

**COLCHESTER BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005**

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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 11)

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 21)

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 28)

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 32)

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

Consolidated Balance Sheet (page 34)

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 52)

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 54)

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

Port Health Authority Accounts (page 57)

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

Trust Fund Accounts (page 58)

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

Group Accounts (page 65)

These statements bring together the financial position of the Council and its interest in Colchester Borough Homes Ltd, together with the various Trust Funds.

INTRODUCTION - 2004/2005 FINANCIAL YEAR

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 £19.3 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	19.3
<i>Met by:</i>		
Collection Fund Precept	8.6	8.6
Collection Fund Transfer	-	-
Government Grants	10.2	10.2
Contribution from/(to) Balances	0.5	0.5
Total Financing	19.3	19.3

General Fund balances now stand at £2.2 million, of which £1.8 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 significantly increased capital spending in 2004/05 with a major investment in Council dwellings under the Decent Homes programme. This has been funded by borrowing secured following the successful creation of an Arms Length Management Organisation.

The Council's capital spending was £28 million, £1.5 million less than programmed. This shortfall was mainly due to spending on schemes being rescheduled into the following financial year. About 50% of capital spending was paid for from borrowing. Other capital spending was financed from capital receipts from sale of assets, 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, although the level has fallen this year; £3.9 million was received in 2004/05. However, regulations require 75% of this to be paid into a Government Pool so only 25% is available for new investment. Other receipts are fully available and £1.4 million was received in 2004/05. The accumulated balance of £8.1 million is already planned to support capital spending from 2005/06 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 surplus for the year of £0.6 million. At the year end the Housing Revenue Account balance is £2.6 million, a significant part of 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 opened the way to an extra £13.5 million to improve council homes in 2004/05.

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

It means that council housing is still owned by the council, but managed by a separate organisation.

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

Approval has now been secured to spend a further £22.2 million on improving Council homes through this initiative. This will be used to support the Decent Homes programme through 2005/06 and 2006/07.

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 2004/05 or 2005/06 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 first time in 2003/04 the full new reporting arrangements for pension costs were included in the Statement of Accounts. 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 £49.3 million shortfall at 31 March 2005. 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.

Group Accounts

We are now required to prepare a series of Group Account Statements under new more demanding requirements introduced for 2004/05. These statements reflect not only the direct financial activities of the Council but also services provided by those bodies over whom we have a formal controlling influence.

The principal impact is to bring together in the Group Accounts the activities of the Council and Colchester Borough Homes. The opportunity has also been taken to consolidate the activities of the various trust funds into the statements.

These new requirements have no impact on our financial results and standing. The aim is to provide a clearer financial picture of the Authority's control and influence.

Reporting Requirements

Reporting requirements under the Accounts and Audit regulations 2003 required that the accounts for 2004/05 were to be prepared and reported to Members by 31 July. This is one month earlier than last year. In order to achieve this deadline, a number of items, which have been closed on estimated outturn, are included in the accounts. The effect of these on the 2004/05 accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

The Accounts and Audit Regulations 2003 also require this deadline to be moved forward by a further one month for next year, so that the accounts are prepared and reported by 30 June each year from 2005/06.

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 £1.8 million when planning the 2005/06 budget.

As at 31 March 2005 the Council's General Fund balances stood at £2.2 million. It is estimated that £0.4 million of these will be required to fund schemes carried forward from 2004/05 and to support expenditure during 2005/06. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

Outlook

The Council's revised Strategic Plan 2004-2007 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.

Furthermore, as required by the Government, the Council now has to demonstrate annual efficiency gains of 2.5% against an agreed baseline in accordance with the Gershon report. The Government requested Sir Peter Gershon to undertake a review of public sector efficiency. The report indicated that efficiency in the public sector involves making the best use of resources available for the provision of public services.

One of the Gershon requirements is to submit to the Government annual efficiency statements demonstrating how the Council is to achieve ongoing efficiency gains of 7.5% by the financial year 2007/08. The Council has submitted the initial statements as required.

The Gershon Initiative requires councils to deliver efficiency gains through improved procurement methods, partnership working and service improvements. The budget process for 2006/07 and future years will reflect these aims.

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, from public libraries and the Visitor Information Centre. You can also visit our website at www.colchester.gov.uk.

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

Our Fairness Policy

We will promote 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.**

**For more information about these accounts, please contact:
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Telephone: Colchester (01206) 282355
E-mail: andy.wilks@colchester.gov.uk**

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the Head of 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 and regulatory Committee at the meeting held on 26 July 2005.

Signed on behalf of Colchester Borough Council
Councillor G. Oxford
Chair of meeting approving the accounts:
Date: 26 July 2005

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 80 present fairly the financial position of the Council as at 31 March 2005 and the income and expenditure for the year then ended.

Sean Plummer
Section 151 Officer
15 July 2005

David Corker
Interim Head of Financial Services
15 July 2005

STATEMENT OF INTERNAL CONTROL FOR COLCHESTER BOROUGH COUNCIL

■ *1. Scope of Responsibility*

Colchester Borough Council (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. The system of internal control is based on an ongoing process designed to identify and prioritise the 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 year ended 31 March 2005 and up to the date of approval of the annual accounts.

■ *3. The Internal Control Environment*

The council's internal control environment is a system of financial regulations, administrative procedures, management information, and delegation and accountability. The system is monitored by both external audit and the council's internal audit provider. The key elements of the council's internal control environment are as follows:

- The council's constitution, which sets out how the council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable. It details what is expected of Heads of Service for the administration of services under their control, which includes the prevention and detection of fraud.
- The council has adopted the recommendations made within the CIPFA/SOLACE framework documents and will continue to monitor these arrangements to ensure that proper procedures are in place for the effective governance of the council's affairs and the stewardship of the resources at its disposal.
- The Risk Management Strategy explains the council's attitude to risk, documents the process and responsibilities for managing risk throughout the council, including risk registers at both strategic and operational level and identifies reporting procedures.
- Decision making authority is delegated to Cabinet Members and Officers in the interests of efficiency where it is consistent with accountability and openness. Key decisions are taken at full meetings of the Council or Cabinet and are published in a forward plan.
- The Strategic Overview and Scrutiny Panel holds decision makers to account and scrutinises the strategic framework. The Finance and Audit Scrutiny Panel is a specific member forum to discuss finance and audit related matters. Both panels can 'call-in' decisions made by the cabinet and under delegated authority to enable them to consider whether the decision is appropriate. Both meetings are open to the public.

- The Monitoring Officer maintains an up to date version of the Constitution, ensures that decision-making is fair and lawful, and advises whether cabinet decisions are within the budget and policy framework.
- The Chief Finance Officer ensures the lawfulness and prudence of financial decision making, and has responsibility for the planning, administration and monitoring of the council's financial affairs in accordance with Section 151 of the Local Government Act 1972.
- The financial planning framework seeks to ensure that the council's financial resources are allocated in accordance with its objectives policies and plans on both an annual and a medium term basis. The main components of the framework are the revenue budget, capital programme, and the medium term revenue and capital strategies.
- The council's Internal Audit provider operates to the standards as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003. They are responsible for monitoring the quality and effectiveness of the council's systems of internal control. The Finance and Audit Scrutiny Panel receive reports reviewing the systems of internal control and monitoring actions against Internal Audit recommendations, together with External Audit's annual audit letter and other reports.
- The council has a robust and effective performance management system. The strategic plan identifies priorities for 2004 – 2007 and gives a focus for service delivery and budget setting. It is cascaded down through service plans to individual employee appraisals.
- All posts within the council have a detailed Job description and person specification to ensure that staff are suitably qualified to undertake their responsibilities. Training needs are identified by the councils appraisals scheme.

■ 4. *Review of Effectiveness*

The council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal audit provider, the executive managers within the council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

From the work undertaken in 2004/05, Internal Audit has provided satisfactory assurance that the internal controls are fundamentally sound and accord with proper practice. Furthermore, Internal Audit's opinion is that the council's corporate governance framework complies with the best practice guidance issued by CIPFA/SOLACE. These both take into account the following factors:

- The Audit Commission's CPA assessment undertaken during 2003/04. The council's overall performance achieved an 'excellent' rating, with a score of 19 out of 20 in respect of its financial services.
- The Benefit Fraud Inspectorate's review of 2003/04 found that the council's performance was fair towards good.
- A Best Value Review report issued during 2004/05 in respect of Strategic Housing.
- The Home Office Surveillance Commissioners found the council's compliance with the Regulation of Investigatory Powers (RIPA) as being Best Practice.
- A review of the council's compliance with the CIPFA Office for Public Management (OPM) Good Governance Standards for Public Services.
- Numerous other providers of assurance concerning aspects of the internal control environment, including the Equal Opportunities Commission, the Vehicle Inspectorate and DEFRA.

Risk management within the council continues to improve, primarily due to obtaining Member and Executive Management Team sponsorship. Embedding risk management within the culture is a lengthy process, and continuing to improve the management information in the form of risk registers and reporting of risks and control will assist this process. Risk management was reviewed by Internal Audit during the year, and was taken account of in the CPA assessment of financial services.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control also includes:

- The Council reviewing compliance with the Local Code of Corporate Governance on an annual basis.
- The council's Overview and Scrutiny and Finance and Audit Scrutiny Panels by reviewing the adequacy of internal controls and monitoring the performance of internal audit.
- The Monitoring Officer, who reviews the operation of the Constitution.
- Regular performance management and budgetary control reports to both Senior Management and the Finance and Audit Scrutiny Panel.
- Reports from External Audit expressing an opinion on the adequacy of internal audit work.

■ 5. *Significant Internal Control Issues*

The review of the effectiveness of the system of internal control has identified some internal control issues, which are shown below along with the action plans that are in place to address them and ensure continuous improvement of the system:

No.	Issue	Action
1	Continued development of the business continuity strategy	The working party will progress this matter in conjunction with the council's insurers.
2	Processes in respect of the retention of crucial documents	The policy will be updated to reflect current legislation and best practice. Registers will be produced and held within each service area.
3	Complying with Standing Orders in respect of the abandoned vehicles contract, and reinstating a charging system	The tender process should be complete early in 2005/06. The charging system will be addressed to coincide with the awarding of the new contract.
4	The partnership between the council, Colchester Borough Homes and Inspace Ltd.	This continues to improve through partnership liaison meetings. A review of 'arms-length' partnership arrangements is due in late 2005. Testing of invoices by internal audit have indicated that there are some weaknesses in the scrutiny of invoices submitted by Inspace to the ALMO. The Council will work with Inspace and CB Homes to address these control issues and a further review of arrangements is due in early 2006.
5	Health and Safety training for managers	This is in progress both to initially prepare managers for their role and ensure that they continue to fulfil their responsibilities.
6	Heads of Financial Services and Revenue Services	The two services have been merged following a review of the senior management structure.
7	Continuing to fully embed the risk management process	A more formal system of review and monitoring will be introduced, together with a mechanism for informing members of high-level risks. The need for service heads to be actively involved in the process will be reinforced within the risk strategy.

Susan Edwards
Head of Finance
28 October 2005

John Jowers
Leader of the Council
28 October 2005

Adrian Pritchard
Chief Executive
28 October 2005

STATEMENT OF ACCOUNTING POLICIES

■ 1. General

The accounts have been drawn up in keeping with the revised Code of Practice on Local Authority Accounting in the United Kingdom (2004): 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. Estimation Techniques

There are methods adopted by the Council to arrive at estimates where there is uncertainty over the actual figure. All estimates are the best assessment made on the information available at the time the accounts are closed. When actual figures are determined any difference from the estimate used for closure are accounted for in the year the actual is determined. Estimation techniques are applied in particular to the calculation of depreciation, bad debt provision, sums due to contractors and Government grants. The methods used for these items are further explained in the following accounting policies.

■ 3. Pension Costs

Following a transitional period the Code 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 2004/05 determined to be 5.4%.
- 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 (2004). 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 2004.
- 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 2005.
- 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.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.3% actual). For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 2.5% real (5.4% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £13.3 million which is included in the increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves. This has also increased the current service cost included in the Cost of Services within the Consolidated Revenue Account by approximately £0.6 million.

The 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.

■ *4. 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 Senior Estates Officer. Council dwellings were revalued as at 1 April 2000 and the value has now been uplifted to 31 March 2005 on the basis of property indices published by the Royal Institution of Chartered Surveyors. Other land and property were revalued as at 1 April 2004. 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 account known as the Fixed Asset Restatement Account. 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 Account.

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

■ *5. 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 as estimated by the valuer, appropriate to the nature of the asset and its use, after allowing for the residual value of an asset.

■ *6. Intangible Assets*

Purchased intangible assets for software are capitalised as assets at cost. These are then written out to service revenue accounts over an appropriate period relating to the asset life.

■ 7. *Deferred Charges*

Deferred charges represent spending which may properly be capitalised 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. Deferred charges are written out to service revenue accounts.

