



# Statement of Accounts 2005 / 2006





**COLCHESTER BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2006**

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# SUMMARY OF FINANCIAL STATEMENTS

## **Statement of Accounting Policies (page 6)**

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 27)**

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 31)**

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

## **Consolidated Balance Sheet (page 33)**

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 51)**

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 53)**

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

## **Port Health Authority Accounts (page 56)**

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

## **Trust Fund Accounts (page 57)**

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

## **Group Accounts (page 64)**

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 – 2005/2006 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 £19.8 million met by the precept on the Collection Fund and Government grants.

	Original Estimate £m	Actual £m
Total Net Spending for the Year	19.6	19.8
Met by:		
Collection Fund Precept	9.1	9.1
Collection Fund Transfer	-	-
Government Grants	10.5	10.5
Contribution from/(to) Balances	-	0.2
<b>Total Financing</b>	<b>19.6</b>	<b>19.8</b>

General Fund balances now stand at £2.0 million, of which £1.7 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. A significant element of the capital spending in 2005/06 is on 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 £27 million, £2.6 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; £2.4 million was received in 2005/06. 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 £3.8 million was received in 2005/06. The accumulated balance of £7.3 million is already planned to support capital spending from 2006/07 onwards.

### The Housing Revenue Account

The Council is the major provider of rented housing in the Borough and manages approximately 6,400 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 £3.2 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).

The ALMO is an alternative 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 had previously been secured to spend a further £22.2 million on improving Council homes through this initiative. In 2005/06 this has been used to support the Decent Homes programme and will continue to do so in 2006/07.

## **Treasury Management**

The Local Government Act 2003 gave Councils the freedom to determine how much they borrow for investment in new capital projects subject to a regulation that such borrowing complies with the “Prudential Code for Capital Finance in Local Authorities”. The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The council determined the required Prudential Code indicators as part of the budget process for 2005/06. The borrowing activities undertaken in the year are in accordance with these determinations.

New long term borrowing of £12 million was undertaken during the year, £6.5 million from the PWLB and £5.5 million LOBOs. This was in respect of the government approved supported borrowing allocation for the Decent Homes programme. The total loan debt at the year end was £44.9 million, including a £5 million LOBO loan which is due for review in 2006/07.

The activities in the year included the investment of surplus funds. The Council continues to use an external fund manager for the major part of these funds. The total funds invested at the year end were £28 million, of which £17 million was invested through the fund manager. Term deposits of £3 million are shown as long term investments as these are not repayable within twelve months.

## **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 2005/06 or 2006/07 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**

The full reporting arrangements for pension costs are 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 £46.8 million shortfall at 31 March 2006. 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 required to prepare a series of Group Account Statements under more demanding requirements introduced in 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 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 2005/06 were to be prepared and reported to Members by 30 June. 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 2005/06 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 require the accounts to be 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 £1.6 million. However, in view of the difficult future medium term position, it was agreed to set balances at £1.7 million when planning the 2006/07 budget.

As at 31 March 2006 the Council's General Fund balances stood at £2.0 million. It is estimated that £0.3 million of these will be required to fund schemes carried forward from 2005/06 and to support expenditure during 2006/07. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

## Outlook

The Council's Strategic Plan 2006-2009 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 is submitting the 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 reflects 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 2006-2009** – 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](http://www.colchester.gov.uk).

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

## Our Fairness Policy

We are committed to promoting equity and equal opportunities for access and participation for everyone, whatever their personal circumstances. This includes the use of all the services and facilities which we provide. We are committed to ensuring that everyone is treated with dignity and respect, and to eliminating all forms of harassment.

We will allocate and spend money on services as fairly as possible according to the needs of local people.

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# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

### The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the Head of 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 considered by the Accounts and Regulatory Committee at the meeting held on 27 June 2006 and approved under delegated powers on 30 June 2006.

Signed on behalf of Colchester Borough Council  
Councillor G Oxford  
Chair of meeting approving the accounts:  
Date: 30 June 2006

I confirm that the amended accounts (principally in respect of the revised pension disclosure, see note 26, page 49) were approved by the Accounts and Regulatory Committee at the meeting held on 19 September 2006.

Signed on behalf of Colchester Borough Council  
Councillor G Oxford  
Chair of meeting approving the accounts:  
Date: 19 September 2006

## 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 79 present fairly the financial position of the Council as at 31 March 2006 and the income and expenditure for the year then ended.

