*The Head of Financial Services' Responsibilities*

The Head of Financial Services 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 the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Financial Services 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 Financial Services has also:

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

*Head of Financial Services' Certificate*

I certify that the accounts set out on pages 1 to 60 present fairly the financial position of the Council as at 31 March 2004 and the income and expenditure for the year then ended.



Julian Herbert  
Head of Financial Services  
18 August 2004



## STATEMENT OF INTERNAL CONTROL FOR COLCHESTER BOROUGH COUNCIL

### ■ 1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### ■ 2. The Purpose of the System of Internal Control

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

The system of internal control has been in place at the Council for the 2003/04 financial year and up to the date of approval of the annual report and accounts.

### ■ 3. The Internal Control Environment

The starting point was a structured risk identification and assessment exercise involving members and senior managers. Wider exercises with front line staff were also conducted with the aim of generating a more detailed understanding of the Council's objectives as well as a consensus over principal risks. Once this process was completed, risks were assessed in terms of their likelihood and impact. The process of risk management was given greater impetus through the adoption of the Risk Management Strategy in September 2003 that formalised reporting mechanisms and ownership of risks pertinent to fulfilling the objectives of the Council.

The next stage was to build an assurance framework to determine what level of independent assurance reporting is appropriate given the risks and controls identified. An adequately resourced internal audit function, operating to agreed standards was best placed in terms of objectivity and professional background to support the Council in this regard. There are many other individuals, functions and processes that also produce independent assurance in some form. All these separate activities have been designed for different purposes at different times. They are operating within the Council for a number of valid reasons, not all of which are necessarily connected to the risks that the Council is facing.

### ■ 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 2004 was £333,268. A further sum of £51,801 was held on deposit pending transfer to the Tymperleys' account.

#### RECEIPTS AND PAYMENTS ACCOUNT FOR YEAR ENDED 31 MARCH 2004

	2003/2004 £	2002/2003 £
Balance as at 1 April	51,523	53,894
<i>Add:</i>		
- Interest on Investments	12,562	13,098
- Interest on Balance	1,602	1,689
	65,687	68,681
<i>Less:</i>		
- Distribution to Tymperleys	13,886	17,158
<b>Balance as at 31 March</b>	<b>51,801</b>	<b>51,523</b>

#### BALANCE SHEET AS AT 31 MARCH 2004

	2003/2004 £	2002/2003 £
<i>Assets:</i>		
Investments	333,268	303,851
Cash at Bank	51,801	51,523
<b>Represented by Accumulated Fund</b>	<b>385,069</b>	<b>355,374</b>

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 AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2002/2003 £	2001/2002 £
Balance as at 1 October	530	487
<i>Add:</i>		
- Interest on Investments	288	288
- Bank Interest	13	20
- Other Income	20	60
	851	855
<i>Less:</i>		
- Administration and Distribution Expenses	38	40
- Subscription	15	15
- Distribution to Freeman	240	270
<b>Balance as at 30 September</b>	<b>558</b>	<b>530</b>

#### BALANCE SHEET AS AT 30 SEPTEMBER 2003

	2002/2003 £	2001/2002 £
<i>Assets:</i>		
Investments	5,700	5,299
Cash at Bank	558	530
<b>Represented by Accumulated Fund</b>	<b>6,258</b>	<b>5,829</b>

Please note: Investments are stated at market value as at 30 September 2003. These investments are Bank of England 2½% Consolidated Stock with a nominal value of £11,511.46.

The operational and strategic internal audit plans of work were drawn up based upon the above process and were formulated in conjunction with External Audit, Heads of Service, before being agreed by the Section 151 Officer. Quarterly reports were prepared for the Head of Financial Services on the findings and recommendations of Internal Audit. Internal Audit reported to the then Overview and Scrutiny Panel, now Finance and Audit Scrutiny Panel. Reporting on the extent to which internal and external audit recommendations have been implemented, the performance of Internal Audit, consideration of the audit plans and receipt of the External Audit Annual Audit Letter.

Reinforcing this internal control framework is the Council's Constitution that sets out what is expected of Heads of Service for the administration of services under their control. This includes responsibility for the prevention and detection of fraud, and other illegal acts. In particular, the system includes: -

- Cascading the Council's strategic objectives expressed through the Strategic Plan and Service Plans, to determine the resources needed, and the subsequent priorities and allocation of available resources to services;
- Comprehensive budgeting systems including the preparation of an annual budget;
- Setting and regular monitoring of targets to measure performance;
- Medium term financial forecast for both revenue and capital expenditure and resources;
- Ensuring there is adequate segregation of duties, management supervision and accountability;
- Where appropriate, formal project management disciplines.

### ■ 4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control has been based on the Head of Internal Audit report and the work of the management team within the Council who have responsibility for the development and maintenance of the internal control framework. We have also taken account of comments made by the external auditors and other review bodies in their reports as appropriate.

We have been advised on the implications of work reporting on the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place as detailed on the next page.

■ 5. Significant Internal Control Issues

The actions taken so far include:

- Implementing a Risk Management Strategy;
- Recognising that the Council required a specific Member forum to discuss finance and audit related matters in the newly formed Finance and Audit Scrutiny Panel;
- Reviewing the Council's Corporate Governance arrangements against CIPFA/SOLACE best practice and implemented necessary changes as appropriate; and
- Developing a comprehensive register to aid monitoring of Internal and External Audit recommendations to strengthen performance management culture.

In addition to the actions outlined above, in the coming year it is planned that:

- A robust Business Continuity Strategy will be developed;
- Improvements will be made to Health and Safety procedural guidance to aid organisation, measurement and performance;
- Revenue and Capital expenditure relating to the hiring of Consultants will be robustly monitored;
- Internal Audit will provide a pro-active role in the development of new and existing Best Value Performance Indicators; and
- Risk Management will continue to be embedded within the culture.



Julian Herbert  
(Head of Financial Services)  
June 2004



Andrea Hill  
(Chief Executive)  
June 2004



Colin Sykes  
(Leader of the Council during 2003/04)  
June 2004

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 2004

	2003/2004 £	2002/2003 £
<b>Income:</b>		
Fees	84	89
<i>Recovered from Riparian Authorities</i>		
Colchester Borough Council	(81)	184
Tendring District Council	(11)	25
Bank Interest	8	2
<b>Total Income</b>	<b>-</b>	<b>300</b>
<b>Expenditure:</b>		
Administration Expenses	-	-
Subscription Payments and Licences	-	300
<b>Gross Expenditure</b>	<b>-</b>	<b>300</b>
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>

BALANCE SHEET AS AT 31 MARCH 2004

	2003/2004 £	2002/2003 £
<b>Current Assets:</b>		
Cash	1,642	1,634
<b>Current Liabilities</b>		
Colchester Borough Council	(1,631)	(1,634)
Tendring District Council	(11)	-
<b>Net Current Assets</b>	<b>-</b>	<b>-</b>



#### ■ 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

	2003/2004		2002/2003
	£'000	£'000	£'000
Revenue Support Grant		5,642	4,309
<i>DWP Grants for Benefits</i>			
Rent Allowances	14,333		
Local Taxation	5,893		
Administration	932		
Verification Framework	189		
		21,347	17,299
Housing Subsidy		7,738	7,575
SRB (Revenue)		25	348
DEFRA Waste Recycling		169	-
Other		954	578
<b>Total Government Grants</b>		<b>35,875</b>	<b>30,109</b>

#### ■ 1. General

The accounts have been drawn up in keeping with the revised Code of Practice on Local Authority Accounting in the United Kingdom (2003): A Statement of Recommended Practice. This is recognised by law as representing proper accounting practices under the Local Government Act 2003.

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.

#### ■ 2. Pension Costs

Following a transitional period the Code now requires the full implementation of Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The Local Authorities (Capital Finance/Amendment No. 2) (England) Regulations 2003 (SI 2003/515) provide the legislative framework for this.

We participate in one scheme, the Local Government Pension Scheme which is a defined benefit scheme. The information in this Statement of Accounts has been prepared in accordance with the Regulations and the Code and the accounting policies fully set out therein. The policies applied are summarised below:

- Attributable assets of the scheme have been measured at fair value at the balance sheet date.
- The attributable liabilities have been measured on an actuarial basis using the projected unit method. These have been discounted at the appropriate interest rate for 2003/04 determined to be 3.5% real.
- Net liabilities that reflect the legal or constructive obligation of the authority have been disclosed. These are the shortfall of the value of assets in the scheme below the present value of the scheme liabilities.
- Current Service Cost has been based on the most recent actuarial valuation (2001) with the financial assumptions updated to reflect conditions at April 2003. The current service cost has been included in all relevant service areas including the Housing Revenue Account.
- Interest Cost has been based on the discount rate and the present value of scheme liabilities at April 2003.
- The Expected Return of Assets is based on long term expectations at the beginning of the period as advised by the actuary.
- When actual events have not been the same as actuarial assumption made for the last valuation, or assumptions have been changed, actuarial gains and losses have been calculated to reflect conditions at March 2004.
- Past Service Costs have been disclosed on a straight line basis over the period in which the increases in benefit become unconditional.
- Losses or gains arising on settlements and curtailments have been measured and disclosed in the period when they are determined.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.



The change has had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government grants and local taxation has remained unchanged.
- The net costs disclosed for individual services are 1.4% higher (2002/03 1.4% higher) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 2.1% higher (2002/03 4.3% lower) than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 6.4% (2002/03 8.8%).