■ 8. *Reserves and Provisions*

The Council has the power to keep reserves for certain purposes. Separate reserves are for Renewal and Repairs, Capital Expenditure, Asset Replacement, Regeneration and the Major Repairs Reserve. Details of these are given in Note 21 to the Consolidated Balance Sheet on Page 47.

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 which is estimated taking into account age, stage of recovery and value.
- b) An insurance provision estimated on an assessment of outstanding claims. (See Note 13 to the Consolidated Balance Sheet on Page 42).

■ 9. *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 2004/05 is 3.5% (2003/04 3.5%) for assets carried at current value, and 4.8% (4.625%) 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.

■ 10. *Capital Receipts*

Capital receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government Act 2003. Under the Act, certain proportions of housing capital receipts must be paid into a Government Pool for redistribution. The main receipts affected are: 75% of Council house sales and 50% of other housing asset sales unless certain conditions are met. This is a change from previous years when the regulations required the similar proportions of the Capital Receipts to be set aside as a provision for repaying debt. 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.

■ 11. *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 act as the accountable body for a number of 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 2005. The 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 and for benefits using figures provided by the benefits subsidy software system. All major grants included in the accounts are subject to audit of the final claims.

■ 12. *Provision for Redemption of Debt and Interest Charges*

Under the Local Government Act 2003, provision for debt redemption is made in two ways:

- by a minimum charge to revenue, based on the Authority's capital financing requirement (defined in the Act); and
- by voluntary contributions from revenue or from the usable proportion of the proceeds of the sale of capital assets.

This Council uses the minimum revenue provision, which is 4% for the General Fund.

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

The policy on premiums and discounts is in line with the guidance in the 2004 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.

■ *13. 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.

■ *14. 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 2005. Estimates have been used where actual figures were not available. The most significant estimates are in respect of Benefits and Housing Subsidy (see Note 11, Government Grants and Contributions). The Council has entered into a major partnership arrangement with Colchester Borough Homes Limited and a contractor to deliver a programme of works to Council homes. Under these arrangements part of the payment due to the contractor cannot be determined until after the year end as it is based on performance. These sums have been estimated on the basis of actual results to the year end and a provisional assessment of performance, all in accordance with the terms of the agreement.

■ *15. 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.

■ *16. 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.

■ *17. Investments*

Long term investments are shown in the Consolidated Balance Sheet at cost less provision for loss in value. 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 2005. Short-term investments are repayable within one year and are only made with the approved organisations listed in the Council's Treasury Policy Statement.

■ *18. 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.

■ *19. Value Added Tax (VAT)*

VAT is included in the accounts only to the extent that it is irrecoverable from HM Customs and Excise. The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all the Council's activities. If the amount exceeds the limit then none of the tax may be recovered. Customs and Excise have raised no objection to the Council's method of calculation which shows we are within the limit.

■ *20. Group Accounts*

Group Accounts have been prepared on the basis of implementing the 2004 SORPs modified Group Accounts requirements.

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

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 2004/2005 (Note 1)	2004/2005 Gross Expenditure £'000	2004/2005 Total Income £'000	2004/2005 Net Expenditure £'000	2003/2004 Net Expenditure £'000
CENTRAL SERVICES				
Democratic Representation and Management	2,329	94	2,235	2,182
Corporate Management	1,235	22	1,213	1,251
Non Distributed Costs	32	-	32	22
<i>Central Services to the Public</i>				
Local Taxation (includes Council Tax Benefit)	9,227	8,098	1,129	916
Other Central Services	1,558	706	852	1,095
Total for Central Services	14,381	8,920	5,461	5,466
CULTURAL, ENVIRONMENTAL & PLANNING SERVICES				
<i>Cultural and Related Services</i>				
Culture and Heritage	2,688	823	1,865	1,908
Recreation and Sport	7,069	3,667	3,402	2,677
Open Spaces	1,593	122	1,471	1,444
Tourism	543	163	380	410
<i>Environmental Services</i>				
Cemetery, Crematorium and Mortuary Services	637	763	(126)	(49)
Environmental Health	2,026	371	1,655	1,483
Community Safety	929	288	641	664
Street Cleansing (non-highway)	1,544	57	1,487	1,459
Waste Collection	5,046	1,561	3,485	2,836
<i>Planning and Development Services</i>				
Building Control	747	585	162	122
Development Control	1,704	933	771	702
Planning Policy	829	169	660	722
Economic Development	2,215	2,166	49	42
Other Planning and Development Services	754	517	237	191
Total for Cultural, Environmental & Planning Services	28,324	12,185	16,139	14,611
HIGHWAYS, ROADS AND TRANSPORT SERVICES				
Transport Planning and Strategy	250	1	249	248
Highways, Traffic Management and Road Safety	963	18	945	829
Parking Services	3,196	4,595	(1,399)	(1,550)
<i>Public Transport</i>				
Concessionary Fares	866	314	552	525
Other Public Transport	187	76	111	71
Total for Highways, Roads and Transport Services	5,462	5,004	458	123
HOUSING GENERAL FUND				
Private Sector Housing Renewal	1,273	296	977	864
Homelessness	1,422	777	645	645
Housing Benefits	29,095	28,561	534	752
Other Housing General Fund	2,633	431	2,202	1,409
Total for Housing General Fund	34,423	30,065	4,358	3,670
HOUSING REVENUE ACCOUNT	32,309	19,522	12,787	13,201
SOCIAL SERVICES – OLDER PEOPLE	814	554	260	203
COST OF SERVICES	115,713	76,250	39,463	37,274

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005 (continued)

	Notes	2004/2005 Net Expenditure £'000	2003/2004 Net Expenditure £'000
Cost of Services (net) Brought Forward	1	39,463	37,274
Precepts paid to Parish Councils		532	498
Deficit/(surplus) on Internal Trading	2	29	40
Contribution of Housing Capital Receipts to Government Pool	3	2,869	-
Provision for Investment Losses		11	-
Interest Receivable		(2,162)	(1,267)
Transfer to/(from) Asset Management	4	(13,862)	(12,294)
Pensions Interest Cost and Expected Return on Pensions Assets	10	1,414	1,454
Net Operating Expenditure		28,294	25,705
Surplus/(Deficit) transferred to/from HRA Balances		618	(2,198)
Movement on Earmarked Reserves	5	925	168
Transfer from Major Repairs Reserves	5	(3,068)	(2,887)
Transfer from Usable Capital Receipts for contribution to Pool	3	(2,869)	-
Capital Financing Account - MRP Adjustment	6	(1,560)	(1,185)
- Intangible Fixed Assets and			
- Deferred Charges		(2,540)	(1,600)
- Transfer from		-	(117)
Financing of Capital Expenditure		634	1,604
Contribution (from)/to the Pensions Reserve and Pension Fund Creditor	10	(1,130)	(537)
Amount to be met from Government Grant and Local Taxpayers		19,304	18,953
Precept demanded from the Collection Fund		(8,646)	(7,946)
Collection Fund Transfer - Community Charge		(1)	(1)
- Council Tax		-	-
Revenue Support Grant		(5,977)	(5,642)
Contribution from Non-Domestic Rate Pool		(4,234)	(5,444)
Deficit/ (Surplus) for the Year		446	(80)
General Fund Balances			
Balance at the Beginning of the Year		(2,639)	(2,559)
Deficit/(Surplus) for the Year		446	(80)
Balance at the End of the Year		(2,193)	(2,639)

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 the estimation of the cost of retirement benefits under the full implementation of FRS17 (see Note 10, page 16). Service expenditure reflects current service cost and a change in the discount rate used means the 2004/05 figures are approximately £600,000 greater than the level for 2003/04 (see Note 3 page 5). Land and buildings, other than HRA dwellings, have been revalued as at 1 April 2004 (see Note 3, page 38). This has increased the charges for the use of capital assets included in service expenditure by £1,272,000. 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 11). The deficit for the year was £22,900 on a turnover of £487,900. (2003/04 £58,700 surplus on £502,000).

Building Control - Shown in Note 9, page 16.

Colchester Leisure World - Included within "Recreation and Sport" in the Consolidated Revenue Account (page 11).

	2004/2005 Income £'000	2004/2005 Expenditure £'000	2004/2005 Deficit/(Surplus) £'000	2003/2004 Deficit/(Surplus) £'000
Leisure World	3,160	3,499	339	275

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 £29,000 on a combined total turnover for these activities of £11,798,000 (2003/04 £40,000 on £10,853,000). 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.

■ 3. Capital Receipt Pooling

Regulations made under the Local Government Act 2003 have changed the treatment of capital receipts from the sale of assets (see Note 10, page 8 and Note 19, page 46). For the first time in 2004/05 we have to pay a proportion of capital receipt into a Government pool for redistribution.

■ 4. Transactions on the Asset Management Revenue Account

	2004/2005 £'000	2003/2004 £'000
Income		
<i>Capital Charges:</i>		
General Fund	(5,313)	(4,192)
Housing Revenue Account	(19,780)	(18,551)
Transfer from Capital Contributions - Deferred Account	(212)	(126)
	(25,305)	(22,869)
Expenditure		
<i>Provision for Depreciation</i>		
General Fund	1,553	1,297
Housing Revenue Account	7,214	6,745
External Interest Charges	2,676	2,533
Balance to Consolidated Revenue Account	(13,862)	(12,294)

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 2004/05 (3.5% for 2003/04). The account includes capital charges and depreciation on Housing Revenue Account (HRA) assets under the HRA Resource Accounting requirements (see pages 21-27).

■ 5. Movement on Reserves

	2004/2005 £'000	2003/2004 £'000
<i>Transfer to Reserves:</i>		
Heritage Reserve	7	4
Capital Expenditure Reserve	506	920
Asset Replacement Reserve	-	63
Gosbecks Reserve	18	-
Renewal and Repairs Fund	374	103
Regeneration Reserve	500	-
Other Earmarked Reserves	212	122
	1,617	1,212
<i>Income Attributable to Reserves:</i>		
Contributions & Sales	(7)	(8)
<i>Transfers from Reserves:</i>		
Heritage Reserve	(4)	(1)
Asset Replacement Reserve	(358)	(14)
Renewal and Repairs Fund	(318)	(969)
Other Reserves	(5)	(52)
	(692)	(1,044)
Net Movement on Earmarked Reserves	925	168

Major Repairs Reserves - See Note 5, page 23.

■ 6. 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.

	2004/2005 £'000	2003/2004 £'000
Non-Housing Amount	(219)	(452)
Housing Amount	-	438
Minimum Revenue Provision	(219)	(14)

Under the 2004 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.

	2004/2005 £'000	2003/2004 £'000
Amount Charged as Depreciation (Non-HRA)	1,553	1,297
Transfer from Capital Contributions – Deferred Account	(212)	(126)
Credit to Consolidated Revenue Account – Appropriation Account	(1,560)	(1,185)
	(219)	(14)

■ 7. 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.

■ 8. 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.

	2004/2005 £'000	2003/2004 £'000
Staff Recruitment	161	166
Tourism	450	343
Industry and Commerce	67	81
Miscellaneous Advertising & Publications	158	108
Total Net Expenditure on Publicity	836	698

■ 9. 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 2004/2005	2004/2005 Chargeable £'000	2004/2005 Non Chargeable £'000	2004/2005 Building Control £'000	2003/2004 Building Control £'000
<i>Expenditure</i>				
Employee Expenses	348	142	490	429
Premises	29	12	41	38
Transport	26	10	36	31
Supplies and Services	10	4	14	17
Third Party Payments	5	2	7	4
Central and Support Service Charges	115	44	159	168
TOTAL EXPENDITURE	533	214	747	687
<i>Income</i>				
Building Regulation Charges	585	-	585	565
Miscellaneous Income	-	-	-	20
TOTAL INCOME	585	0	585	585
(Surplus)/Deficit for Year	(52)	214	162	102

The above sums are included within the Consolidated Revenue Account (page 11) together with Disabled Access.

■ 10. 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 3 page 5).

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			
	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
<i>Net Cost of Services:</i>				
Current Service Cost		2,799		2,156
Past Service Costs		-		52
Settlement/Curtailment		30		(33)
<i>Net Operating Expenditure:</i>				
Interest Cost		6,064		5,709
Expected Return of Assets in the Scheme		(4,650)		(4,255)
<i>Amounts to be met from Government Grants and Local Taxation:</i>				
Movement on Pensions Reserve	(4,243)		(3,629)	
Employers' Contributions Payable to Scheme	3,113	(1,130)	3,092	(537)
Actual Amount Charged against Council Tax for Pensions in the Year		3,113		3,092

The actual contributions payable are determined by the Fund's Actuary based on triennial actuarial valuations. Rates are set to meet 100% of the overall liabilities of the fund. The employer's basic contributions for the period 1 April 2002 to 31 March 2005 were 175% of employees' contribution plus lump sums for back-funding. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded and the additional costs of early retirements approved in the year. These levels were based on the actuarial valuation as at 31 March 2001. The employer's contributions payable are as follows:

	2004/2005	2003/2004
	£'000	£'000
Employer's equivalent contribution	1,640	1,647
Added years	371	380
Back funding	1,085	858
Strain on early retirements	17	207
	3,113	3,092

The latest revaluation, as at 31 March 2004, was completed during the year and the results were implemented with effect from 1 April 2005.