Susan Edwards  
Head of Financial Services  
27 June 2006

Sean Plummer  
Section 151 Officer  
19 September 2006

# STATEMENT OF INTERNAL CONTROL FOR COLCHESTER BOROUGH COUNCIL

## ■ 1. *Scope of Responsibility*

Colchester Borough Council (the Council) is responsible for ensuring 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 2006 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 current 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. This is due to be superseded with a revised strategy and risk registers along with a more formal system of review, monitoring and reporting of high-level risks to members.
- 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 financial forecast 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 2006-2009 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 Council's 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 Directors and Heads of Service within the Authority 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 in the Annual Audit Letter and other reports.

From the work undertaken in 2005/06, Internal Audit has provided satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2006 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also in the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Both opinions take into account the following factors:

- The Audit Commission's Annual Audit and Inspection Letter 2004/05 which gave the Council a score of three out of four in all five elements of the Use of Resources judgement. This means that the Council is operating "Consistently above minimum requirements – performing well".
- The External Auditors CPA assessments (undertaken 2003/04) on financial standing, internal control, standards of financial control, internal financial control and standards of conduct. Overall the score given to the Council in respect of its financial services was 19 out of 20 which relates to a good rating. The Council's overall CPA performance gained an excellent rating.
- BFI (Benefit Fraud Inspectorate) reviews (completed 2003/04). Overall, the BFI found that the Council's Benefits Service was providing a fair towards good performance.
- Best Value Reviews. A Best Value Review final report in respect of Strategic Housing was issued in the 2004/05 financial year and a detailed action plan was appended to the report with responsible officers and deadlines for implementation of identified actions
- The Home Office Surveillance Commissioners' found the Council's compliance with the Regulation of Investigatory Powers (RIPA) as being best practice.
- Other Review Agencies: Equal Opportunities Commission, Lexcel, Vehicle Inspectorate, DEFRA, Museum Registration, East England Tourist Board, Home Office, IEG.

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. When compared to the CIPFA/SOLACE Framework, it is evident that the Council is not yet fully compliant. This opinion has been based on reliance upon the following:

- Internal Audit review of Risk Management
- The CPA Assessment of Financial Services
- Annual Audit and Inspection letter 2004/05

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. All issues detailed will be reported to the Finance and Audit Scrutiny Panel on a quarterly basis. As such, these will be closely monitored and reviewed via the Internal Audit monitoring system by the Internal Audit Manager and issues identified via the Internal Audit process will also be formally reviewed by the internal Audit Provider.

No.	Issue	Action
1	The lack of a Business Continuity Strategy (Issue also raised in both 2003/04 and 2004/05)	The Business Continuity Strategy and Action Plan are due to go to SMT early 2006/07. Internal Audit are also due to review this area
2	The need to implement an appropriate storage period in respect of job sheets arising from pest control works undertaken by Council staff and take into account the requirements for evidence should a litigation case be brought against the authority in the future; i.e.: related to the use of poisons.	It is hoped that hand held devices will be introduced shortly for Pest Control Officers to use in the field, removing the need for paper sheets.  In the interim, no further sheets are to be destroyed.
3	The need to amend the standing orders to take into account the disposal of land and the use of preferred bidders	Recommendation Agreed. The Council has received advice from the Internal Audit Provider on suitable wording based on their experiences of good practice elsewhere
4	The need to maintain a central record of Contracts	The Council intends to utilise the Essex Procurement Agency online database
5	The need to effectively monitor the expenditure incurred in respect of consultants and/or project managers and to report this to SMT and to the Finance & Audit Scrutiny Panel	The recommendation for monitoring consultants' expenditure has been agreed to and will be implemented by the due date