### ■ 3. 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 31 March 2004 on the basis of property indices published by the Royal Institution of Chartered Surveyors. 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.

### ■ 4. 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.

### ■ 5. 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.

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

	Notes	2003/2004 £'000	2002/2003 £'000
(Surplus)/Deficit per Consolidated Revenue Account	Page 11	(80)	465
(Surplus)/Deficit per Collection Fund	Page 26	(29)	162
<b>Net (Surplus)/Deficit</b>		<b>(109)</b>	<b>627</b>
Interest		(1,086)	(810)
<i>Non-Cash Transactions:</i>			
Contributions (to)/from provisions		(9)	109
Contributions (to)/from Reserves		(2,130)	(3,847)
Contributions to Capital		(1,604)	(600)
<i>Items on an Accruals Basis:</i>			
Increase/(Decrease) in Stock and Work in Progress		18	76
Increase/(Decrease) in Debtors		3,439	(25)
(Increase)/Decrease in Creditors		(3,298)	(120)
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		<b>(4,779)</b>	<b>(4,590)</b>

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

	2003/2004	
	£'000	£'000
Decrease in Cash in the Period	(971)	
Cash Outflow from Decrease in Debt Financing	9,135	
Cash Inflow from Decrease in Liquid Resources	(1,868)	
<b>Movement in Net Debt in the Period</b>		<b>6,296</b>
Net Debt at 1 April 2003		4,705
<b>Net Cash Flow</b>		<b>11,001</b>

### ■ 3. Analysis of Net Debt

	Balance 31 March 2003 £'000	Cashflow £'000	Balance 31 March 2004 £'000
Cash Overdrawn	(908)	(971)	(1,879)
Debt Due after One Year	(29,764)	6,864	(22,900)
Debt Due within One Year	(31)	31	-
Short Term Investments	35,408	(1,868)	33,540
<b>Net Investment/(Debt)</b>	<b>4,705</b>	<b>4,056</b>	<b>8,761</b>
Net PWLB Premium Paid/Discount Received		2,240	2,240
<b>Net Cash Flow</b>		<b>6,296</b>	<b>11,001</b>

There has been an increase in the level of net investment 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 2004**

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

	Notes	2003/2004 £'000	2002/2003 £'000
<b>Revenue Activities</b>			
<i>Payments</i>			
Cash paid to and on behalf of Employees		25,336	25,653
Other Operating Cash Payments		35,489	29,303
Housing Benefit Paid Out		14,219	14,405
		75,044	69,361
Precept paid to - Essex County Council		48,771	41,540
- Essex Police Authority		5,058	4,202
Non-domestic Rates paid to National Pool		40,530	40,188
<b>Total Payments</b>		<b>169,403</b>	<b>155,291</b>
<i>Receipts</i>			
Rents (after rebates)		11,196	10,745
Local Tax Income		55,917	48,139
Local Non-domestic Rate Income		42,603	40,922
Non-domestic Rate Income from National Pool		5,444	6,723
Government Grants	5	35,875	30,109
Cash Received from Goods and Services		14,226	12,962
Other Operating Cash Receipts		8,921	10,281
<b>Total Receipts</b>		<b>174,182</b>	<b>159,881</b>
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	<b>1</b>	<b>(4,779)</b>	<b>(4,590)</b>
<b>Returns on Investments and Servicing of Finance</b>			
<i>Payments</i>			
Interest Paid		2,335	2,564
<i>Receipts</i>			
Interest Received		(1,249)	(1,754)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>1,086</b>	<b>810</b>
<b>Capital Activities</b>			
<i>Payments</i>			
Purchase of Fixed Assets		11,831	7,855
Capital Grants and Advances		2,772	3,539
<b>Total Payments</b>		<b>14,603</b>	<b>11,394</b>
<i>Receipts</i>			
Sale of Fixed Assets		13,800	15,544
Capital Grants Received		2,013	2,281
Other Capital Cash Income		1,393	2,363
<b>Total Receipts</b>		<b>17,206</b>	<b>20,188</b>
<b>Net Cash (Inflow)/Outflow from Capital Activities</b>		<b>(2,603)</b>	<b>(8,794)</b>
<b>Net Cash (Inflow)/Outflow before Financing</b>	<b>2/3</b>	<b>(6,296)</b>	<b>(12,574)</b>
<b>Management of Liquid Resources</b>			
Net (Decrease)/Increase in Short Term Deposits	4	(1,868)	6,749
<b>Financing</b>			
<i>Payments</i>			
Repayments of Amounts Borrowed		6,895	6,036
PWLB Premium Paid		2,251	366
<i>Receipts</i>			
New Loans Raised			0
Discounts Received		11	597
<b>Net Cash Outflow/(Inflow) from Financing</b>		<b>9,135</b>	<b>5,805</b>
<b>Decrease/(Increase) in Cash</b>		<b>971</b>	<b>(20)</b>

■ **6. Reserves and Provisions**

The Council has the power under the LGHA 1989 to keep reserves for certain purposes. Separate reserves are for renewal and repairs, capital expenditure, asset replacement and the Major Repairs Reserve. Details of these are given in Note 20 to the Consolidated Balance Sheet on Page 44.

Provisions are set aside for specific liabilities or losses that are likely to be incurred, or will be incurred, but there is uncertainty as to the dates on which they will arise and to the amounts, although a reliable estimate can be made of the amounts. Provisions are charged to the appropriate revenue account and when spending occurs to which the provision relates, it is charged directly to the provision.

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 17 to the Consolidated Balance Sheet on Page 42).
- c) An insurance provision. (See Note 13 to the Consolidated Balance Sheet on Page 39).

■ **7. 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 2003/04 is 3.5% (2002/03 6%) for assets carried at current value, and 4.625% (6.0%) 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.

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.



■ 8. 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.

■ 9. 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 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 2004. The major grant claims for Benefits and Housing Subsidy have been estimated because the final claim documents are not available in time for closure. The estimates are based on draft claims prepared in accordance with the latest guidance.

■ 10. 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 17, page 42). 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.

■ 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 Pension Reserve is overdrawn reflecting the net pension liability set out in the Consolidated Balance Sheet Note 14, page 40. 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 41-45).

■ 2. Capital Reserves

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

	HRA	General Fund	Total
	£'000	£'000	2003/2004 £'000
Net Surplus/(Deficit) for Year	(1,005)	(3,179)	(4,184)
Unrealised Gains/(Loss) from Revaluation of Fixed Assets	34,409	(1,118)	33,291
<i>Effects of Disposals of Assets:</i>			
Cost or Value of Assets Disposed of	(8,454)	(8,364)	(16,818)
Proceeds of Disposals	8,654	5,311	13,965
Net Surplus/(Deficit)	200	(3,053)	(2,853)
Grants and Contributions	-	4	4
<b>Net Movement</b>	<b>33,604</b>	<b>(7,346)</b>	<b>26,258</b>

■ 3. Revenue Reserves

The analysis of movements between HRA and General Fund is provided in the notes to the consolidated Balance Sheet (Notes 20 and 21, pages 44-45).

■ 4. Pension Reserve

The actuarial gain identified as movements on the Pensions Reserve in 2003/04 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2004:

	2003/04	
	£000's	%
Differences between the expected and actual return on assets	9,471	14
Differences between actuarial assumptions about liabilities and actual experience	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	-	-
	<b>9,471</b>	



**STATEMENT OF TOTAL MOVEMENTS IN RESERVES  
FOR THE YEAR ENDED 31 MARCH 2004**

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 2003/2004 £'000	Total 2002/2003 £'000
	Fixed Asset Restatement Reserve £'000	Capital Financing Reserve £'000	Usable Capital Receipts £'000	Pension Reserve £'000	Earmarked Reserves £'000	Revenue Balances £'000		
Balance at the Beginning of the Year	327,930	84,887	9,838	(38,559)	7,733	6,767	<b>398,596</b>	<b>292,448</b>
Net Surplus/(deficit) for year		(4,184)		(531)	176	(2,089)	<b>(6,628)</b>	<b>(3,328)</b>
Actuarial gain/(loss) relating to pensions				9,471			<b>9,471</b>	<b>(18,127)</b>
Unrealised gains/(loss) from revaluation of fixed assets	33,291						<b>33,291</b>	<b>121,201</b>
<b>Effects of disposals of assets:</b>								
Cost or value of assets disposed of	(16,800)	(18)					(16,818)	(10,487)
Proceeds of disposals		6,289	7,676				13,965	16,889
Net surplus/(deficit)	(16,800)	6,271	7,676				(2,853)	6,402
Financing of Fixed Assets		5,319	(5,319)				-	-
Grants and Contributions		4					4	-
<b>Balance at the End of the Year</b>	<b>344,421</b>	<b>92,297</b>	<b>12,195</b>	<b>(29,619)</b>	<b>7,909</b>	<b>4,678</b>	<b>431,881</b>	<b>398,596</b>
Consolidated Balance Sheet Note	15	16	18	19	20	21		

The policy on premiums and discounts is in line with the guidance in the 2003 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.

■ **11. 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.

■ **12. 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 2004. Estimates have been used where actual figures were not available. The most significant estimates are in respect of Benefits and Housing Subsidy (see note 9, Government Grants and Contributions).

■ **13. Stocks and Work in Progress**

The majority of stocks are valued at cost. Work in progress on uncompleted jobs is valued at cost and includes an allocation of overheads.

■ **14. Support Services**

These expenses have been collected and charged to services 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.