The Actuary advised that the overall funding level of the Pension Fund had fallen from 88.6% in 2001 to 71.4% in 2004. The decline in the funding level means the overall contribution from participating authorities has to be increased. The under funding is planned to be cleared over a twenty year period. While the basic employer's contribution has reduced from 175% to 158% the back funding contribution will increase. The increased back funding contribution is being phased in over three years and will then increase each year by pay inflation. The sum required from this Authority for back funding is £1,518,000 for 2005/06 and this is expected to increase to £2,384,000 for 2007/08. The next revaluation as at 31 March 2007 will be implemented with effect from 1 April 2008.

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 43 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 53, 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).

■ 11. Members and Employees

The total of Members' allowances paid in the year was £400,749 and this is included within Democratic Representation and Management in the Consolidated Revenue Account (page 11). 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.

	2004/2005	2003/2004
Transportation	70	82
Refuse and Cleansing	169	197
Planning	75	87
Leisure and Museums	205	244
Housing	99	121
Finance and Computing	105	121
Environmental Health	39	40
Administration and Other Services	93	97
	855	989

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)	
	2004/2005	2003/2004
£50,000 - £59,999	8	9 (1)
£60,000 - £69,999	1	-
£70,000 - £79,999	1	2
£80,000 - £89,999	1	-
£90,000 - £99,999	-	1
£110,000 - £119,999	1(1)	-

■ 12. Highways Agency Income and Expenditure

The Council had an agency agreement with Essex County Council whereby the Council was 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, which is not included in the Consolidated Revenue Account, is as follows:

	2004/2005 £'000	2003/2004 £'000
Routine Maintenance	2,328	2,051
Street Lighting	393	378
Other	214	241
Management and Staffing Costs	1,439	1,363
Capital Works	1,464	2,563
Total Expenditure	5,838	6,596

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

The agency agreement was terminated on 31 March 2005 and staff transferred to the County Council on 1 April 2005.

■ 13. Audit Costs

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

	2004/2005 £'000	2003/2004 £'000
Core external audit services	135	108
Statutory inspection	3	16
Certification of Grant Claims	67	57
Other Services - National Fraud Initiative	1	-
	206	181

■ 14. 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:

	2004/2005		2003/2004	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Central Government:				
Revenue Grants (see Note 5, page 56)	42,981		35,875	
Non-Domestic Rate Income from National Pool	4,234		5,444	
<i>Capital Grants</i>				
- Office of the Deputy Prime Minister	763		628	
- English Heritage	4		53	
- Regeneration Budget	700		1,188	
Essex County Council:				
Precept (see Notes 5 & 7, pages 30 & 31)		49,281		48,771
Highways Agency (see Note 12, page 18)	5,838		6,596	
Supporting People	696		804	
Countrywide Concessionary Travel Scheme		495		469
Trade Waste Disposal		174		162
Contributions to Capital Schemes	217		14	
Recycling Credits	508		425	
High Diversion Trial Contribution	-		134	
Joint Use of Sports Centres	45	101	53	97
Other, including County Supplies		188	12	162
On Street Parking (Decriminalisation)		57		69
Essex County Council Pension Fund				
Employers Contributions (see Note 10, page 16)		3,113		3,092
Colchester Borough Homes Limited (see Note 24 to the Consolidated Balance Sheet, Page 48)				
	621	2,873	483	2,088
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.				
Parish Councils				
		765	1	666
The payments are grants and precepts to support services provided by Parish Councils. The receipts are contributions to joint finance schemes.				
Colchester Primary Care Trust				
	45	-	36	40
Contributions for joint finance schemes for housing special needs and health promotion.				

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 63).	287	297
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.	15	15
Voluntary Organisations - Grants		
Arts Development	199	195
Welfare Organisations	187	203
Village Halls and Community Centres	83	322
Community Partnership Schemes	423	198
Recreation Development	8	8
Housing Groups	42	29
Shopmobility (Joint with C CVS)	26	17
Other	28	34
Economic Development Activities - Grants		
Colchester Town Centre Partnership	70	70
Colchester Business Enterprise Agency	14	15
Other	34	33

■ 15. 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 2004/05 was £12,575.84 (2003/04 £33,136). 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 2005 are:

	Total Outstanding Obligations under Non-Finance Leases
	£'000
2005/2006	6
	6
31 March 2004	19

There are no outstanding obligations on Finance Leasings as at 31 March 2005.

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

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	2004/2005 £'000	2003/2004 £'000
INCOME			
Dwelling Rents (Gross)	1 & 2	16,887	17,300
Non-Dwelling Rents (Gross)	3	653	657
Charges for Services and Facilities	4	1,823	2,088
HRA Subsidy Receivable (including MRA)	12	36	7,459
Contributions towards Expenditure		123	119
Total Income		19,522	27,623
EXPENDITURE			
Repairs and Maintenance		4,255	5,022
Supervision and Management		6,320	6,306
Rents, Rates and Other Charges		85	100
Rent Rebates	12	-	10,602
Negative Subsidy – payment to Secretary of State	12	1,069	-
Increased provision for Bad or Doubtful Debts	14	143	38
Cost of Capital Charges	8	12,566	11,806
Depreciation and Impairments of Fixed Assets	9 & 10	7,214	6,745
Amortisation of Intangible Assets and Deferred Charges	11	242	160
Debt Management Costs		46	45
Sums directed by the Secretary of State – transfers to the General fund	13	369	-
Gross Expenditure		32,309	40,824
Net Cost of Services		12,787	13,201
Net HRA Income from the Asset Management Account	8 & 11	(11,138)	(10,407)
Transfers from the General Fund as directed by the Secretary of State		-	-
Amortised Premiums and Discounts		287	292
HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)		(32)	(79)
Net Operating Expenditure		1,904	3,007
Revenue Contribution to Capital Expenditure	17	152	-
HRA voluntary set-aside		-	438
Transfer to/(from) Major Repairs Reserve	5	(3,068)	(2,887)
Contribution (from)/to the Pension Reserve	6	(82)	36
(Surplus)/ Deficit for the Year		(1,094)	594
Capital Expenditure met from Balances	17	476	1,604
(Surplus)/ Deficit for the Year After Use of Balances		(618)	2,198
Balance Brought Forward		(2,020)	(4,218)
Balance Carried Forward	16	(2,638)	(2,020)

NOTES TO THE HOUSING REVENUE ACCOUNT

■ 1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2005 3% 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 2005	1 April 2004
Analysis by Type of Dwelling:		
Houses & Bungalows	3,157	3,193
Flats & Maisonettes	3,275	3,318
Total Dwellings	6,432	6,511
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,620	2,636
2 Bedrooms	1,882	1,912
3 Bedrooms	1,838	1,872
4 or more Bedrooms	92	91
Total Dwellings	6,432	6,511
The change in stock can be summarised as follows:		
		2003/2004
Stock at the beginning of the Year	6,511	6,667
Add: Acquisitions	1	1
	6,512	6,668
Deduct: Sales, Demolitions, Conversions, etc.	80	157
Stock at the End of the Year	6,432	6,511

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2000. The valuation of dwellings has been uplifted to 31 March 2005 in the 2004/05 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets	At 31 March 2005 £'000	At 1 April 2004 £'000
Operational Assets – Land, Houses and Other Property	422,074	379,176
Non Operational Assets (revalued at 1 April 2004)	1,146	457

■ 2. Vacant Possession

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

Vacant Possession Value	At 31 March 2005 £'000	At 1 April 2004 £'000
HRA Dwellings	680,600	626,400

■ 3. Non Dwelling Rents

These total £653,000 and are made up as follows:

Non Dwelling Rents	2004/2005 £'000	2003/2004 £'000
Garages and other Charges	565	554
Land and Other Buildings	88	103
Total	653	657

■ 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. Income totalling £668,000 from Supporting People charges in 2004/05 (2003/04 £856,000) is shown under Charges for Services and Facilities. This includes a figure of £623,000 (2003/04 £804,000) which is a grant receivable under the Supporting People Programme.

■ 5. Major Repairs Reserve

Major Repairs Reserve	2004/2005 £'000	2003/2004 £'000
Balance as at 1 April 2004	-	-
Transfers in - depreciation (note 9)	7,214	6,745
Transfers out to the HRA	(3,068)	(2,887)
Capital Spending on Dwelling Stock met from Reserve	(4,146)	(3,858)
Balance as at 31 March 2005	-	-

■ 6. Pension Reserve

Under the full implementation of FRS17 (see Note 10 page 16) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

■ 7. HRA Capital Financing

Capital Financing	2004/2005 £'000	2003/2004 £'000
HRA Capital Expenditure		
Dwelling Stock	17,688	4,855
Non Dwelling Works	433	296
Investment in Information Technology	152	311
	18,273	5,462
Financed by:		
Supported Borrowing	13,500	-
Usable Capital Receipts	-	-
Revenue Contributions	628	1,604
Major Repairs Reserve	4,145	3,858
Total	18,273	5,462
Summary of HRA Capital Receipts	2004/2005 £'000	2003/2004 £'000
Sale of Council Houses – Direct	3,866	8,453
Sale of Council Houses – Deferred	57	41
Other (including shared ownership)	582	160
Total	4,505	8,654

The creation of an Arms Length Management Organisation and the achievement of the required inspection rating has attracted additional funding to improve Council homes. This is being invested in the Decent Homes programme and a major part of the first phase has been funded from the £13.5m supported borrowing.

Receipts from the sale of Council houses have significantly reduced as only 64 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 157 in 2003/04.

From 1 April 2004 Local Authorities are now required to pay up to 75% of the income they receive for the sale of dwellings and up to 50% for other property or land to Central Government in accordance with Capital Receipts Pooling regulations. This replaces the requirement to set aside a proportion of capital receipts to repay debt.

Of the total capital receipts of £4.505m, £2.869m was paid to the Secretary of State under these new pooling arrangements. The retained balance of £1.636m can be used to finance capital expenditure (see page 32 and page 46, Note 19).

■ 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% (2003/04 3.5%) 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	2004/2005 £'000	2003/2004 £'000
Cost of Capital charge	12,566	11,806
Cost of Capital Accounting Adjustment	(10,896)	(10,247)
HRA Interest Charge	1,670	1,559

■ 9. Depreciation

Depreciation	2004/2005 £'000	2003/2004 £'000
Land – not depreciated	-	-
Dwellings	7,080	6,607
Other Property	134	138
Total	7,214	6,745

■ 10. Impairment Charges

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

■ 11. Intangible Fixed Assets

	2004/2005 £'000	2003/2004 £'000
Housing Integrated Computer System	242	160

Intangible Fixed Assets are created when expenditure has been incurred on software that has been financed from capital resources. These are written down to the HRA over an appropriate period (3-10 years).

■ 12. Housing Subsidy

From 1 April 2004 Central Government responsibility for rent rebates passed to the Department for Works and Pensions. The effect of this change on Local Authorities is that rent rebates are now paid from the General fund rather than the Housing Revenue Account. The corresponding subsidy receivable from Central Government for rent rebates is now also paid into the General Fund and not via housing subsidy. By removing this element from the housing subsidy calculations an overall payment to the Secretary of State is now required rather than income as has been the case in previous years.

A further change in the 2004/05 subsidy calculation is the inclusion of an ALMO Allowance to support the cost of bringing Council Housing Stock up to the decent homes standard. This has been awarded to CBC as a direct result of successfully introducing an Arms Length Management Organisation (ALMO) (see Note 24, page 48).

Two other additional items for 2004/05 are Allowance for Anti-Social Behaviour and the Admissable Allowance. The Anti-Social Allowance is for 2004/05 only and takes into account the costs of preparing and publishing policies and procedures in accordance with the Anti-Social Behaviour Act 2003.

The Admissable Allowance will be included until 2006/07 as a transitional measure following the abolition of the Minimum Revenue Provision to allow Local Authorities to adjust to the impact this may have on subsidy entitlement.

Housing Subsidy	2004/2005	2003/2004
	£'000	£'000
Allowance for Management	2,981	2,990
Allowance for Maintenance	5,182	3,604
Allowance for Major Repairs	4,145	3,858
Allowance for Anti-Social Behaviour	1	-
Admissable Allowance	73	-
ALMO Allowance	1,061	-
Charges for Capital	2,559	3,291
Rent Rebates	-	10,337
Rent	(17,050)	(16,655)
Interest on Receipts	(21)	(23)
Housing Subsidy (Payable)/ Receivable	(1,069)	7,402

The above figures are the estimates of the subsidy for the respective financial years. The subsidy payable/receivable in any year can vary because of adjustments to previous years' claims.

■ 13. *Transfer to the General Fund*

From 1 April 2004 the financial impact of rent rebates to Council housing tenants was transferred from the HRA to the General Fund (see Note 12 above). As part of the transitional arrangements the Secretary of State has provided for a transfer from the HRA to the General Fund of £369k as a contribution towards the costs.

■ 14. *Rent Arrears*

The arrears at 31 March 2005 totalled £1.226 million. This excludes prepayments of £0.188 million, and may be analysed as follows:

Arrears	2004/2005		2003/2004	
	£'000	£'000	£'000	£'000
Due from Current Tenants	562		654	
Due from Former Tenants	664	1,226	791	1,445
Prepayments		(188)		(237)
Net Arrears		1,038		1,208

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 2005 the provision totalled £0.983 million.

■ 15. *Exceptional or Prior Year Items*

There are none.

■ 16. Revenue Balances

Out of the revenue balance of £2.6 million a sum of £1.628 million has already been committed for future use.

Revenue Balances	2004/2005 £'000	2003/2004 £'000
Revenue Balance at the beginning of the Year	2,020	4,218
Add: Housing Revenue Account Surplus	1,094	-
Less: Housing Revenue Account Deficit	-	(594)
Less: Use of Accumulated Balance	(476)	(1,604)
Revenue Balance at the End of the Year	2,638	2,020
<i>Less:</i>		
Committed Sum		
Housing Investment Programme 2005/06 and Future Years	(1,572)	(2,012)
Estimate Balance Carried Forward	(56)	(8)
Uncommitted Balance	1,010	0

■ 17. 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 (£1.572 million) will be used to support capital spending in future years.

Further Information

Arms Length Management Organisation (ALMO) - see Note 24 on page 48.

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.

COLLECTION FUND ACCOUNTS 2004/2005

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 2005

	Notes	2004/2005 £'000	2003/2004 £'000
INCOME			
Council Tax	1 - 3	67,337	62,491
Non-Domestic Rates	4	40,971	42,230
Total Income		108,308	104,721
EXPENDITURE			
Precepts	5	66,533	61,775
<i>Non-Domestic Rates:</i>			
Payment to National Pool	4	40,725	41,987
Cost of Collection Allowance		246	243
<i>Bad and Doubtful Debts:</i>			
Write off of Council Tax		1	
Provision for Council Tax Bad Debts	6	484	687
Total Expenditure		107,989	104,692
(Surplus)/Deficit for the Year --Council Tax	7	(319)	(29)
Distribution/(Collection) of Previous Estimated Surplus/Deficit	7	0	0
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	1
(Surplus)/Deficit for the Year		(317)	(29)
Collection Fund Balance			
Balance at the Beginning of the Year		(19)	10
(Surplus)/Deficit for the Year		(317)	(29)
Balance at the End of the Year		(336)	(19)

NOTES TO THE COLLECTION FUND ACCOUNTS

■ 1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,203.66 with an estimated tax base of 55,275 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2004/2005 £'000	2003/2004 £'000
Council Tax Income		
Tax Payers	60,214	56,269
Council Tax Benefits transferred from General Fund	7,123	6,222
	67,337	62,491

■ 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	6,327	6/9	4,218
B	16,273	14,757	7/9	11,478
C	16,440	15,215	8/9	13,524
D	10,826	10,313	9/9	10,313
E	6,415	6,196	11/9	7,573
F	3,122	3,057	13/9	4,415
G	1,990	1,940	15/9	3,234
H	108	103	18/9	206
				872
Contributions in lieu for Ministry of Defence Properties				
Total Band D				55,833
				(558)
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				
Council Tax Base				55,275

■ 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	166,372	154.00	1,255.82
Colchester	158,939	118.65	1,203.66
Chelmsford	158,531	111.88	1,200.54
Tendring	140,876	119.97	1,188.51
Braintree	134,896	115.87	1,201.73
Epping Forest	121,181	131.90	1,216.57
Castle Point	87,038	118.66	1,237.23
Rochford	78,857	114.54	1,226.51
Harlow	77,822	172.70	1,263.24
Uttlesford	70,036	119.28	1,206.14
Brentwood	69,510	131.71	1,198.49
Maldon	60,034	118.83	1,215.27

■ 4. National Non-Domestic Rate (NNDR) Income

Non-domestic rates are organised on a national basis. The Government specifies an amount (45.6p in 2004/05) 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.

	2004/2005 £'000	2003/2004 £'000
NNDR Income		
Bills Issued	43,413	44,474
Mandatory Reliefs	(2,202)	(2,036)
Discretionary Reliefs	(144)	(149)
Provision for Bad Debts	(167)	(126)
Net Income	40,900	42,163
General Fund contribution to Discretionary Reliefs	71	67
NNDR Income to Income & Expenditure Account	40,971	42,230
Cost of Collection Allowance	(246)	(243)
Amount Payable to NNDR Pool	40,725	41,987

The total non-domestic rateable value at 31 March 2005 was £110,877,004, the multiplier for the year was 45.6p. The product of this is £50,560,000. 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.

	2004/2005 £'000	2003/2004 £'000
Essex County Council	49,281	48,771
Colchester Borough Council	8,646	7,946
Essex Police Authority	5,487	5,058
Essex Fire Authority	3,119	0
Total Precepts	66,533	61,775

■ 6. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. During 2004/05 £278,000 of irrecoverable debts were written off (2003/04 £578,000).

■ *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 2003/04. This was also the case for 2002/03.

■ *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 expenditure of the Fund reflects adjustments to previous years' collections.

■ *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.

STATEMENT OF CAPITAL EXPENDITURE AND FINANCING FOR THE YEAR ENDED 31 MARCH 2005

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

■ 1. Summary of Capital Expenditure

	2004/2005 £'000
Intangible Fixed Assets	1,971
Operational Assets	20,243
Non Operational Assets	1,666
Deferred Charges	2,281
Long Term Debtors	166
Total Capital Expenditure	26,327

■ 2. Analysis of Expenditure and Financing

	2004/2005 £'000
Fixed Assets:	
Improvements to Council Housing	16,982
Colchester Regeneration Projects	1,719
Office Improvements	1,483
Car Park Improvements	834
Investment in Information Technology	382
Sport and Recreation	196
Heritage and Tourism	184
Traffic Management	69
Other	60
Total Fixed Assets	21,909
Capital Expenditure not Resulting in Fixed Assets:	
Loans to Private Sector Housing	166
Investment in Information Technology - Software	1,971
Grants to Registered Social Landlords	1,215
Renovation Grants	805
Conservation Area Partnership Grants	120
Grants for Health and Community Centres	79
Other	62
Total Capital Expenditure not Resulting in Fixed Assets	4,418
Total Capital Expenditure	26,327
Add Capital Accruals	1,657
Total Capital Expenditure to be Financed	27,984
Financed by:	
Supported Borrowing	14,653
Application of Capital Receipts	6,510
Major Repairs Reserve	4,145
Application of Other Reserves	6
Direct Revenue Funding	628
Grants and Contributions	2,042
Total Financing	27,984

■ 3. Capital Financing Requirement

	2004/2005 £'000
Opening requirement	18,838
Supported borrowing	14,653
Minimum Revenue Provision	219
Closing Requirement	33,710

NOTES TO THE STATEMENT OF CAPITAL EXPENDITURE & FINANCING

■ 1. *Committed Capital Contracts*

The following significant contracts have been entered into by the Council at 31 March 2005, for which the committed sums of £1.5 million shown below are yet to be reflected in the accounts.

	Total Anticipated Contract Expenditure £'000	Less Total Expenditure to 31 March 2005 £'000	Committed Contracts as at 31 March 2005 £'000
Office Accommodation Improvements	2,109	944	1,165
Registered Social Landlords' Schemes	1,783	1,416	367
	3,892	2,360	1,532

Where a significant element of an overall project has been contracted by 31 March 2005 the full project cost is included above even if some elements were not contracted until after 31 March 2005.

■ 2. *Approved Capital Schemes*

In addition to the above contracts work to upgrade Housing Stock under the Decent Homes programme with an estimated value of £7.2 million had been approved to proceed but had not been contracted at 31 March 2005.

■ 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 15, page 20).

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

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

	Notes	31 March 2005 £'000	31 March 2004 £'000
Fixed Assets			
Intangible Fixed Assets	1	3,604	2,240
Tangible Fixed Assets	2 & 3		
<i>Operational Assets</i>			
Council Dwellings		422,074	379,176
Other Land and Buildings		61,791	41,037
Operational Equipment		3,348	2,722
Infrastructure Assets		2,945	2,942
Community Assets		275	95
<i>Non-Operational Assets</i>			
Investment Properties		26,262	17,572
Assets under Construction		3,984	3,791
Surplus Assets held for Disposal		12,834	11,083
Total Fixed Assets		537,117	460,658
Deferred Premiums	6	2,365	2,756
Investments (Long Term)	7	3,020	31
Long Term Debtors	8	533	498
Total Long Term Assets		543,035	463,943
Current Assets			
Stock	9	286	395
Debtors	10	11,623	11,609
Investments (short term)		25,776	33,540
Total Current Assets		37,685	45,544
Current Liabilities			
Short Term Borrowing		-	-
Creditors	11	(15,890)	(14,014)
Cash Overdrawn		(357)	(1,879)
Total Current Liabilities		(16,247)	(15,893)
Net Current Assets		21,438	29,651
Long Term Borrowing	12	(32,900)	(22,900)
Provisions	13	(538)	(546)
Pension Scheme Liability	14	(49,319)	(29,619)
Total Net Assets		481,716	440,529
<i>Represented by:</i>			
Fixed Asset Restatement Account	15	406,373	344,421
Capital Financing Account	16	92,198	92,297
Capital Contributions - Deferred	17	9,432	7,583
Deferred Credits	18	905	1,065
Usable Capital Receipts Reserve	19	8,120	12,195
Pensions Reserve	20	(49,319)	(29,619)
Earmarked Reserves	21	8,840	7,909
Revenue Balances	22	5,167	4,678
Total Net Worth	23	481,716	440,529

NOTES TO THE CONSOLIDATED BALANCE SHEET

■ 1. Intangible Fixed Assets

	2004/2005	2003/2004
	£'000	£'000
Software		
Original Cost	2,966	2,027
Written Out to Revenue to 1 April	(726)	(452)
Balance at the beginning of the Year	2,240	1,575
Expenditure in Year	1,971	1,053
Written Out to Revenue in Year	(607)	(388)
Balance at the End of the Year	3,604	2,240

The Council has invested in software for its major systems over a number of years. The individual project software costs are being written out to revenue over the estimated life (3-10 years). Intangible Fixed Assets have been identified separately for the first time in 2004/05. Previously they were included under Deferred Charges (see Note 5, page 40).

■ 2. Tangible Fixed Assets

Major assets held by the Council are as follows:

	31 March 2005	31 March 2004
Operational Assets		
Council Dwellings		
Council House Stock	6,432	6,511
Council Garages	2,607	2,607
Shared Ownership Properties	13	14
Other Land and Buildings		
Town Hall	1	1
Other Office Locations	5	5
Depots	4	4
Sports Centres (plus 2 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 Visitor Centre	1	1
West Mersea Beach Area	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	7
Vehicles, Plant and Equipment		
Vehicles and Plant	96	96
CCTV Town Centre Monitoring System	1	1
Community Assets		
Museum Exhibits (including artwork)	Circa 500,000	Circa 500,000
Civic Regalia	78	78
Commons and Greens	13	13
Parks and Open Spaces	1,100 acres	1,100 acres
Sports Grounds	191 acres	191 acres
Woodland	163 acres	163 acres
Children's Play Area	52	51
Balkerne Gate Roman Features	1	1
Gosbecks Archaeological Park	1	1
Non-Operational Assets		
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
Farmland	551 acres	551 acres
Sites for Advertising	4	4
Football Stadium	2	2

■ Tangible 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 2004	399,248	43,712	5,813	3,882	95	32,470	485,220
Additions	16,709	2,199	1,072	197	66	1,666	21,909
Disposals	(3,926)	-	-	-	-	(1,056)	(4,982)
Revaluations/Restatements	36,962	16,818	-	(2)	114	10,002	63,894
Gross Book Value at							
31 March 2005	448,993	62,729	6,885	4,077	275	43,082	566,041
Depreciation b/fwd as at							
1 April 2004	(20,072)	(2,675)	(3,091)	(940)	-	(24)	(26,802)
Depreciation for the Year	(7,188)	(938)	(446)	(192)	-	(2)	(8,766)
Depreciation on Assets Sold	269	-	-	-	-	-	269
Depreciation on Assets Revalued	72	2,675	-	-	-	24	2,771
Depreciation balance as at							
31 March 2005	(26,919)	(938)	(3,537)	(1,132)	-	(2)	(32,528)
Net Book Value at 31 March 2005	422,074	61,791	3,348	2,945	275	43,080	533,513
Net Book Value at 31 March 2004	379,176	41,037	2,722	2,942	95	32,446	458,418

The revaluations/restatements take account of:

- the uplift of Council dwellings to 31 March 2005 value
- the revaluation of other land and buildings and non-operational assets at 1 April 2004
- the impact of additions during 2004/05

On the revaluation at 1 April 2004 the majority of assets increased in value but a limited number reduced and the figures shown above are the net impact. The reduction in value amounted to £1,522k (2003/04 Nil) and related to a reassessment of the estimated value of the assets since the previous valuation in the light of current knowledge and market conditions.