■ **15. Investments**

Long term investments are shown in the Consolidated Balance Sheet at cost. The majority of short-term investments are tradable securities such as certificates of deposits and government gilts. These are shown based on the valuation at March 2004. Short-term investments are repayable within one year and are only made with the approved organisations listed in the Council's Treasury Policy Statement.

■ **16. 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.



**CONSOLIDATED REVENUE ACCOUNT FOR  
THE YEAR ENDED 31 MARCH 2004**

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 2003/2004 (Note 1)	2003/2004 Gross Expenditure £'000	2003/2004 Total Income £'000	2003/2004 Net Expenditure £'000	2002/2003 Net Expenditure £'000
<b>CENTRAL SERVICES</b>				
Democratic Representation and Management	2,308	126	2,182	2,132
Corporate Management	1,264	13	1,251	1,109
Non Distributed Costs	22	-	22	66
<i>Central Services to the Public</i>				
Local Taxation (includes Council Tax Benefit)	7,755	6,839	916	1,483
Other Central Services	1,758	663	1,095	857
<b>Total for Central Services</b>	<b>13,107</b>	<b>7,641</b>	<b>5,466</b>	<b>5,647</b>
<b>CULTURAL, ENVIRONMENTAL &amp; PLANNING SERVICES</b>				
<i>Cultural and Related Services</i>				
Culture and Heritage	2,514	606	1,908	1,691
Recreation and Sport	6,287	3,610	2,677	3,366
Open Spaces	1,617	173	1,444	1,576
Tourism	555	145	410	438
<i>Environmental Services</i>				
Cemetery, Crematorium and Mortuary Services	686	735	(49)	(40)
Environmental Health	1,861	378	1,483	1,588
Community Safety	930	266	664	651
Street Cleansing (non-highway)	1,520	61	1,459	1,177
Waste Collection	4,185	1,349	2,836	2,677
<i>Planning and Development Services</i>				
Building Control	687	565	122	165
Development Control	1,400	698	702	634
Planning Policy	782	60	722	801
Economic Development	2,000	1,958	42	805
Other Planning and Development Services	391	200	191	203
<b>Total for Cultural, Environmental &amp; Planning Services</b>	<b>25,415</b>	<b>10,804</b>	<b>14,611</b>	<b>15,732</b>
<b>HIGHWAYS, ROADS AND TRANSPORT SERVICES</b>				
Transport Planning and Strategy	248	-	248	280
Highways, Traffic Management and Road Safety	834	5	829	822
Parking Services	2,614	4,164	(1,550)	(1,281)
<i>Public Transport</i>				
Concessionary Fares	845	320	525	425
Other Public Transport	171	100	71	118
<b>Total for Highways, Roads and Transport Services</b>	<b>4,712</b>	<b>4,589</b>	<b>123</b>	<b>364</b>
<b>HOUSING GENERAL FUND</b>				
Private Sector Housing Renewal	933	69	864	1,159
Homelessness	1,319	674	645	565
Housing Benefits	15,600	14,848	752	1,486
Other Housing General Fund	1,793	384	1,409	1,199
<b>Total for Housing General Fund</b>	<b>19,645</b>	<b>15,975</b>	<b>3,670</b>	<b>4,409</b>
<b>HOUSING REVENUE ACCOUNT</b>	<b>40,824</b>	<b>27,623</b>	<b>13,201</b>	<b>15,088</b>
<b>SOCIAL SERVICES – OLDER PEOPLE</b>	<b>807</b>	<b>604</b>	<b>203</b>	<b>256</b>
<b>COST OF SERVICES</b>	<b>104,510</b>	<b>67,236</b>	<b>37,274</b>	<b>41,496</b>

■ **24. Trust Funds**

Details of the nature and amount of Trust funds are provided on pages 54 to 60.

■ **25. Post Balance Sheet Events**

There are no items which have arisen after the closure of the 2003/04 accounts which would materially affect these accounts. However, developments continue which significantly affect the future provision of Housing Services.

The council has set up Colchester Borough Homes Limited as an Arms Length Management Organisation (ALMO) to take over the day-to-day running of our council homes. The Government has made an allocation of funds of £13.5 million which provides significant additional funding for major improvements to tenants homes through Colchester Borough Homes Limited from 2004/05.

The Council continues to own the housing stock, and thus retains it in the balance sheet, but the stock is managed by Colchester Borough Homes Limited.

■ **Pension Disclosure (Note 14, page 40)**

The primary cause of the change from an estimated net liability of £38,559 million at 31 March 2003 to an estimated net liability of £29,619 million at 31 March 2004 has been the increase in the capital value of the Fund's investment assets, arising from an increase in equity markets.

The £29,619 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2004 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2004 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund, which is being carried out as at 31 March 2004. Their advice on the shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

■ **26. Contingent Liabilities**

We have received a claim in respect of a past event on an area of the Council's activities which could amount to a significant sum. It is not appropriate to disclose the nature of the item or the sum at this stage because the matter is sensitive being the subject of contractual negotiations with third parties and our insurance company. There could be a potential liability which could exceed indemnity levels available under the Council's insurance arrangements. No provision has been made in the accounts but the position is being monitored.

The past claim disclosed in the 2002/03 Statement of Accounts has been settled by the insurance company within the policy limit and thus no financial liability fell on the Council.



BALANCE SHEET AS AT 31 MARCH 2004

	£'000	31 March 2004 £'000
<b>Current Assets</b>		
Debtors	794	
Cash at bank and in hand	727	
	<u>1,521</u>	
Creditors: Amounts falling due within one year	1,485	
Net Current Assets		36
<b>Total Assets Less Current Liabilities</b>		36
<b>Provision for Liabilities and Charges</b>		
Other Provisions		21
		<u>15</u>
<b>Reserves</b>		
Income and Expenditure Account		15
		<u>15</u>

The following balances with the Council are included above:

	£'000
Debtors	49
Creditors	1,203

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2004 the cash at bank of £727,000 was consolidated with the council's funds for investment purposes.

**NET PENSIONS ASSET/LIABILITY**

Colchester Borough Homes participates in the Local Government Pension Scheme administered by Essex County Council. The fund actuary, Mercer Human Resource Consulting Limited, have produced an assessment of the pension liability position which may be summarised as follows:

	31 March 2004 £'000
Estimated Liabilities in Scheme	5,950
Estimated Assets in Scheme	4,758
<b>Net Liability</b>	<u>1,192</u>

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The next review as at 31 March 2004 will be implemented with effect from 1 April 2005.

These figures have been provided by the actuaries to the Essex Pension Scheme using information provided by the scheme and assumptions determined by Colchester Borough Homes in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

CONSOLIDATED REVENUE ACCOUNT FOR  
THE YEAR ENDED 31 MARCH 2004 (continued)

	Notes	2003/2004 Net Expenditure £'000	2002/2003 Net Expenditure £'000
<b>Cost of Services (net) Brought Forward</b>	1	37,274	41,496
Precepts paid to Parish Councils		498	451
Deficit/(surplus) on Internal Trading	2	40	80
Interest Receivable		(1,267)	(1,688)
Transfer to/(from) Asset Management	3	(12,294)	(18,929)
Pensions Interest Cost and Expected Return on Pensions Assets	9	1,454	(116)
<b>Net Operating Expenditure</b>		<b>25,705</b>	<b>21,294</b>
Surplus/(Deficit) transferred to/from HRA Balances		(2,198)	383
Movement on Earmarked Reserves	4	168	(550)
Transfer from Major Repairs Reserves	4	(2,887)	(1,500)
Capital Financing Reserves - MRP Adjustment	5	(1,185)	(1,282)
- Deferred Charges		(1,600)	(1,313)
- Transfer from		(117)	(104)
Financing of Capital Expenditure		1,604	645
Contribution (from)/to the Pensions Reserve and Pension Fund Creditor	9	(537)	962
<b>Amount to be met from Government Grant and Local Taxpayers</b>		<b>18,953</b>	<b>18,535</b>
Precept demanded from the Collection Fund		(7,946)	(7,017)
Collection Fund Transfer - Community Charge		(1)	(5)
- Council Tax		-	(16)
Revenue Support Grant		(5,642)	(4,309)
Contribution from Non-Domestic Rate Pool		(5,444)	(6,723)
<b>(Surplus)/Deficit for the Year</b>		<b>(80)</b>	<b>465</b>
<b>General Fund Balances</b>			
Balance at the Beginning of the Year		(2,559)	(3,024)
(Surplus)/Deficit for the Year		(80)	465
<b>Balance at the End of the Year</b>		<b>(2,639)</b>	<b>(2,559)</b>



## 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. There has been a change in accounting policy on retirement benefits following the full implementation of FRS17 (see Note 9, page 15). Expenditure now reflects current service cost and the 2002/03 actual has been restated. The overall amount to be met from Government Grant and local taxation remains unchanged.

### 2. 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 10). The surplus for the year was £58,700 on a turnover of £502,000. (2002/03 £95,500 on £502,000).

**Building Control** - Shown in Note 8, page 15.

**Colchester Leisure World** – Included within "Recreation and Sport" in the Consolidated Revenue Account (page 10).

	2003/2004 Income £'000	2003/2004 Expenditure £'000	2003/2004 Deficit/(Surplus) £'000	2002/2003 Deficit/(Surplus) £'000
Leisure World	2,850	3,125	275	380

**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 shortfall for the year was £40,000 on a combined total turnover for these activities of £10,853,000 (2002/03 £80,000 on £10,694,000). The shortfall comprises small balances on a range of support services and if cleared would have increased the total Cost of Services by this sum. The charges made during the year have not been changed to recover this shortfall as the sum is not considered material.

### 21. Revenue Balances

	Notes	Balance at 1 April 2003 £'000	Additions to Balances £'000	Withdrawal from Balances £'000	Balance at 31 March 2004 £'000
General Fund	Page 11	2,559	80	-	2,639
Housing Revenue Account	Page 20	4,218	-	(2,198)	2,020
Collection Fund	Page 26	(10)	29	-	19
<b>Total Revenue Balances</b>		<b>6,767</b>	<b>109</b>	<b>(2,198)</b>	<b>4,678</b>

### 22. 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 2004 £'000	31 March 2003 £'000
General Fund	429,861	394,378
Housing Revenue Account	2,020	4,218
<b>Total Net Worth</b>	<b>431,881</b>	<b>398,596</b>

### 23. Subsidiary Company

Colchester Borough Homes Limited, the Council's Arms Length Management Organisation, is a limited company wholly owned by the Council. It was established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its housing stock to Colchester Borough Homes Limited in accordance with the management agreement effective from 1 August 2003.

Colchester Borough Homes Limited was incorporated on 24 July 2003 and has prepared its first set of accounts for the period to 31 March 2004. The accounts were prepared in accordance with the Companies Act 1985 and were approved by the Board of Colchester Borough Homes on 20 July 2004.

The accounts were audited by Scrutton Bland and an unqualified opinion was given. A copy of the Accounts may be obtained from the Company Secretary at the Registered Office, 6th Floor, Wellington House, 90-92 Butt Road Colchester, Essex CO3 3DA.

The following summarised accounts cover the period from incorporation to 31 March 2004, a period of 8 months.

Turnover	£'000 3,299
Less operating costs	-3,291
	8
Add interest receivable	7
Surplus on ordinary activities before taxation	15
Tax charge on surplus on ordinary activities	-
<b>Retained Surplus for the Financial Period</b>	<b>15</b>



## 20. Earmarked Reserves

	Balance at 1 April 2003 £'000	Transfer (to) From Revenue £'000	Capital Financing £'000	Balance at 31 March 2004 £'000
Major Repairs Reserve	-	3,858	(3,858)	-
Renewal & Repairs Fund	4,072	(866)	-	3,206
Insurance Reserve	445	-	-	445
Capital Expenditure Reserve	2,005	920	-	2,925
Asset Replacement Reserve	601	49	-	650
Heritage Reserve	10	5	(1)	14
Gosbecks Reserve	428	-	-	428
Other Reserves	172	69	-	241
<b>Total Reserves</b>	<b>7,733</b>	<b>4,035</b>	<b>(3,859)</b>	<b>7,909</b>

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 Housing Resource Accounting requirements.

The **Renewal and Repairs Fund** 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. A contribution of £707,000 to support future capital expenditure was agreed and is included in the transfers from the fund in the table above.

The **Insurance Reserve** is kept to cover the potential risk of fire and damage to Council houses and other selected properties, as well as certain other risks. Following further guidance the Insurance Fund has been allocated between the provision and reserve elements and the opening balance reallocated accordingly. (See Note 13, page 39).

The **Capital Expenditure Reserve** is maintained to provide finance for future capital schemes. The transfer includes the sum from the Renewal and Repairs 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.

### Other Reserves includes:

- Sums set aside to support spending on the Mercury Theatre building
- Surplus from the on street parking account to be used to support future transportation expenditure in accordance with the Decriminalisation of Parking agreement.

## 3. Transactions on the Asset Management Revenue Account

	2003/2004 £'000	2002/2003 £'000
Income		
<i>Capital Charges:</i>		
General Fund	(4,192)	(5,912)
Housing Revenue Account	(18,551)	(22,294)
Transfer from Capital Contributions – Deferred Account	(126)	(88)
	<b>(22,869)</b>	<b>(28,294)</b>
Expenditure		
<i>Provision for Depreciation</i>		
General Fund	1,297	1,293
Housing Revenue Account	6,745	5,431
External Interest Charges	2,533	2,641
<b>Balance to Consolidated Revenue Account</b>	<b>(12,294)</b>	<b>(18,929)</b>

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. Capital charges are calculated using a notional interest rate which was specified as 3.5% for 2003/04 (6.0% for 2002/03). The account includes capital charges and depreciation on Housing Revenue Account (HRA) assets under the HRA Resource Accounting requirements (see pages 20-25).

## 4. Movement on Reserves

	2003/2004 £'000	2002/2003 £'000
<i>Transfer to Reserves:</i>		
Heritage Reserve	4	4
Capital Expenditure Reserve	920	54
Asset Replacement Reserve	63	60
Gosbecks Reserve	-	23
Renewal and Repairs Fund	103	415
Other Earmarked Reserves	122	49
	<b>1,212</b>	<b>605</b>
<i>Income Attributable to Reserves:</i>		
Contributions & Sales	(8)	(5)
<i>Transfers from Reserves:</i>		
Capital Expenditure Reserve	-	(300)
Heritage Reserve	(1)	(29)
Asset Replacement Reserve	(14)	(300)
Renewal and Repairs Fund	(969)	(391)
Other Reserves	(52)	(130)
	<b>(1,044)</b>	<b>(1,155)</b>
<b>Net Movement on Earmarked Reserves</b>	<b>168</b>	<b>(550)</b>

A contribution of £707,000 from the Renewal and Repairs Fund to support future capital expenditure was agreed and is reflected in the transfers set out above.

Major Repairs Reserves – See Note 5, page 22.



## ■ 5. 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.

	2003/2004 £'000	2002/2003 £'000
Non-Housing Amount	(452)	(627)
Housing Amount	438	550
<b>Minimum Revenue Provision</b>	<b>(14)</b>	<b>(77)</b>

Under the 2003 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.

	2003/2004 £'000	2002/2003 £'000
Amount Charged as Depreciation (Non-HRA)	1,297	1,293
Transfer from Capital Contributions – Deferred Account	(126)	(88)
Credit to Consolidated Revenue Account – Appropriation Account	(1,185)	(1,282)
	<b>(14)</b>	<b>(77)</b>

## ■ 6. 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.

## ■ 7. 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.

	2003/2004 £'000	2002/2003 £'000
Staff Recruitment	166	220
Tourism	343	257
Industry and Commerce	81	58
Miscellaneous Advertising & Publications	108	192
<b>Total Net Expenditure on Publicity</b>	<b>698</b>	<b>727</b>

## ■ 18. Usable Capital Receipts Reserve

	Notes	2003/2004 £'000	2002/2003 £'000
Balance at the Beginning of the Year		9,838	3,541
<i>Capital Receipts in the Year:</i>			
Sale of Council Housing		8,494	6,883
Other Sales and Repayments of Loans		5,471	8,733
Housing Association Grant		-	1,377
<b>Total Capital Receipts in the Year</b>		<b>13,965</b>	<b>16,993</b>
<i>Capital Receipts Applied in the Year:</i>			
Financing of Capital Expenditure		5,319	4,280
Set Aside for the Redemption of Debt	16	6,289	6,416
<b>Total Capital Receipts Applied in the Year</b>		<b>11,608</b>	<b>10,696</b>
<b>Balance at the End of the Year</b>		<b>12,195</b>	<b>9,838</b>

## ■ 19. Pensions Reserve

	2003/2004 £'000	2002/2003 £'000
Balance at the beginning of the year	(38,559)	(21,343)
Actuarial Gain/(Loss)	9,471	(18,127)
Transfer (to)/from Revenue	(531)	911
<b>Balance at the End of the Year</b>	<b>(29,619)</b>	<b>(38,559)</b>

The reserve was introduced under the new accounting arrangements for retirement benefits following the full implementation of FRS17 (see Note 14, page 40). The movements show the actuarial gains and losses and the adjustment required to ensure the sum charged to revenue matches the contribution payable in the year in accordance with pension regulations.



## 16. Capital Financing Reserve

	2003/2004 £'000	2002/2003 £'000
Balance at the beginning of the Year	84,887	79,145
Capital Receipts Set Aside	6,289	6,416
Transfer of Investment	-	(104)
<b>Capital Financing</b>		
Capital Receipts	5,319	4,280
Revenue	1,604	600
Reserves	3,859	3,976
Contributions	4	-
MRP (less non-HRA depreciation provision)	(1,185)	(1,282)
	100,777	93,031
<i>Less: Write Down of:</i>		
Debt Redemption Premium – via revenue	117	-
Deferred Charges – via revenue	1,600	1,313
Long Term Debtors	18	1,400
HRA Depreciation	6,745	5,431
<b>Balance at the End of the Year</b>	<b>92,297</b>	<b>84,887</b>

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.

## 17. Provision for Credit Liabilities (Memorandum Account)

	Notes	2003/2004 £'000	2002/2003 £'000
Balance at the Beginning of the Year		-	-
Capital Receipts Set Aside		6,289	6,415
<b>Statutory Minimum Revenue Provision:</b>			
General Fund	Page 14	(452)	(627)
Housing Revenue Account	Page 20	438	550
<b>Total Provision</b>		<b>6,275</b>	<b>6,338</b>
<i>Applied to:</i>			
Repayment of Long Term Loans		6,275	5,331
Financing Capital Expenditure		-	1,007
<b>Balance at the End of the Year</b>		<b>-</b>	<b>-</b>

From 1 April 1994 these transactions are incorporated within the Capital Financing Reserve (see Note 16, page 42) but are shown separately in this memorandum account for record purposes. We show external debt repayment in this account.