See Statement of Capital Expenditure and Financing (page 32) for analysis of "Additions" and sources of finance.

Non-operational assets are analysed in the table below.

	Investment Properties £'000	Assets under Construction £'000	Surplus Properties £'000	TOTAL £'000
Analysis of Non-Operational Assets				
Value as at 1 April 2004	17,596	3,791	11,083	32,470
Additions	-	1,611	55	1,666
Disposals	(165)	-	(891)	(1,056)
Revaluations/Restatements	8,833	(1,418)	2,587	10,002
Gross Book Value at 31 March 2005	26,264	3,984	12,834	43,082
Depreciation b/fwd as at 1 April 2004	(24)	-	-	(24)
Depreciation for the Year	(2)	-	-	(2)
Depreciation on Assets Sold	-	-	-	-
Depreciation on Assets Revalued	24	-	-	24
Depreciation Balance as at 31 March 2005	(2)	-	-	(2)
Net Book Value at 31 March 2005	26,262	3,984	12,834	43,080
Net Book Value at 31 March 2004	17,572	3,791	11,083	32,446

■ 3. 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 2005 in the 2004/05 accounts and this is reflected in the valuation shown in Note 2 above. Land and property assets other than Council dwellings were revalued as at 1 April 2004 at a gross valuation of £102 million. In future assets will be revalued under a five year rolling programme.

The valuations were made in accordance with the Appraisal and Valuation Standards (5th Edition) issued by the Royal Institution of Chartered Surveyors.

These valuations have been based upon available records, some of which have proved to be quite limited. Professional judgement has been exercised in some instances due to incomplete information and some valuations will be reviewed should further information become available. The valuations assume that the land and properties are unaffected by contamination. 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 Existing Use Value (EUV) 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, functional and environmental 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. These dwellings will be revalued as at 1 April 2005 and the results will be reflected in the 2005/06 accounts.

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 Market Value (MV). 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 Corporate Members of the Royal Institution of Chartered Surveyors by both external valuers and Mr Nick Denny, MRICS, Service Estates Officer, Estates Services, Colchester Borough Council.

■ 4. Depreciation

Assets are being depreciated in accordance with the Statement of Accounting Policies outlined in Note 5, 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 3 above. The lives for other buildings were reviewed as part of the revaluation as at 1 April 2004. The lives being used are:

Council dwellings	35 years
<i>Other buildings – Analysed into four life bandings:</i>	
Short	10 years
Short/Medium	20 years
Medium/Long	40 years
Long	50 years
Vehicles, plant and equipment	3-10 years
Infrastructure assets	20 years

■ 5. Deferred Charges

	2004/2005 £'000	2003/2004 £'000
Balance at the beginning of the Year		
<i>Expenditure in Year</i>		
Renovation Grants	805	779
Other	1,476	915
	2,281	1,694
<i>Less:</i>		
Government Grants	348	482
Amounts Written Off to Consolidated Revenue Account	1,933	1,212
Balance at the End of the Year	-	-

Intangible Fixed Assets were included under Deferred Charges in earlier years but these are now identified separately (see Note 1, page 35).

■ 6. 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 2004/05, £390,743, has been included under interest charges within the Asset Management Revenue Account (Note 4, page 14).

■ 7. Long Term Investments

	Balance at 31 March 2005 £'000	Balance at 31 March 2004 £'000
Association of District Councils (ADC) Debenture	10	10
Market Value of Marketable Securities at 31 March	10	10
Term Deposits	3,000	-
Total Long Term Investments	3,020	20
Marketable Securities at cost	21	21

■ 8. 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 Financial Assistance Policy for Private Sector Housing.

Category of Long Term Debtor	Balance at 1 April 2004 £'000	Advances in the Year £'000	Repayments in the Year £'000	Balance at 31 March 2005 £'000
Sale of Council Houses	246	-	57	189
Purchase/Improvement of Private Sector Houses	197	166	19	344
Loans to Registered Social Landlords	55	-	55	-
Total Long Term Debtors	498	166	131	533

■ 9. Stocks and Work in Progress

	Value as at 31 March 2005 £'000	Value as at 31 March 2004 £'000
Stocks	328	398
Less Provision for Obsolete Stock	42	3
Total Stocks	286	395

Work in progress

There is no work in progress at the end of 2004/05.

■ 10. Debtors

	Value as at 31 March 2005 £'000	Value as at 31 March 2004 £'000
Sums falling due within One Year		
Non-domestic Rate Arrears	1,201	1,127
Council Tax Arrears	3,096	3,224
Government Departments	373	364
Council Tenants	1,226	1,445
Essex County Council	949	1,823
Customs & Excise (VAT)	1,720	1,277
Car Leasing Scheme	-	1
General Debtors	6,558	5,399
Total Due within One Year	15,123	14,660
Sums falling due after One Year:		
General Debtors	20	70
Total Due after One Year	20	70
Gross Debtors	15,143	14,730
Less Provision for Doubtful Debts	(3,520)	(3,121)
Total Debtors	11,623	11,609

■ 11. Creditors

	Value as at 31 March 2005 £'000	Value as at 31 March 2004 £'000
Non Domestic Rate Prepayment	1,478	1,568
Council Tax Prepayment	1,779	1,754
Contribution to NNDR Pool	727	1,545
Interest Payable	798	709
Government Departments	1,182	713
Council Tenants	202	244
Contractors' Deposits	552	261
Essex County Council	848	746
Contractors re Capital Schemes	4,949	1,657
General Creditors	3,375	4,817
Total Creditors	15,890	14,014

■ 12. Long Term Borrowing

	Amount Outstanding as at 31 March	
	2005 £'000	2004 £'000
Public Works Loan Board	7,900	2,900
Money Market	25,000	20,000
Total Long Term Borrowing	32,900	22,900

The average interest rate for all loans (including short term borrowing) was 7.62% (2003/04 = 8.41%).

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

	2005 £'000	2004 £'000
Maturing:		
Between one and two years	-	-
Between two and five years	-	-
Between five and ten years	-	-
Over ten years	32,900	22,900
Total Long Term Borrowing	32,900	22,900

■ 13. Provisions

Category of Provision	Balance at 1 April 2004 £'000	Contribution from Revenue in the Year £'000	Payments in the Year £'000	Balance at 31 March 2005 £'000
Insurance	430	28	8	450
Other	116	26	54	88
Total Provisions	546	54	62	538

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. The Insurance Fund has been allocated between the provision and reserve elements. (See Note 21, page 47)

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 unrecoverable 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.

■ 14. Disclosure of Net Pensions Asset/Liability

Note 10 page 16 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 2005 are as follows:

	31 March 2005 £'000	31 March 2004 £'000
Estimated liabilities in scheme	122,471	97,364
Estimated assets in scheme	73,152	67,745
Net liability	49,319	29,619

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £49.3 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 10 to the Consolidated Revenue Account, page 16) 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 2005 the sum of £258,000 for the March contributions 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 2004.

The main financial assumptions adopted were:

	31 March 2005 %	31 March 2004 %
Rate of inflation	2.9	2.8
Rate of increase in salaries	4.4	4.6
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)).	2.9	2.8
Rate for discounting scheme liabilities (NB based on 3.5% real)	5.4	6.3

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.

	31 March 2005		31 March 2004	
	Proportion %	Expected Return %	Proportion %	Expected Return %
Equity investments	68.9	7.5	69.0	7.5
Gilts	11.0	4.7	8.7	4.7
Other Bonds	5.9	5.4	9.5	5.5
Property	11.4	6.5	10.8	6.5
Other assets	2.8	4.75	2.0	4.0
	100.0	6.9	100.0	6.9

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 Account

	2004/2005 £'000	2003/2004 £'000
Balance at the beginning of the Year	344,421	327,930
Less: Disposal of Fixed Assets	4,713	16,800
Add: Restatement Increases	66,665	33,291
Balance at the End of the Year	406,373	344,421

The introduction of capital accounting required the establishment of the fixed asset restatement account. The account 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 revaluation of Other Land and Buildings as at 1 April 2004 and the uplift in the value of Council dwellings (Note 3 page 38). On the revaluation at 1 April 2004 the majority of assets increased in value but a limited number reduced and the figure shown above is the net impact. The reduction in value amounted to £1,522k (2003/04 Nil) and related to a reassessment of the estimated value of the assets since the previous valuation in the light of current knowledge and market conditions.

■ 16. Capital Financing Account

	2004/2005 £'000	2003/2004 £'000
Balance at the beginning of the Year	92,297	84,887
Capital Receipts Set Aside	-	6,289
Capital Financing		
Capital Receipts	6,510	5,319
Revenue	628	1,604
Reserves	4,151	3,859
Contributions	-	4
MRP (less non-HRA depreciation provision)	(1,560)	(1,185)
	102,026	100,777
<i>Less: Write Down of:</i>		
Debt Redemption Premium - via revenue	-	117
Deferred Charges - via revenue	2,540	1,600
Long Term Debtors	74	18
HRA Depreciation	7,214	6,745
Balance at the End of the Year	92,198	92,297

The capital financing account contains 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. Regulations made under the Local Government Act 2003 have changed the treatment of capital receipts from the sale of assets. We no longer have to set aside a proportion of capital receipts to repay debt (see Note 19, page 46). The balance on the account is reduced as capital expenditure which does not produce a retained asset for the Authority is written out.

■ 17. Capital Contributions Deferred

	Government £'000	2004/2005 Developers £'000	Other £'000	Total £'000	2003/2004 Total £'000
<i>As at 1 April:</i>					
Applied Contributions	2,274	132	1,351	3,757	2,295
Unapplied Contributions	5	3,637	184	3,826	2,766
Total at 1 April	2,279	3,769	1,535	7,583	5,061
<i>As at 31 March:</i>					
Applied Contributions	3,284	274	1,623	5,181	3,757
Unapplied Contributions	44	4,167	40	4,251	3,826
Total at 31 March	3,328	4,441	1,663	9,432	7,583

The account contains the amounts received to support capital projects from Government grants, developers (mainly under Section 106 agreements) and other contributors. The grants are used to finance capital expenditure as the projects proceed (see page 32). Once applied the grants are written out to revenue against asset depreciation over the life of the assets.

■ 18. Deferred Credits

	Balance at 31 March 2005 £'000	Balance at 31 March 2004 £'000
Council House Sales	189	246
Discounts Received	716	819
Total Deferred Credits	905	1,065

Discounts can be received when long term debt is redeemed and this benefit is applied to later years' revenue accounts. The benefit for 2004/05 is £103,468. This has been offset against interest charges within the Asset Management Revenue Account (Note 4, page 14). Premiums paid on long term debt redemption are detailed in a separate note (Note 6, page 40).

■ 19. Usable Capital Receipts Reserve

	Notes	2004/2005 £'000	2003/2004 £'000
Balance at the Beginning of the Year		12,195	9,838
<i>Capital Receipts in the Year:</i>			
Sale of Council Housing		3,923	8,494
Other Sales and Repayments of Loans		1,381	5,471
Housing Association Grant		-	-
Total Capital Receipts in the Year		5,304	13,965
<i>Capital Receipts Applied in the Year:</i>			
Financing of Capital Expenditure		6,510	5,319
Set Aside for the Redemption of Debt	16	-	6,289
Transferred to Consolidated Revenue Account		2,869	-
Total Capital Receipts Applied in the Year		9,379	11,608
Balance at the End of the Year		8,120	12,195

Regulations made under the Local Government Act 2003 have changed the treatment of capital receipts from the sale of assets (see Note 10, page 8 and Note 3, page 13). For the first time in 2004/05 we have to pay a proportion of capital receipts into a Government pool for redistribution. This replaces the requirement to set aside a proportion of capital receipts to repay debt.

■ 20. Pensions Reserve

	2004/2005 £'000	2003/2004 £'000
Balance at the beginning of the year	(29,619)	(38,559)
Actuarial (Loss)/Gain	(18,574)	9,471
Transfer (to)/from Revenue	(1,126)	(531)
Balance at the End of the Year	(49,319)	(29,619)

The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17 (see Note 14, page 43). 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.

■ 21. Earmarked Reserves

	Balance at 1 April 2004 £'000	Transfer (to) From Revenue £'000	Capital Financing £'000	Balance at 31 March 2005 £'000
Major Repairs Reserve	-	4,145	(4,145)	-
Renewal & Repairs Fund	3,206	55	-	3,261
Insurance Reserve	445	24	-	469
Capital Expenditure Reserve	2,925	506	-	3,431
Regeneration Reserve	-	500	-	500
Asset Replacement Reserve	650	(358)	-	292
Heritage Reserve	14	7	(4)	17
Gosbecks Reserve	428	18	-	446
Other Reserves	241	185	(2)	424
Total Reserves	7,909	5,082	(4,151)	8,840

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.

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. The Insurance Fund has been allocated between the provision and reserve elements. (See Note 13, page 42).

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

The **Regeneration Reserve** has been created to finance non-recurring expenditure during the key period that the four regeneration areas are being developed.

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.

■ 22. Revenue Balances

	Notes	Balance at 1 April 2004 £'000	Additions to Balances £'000	Withdrawal from Balances £'000	Balance at 31 March 2005 £'000
General Fund	Page 12	2,639	-	(446)	2,193
Housing Revenue Account	Page 21	2,020	618	-	2,638
Collection Fund	Page 28	19	317	-	336
Total Revenue Balances		4,678	935	(446)	5,167

■ 23. 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 2005 £'000	31 March 2004 £'000
General Fund	479,078	438,509
Housing Revenue Account	2,638	2,020
Total Net Worth	481,716	440,529

■ 24. 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 accounts for the period to 31 March 2005. The accounts were prepared in accordance with the Companies Act 1985 and were approved by the Board of Colchester Borough Homes on 19 July 2005.

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 1 April 2004 to 31 March 2005. The figures for the previous year only cover the period from incorporation to 31 March 2004, a period of 8 months.

	2004/2005 £'000	2003/2004 £'000
Turnover	4,505	3,299
Less operating costs	4,351	3,291
	154	8
Add interest receivable	30	7
Surplus on ordinary activities before taxation	184	15
Tax charge on surplus on ordinary activities	5	-
Retained Surplus for the Financial Period	179	15

Balance Sheet

	31 March 2005 £'000	31 March 2004 £'000
Current Assets		
Debtors	321	794
Cash at bank and in hand	339	727
	660	1521
Creditors: Amounts falling due within one year	(444)	(1485)
Net Current Assets	216	36
Total Assets Less Current Liabilities	216	36
Provision for Liabilities and Charges		
Other Provisions	22	21
	194	15
Reserves		
Other Reserves	157	-
Income and Expenditure Account	37	15
	194	15

The following balances with the Council are included above:

	£'000	£'000
Debtors	6	49
Creditors	248	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 2005 the cash at bank of £339,000 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 2005 £'000	31 March 2004 £'000
Estimated Liabilities in Scheme	7,558	5,950
Estimated Assets in Scheme	6,528	4,758
Net Liability	1,030	1,192

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The revaluation as at 31 March 2004 was completed during 2004/05 and 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.

■ **25. Trust Funds**

Details of the nature and amount of Trust funds are provided on pages 58 to 64.

■ **26. Post Balance Sheet Events**

There are no items which have arisen after the closure of the 2004/05 accounts which would materially affect these accounts. However, developments continue which significantly affect the future provision of Housing Services.

The Government has made an allocation of funds of £22.2 million which provides significant additional funding for major improvements to tenants homes through Colchester Borough Homes Limited from 2005/06.

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 43)

The primary cause of the change from an estimated net liability of £29,619 million at 31 March 2004 to an estimated net liability of £49,319 million at 31 March 2005 has been a change in the discount rate used to estimate future liabilities (Note 3, page 5).

The £49,319 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2005 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 2005 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 was considered by the actuaries in their full actuarial review of the Pension Fund as at 31 March 2004. Their advice on the shortfall in the funding of the scheme at that time has determined the future level of pension contributions which will be implemented from 1 April 2005. The Actuary advised that the overall funding level of the Pension Fund had fallen from 88.6% to 71.4% in 2004. The decline in the funding level means the overall contribution from participating authorities has to be increased. While the basic employer's contribution has reduced from 175% to 158% of the employees contribution the back funding contribution will increase. The increased back funding contribution is being phased in over three years and will then increase each year by pay inflation. The sum required from this Authority for back funding is £1,518,000 for 2005/06 and this is expected to increase to £2,384,000 for 2007/08. The under funding is planned to be cleared over a twenty year period. The next revaluation as at 31 March 2007 will provide a further review and the results will be implemented with effect from 1 April 2008.

■ 27. *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.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 MARCH 2005

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 2004/2005 £'000	Total 2003/2004 £'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	344,421	92,297	12,195	(29,619)	7,909	4,678	431,881	398,596
Net Surplus/(deficit) for year		(6,535)	(2,869)	(1,126)	931	489	(9,110)	(6,628)
Actuarial (loss)/gain relating to pensions				(18,574)			(18,574)	9,471
Unrealised gains/(loss) from revaluation of fixed assets	66,665						66,665	33,291
<i>Effects of disposals of assets:</i>								
Cost or value of assets disposed of	(4,713)	(74)					(4,787)	(16,818)
Proceeds of disposals			5,304				5,304	13,965
Net surplus/(deficit)	(4,713)	(74)	5,304				517	(2,853)
Financing of Fixed Assets		6,510	(6,510)				-	-
Grants and Contributions							-	4
Balance at the End of the Year	406,373	92,198	8,120	(49,319)	8,840	5,167	471,379	431,881
Consolidated Balance Sheet Note	15	16	19	20	21	22		

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

■ 1. Purpose of Reserves

The Fixed Asset Restatement Account and Capital Financing Account cannot be called upon to support spending as these accounts 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 43. 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 44-48).

■ 2. Capital Reserves

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

	HRA £'000	General Fund £'000	Total 2004/2005 £'000
Net Surplus/(Deficit) for Year	(5,552)	(3,852)	(9,404)
Unrealised Gains/(Loss) from Revaluation of Fixed Assets	37,034	29,631	66,665
<i>Effects of Disposals of Assets:</i>			
Cost or Value of Assets Disposed of	(4,133)	(654)	(4,787)
Proceeds of Disposals	4,506	798	5,304
Net Surplus/(Deficit)	373	144	517
Net Movement	31,855	25,923	57,778

■ 3. Revenue Reserves

The analysis of movements between HRA and General Fund is provided in the notes to the consolidated Balance Sheet (Notes 21 and 22, pages 47-48).

■ 4. Pension Reserve

The actuarial gain identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	2004/2005	
	£000's	%
Differences between the expected and actual return on assets	3,452	4.7
Differences between actuarial assumptions about liabilities and actual experience	(3,010)	2.5
Changes in the demographic and financial assumptions used to estimate liabilities	(19,016)	15.5
	(18,574)	15.2

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

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

	Notes	2004/2005 £'000	2003/2004 £'000
Revenue Activities			
<i>Payments</i>			
Cash paid to and on behalf of Employees		25,562	25,336
Other Operating Cash Payments		41,286	35,489
Housing Benefit Paid Out		16,759	14,219
		83,607	75,044
Precept paid to - Essex County Council		49,281	48,771
- Essex Police Authority		5,487	5,058
- Essex Fire Authority		3,119	-
Non-domestic Rates paid to National Pool		41,543	40,530
Payments to the Capital Receipts Pool		2,494	-
Total Payments		185,531	169,403
<i>Receipts</i>			
Rents (after rebates)		10,690	11,196
Local Tax Income		60,103	55,917
Local Non-domestic Rate Income		40,723	42,603
Non-domestic Rate Income from National Pool		4,234	5,444
Government Grants	5	42,981	35,875
Cash Received from Goods and Services		16,218	14,226
Other Operating Cash Receipts		14,198	8,921
Total Receipts		189,147	174,182
Net Cash (Inflow)/Outflow from Revenue Activities	1	(3,616)	(4,779)
Returns on Investments and Servicing of Finance			
<i>Payments</i>			
Interest Paid		2,284	2,335
<i>Receipts</i>			
Interest Received		(1,954)	(1,249)
Net Cash Outflow from Returns on Investments and Servicing of Finance		330	1,086
Capital Activities			
<i>Payments</i>			
Purchase of Fixed Assets		20,159	11,831
Capital Grants and Advances		3,496	2,772
Purchase of Long Term Investments		3,000	-
Total Payments		26,655	14,603
<i>Receipts</i>			
Sale of Fixed Assets		5,247	13,800
Capital Grants Received		831	2,013
Other Capital Cash Income		1,049	1,393
Total Receipts		7,127	17,206
Net Cash Outflow/(Inflow) from Capital Activities		19,528	(2,603)
Net Cash Outflow/(Inflow) before Financing	2/3	16,242	(6,296)
Management of Liquid Resources			
Net (Decrease)/Increase in Short Term Deposits	4	(7,764)	(1,868)
Financing			
<i>Payments</i>			
Repayments of Amounts Borrowed		8,150	6,895
PWLB Premium Paid		-	2,251
<i>Receipts</i>			
New Loans Raised		18,150	-
Discounts Received		-	11
Net Cash (Inflow)/Outflow from Financing		(10,000)	9,135
(Increase)/Decrease in Cash		(1,522)	971

NOTES TO THE CASH FLOW STATEMENT

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

	Notes	2004/2005 £'000	2003/2004 £'000
Deficit/(Surplus) per Consolidated Revenue Account	Page 12	446	(80)
(Surplus)/Deficit per Collection Fund	Page 28	(317)	(29)
Net Deficit/(Surplus)		129	(109)
Interest		(330)	(1,086)
<i>Non-Cash Transactions:</i>			
Contributions from/(to) provisions		216	(9)
Contributions (to)/from Reserves		(3,118)	(2,130)
Contributions to Capital		(628)	(1,604)
<i>Items on an Accruals Basis:</i>			
(Decrease)/Increase in Stock and Work in Progress		(109)	18
(Decrease)/Increase in Debtors		(1,130)	3,439
Decrease/(Increase) in Creditors		1,354	(3,298)
Net Cash (Inflow)/Outflow from Revenue Activities		(3,616)	(4,779)

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

	2004/2005	
	£'000	£'000
Increase in Cash in the Period	1,522	
Cash Inflow from Increase in Debt Financing	(10,000)	
Cash Inflow from Decrease in Liquid Resources	(7,764)	
Movement in Net Debt in the Period		(16,242)
Net Investment at 1 April 2004		8,761
Net Cash Flow		(7,481)

■ 3. Analysis of Net Debt

	Balance 31 March 2004 £'000	Cashflow £'000	Balance 31 March 2005 £'000
Cash Overdrawn	(1,879)	1,522	(357)
Debt Due after One Year	(22,900)	(10,000)	(32,900)
Debt Due within One Year	-	-	-
Short Term Investments	33,540	(7,764)	25,776
Net Investment/(Debt)	8,761	(16,242)	(7,481)
Net PWLB Premium Paid/Discount Received		-	-
Net Cash Flow		(16,242)	(7,481)

There has been an increase in the level of net debt which is reflected in the net cash inflow from management of liquid resources and financing activities.

■ 4. Liquid Resources

These are short term investments of surplus cash and include those made by 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

	2004/2005		2003/2004
	£'000	£'000	£'000
Revenue Support Grant		5,977	5,642
DWP Grants for Benefits			
Rent Allowances	15,939		
Rent Rebates - HRA (See note below)	10,792		
Local Taxation	7,384		
Administration	890		
Verification Framework	165		
		35,170	21,347
Housing Subsidy (see note below)		(19)	7,738
SRB (Revenue)		-	25
DEFRA Waste Recycling		537	169
Planning Delivery Grant		259	138
Other		1057	816
Total Government Grants		42,981	35,875

Note

There was a major revision to Housing Subsidy arrangements from 1 April 2004 (see note 12, page 25). In addition to the refund of previous years subsidy shown above we also paid £1,069,000 to the government for 2004/05 which is included under "Other Operating Cash Payments" on page 54.

PORT HEALTH AUTHORITY ACCOUNTS 2004/2005

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 2005

	2004/2005 £	2003/2004 £
Income:		
Certificate of Deratting Fees	86	84
Bank Interest	15	8
Total Income	101	92
Expenditure:		
Paid to Riparian Authorities		
Colchester Borough Council	89	81
Tendring District Council	12	11
Gross Expenditure	101	92
Net Expenditure	-	-

BALANCE SHEET AS AT 31 MARCH 2005

	2004/2005 £	2003/2004 £
Current Assets:		
Cash at Bank	1,657	1,642
Current Liabilities		
Colchester Borough Council	(1,633)	(1,631)
Tendring District Council	(24)	(11)
Net Current Assets	-	-

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 2004

	2003/2004 £	2002/2003 £
Balance as at 1 October	558	530
<i>Add:</i>		
- Interest on Investments	288	288
- Bank Interest	12	13
- Other Income	20	20
	878	851
<i>Less:</i>		
- Administration and Distribution Expenses	40	38
- Subscription	15	15
- Distribution to Freeman	250	240
Balance as at 30 September	573	558

BALANCE SHEET AS AT 30 SEPTEMBER 2004

	2003/2004 £	2002/2003 £
<i>Assets:</i>		
Investments	6,062	5,700
Cash at Bank	573	558
Represented by Accumulated Fund	6,635	6,258

Please note: Investments are stated at market value as at 30 September 2004. These investments are Bank of England 21/2% Consolidated Stock with a nominal value of £11,511.46.