## 8. 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.

Building Regulations Charging Account 2003/2004	2003/2004 Chargeable £'000	2003/2004 Non Chargeable £'000	2003/2004 Building Control £'000	2002/2003 Building Control £'000
<b>Expenditure</b>				
Employee Expenses	293	136	429	381
Premises	27	11	38	39
Transport	22	9	31	31
Supplies and Services	12	5	17	15
Third Party Payments	3	1	4	13
Central and Support Service Charges	119	49	168	175
<b>TOTAL EXPENDITURE</b>	<b>476</b>	<b>211</b>	<b>687</b>	<b>654</b>
<b>Income</b>				
Building Regulation Charges	565		565	485
Miscellaneous Income		20	20	29
<b>TOTAL INCOME</b>	<b>565</b>	<b>20</b>	<b>585</b>	<b>514</b>
<b>(Surplus)/Deficit for Year</b>	<b>(89)</b>	<b>191</b>	<b>102</b>	<b>140</b>

The above sums are included within the Consolidated Revenue Account (page 10) together with Disabled Access.

## 9. Pension Costs

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 need 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.

The accounting policy on pension costs has been revised following the full implementation of FRS 17 (see Note 2 page 5). This has led to a significant change in the presentation of pension costs in the Statement of Accounts.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:



	Local Government Pension Scheme			
	2003/04		2002/03	
	£'000	£'000	£'000	£'000
<i>Net Cost of Services:</i>				
Current Service Cost		2,156		2,265
Past Service Costs		52		
Settlement/Curtailment		(33)		63
<i>Net Operating Expenditure:</i>				
Interest Cost		5,709		4,859
Expected Return of Assets in the Scheme		(4,255)		(4,975)
<i>Amounts to be met from Government Grants and Local Taxation:</i>				
Movement on Pensions Reserve	(3,629)		(2,212)	
Employers' Contributions Payable to Scheme	3,092	(537)	3,174	962
<b>Actual Amount Charged against Council Tax for Pensions in the Year</b>		<b>3,092</b>		<b>3,174</b>

The actual contributions payable are determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31 March 2001. Rates are set to meet 100% of the overall liabilities of the fund. The results of the review at 31 March 2001 were implemented with effect from 1 April 2002. The employer's contributions for the period 1 April 2002 to 31 March 2005 are 175% of employees' contribution plus lump sums for back-funding. 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 had to be increased. The under funding is planned to be cleared over a twelve year period. The next review as at 31 March 2004 will be implemented with effect from 1 April 2005.

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.

Further details on pension liabilities are provided in Note 14 to the Balance Sheet, page 40 which also contains details of the assumptions made in estimating the figures included in this note. Note 4 to the Statement of Total Movements in Reserves, page 49, details the costs that have arisen where the estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

	31 March 2004		31 March 2003	
	Proportion	Expected Return	Proportion	Expected Return
	%	%	%	%
Equity investments	69.0	7.5	70.8	8.5
Gilts	8.7	4.7	21.2	4.5
Other Bonds	9.5	5.5	0.0	3.5
Property	10.8	6.5	5.6	7.0
Other assets	2.0	4.0	2.4	4.0
	<b>100.0</b>	<b>6.9</b>	<b>100.0</b>	<b>7.5</b>

The above figures have been provided by the actuaries to the Essex Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

#### ■ 15. Fixed Asset Restatement Reserve

	2003/2004	2002/2003
	£'000	£'000
Balance at the beginning of the Year	327,930	215,816
Less: Disposal of Fixed Assets	16,800	9,087
Add: Restatement Increases	33,291	121,201
<b>Balance at the End of the Year</b>	<b>344,421</b>	<b>327,930</b>

The introduction of capital accounting 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. The increase reflects the uplift in the value of Council dwellings (Note 2 page 35).



#### ■ 14. Disclosure of Net Pensions Asset/Liability

Note 9, page 15 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme, administered by Essex County Council, providing officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2004 are as follows:

	31 March 2004 £'000	31 March 2003 £'000
Estimated liabilities in scheme	97,364	97,401
Estimated assets in scheme	67,745	58,842
<b>Net liability</b>	<b>29,619</b>	<b>38,559</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £29.6 million has a significant impact on the net worth of the authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution (see note 9 to the Consolidated Revenue Account, page 15) designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

We pay contributions to the County fund monthly in arrears so at 31 March 2004 the sum of £231,000 for the March contribution has been included in the accounts as a creditor.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 1 April 2001.

The main financial assumptions adopted were:

	31 March 2004 %	31 March 2003 %
Rate of inflation	2.8	2.5
Rate of increase in salaries	4.6	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)).	2.8	2.5
Rate for discounting scheme liabilities (NB based on 3.5% real)	6.3	6.1

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.

#### ■ 10. Members and Employees

The total of Members' allowances paid in the year was £366,111 and this is included within Democratic Representation and Management in the Consolidated Revenue Account (page 10). Details of Members' Allowances are reported annually and a copy of the report can be obtained from Committee Services, Town Hall, or by telephoning Colchester 282207.

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

	2003/2004	2002/2003
Transportation	82	76
Refuse and Cleansing	197	163
Planning	87	67
Leisure and Museums	244	251
Housing	121	237
Finance and Computing	121	111
Environmental Health	40	48
Administration and Other Services	97	140
	<b>989</b>	<b>1,093</b>

Within the total number of employees are those whose remuneration, excluding pension contributions but including termination payments, was £50,000 or more. These are shown in bands of £10,000.

Remuneration Band	Number of Employees (left during the year)	
	2003/2004	2002/2003
£50,000 - £59,999	9 (1)	9 (2)
£60,000 - £69,999	-	2 (1)
£70,000 - £79,999	2	1
£80,000 - £89,999	-	1
£90,000 - £99,999	1	-

#### ■ 11. 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 management and staffing costs.

A summary of expenditure incurred in respect of the activity is as follows:

	2003/2004 £'000	2002/2003 £'000
Routine Maintenance	2,051	2,027
Street Lighting	378	403
Other	241	269
Management and Staffing Costs	1,363	1,162
Capital Works	2,563	2,086
<b>Total Expenditure</b>	<b>6,596</b>	<b>5,947</b>

The accounts have been drawn up on the basis that this expenditure will be fully reimbursed. These sums are not included in the Consolidated Revenue Account. This is a change from previous years when matching expenditure and income sums were included in the Consolidated Revenue Account.



## 12. Audit Costs

The accounts include the following fees payable to the Audit Commission relating to external audit and inspection:

	2003/2004 £'000	2002/2003 £'000
Core external audit services	108	118
Statutory inspection	16	20
Certification of Grant Claims	57	72
Other Services – National Fraud Initiative	-	1
	<b>181</b>	<b>211</b>

## 13. 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:

	2003/2004		2002/2003	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
<b>Central Government:</b>				
Revenue Grants (see Note 5, page 52)	35,875		30,109	
Non-Domestic Rate Income from National Pool	5,444		6,723	
<i>Capital Grants</i>				
- Office of the Deputy Prime Minister	628		424	
- English Heritage	53		66	
- Regeneration Budget	1,188		342	
<b>Essex County Council:</b>				
Precept (see Notes 5 & 7, page 29)		48,771		41,540
Highways Agency (see Note 11, page 17)	6,596		5,947	
Supporting People	804			
Countrywide Concessionary Travel Scheme		469		393
Trade Waste Disposal		162		114
Contributions to Capital Schemes	14		337	
Recycling Credits	425		289	
High Diversion Trial Contribution	134		130	
Joint Use of Sports Centres	53	97	70	102
Other, including County Supplies	12	162	65	147
<b>Essex County Council Pension Fund</b>				
Employers Contributions (see Note 9, page 15)		3,092		3,174
<b>Colchester Borough Homes Limited (see Note 23 to the Consolidated Balance Sheet, Page 45)</b>				
We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account.	483	2,088	-	-
<b>Parish Councils</b>				
The payments are grants and precepts to support services provided by Parish Councils. The receipts are contributions to joint finance schemes.	1	666	2	615
<b>Colchester Primary Care Trust</b>				
Contributions for joint finance schemes for housing special needs and health promotion.	36	40	40	-

## 12. Deferred Credits

	Balance at 31 March 2004 £'000	Balance at 31 March 2003 £'000
Council House Sales	246	287
Discounts Received	819	912
<b>Total Deferred Credits</b>	<b>1,065</b>	<b>1,199</b>

Discounts can be received when long term debt is redeemed and this benefit is applied to later years' revenue accounts. The benefit for 2003/04 is £103,957. This has been offset against interest charges within the Asset Management Revenue Account (Note 3, page 13). Premiums paid on long term debt redemption are detailed in a separate note (Note 5, page 36).

## 13. Provisions

Category of Provision	Balance at 1 April 2003 £'000	Contribution from Revenue in the Year £'000	Payments in the Year £'000	Balance at 31 March 2004 £'000
Insurance	390	40	-	430
Other	133	55	72	116
<b>Total Provisions</b>	<b>523</b>	<b>95</b>	<b>72</b>	<b>546</b>

The **Insurance Provision** has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However the actual cost of individual claims and the timing of payments is uncertain. Following further guidance the Insurance Fund has been allocated between the provision and reserve elements and the opening balance reallocated accordingly. (See Note 20, page 44)

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. Subsidence since October 1998 with an excess of £1,500.
- (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 Risk 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 irrecoverable amount in the event of payment default.

**Other Provisions** include a number of small sums set aside to meet specific service payments which we believe we must make in the future but are uncertain when the payments will be due.



## 10. Creditors

	Value as at	Value as at
	31 March 2004 £'000	31 March 2003 £'000
Non Domestic Rate Prepayment	1,568	1,269
Community Charge Overpayment	-	-
Council Tax Prepayment	1,754	1,438
Contribution to NNDR Pool	1,545	87
Interest Payable	709	888
Government Departments	713	646
Council Tenants	244	210
Contractors' Deposits	261	325
Essex County Council	746	743
Contractors re Capital Schemes	1,657	497
General Creditors	4,817	3,495
<b>Total Creditors</b>	<b>14,014</b>	<b>9,598</b>

## 11. Long Term Borrowing

	Amount Outstanding as at 31 March	
	2004 £'000	2003 £'000
Public Works Loan Board	2,900	9,764
Money Market	20,000	20,000
<b>Total Long Term Borrowing</b>	<b>22,900</b>	<b>29,764</b>

The average interest rate for all loans (including short term borrowing) was 8.41% (2002/03 = 8.10%).

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

Maturing:	2004	2003
	£'000	£'000
Between one and two years	-	-
Between two and five years	-	-
Between five and ten years	-	-
Over ten years	22,900	29,764
<b>Total Long Term Borrowing</b>	<b>22,900</b>	<b>29,764</b>

During May and June 2003 we prematurely repaid £6.9 million PWLB debt under a debt restructuring exercise.

### Mercury Theatre Company – Grant

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 59).

### Colchester United Football Club

The receipt for rent of the Layer Road ground is £15,000. 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.

### Voluntary Organisations – Grants

	2003/2004		2002/2003	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Mercury Theatre Company – Grant		297		310
Colchester United Football Club	15		14	
Arts Development		195		180
Welfare Organisations		203		123
East Colchester Single Regeneration Budget		-		158
Village Halls and Community Centres		322		30
Community Partnership Schemes		198		345
Recreation Development		8		7
Housing Groups		29		38
Shopmobility (Joint with CCVS)		17		43
Other		34		91

### Economic Development Activities – Grants

Colchester Town Centre Partnership		70		58
Colchester Business Enterprise Agency		15		17
Other		33		38

## 14. Leasing

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

The Council uses operating leases to obtain cars for officers, some vehicles and plant and computer equipment. The amount paid under these arrangements in 2003/04 was £33,136 (2002/03 £57,303). 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 2004 are:

	Total Outstanding Obligations under Non-Finance Leases £'000
2004/2005	13
2005/2006	6
	<b>19</b>
31 March 2003	52

There are no outstanding obligations on Finance Leasings as at 31 March 2004.



**HOUSING REVENUE ACCOUNT FOR THE  
YEAR ENDED 31 MARCH 2004**

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.

	Notes	2003/2004 £'000	2002/2003 £'000
<b>INCOME</b>			
Dwelling Rents (Gross)	1 & 2	17,300	18,401
Non-Dwelling Rents (Gross)	3	657	657
Charges for Services and Facilities	4	2,088	1,774
Contributions towards Expenditure		119	125
HRA Subsidy Receivable (including MRA)	12	7,459	7,929
<b>Total Income</b>		<b>27,623</b>	<b>28,886</b>
<b>EXPENDITURE</b>			
Repairs and Maintenance		5,022	4,451
Supervision and Management		6,306	5,400
Rents, Rates and Other Charges		100	197
Rent Rebates		10,602	11,109
Increased provision for Bad or Doubtful Debts	13	38	364
Cost of Capital Charges	8	11,806	16,863
Depreciation and Impairments of Fixed Assets	9 & 10	6,745	5,431
Amortisation of Deferred Charges	11	160	114
Debt Management Costs		45	45
<b>Gross Expenditure</b>		<b>40,824</b>	<b>43,974</b>
<b>Net Cost of Services</b>			
Net HRA Income from the Asset Management Account	8	(10,247)	(14,860)
Transfers from the General Fund as directed by the Secretary of State		-	-
Amortised Premiums and Discounts		292	144
HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)		(79)	(191)
<b>Net Operating Expenditure</b>		<b>3,167</b>	<b>181</b>
Revenue Contribution to Capital Expenditure	16	-	600
HRA contribution to Minimum Repayment Provision		438	550
Transfer from Capital Financing Reserve	11	(160)	(114)
Transfer to/(from) Major Repairs Reserve	5	(2,887)	(1,500)
Contribution to/(from) the Pension Reserve	6	36	(100)
<b>Deficit/(Surplus) for the Year Before Use of Balances</b>		<b>594</b>	<b>(383)</b>
Capital Expenditure met from Balances	16	1,604	-
<b>Deficit/(Surplus) for the Year After Use of Balances</b>		<b>2,198</b>	<b>(383)</b>
Balance Brought Forward		(4,218)	(3,835)
Balance Carried Forward	15	(2,020)	(4,218)

**7. Long Term Debtors**

These are debtors which fall due over a period of at least one year. They comprise of mortgages held by the Council and sums repayable on sale of the property. The advances in the year are under the new Financial Assistance Policy for Private Sector Housing.

Category of Long Term Debtor	Balance at 1 April 2003 £'000	Advances in the Year £'000	Repayments in the Year £'000	Balance at 31 March 2004 £'000
Sale of Council Houses	287	0	41	246
Purchase/Improvement of Private Sector Houses	104	95	2	197
Loans to Registered Social Landlords	69	0	14	55
<b>Total Long Term Debtors</b>	<b>460</b>	<b>95</b>	<b>57</b>	<b>498</b>

**8. Stocks and Work in Progress**

	Value as at 31 March 2004 £'000	Value as at 31 March 2003 £'000
Stocks	398	380
Less Provision for Obsolete Stock	3	3
<b>Total Stocks</b>	<b>395</b>	<b>377</b>

**Work in progress**

There is no work in progress at the end of 2003/04.

**9. Debtors**

	Value as at 31 March 2004 £'000	Value as at 31 March 2003 £'000
<b>Sums falling due within One Year</b>		
Non-domestic Rate Arrears	1,127	1,325
Community Charge Arrears	-	-
Council Tax Arrears	3,224	3,132
Government Departments	364	1,211
Council Tenants	1,445	1,854
Essex County Council	1,823	144
Customs & Excise (VAT)	1,277	540
Car Leasing Scheme	1	4
General Debtors	5,399	3,924
<b>Total Due within One Year</b>	<b>14,660</b>	<b>12,134</b>
<b>Sums falling due after One Year:</b>		
General Debtors	70	134
<b>Total Due after One Year</b>	<b>70</b>	<b>134</b>
Gross Debtors	14,730	12,268
Less Provision for Doubtful Debts	(3,121)	(3,946)
<b>Total Debtors</b>	<b>11,609</b>	<b>8,322</b>



■ 3. Depreciation

Assets are being depreciated in accordance with the Statement of Accounting Policies outlined in Note 4, page 6. More particularly council dwellings are being depreciated in accordance with the HRA Resource Accounting Regulations which came into effect from 1 April 2001. Asset lives are determined by the Asset Valuation Officer as Note 2 above. The lives being used are:

Council dwellings	35 years
Other buildings - Analysed into three life bandings:	
Short	10 years
Medium	25 years
Long	50 years
Vehicles, plant and equipment	3-10 years
Infrastructure assets	20 years

■ 4. Deferred Charges

	2003/2004 £'000	2002/2003 £'000
Balance at the beginning of the Year	1,575	1,693
<i>Expenditure in Year</i>		
Renovation Grants	779	909
Other	1,968	864
	<b>4,322</b>	<b>3,466</b>
<i>Less:</i>		
Government Grants	482	578
Amounts Written Off to Consolidated Revenue Account	1,600	1,313
<b>Balance at the End of the Year</b>	<b>2,240</b>	<b>1,575</b>

■ 5. 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 2003/04, £513,500, has been included under interest charges within the Asset Management Revenue Account (Note 3, page 13).

■ 6. Long Term Investments

	Balance at 31 March 2004 £'000	Balance at 31 March 2003 £'000
Association of District Councils (ADC) Debenture	10	10
Marketable Securities (at cost)	21	21
<b>Total Long Term Investments</b>	<b>31</b>	<b>31</b>
Market Value of Marketable Securities at 31 March	10	10

■ 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 2004 1% of lettable properties were vacant.

The Council was responsible for the management of approximately 6,500 properties during the year. The stock at the beginning and end of the year was made up as follows:

	31 March 2004	1 April 2003
<b>Analysis by Type of Dwelling:</b>		
Houses & Bungalows	3,193	3,292
Flats & Maisonettes	3,318	3,375
<b>Total Dwellings</b>	<b>6,511</b>	<b>6,667</b>

**Analysis by Number of Bedrooms:**

Bedsitters/1 Bedroom	2,636	2,652
2 Bedrooms	1,912	1,971
3 Bedrooms	1,872	1,949
4 or more Bedrooms	91	95
<b>Total Dwellings</b>	<b>6,511</b>	<b>6,667</b>

The change in stock can be summarised as follows:

	2003/2004	2002/2003
Stock at the beginning of the Year	6,667	6,847
Add: Acquisitions	1	1
	6,668	6,848
Deduct: Sales, Demolitions, Conversions, etc.	157	181
<b>Stock at the End of the Year</b>	<b>6,511</b>	<b>6,667</b>

The most recent valuation of HRA assets that has been prepared was at 1 April 2000. The valuation of dwellings has been uplifted to 31 March 2004 in the 2003/04 accounts and this is reflected in the valuation shown below:

	At 31 March 2004 £'000	At 1 April 2003 £'000
<b>Balance Sheet Valuation of HRA Assets</b>		
Operational Assets - Land, Houses and Other Property	379,176	353,839
Non Operational Assets	457	462

■ 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.