■ 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 2005 was £363,590. A further sum of £49,283 was held on deposit pending transfer to the Tymperleys' account.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2005

	2004/2005 £	2003/2004 £
Balance as at 1 April	51,801	51,523
<i>Add:</i>		
- Interest on Investments	13,016	12,562
- Interest on Balance	2,128	1,602
	66,945	65,687
<i>Less:</i>		
- Distribution to Tymperleys	16,681	13,886
Balance as at 31 March	50,264	51,801

BALANCE SHEET AS AT 31 MARCH 2005

	2004/2005 £	2003/2004 £
Assets:		
Investments	363,590	333,268
Debtors	981	0
Cash at Bank	49,283	51,801
Represented by Accumulated Fund	413,854	385,069

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

■ 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 2005

	2004/2005 £	2003/2004 £
Balance as at 1 April	3,972	3,692
<i>Add:</i>		
- Interest Received	39	30
- Dividends	285	270
	<hr/>	<hr/>
	4,296	3,992
<i>Less:</i>		
- Expenses	20	20
	<hr/>	<hr/>
Balance as at 31 March	4,276	3,972

BALANCE SHEET AS AT 31 MARCH 2005

	2004/2005 £	2003/2004 £
<i>Assets:</i>		
Investments	7,273	6,758
Cash at Bank	4,276	3,972
	<hr/>	<hr/>
Represented by Accumulated Fund	11,549	10,730

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

■ 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 2005

	2004/2005	2003/2004
	£	£
Balance as at 1 April	6,954	6,708
<i>Add:</i>		
- Interest received	44	10
- Dividends	229	236
Balance as at 31 March	7,227	6,954

BALANCE SHEET AS AT 31 MARCH 2005

	2004/2005	2003/2004
	£	£
<i>Assets:</i>		
Investments	6,776	6,105
Cash at Bank	6,198	5,925
Represented by Accumulated Fund	12,974	12,030

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

■ 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. No grants were paid in 2004/2005.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	2004/2005	2003/2004
	£	£
Balance as at 1 April	3,517	4,487
<i>Add:</i>		
- Interest received	25	13
- Dividends	619	637
	4,161	5,137
<i>Less:</i>		
- Grants Paid	0	1,620
Balance as at 31 March	4,161	3,517

BALANCE SHEET AS AT 31 MARCH 2005

	2004/2005	2003/2004
	£	£
<i>Assets:</i>		
Investments	17,743	16,090
Cash at Bank	2,762	2,117
Represented by Accumulated Fund	20,505	18,207

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

■ 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 2004

	2003/2004 £	2002/2003 £
Fund Balances as at 1 October	227,010	225,513
<i>Add:</i>		
- Investment Income	1,772	1,926
	228,782	227,439
<i>Less:</i>		
- Management/Admin Expenses	429	429
Balance as at 30 September	228,353	227,010

BALANCE SHEET AS AT 30 SEPTEMBER 2004

	2003/2004 £	2002/2003 £
<i>Fixed Asset:</i>		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
<i>Current Assets:</i>		
Cash at Bank	97,043	95,272
Deposit - Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	230,439	228,668
<i>Current Liabilities:</i>		
Sundry Creditors	2,086	1,658
Total Net Assets	228,353	227,010
<i>Represented by:</i>		
Unrestricted Funds		
<i>Designated Funds:</i>		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	64,969	63,626
	228,353	227,010

■ 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 2005

	2004/2005	2003/2004
	£	£
Income from functions	61,442	44,673
Less: Function related expenses	9,990	10,199
Net Income	51,452	34,474
Payments to Mayor's Charities	51,425	34,500
Net Surplus/(Deficit)	27	(26)

BALANCE SHEET AS AT 31 MAY 2005

	2004/2005	2003/2004
	£	£
Current Assets		
Sundry Debtors	431	3,092
Cash at Bank	-	31,830
	431	34,922
Current Liabilities		
Sundry Creditors	-	(34,949)
Cash Overdrawn	(431)	-
Net Current Liabilities	-	(27)
Represented by:		
Reserves Brought Forward	(27)	(1)
Surplus/(Deficit) for Year	27	(26)
Reserves Carried Forward	0	(27)

■ 1. Introduction

The 2004 Statement of Recommended Practice (SORP) sets out comprehensive new requirements for group accounts. These require Local Authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. A review has been undertaken of the Council's relationship with other bodies and it is clear that we should account for an interest in Colchester Borough Homes Ltd (see Note 24, page 48) as a wholly owned subsidiary and prepare Group Accounts. For completeness the opportunity has been taken to include Port Health and the Trust Funds (see pages 57-64) in the statements that follow.

The statements are intended to present financial information about the parent (the Council) and the subsidiary (Colchester Borough Homes) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line by line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the balance sheet.

Where Trust Funds have a different year end to the Council they have been brought into the Group Accounts as at 31 March 2005 on the basis of interim financial statements at this date.

During 2004/05 Colchester Borough Homes Ltd worked solely for the council so the bringing together of income and expenditure has had only a limited effect on the service revenue account. The more significant effect has been from the removal of the notional interest charges from the Council's cost of services.

On the balance sheet the most significant impacts have been:

- The increase in investments from the introduction of the Trust funds
- The bringing together of the overall pension scheme liability
- The additional reserves

■ 2. Accounting Policies

G1

The accounting policies for the Council are set out on pages 5-10 and these have been followed in preparing the group statements except for the variations noted below.

G2 – Fixed Assets

The fixed assets for the Colchester New Theatre Trust are included at cost for Mercury House and at a nominal value for the Mercury Theatre.

G3 – Charges for the Use of Capital Assets

The notional interest charge on fixed assets has been written out of the Council's Net Cost of Services. This leaves depreciation as a charge to services.

G4 – Capital Receipts

Profits or losses on the disposal of fixed assets have been shown as a separate line before net cost of services. This is then reversed out in the appropriation section being a transfer to capital accounts.

G5 – Government Grants and Contributions

Grants and contributions used to acquire assets are written out to income over the life of the assets. The credits have been allocated to the Services using the assets to offset the depreciation charge.

G6 – Investments

The investments for Trust Funds are shown at valuation.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

Expenditure on Services	Notes	2004/2005 Gross Expenditure £'000	2004/2005 Gross Income £'000	2004/2005 Net Expenditure £'000
Corporate and Democratic Core		3,605	175	3,430
Non Distributed Costs		32	-	32
Central Services to the Public		10,758	8,813	1,945
Cultural and Related Services		10,788	4,813	5,975
Environmental Services		10,005	3,093	6,912
Planning and Development Services		4,853	4,394	459
Highways, Roads and Transport Services		4,528	5,074	(546)
Housing General Fund		34,140	29,821	4,319
Housing Revenue Account	G2	19,666	19,517	149
Social Services - Older People		764	541	223
Cost of Services	G3	99,139	76,241	22,898
(Profits) or losses on disposal of assets				(517)
Net Cost of Services	1/G3			22,381
	Notes			
Precepts paid to Parish Councils				532
Deficit/(Surplus) on Internal Trading	2/G4			-
Contribution of Housing Capital Receipts to Government Pool	3			2,869
Provision for Investment Losses				11
Increase in Value of Trust Fund Investments				(34)
Interest Receivable				(2,178)
Interest Payable				2,646
Pensions Interest Cost and Expected Return on Pension Assets	10/G5			1,413
Taxation of Group Entities				5
Net Operating Expenditure				27,645
Surplus/(Deficit) transferred from/to HRA Balances				618
Movement on Council Earmarked Reserves	5			925
Transfer from Major Repairs Reserve	5			(3,068)
Contribution to Colchester Borough Homes Reserve				157
Addition to Trust Funds Accumulated Funds				35
Transfer from Usable Capital Receipts for Contribution to Pool	3			(2,869)
Reversal of Profits/Losses on Disposal of Fixed Assets				517
Capital Financing Account - MRP Adjustment	6			(1,560)
- Deferred Charges				(2,540)
Financing of Capital Expenditure				634
Contribution (from)/to the Pensions Reserve and Pension Fund Creditor	10/G5			(1,130)
Contribution (from)/to Group Income and Expenditure Reserve re Colchester Borough Homes				(60)
Amount to be met from Government Grant and Local Taxpayers				19,304
Precept demanded from the Collection Fund				(8,646)
Collection Fund Transfer - Community Charge				(1)
- Council Tax				-
Revenue Support Grant				(5,977)
Contribution from Non-Domestic Rate Pool				(4,234)
Deficit/(Surplus) for the Year				446
Balance at the Beginning of the Year				(2,639)
Balance at the End of the Year				(2,193)

NOTES TO THE GROUP INCOME AND EXPENDITURE ACCOUNT

G1

Specific notes for the Group Income and Expenditure Account are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Consolidated Revenue Account are set out on pages 13-20 and the group statement cross references to them where relevant.

G2

The operating income and expenditure of Colchester Borough Homes Ltd has been included within the Housing Revenue Account.

G3

The gross and net expenditure of all services has been reduced by the removal of notional interest (£16,326,000) which is included in the Council's Consolidated Revenue Account. Grants and contributions written out to revenue (£212,000) have been included as income under the relevant individual services.

G4 – Trading Operations

Following the removal of notional interest the internal trading result on support services becomes a surplus. This has been reallocated to the relevant services.

G5 – Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Council (CBC) and Colchester Borough Homes Ltd (CBH) offer retirement benefits. Although these will not actually be payable until employees retire, there is a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

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 for the Council is reversed out after Net Operating Expenditure. The following transactions have been made in the Group Income and Expenditure Account during the year:

	Local Government Pension Scheme		2004/2005
	CBC £'000	CBH £'000	Total £'000
<i>Net Cost of Services:</i>			
Current Service Cost	2,799	385	3,184
Past Service Costs	-	-	-
Settlement/Curtailment	30	-	30
<i>Net Operating Expenditure:</i>			
Interest Cost	6,064	341	6,405
Expected Return of Assets in the Scheme	(4,650)	(342)	(4,992)
	4,243	384	4,627

The actual contributions payable are determined by the Fund's Actuary based on triennial actuarial valuations. Rates are set to meet 100% of the overall liabilities of the fund. The employer's basic contributions for the period 1 April 2004 to 31 March 2005 were:

- for the Council 175% of employees' contribution plus lump sums for back-funding (£3,113,000)
- for Colchester Borough Homes Ltd 230% (£301,000)

The latest revaluation, as at 31 March 2004, was completed during the year and the results were implemented with effect from 1 April 2005.

The Actuary advised that the overall funding level of the Pension Fund had fallen from 88.6% in 2001 to 71.4% in 2004. The decline in the funding level means the overall contribution from participating authorities has to be increased. The under funding is planned to be cleared over a twenty year period. The contributions required for 1 April 2005 are:

- Council - While the basic employer's contribution has reduced from 175% to 158% the back funding contribution will increase. The increased back funding contribution is being phased in over three years and will then increase each year by pay inflation. The sum required for back funding is £1,518,000 for 2005/06 and this is expected to increase to £2,384,000 for 2007/08.
- Colchester Borough Homes - the basic employer's contribution was reduced from 230% to 185%. A back-funding contribution has been introduced which is £24,000 for 2005/06 and will increase to £26,000 for 2007/08.

The next revaluation as at 31 March 2007 will be implemented with effect from 1 April 2008.

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 G7 to the Group Balance Sheet, page 73 which also contains details of the assumptions made in estimating the figures included in this note. Note G3 to the Group Statement of Total Movements in Reserves, page 78, 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).

G6 – Employees Remuneration

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

Remuneration Band	Number of Employees (left during the year) 2004/2005
£50,000 - £59,999	9
£60,000 - £69,999	1
£70,000 - £79,999	1
£80,000 - £89,999	1
£90,000 - £99,999	-
£110,000 - £119,999	1(1)

G7 – Audit Costs

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

	CBC (Audit Commission) £'000	CBH (Scrutton Bland) £'000	2004/2005 Total £'000
Core External Audit Services	135	4	139
Statutory Inspection	3	-	3
Certification of Grant Claims	67	-	67
Other Services - National Fraud Initiative	1	-	1
- Internal Audit	-	18	18
	206	22	228

GROUP BALANCE SHEET AS AT 31 MARCH 2005

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

	Notes	31 March 2005 £'000
Fixed Assets		
Intangible Fixed Assets	1	3,604
Tangible Fixed Assets	2 & 3	
Operational Assets		
Council Dwellings		422,074
Other Land and Buildings		61,874
Operational Equipment		3,348
Infrastructure Assets		2,945
Community Assets		275
Non-Operational Assets		
Investment Properties		26,262
Assets under Construction		3,984
Surplus Assets held for Disposal		12,834
Total Fixed Assets		537,200
Deferred Premiums	6	2,365
Investments (Long Term)	G3	3,364
Long Term Debtors	8	533
Total Long Term Assets		543,462
Current Assets		
Stock	9	286
Debtors	G4	11,689
Investments (Short Term)		25,776
Cash and Bank		244
Total Current Assets		37,995
Current Liabilities		
Creditors	G5	(16,072)
Cash Overdrawn		-
Total Current Liabilities		(16,072)
Net Current Assets		21,923
Long Term Borrowing	12	(32,900)
Provisions	13/G6	(560)
Pension Scheme Liability	G7	(50,349)
Total Net Assets		481,576
<i>Represented by:</i>		
Fixed Asset Restatement Account	15	406,373
Capital Financing Account	16	92,281
Capital contributions - Deferred	17	9,432
Deferred Credits	18	905
Usable Capital Receipts Reserve	19	8,120
Pensions Reserve	G8	(50,267)
Earmarked Reserves	21	8,840
Revenue Balances	22	5,167
Colchester Borough Homes Ltd Reserves	G9	112
Trust Funds	G10	613
Total Equity	G11	481,576

NOTES TO THE GROUP BALANCE SHEET

G1

Specific notes for the Group Balance Sheet are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Consolidated Balance Sheet are set out on pages 35-51 and the Group Statement cross references to these where relevant.