	At 31 March 2004 £'000	At 1 April 2003 £'000
<b>Vacant Possession Value</b>		
HRA Dwellings	626,400	584,400



### ■ 3. Non Dwelling Rents

These total £657,000 and are made up as follows:

Non Dwelling Rents	2003/04 £'000	2002/03 £'000
Garages and other Charges	554	566
Land and Other Buildings	103	91
<b>Total</b>	<b>657</b>	<b>657</b>

### ■ 4. Charges for Services and Facilities

From 2003/04 the Government's Supporting People Programme was introduced. The effect of this is the support element of the rentals that are charged for council houses are now shown separately in the accounts. Therefore income totalling £856,000 from Supporting People charges in 2003/04 is now shown under Charges for Services and Facilities rather than Dwelling Rents. This includes a figure of £804,000 which is a grant receivable under the Supporting People Programme.

### ■ 5. Major Repairs Reserve

Major Repairs Reserve	2003/04 £'000	2002/03 £'000
Balance as at 1 April 2003	-	-
Transfers in – depreciation (note 9)	6,745	5,431
Transfers out to the HRA	(2,887)	(1,500)
Capital Spending on Dwelling Stock met from Reserve	(3,858)	(3,931)
<b>Balance as at 31 March 2004</b>	<b>-</b>	<b>-</b>

### ■ 6. Pension Reserve

There has been a change in accounting policy on retirement benefits following the full implementation of FRS17 (see Note 9 page 15). Expenditure now reflects current service cost and the 2002/03 actual has been restated accordingly. The overall amount to be met from rent and Government subsidy remains unchanged.

### ■ 2. Valuation of Fixed Assets

Council dwellings were revalued at 1 April 2000 at a gross value of £232.6 million. The valuation of dwellings has been uplifted to 31 March 2004 in the 2003/04 accounts and this is reflected in the valuation shown in Note 1 above. 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. Other than the changes noted above it is not considered 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.



## ■ 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 2003	367,518	43,512	5,594	3,812	95	35,633	456,164
Additions	6,099	1,304	267	84	8	5,158	12,920
Disposals	(8,778)	0	(48)	0	0	(8,329)	(17,155)
Revaluations/Restatements	34,409	(1,104)	0	(14)	(8)	8	33,291
Gross Book Value at 31 March 2004	399,248	43,712	5,813	3,882	95	32,470	485,220
Depreciation b/fwd as at 1 April 2003	(13,679)	(1,996)	(2,669)	(752)	0	(19)	(19,115)
Depreciation for the Year	(6,717)	(679)	(453)	(188)	0	(5)	(8,042)
Depreciation on Assets Sold	324	0	31	0	0	0	355
Depreciation balance as at 31 March 2004	(20,072)	(2,675)	(3,091)	(940)	0	(24)	(26,802)
<b>Net Book Value at 31 March 2004</b>	<b>379,176</b>	<b>41,037</b>	<b>2,722</b>	<b>2,942</b>	<b>95</b>	<b>32,446</b>	<b>458,418</b>
<b>Net Book Value at 31 March 2003</b>	<b>353,839</b>	<b>41,516</b>	<b>2,925</b>	<b>3,059</b>	<b>95</b>	<b>35,614</b>	<b>437,048</b>

The revaluations/restatements take account of the uplift of Council dwellings to 31 March 2004 value and the impact of additions during 2003/04.

See Statement of Capital Expenditure and Financing (page 30) for analysis of "Additions" and sources of finance.

## ■ 7. HRA Capital Financing

Capital Financing	2003/04 £'000	2002/03 £'000
<b>HRA Capital Expenditure</b>		
Dwelling Stock	4,855	3,655
Environmental Improvements	296	670
Investment in Information Technology	311	206
	<b>5,462</b>	<b>4,531</b>
<b>Financed by:</b>		
Borrowing	-	-
Usable Capital Receipts	-	-
Revenue Contributions	1,604	600
Major Repairs Reserve	3,858	3,931
<b>Total</b>	<b>5,462</b>	<b>4,531</b>
<b>Summary of HRA Capital Receipts</b>	<b>2003/04 £'000</b>	<b>2002/03 £'000</b>
Sale of Council Houses – Direct	8,453	6,833
Sale of Council Houses – Deferred	41	50
Other (including shared ownership)	160	204
<b>Total</b>	<b>8,654</b>	<b>7,087</b>

The capital receipts are used to repay debt and to finance non-HRA capital expenditure (see page 30 and page 43, note 18).

## ■ 8. 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 3.5% (2002/03 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	2003/04 £'000	2002/03 £'000
Cost of Capital charge	11,806	16,863
Cost of Capital Accounting Adjustment	(10,247)	(14,860)
<b>HRA Interest Charge</b>	<b>1,559</b>	<b>2,003</b>

## ■ 9. Depreciation

Depreciation	2003/04 £'000	2002/03 £'000
Land – not depreciated	-	-
Dwellings	6,607	5,289
Other Property	138	142
<b>Total</b>	<b>6,745</b>	<b>5,431</b>



■ 10. Impairment Charges

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

■ 11. Deferred Charges

Deferred Charges	2003/04 £'000	2002/03 £'000
Housing Integrated Computer System	160	114

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.

■ 12. 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	2003/04 £'000	2002/03 £'000
Allowance for Management	2,990	2,881
Allowance for Maintenance	3,604	3,570
Allowance for Major Repairs	3,858	3,932
Charges for Capital	3,291	3,454
Rent Rebates	10,337	10,345
Other Items of Reckonable Expenditure	-	-
Allowance for Tenants Participation Compacts	-	-
Allowance for Resource Accounting	-	-
Rent	(16,655)	(16,401)
Interest on Receipts	(23)	(22)
<b>Housing Subsidy Payable</b>	<b>7,402</b>	<b>7,759</b>

The figure of £7.402 million is the estimate of the amount of subsidy payable to the Council in respect of the financial year 2003/04. This differs from the subsidy receivable in the year because of adjustments to previous years' claims.

■ 13. Rent Arrears

The arrears at 31 March 2004 totalled £1.445 million. This excludes prepayments of £0.237 million, and may be analysed as follows:

Arrears	2003/2004		2002/2003	
	£'000	£'000	£'000	£'000
Due from Current Tenants	654		878	
Due from Former Tenants	791	1,445	976	1,854
Prepayments		(237)		(210)
<b>Net Arrears</b>		<b>1,208</b>		<b>1,644</b>

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 2004 the provision totalled £1.19 million.

■ 1. Fixed Assets

Major assets held by the Council are as follows:

	31 March 2004	31 March 2003
<b>Operational Assets</b>		
<b>Council Dwellings</b>		
Council House Stock	6,511	6,667
Council Garages	2,607	2,613
Shared Ownership Properties	14	16
<b>Other Land and Buildings</b>		
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	19	19
Activity Centres for Older People	2	2
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	3
Nurseries	1	1
Sports Pavilions	7	8
<b>Vehicles, Plant and Equipment</b>		
Vehicles and Plant	96	98
CCTV Town Centre Monitoring System	1	1
<b>Community Assets</b>		
Museum Exhibits (including artwork)	Circa 500,000	Circa 500,000
Civic Regalia	78	78
Commons and Greens	13	13
Parks and Open Spaces	1,100 acres	1,100 acres
Sports Grounds	191 acres	174 acres
Woodland	163 acres	163 acres
Children's Play Area	51	52
Balkerne Gate Roman Features	1	1
Gosbecks Archaeological Park	1	1
<b>Non-Operational Assets</b>		
Former Outdoor Swimming Pool	1	1
Industrial Lettings	46	46
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



## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

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

	Notes	31 March 2004 £'000	31 March 2003 £'000
<b>Fixed Assets</b>			
<i>Operational Assets</i>			
Council Dwellings		379,176	353,839
Other Land and Buildings		41,037	41,516
Vehicles, Plant and Equipment		2,722	2,925
Infrastructure Assets		2,942	3,059
Community Assets		95	95
Non-Operational Assets		32,446	35,614
<b>Total Fixed Assets</b>	<b>1 &amp; 2</b>	<b>458,418</b>	<b>437,048</b>
Deferred Charges	4	2,240	1,575
Deferred Premiums	5	2,756	1,018
Investments (Long Term)	6	31	31
Long Term Debtors	7	498	460
<b>Total Long Term Assets</b>		<b>463,943</b>	<b>440,132</b>
<b>Current Assets</b>			
Stock	8	395	377
Work in Progress	8	-	-
Debtors	9	11,609	8,322
Investments (short term)		33,540	35,408
<b>Total Current Assets</b>		<b>45,544</b>	<b>44,107</b>
<b>Current Liabilities</b>			
Short Term Borrowing		-	(31)
Creditors	10	(14,014)	(9,598)
Cash Overdrawn		(1,879)	(908)
<b>Total Current Liabilities</b>		<b>(15,893)</b>	<b>(10,537)</b>
<b>Net Current Assets</b>		<b>29,651</b>	<b>33,570</b>
Long Term Borrowing	11	(22,900)	(29,764)
Capital Contributions – Deferred		(7,583)	(5,061)
Deferred Credits	12	(1,065)	(1,199)
Provisions	13	(546)	(523)
Pension Scheme Liability	14	(29,619)	(38,559)
<b>Total Net Assets</b>		<b>431,881</b>	<b>398,596</b>
<i>Represented by:</i>			
Fixed Asset Restatement Reserve	15	344,421	327,930
Capital Financing Reserve	16	92,297	84,887
Usable Capital Receipts Reserve	18	12,195	9,838
Pensions Reserve	19	(29,619)	(38,559)
Earmarked Reserves	20	7,909	7,733
Revenue Balances	21	4,678	6,767
<b>Total Net Worth</b>	<b>22</b>	<b>431,881</b>	<b>398,596</b>

### 14. Exceptional or Prior Year Items

There are none.

### 15. Revenue Balances

The revenue balance of £2 million shown below has been committed for specific future use.

Revenue Balances	2003/2004 £'000	2002/2003 £'000
Revenue Balance at the beginning of the Year	4,218	3,835
Less: Housing Revenue Account Deficit 2003/04	(594)	
Less: Use of Accumulated Balance	(1,604)	383
<b>Revenue Balance at the End of the Year</b>	<b>2,020</b>	<b>4,218</b>
Less: Committed Sum		
Housing Investment Programme 2004/05 and Future Years	(2,012)	
Estimate Balance Carried Forward	(8)	(3,692)
<b>Uncommitted Balance</b>	<b>0</b>	<b>526</b>

As the uncommitted balance from 2002/03 has been used in 2003/04 to support the Housing Revenue Account, it is planned to make additional contributions to balances in 2004/05 to return the uncommitted balance to the recommended level.

### 16. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. 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. Therefore the revenue balances carried forward above (£2.012 million) will be used to support capital spending in future years.

#### Further Information

Arms Length Management Organisation (ALMO) - see Note 23 on page 45.

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.

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 2004

	Notes	2003/2004 £'000	2002/2003 £'000
<b>INCOME</b>			
Council Tax	1 - 3	62,491	52,997
Non-Domestic Rates	4	42,230	40,403
<b>Total Income</b>		<b>104,721</b>	<b>93,400</b>
<b>EXPENDITURE</b>			
Precepts	5	61,775	52,656
<i>Non-Domestic Rates:</i>			
Payment to National Pool	4	41,987	40,150
Cost of Collection Allowance		243	253
<i>Bad and Doubtful Debts:</i>			
Provision for Council Tax Bad Debts	6	687	380
<b>Total Expenditure</b>		<b>104,692</b>	<b>93,439</b>
(Surplus)/Deficit for the Year – Council Tax	7	(29)	39
Distribution/(Collection) of Previous Estimated Surplus/Deficit	7	0	119
Net adjustments for Previous Year's Community Charges	8	(1)	(1)
Distribution to Colchester Borough Council from estimated Collection Fund Surplus (Community Charge)	9	1	5
<b>(Surplus)/Deficit for the Year</b>		<b>(29)</b>	<b>162</b>
<b>Collection Fund Balance</b>			
Balance at the Beginning of the Year		10	(152)
(Surplus)/Deficit for the Year		(29)	162
<b>Balance at the End of the Year</b>		<b>(19)</b>	<b>10</b>

#### ■ 1. Committed Capital Contracts

The following significant contracts have been entered into by the Council at 31 March 2004, for which the committed sums of £6.6 million shown below are yet to be reflected in the accounts.

	Total Anticipated Contract Expenditure £'000	Less Total Expenditure to 31 March 2004 £'000	Committed Contracts as at 31 March 2004 £'000
<i>Council Housing</i>			
Upgrading Stock – Decent Homes	4,150	1,682	2,468
Provision of Customer Service Centre	4,938	1,023	3,915
Registered Social Landlords' Schemes	1,140	902	238
	<b>10,228</b>	<b>3,607</b>	<b>6,621</b>

Where a significant element of an overall project has been contracted by 31 March 2004 the full project cost is included above even if some elements were not contracted until after 31 March 2004.

#### ■ 2. Approved Capital Schemes

In addition to the above contracts there is a scheme to refurbish St Marys multi-storey car park, with an estimated value of £865,000, which had been approved to proceed but had not been contracted at 31 March 2004.

#### ■ 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 14, page 19).



**STATEMENT OF CAPITAL EXPENDITURE AND  
FINANCING FOR THE YEAR ENDED 31 MARCH 2004**

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

	2003/2004 Total £'000
<b>Fixed Assets:</b>	
Improvements to Council Housing	6,099
Colchester Regeneration Projects	4,574
Car Park Improvements	1,188
Office Improvements	351
Investment in Information Technology	321
Traffic Management	105
Recycling Scheme	100
Sport and Recreation	49
Other	133
<b>Total Fixed Assets</b>	<b>12,920</b>
<b>Capital Expenditure not Resulting in Fixed Assets:</b>	
Loans to Private Sector Housing	95
Grants to Registered Social Landlords	328
Investment in Information Technology – Software	1,053
Renovation Grants	779
Grants for Health and Community Centres	400
Conservation Area Partnership Grants	153
Other	35
<b>Total Capital Expenditure not Resulting in Fixed Assets</b>	<b>2,843</b>
<b>Total Capital Expenditure</b>	<b>15,763</b>
Less Net Capital Accruals	(1,160)
<b>Total Capital Expenditure to be Financed</b>	<b>14,603</b>
<b>Financed by:</b>	
Borrowing (use of Credit Approvals)	1,766
Application of Capital Receipts	5,319
Major Repairs Reserve	3,858
Application of Other Reserves	1
Direct Revenue Funding	1,604
Grants and Contributions	2,055
<b>Total Financing</b>	<b>14,603</b>

**NOTES TO THE COLLECTION FUND ACCOUNTS**

■ **1. Council Tax Income**

The Council set an average Band D Council Tax, including parishes, of £1,135.41 with an estimated tax base of 54,408 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2003/2004 £'000	2002/2003 £'000
<b>Council Tax Income</b>		
Tax Payers	56,269	47,896
Council Tax Benefits transferred from General Fund	6,222	5,101
	<b>62,491</b>	<b>52,997</b>

■ **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	7,582	6,203	6/9	4,135
B	16,273	14,390	7/9	11,192
C	16,440	15,076	8/9	13,401
D	10,826	10,098	9/9	10,098
E	6,415	6,111	11/9	7,469
F	3,122	2,990	13/9	4,319
G	1,990	1,913	15/9	3,189
H	108	102	18/9	204

Contributions in lieu for Ministry of Defence Properties

	951
<b>Total Band D</b>	<b>54,958</b>

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

	(550)
<b>Council Tax Base</b>	<b>54,408</b>



### ■ 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	166,397	155.73	1,188.51
Chelmsford	157,527	105.61	1,135.63
<b>Colchester</b>	<b>155,427</b>	<b>119.25</b>	<b>1,135.41</b>
Tendring	139,995	118.01	1,118.33
Braintree	134,488	107.62	1,135.33
Epping Forest	121,338	116.72	1,152.27
Castle Point	87,186	120.65	1,173.87
Rochford	78,538	171.56	1,198.01
Harlow	79,265	103.36	1,156.58
Uttlesford	69,256	101.12	1,138.58
Brentwood	68,592	132.65	1,135.02
Maldon	60,399	108.54	1,141.18

### ■ 4. National Non-Domestic Rate (NDR) Income

Non-domestic rates are organised on a national basis. The Government specifies an amount (44.4p in 2003/04) 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.

	2003/2004 £'000	2002/2003 £'000
<b>NDR Income</b>		
Bills Issued	44,474	42,757
Mandatory Reliefs	(2,036)	(2,034)
Discretionary Reliefs	(149)	(139)
Provision for Bad Debts	(126)	(242)
<b>Net Income</b>	<b>42,163</b>	<b>40,342</b>
General Fund contribution to Discretionary Reliefs	67	61
<b>NDR Income to Income &amp; Expenditure Account</b>	<b>42,230</b>	<b>40,403</b>
Cost of Collection Allowance	(243)	(253)
<b>Amount Payable to NDR Pool</b>	<b>41,987</b>	<b>40,150</b>

The total non-domestic rateable value at 31 March 2004 was £112,238,998, the multiplier for the year was 44.4p. The product of this is £49,834,000. 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.

### ■ 5. Precepts

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

	2003/2004 £'000	2002/2003 £'000
Essex County Council	48,771	41,447
Colchester Borough Council	7,946	7,017
Essex Police Authority	5,058	4,192
<b>Total Precepts</b>	<b>61,775</b>	<b>52,656</b>

### ■ 6. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. During 2003/04 £578,000 of irrecoverable debts were written off (2002/03 £368,000).

### ■ 7. 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.

Any previous years cumulative surplus on Council Tax is 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 the related year. However, no surplus had been anticipated for the end of 2002/03. The difference between the surplus achieved and distributed is because any surplus is distributed on an estimated basis.

	2003/2004 £'000	2002/2003 £'000
Essex County Council	0	93
Colchester Borough Council	0	16
Essex Police Authority	0	10
<b>Total Distributed</b>	<b>0</b>	<b>119</b>

### ■ 8. 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 2003/04.

### ■ 9. Distribution to Colchester Borough Council

The income for Community Charge (Note 8) has been used by the Council to reduce the level of Council Tax.