G2

Colchester Borough Homes Ltd is a wholly owned subsidiary of the Council (See Note 24, page 48). The Council has 46% voting right on the Board of Colchester Borough Homes Ltd and the Council as well as the Board agrees the annual delivery plan.

G3 – Long Term Investments

	Balance as at 31 March 2005		
	CBC £'000	Trust Funds £'000	Total £'000
Association of District Councils (ADC) Debenture	10	-	10
Market Value of Marketable Securities at 31 March	10	344	354
Term Deposits	3,000	-	3,000
Total Long Term Investments	3,020	344	3,364

G4 – Debtors

	Value as at 31 March 2005		
	CBC £'000	CBH £'000	Total £'000
Sums falling due within One Year:			
Non-domestic Rate Arrears	1,201		1,201
Council Tax Arrears	3,096		3,096
Government Departments	373		373
Council Tenants	1,226		1,226
Essex County Council	949		949
Customs and Excise (VAT)	1,720		1,720
General Debtors	6,309	315	6,624
Total Due within One Year	14,874	315	15,189
Sums falling due after One Year:			
General Debtors	20	-	20
Total Due after One Year	20	-	20
Gross Debtors	14,894	315	15,209
Less Provision for Doubtful Debts	(3,520)	-	(3,520)
Total Debtors	11,374	315	11,689

CBC and CBH figures have been revised to eliminate inter-group balances.

G5 – Creditors

	Value as at 31 March 2005			Total £'000
	CBC £'000	CBH £'000	Trust Funds £'000	
Non-Domestic Rate Prepayment	1,478			1,478
Council Tax Prepayment	1,779			1,779
Contribution to NNDR Pool	727			727
Interest Payable	793			793
Government Departments	1,182	83		1,265
Council Tenants	202			202
Contractors' Deposits	552			552
Essex County Council	848	42		890
Contractors re Capital Schemes	4,949			4,949
General Creditors	3,316	71	50	3,437
Total Creditors	15,826	196	50	16,072

CBC and CBH figures have been revised to eliminate inter-group balances.

G6 – Provisions

Category of Provision	Balance at	Contribution	Payments	Balance at
	1 April 2004	From Revenue	in the Year	
	£'000	£'000	£'000	2005
Colchester Borough Council (see Note 13, page 42)	546	54	62	538
Colchester Borough Homes Ltd	21	1	-	22
Total Provisions	567	55	62	560

The Colchester Borough Homes Ltd provision is for building reinstatement.

G7 – Disclosure of Net Pensions Asset/Liability

Note G5 page 68 to the Group Income and Expenditure Account contains details of the Group'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 Group at 31 March 2005 are as follows:

	31 March 2005		Total £'000
	CBC £'000	CBH £'000	
Estimated Liabilities in Scheme	122,471	7,558	130,029
Estimated Assets in Scheme	73,152	6,528	79,680
Net Liability	49,319	1,030	50,349

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £50.3 million has a significant impact on the net worth of the Group as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the Group 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 annual back-funding contributions (see Note G5 to the Group Income and Expenditure Account, page 68) 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 2005 the sum of £283,000 for the March employer's contributions 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 2004.

The main financial assumptions adopted were:

	31 March 2005
	%
Rate of inflation	2.9
Rate of increase in salaries	4.4
Rate of increase in pensions	2.9
(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)).	
Rate for discounting scheme liabilities	5.4

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.

	31 March 2005	
	Proportion	Expected Return
	%	%
Equity investments	68.9	7.5
Gilts	11.0	4.7
Other Bonds	5.9	5.4
Property	11.4	6.5
Other assets	2.8	4.75
	100.0	6.9

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.

G8 – Pensions Reserve

	CBC £'000	CBH £'000	2004/2005 Total £'000
Balance at the Beginning of the Year	(29,619)	(1,192)	(30,811)
Actuarial (Loss)/Gain	(18,574)	244	(18,330)
Transfer (to)/from Revenue	(1,126)	-	(1,126)
Balance at the End of the Year	(49,319)	(948)	(50,267)

The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17 (see Note G5, page 68). The movements show the actuarial gains and losses and the adjustment required for the Council to ensure the sum charged to revenue matches the contribution payable in the year in accordance with pension regulations.

G9 – Colchester Borough Homes Ltd Reserves

	Balance at 1 April 2004 £'000	Transfer (to)/ from Revenue £'000	Balance at 31 March 2005 £'000
Income and Expenditure Account	15	(60)	(45)
Other Reserves	-	157	157
Total Reserves	15	97	112

Income and Expenditure Account – the inclusion of the full cost of retirement benefits under FRS17 has increased the charge by £82,000 thus creating the shortfall on the account. There is an exactly matching benefit in the Pension Reserve (see Note G8 above).

Other Reserves – are to be used in 2005/06 to support particular areas funded by the Council (£97,000) and to provide a contribution (£60,000) towards Council capital works projects.

G10 – Trust Funds

	2004/05 £'000
Balance at 1 April 2004	578
Addition in Year	35
Balance at 31 March 2005	613

G11 – Analysis of Net Assets Employed

The net assets employed represent the 'equity' in the Group and are analysed between the main functions in the table below:

	31 March 2005 £'000
General Fund	478,213
Housing Revenue Account	2,750
Trust Funds	613
Total Net Worth	481,576

G12 – Post Balance Sheet Events

There are no items which have arisen after the closure of the 2004/05 accounts which would materially affect these accounts. However, developments continue which significantly affect the future provision of Housing Services.

The Government has made an allocation of funds of £22.2 million which provides significant additional funding for major improvements to tenants homes through Colchester Borough Homes Limited from 2005/06.

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 G7, page 73)

The primary cause of the change from an estimated net liability of £30,811 million at 31 March 2004 to an estimated net liability of £50,349 million at 31 March 2005 has been a change in the discount rate used to estimate future liabilities for the Council (Note 3, page 5).

The £50,349 million net liability represents the difference between the value of the Group's pension fund assets at 31 March 2005 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 2005 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 was considered by the actuaries in their full actuarial review of the Pension Fund as at 31 March 2004. Their advice on the shortfall in the funding of the scheme at that time has determined the future level of pension contributions which will be implemented from 1 April 2005. The Actuary advised that the overall funding level of the Pension Fund had fallen from 88.6% to 71.4% in 2004. The decline in the funding level means the overall contribution from participating authorities has to be increased. While the basic employer's contribution has reduced the back funding contributions will increase.

The under funding is planned to be cleared over a twenty year period. The next revaluation as at 31 March 2007 will provide a further review and the results will be implemented with effect from 1 April 2008.

GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 MARCH 2005

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

	CAPITAL RESERVES				REVENUE RESERVES				Total 2004/05 £'000
	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Usable Capital Receipts £'000	Pension Reserve £'000	Earmarked Reserves £'000	Revenue Balances £'000	CBH Reserves £'000	Trust Funds £'000	
Balance at the Beginning of the Year	344,421	92,380	12,195	(30,811)	7,909	4,678	15	578	431,365
Net Surplus/(deficit) for year		(6,535)	(2,869)	(1,126)	931	489	97	35	(8,978)
Actuarial (loss)/gain relating to pensions				(18,330)					(18,330)
Unrealised gains/(loss) from revaluation of fixed assets	66,665								66,665
<i>Effects of disposals of assets:</i>									
Cost or value of assets disposed of	(4,713)	(74)							(4,787)
Proceeds of disposals			5,304						5,304
Net surplus/(deficit)	(4,713)	(74)	5,304						517
Financing of Fixed Assets		6,510	(6,510)						-
Balance at the End of the Year	406,373	92,281	8,120	(50,267)	8,840	5,167	112	613	471,239
Consolidated/Group Balance Sheet Note	15	16	19	G8	21	22	G9	G10	

NOTES TO THE GROUP STATEMENT OF TOTAL MOVEMENTS IN RESERVES

G1

Specific notes for the Group Statement are provided only when there is a material difference from the Council's own accounts. Notes to the Council's Statement are set out at page 53.

G2 – Purpose of Reserves

The Fixed Asset Restatement Account and Capital Financing Account cannot be called upon to support spending as these accounts 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 Group Balance Sheet Note G7, page 73. 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 Council's Consolidated Balance Sheet pages 44-48) and the Group Balance Sheet (pages 75-76).

G3 – Pension Reserve

The actuarial gain identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	CBC £'000	CBH £'000	Total £'000	2004/05 %
Differences between the expected and actual return on assets	3,452	255	3,707	4.7
Differences between actuarial assumptions about liabilities and actual experience	(3,010)	687	(2,323)	1.8
Changes in the demographic and financial assumptions used to estimate liabilities	(19,016)	(698)	(19,714)	15.2
	(18,574)	244	(18,330)	14.1

THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

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

	Notes	2004/2005 £'000
Net Cash (Inflow)/Outflow from Revenue Activities	G1	(3,225)
Returns on Investments and Servicing of Finance		
<i>Payments</i>		
Interest Paid		2,274
<i>Receipts</i>		
Interest Received		(1,970)
Net Cash Outflow from Returns on Investments and Servicing of Finance		304
Taxation		-
Capital Activities		
<i>Payments</i>		
Purchase of Fixed Assets		20,159
Capital Grants and Advances		3,496
Purchase of Long Term Investments		3,000
Total Payments		26,655
<i>Receipts</i>		
Sale of Fixed Assets		5,247
Capital Grants Received		831
Other Capital Cash Income		1,049
Total Receipts		7,127
Net Cash Outflow/(Inflow) from Capital Activities		19,528
Net Cash Outflow/(Inflow) before Financing	G2/G3	16,607
Management of Liquid Resources		
Net (Decrease)/Increase in Short Term Deposits	G4	(7,764)
Financing		
<i>Payments</i>		
Repayments of Amounts Borrowed		8,150
PWLB Premium Paid		-
<i>Receipts</i>		
New Loans Raised		18,150
Discounts Received		-
Net Cash (Inflow)/Outflow from Financing		(10,000)
(Increase)/Decrease in Cash		(1,157)

NOTES TO THE GROUP CASH FLOW STATEMENT

G1 – Reconciliation of Group Income and Expenditure Account to Revenue Activities Cash Flow

	Notes	2004/2005 £'000
Deficit/(Surplus) per Group Income and Expenditure Account	Page 67	446
Deficit/(Surplus) Colchester Borough Homes Ltd	Page 75	60
(Surplus)/Deficit per Collection Fund	Page 28	(317)
Net Deficit/(Surplus)		189
Interest		(304)
<i>Non-Cash Transactions:</i>		
Contributions from/(to) provisions		215
Contributions (to)/from Reserves		(3,358)
Contributions to Capital		(628)
<i>Items on an Accruals Basis:</i>		
(Decrease)/Increase in Stock and Work in Progress		(109)
(Decrease)/Increase in Debtors		(605)
Decrease/(Increase) in Creditors		1,375
Net Cash (Inflow)/Outflow from Revenue Activities		(3,225)

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

G2 – Reconciliation of the Net Cash Flow to the Movement in Net Debt

	2004/2005 £'000	£'000
Increase in Cash in the Period	1,157	
Cash Inflow from Increase in Debt Financing	(10,000)	
Cash Inflow from Decrease in Liquid Resources	(7,764)	
Movement in Net Debt in the Period		(16,607)
Net Investment at 1 April 2004		9,727
Net Cash Flow		(6,880)

G3 – Analysis of Net Debt

	Balance 31 March 2004 £'000	Cashflow £'000	Balance 31 March 2005 £'000
Cash Overdrawn	(913)	1,157	244
Debt Due after One Year	(22,900)	(10,000)	(32,900)
Debt Due within One Year	-	-	-
Short Term Investments	33,540	(7,764)	25,776
Net Investment/(Debt)	9,727	(16,607)	(6,880)
Net PWLB Premium Paid/Discount Received		-	-
Net Cash Flow		(16,607)	(6,880)

There has been an increase in the level of net debt which is reflected in the net cash inflow from management of liquid resources and financing activities.

G4 – Liquid Resources

These are short term investments of surplus cash and include those made by 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.

Independent Auditor's Report to Colchester Borough Council

I have audited the statement of accounts on pages 11 to 56 and 65 to 80 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 10.

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 Head of Financial Services and Auditor

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 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 2 to 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. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of Audit Opinion

I conducted my 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.

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

Opinion

In my opinion the statement of accounts presents fairly the financial position of Colchester Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

31 October 2005

Paul King
District Auditor

Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich IP8 3AS