6	The need to improve the arrangements in place in respect of the partnership between the Council, Colchester Borough Homes Limited and Inspace Limited (Issue also raised in 2004/05)	Significant progress has been made following a substantial review of existing arrangements including an Away Day. Sub teams have been set up to examine several areas: reporting and control mechanisms in the partnership; business planning, including identification of joint strategic objectives and a partnership strategy and finally, a team identifying clear roles and responsibilities within the partnership. Work is underway in all these areas and various actions have already commenced including the appointment by Colchester Borough Homes Limited of a Partnership, Risk & Governance Manager.
7	The need to improve the administration processes within Inspace Limited, particularly in respect of the retention of documentation to provide a valid audit trail to support expenditure incurred	The administration process within Inspace Limited is currently being reviewed. The new Partnership, Risk & Governance Manager appointed by Colchester Borough Homes Limited (who performs the Service Manager role as agent for CBC) has reviewed arrangements and is intending to bring the work commissioned and work delivered validation process within his team producing a much more robust audit trail
8	The need for the Council to undertake physical inspections of a sample of works in respect of invoices received from Inspace Limited	Although a handful of physical inspections have occurred the majority of Council resources have been used to check computer validation and customer satisfaction returns. However, it is considered that a vital role for the Council's Service Manager (the agent for whom is Colchester Borough Homes) is to carry out such checks. It is intended that the Clerk of Works within Inspace Limited will in future report directly to the Service Manager thereby achieving a 100% check of all works
9	The need to ensure that key financial systems are reconciled to the General Ledger on a more timely and accurate basis	A considerable amount of work is undertaken on reconciliations both in service areas and within finance. The controls process has been reviewed and progress has been made towards meeting audit recommendations. However, while core work is ongoing, difficulty has been experienced in maintaining a consistent focus on evidencing and reviews throughout the year, particularly at key pressure periods. This was one of the factors taken into consideration in the recent review of the Financial Services structure which makes provision for these to be met in the future.
10	The Council needs to continue to fully embed the risk management process (issue also raised in both 2003/04 and 2004/05)	The revised strategy needs to go through the committee process as it forms part of the constitution
11	Processes in respect of the retention of crucial documents (Issue outstanding from 2004/05)	The draft policy and corresponding schedules have been considered by SMT and progress on finalising the policy is underway Document Removal Records are now placed at each storage area
12	Complying with Standing Orders in respect of the abandoned vehicles contract and reinstating a charging system (Issue outstanding from 2004/05)	The tender process is ongoing as a result of issues raised at a formal follow up undertaken by the Internal Audit Provider The Council have set its Fees and Charges for 2006/07 and have included the Fixed Penalty Notice of £200 for abandoned vehicles as set by legislation
13	Procedures in respect of the Construction Industry Scheme: <ol style="list-style-type: none"> <li>1. Formal employment status procedures to be introduced</li> <li>2. Introduction of further controls relating to subcontractors</li> <li>3. Inclusion of procedures for claims where a deduction of the cost of materials is made</li> <li>4. Guidance to ensure invoices relating to construction operations are not processed without clearance</li> <li>5. Those invoices currently categorised as construction operations need to be reviewed</li> </ol>	New legislation has been postponed until April 2007. All recommendations in relation to the Construction Industry Scheme are due to be implemented by this date

Susan Edwards  
Head of Financial Services (S151 Officer)  
Date 20 June 2006

Adrian Pritchard  
Chief Executive  
Date 21 June 2006

Robert Davidson  
Leader of the Council  
Date 21 June 2006



# 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 (2005): 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 2005/06 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) with the financial assumptions updated to reflect conditions at April 2005. The current service cost has been included in all relevant service areas including the Housing Revenue Account. This is allocated on the basis of the actual employers' contributions charged to services.
- 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 2006.
- 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.

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.

Under statutory provisions the charge we are required to make against council tax is based on the actual contributions payable to the fund. Therefore, in the Consolidated Revenue Account after Net Operating Expenditure there is a transfer to or from the Pensions Reserve to replace the FRS17 charges with the contributions payable to 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 Corporate Members of the Royal Institution of Chartered Surveyors. Council dwellings were revalued as at 1 April 2005 and the value has now been uplifted to 31 March 2006 on the basis of property indices published by the Royal Institution of Chartered Surveyors. All other land and property were revalued as at 1 April 2004. As part of a rolling programme a proportion of these assets have been revalued as at 1 April 2005. 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.

When an asset is disposed of the value of the asset in the balance sheet is written out to the Fixed Asset Restatement Account. Income above £10,000 received from disposals is accounted for as a capital receipt (note 10, page 8).

## ■ 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. Contributions to reserves are not charged to service revenue accounts but shown as a transfer in the Consolidated Revenue Account after Net Operating Expenditure. Relevant expenditure is not charged direct to the reserves but to the appropriate service revenue account when incurred and a matching transfer is made back from the reserve to the Consolidated Revenue Account. 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 46.

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 service 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 41).

## ■ 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 2005/06 is 3.5% (2004/05 3.5%) for assets carried at current value, and 4.95% (4.8%) 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 was a change in 2004/05 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 2006. 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 2005 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 use a variety of assets under operating leases. 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 because the Council does not own the assets. Hire purchase contracts that are similar to operating leases are accounted for on the same basis. Rentals are charged to the service revenue accounts on a straight-line basis over the period of the lease. No provision is made for outstanding lease commitments.

We own a number of properties currently let under operating leases. These are recorded as fixed assets and depreciated as appropriate over their useful life. Rental income is taken to the revenue account on a straight-line basis over the period of the lease.

## ■ 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 2006. 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. Overheads and 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. There is a full recharge to service accounts in accordance with the Best Value Accounting Code of Practice (BVACOP).

The exceptions, provided for in the code, are costs related to Corporate and Democratic Core and certain Non Distributed Costs. These are shown as specific lines in the Consolidated Revenue Account and are not generally recharged to services. However, recharges are made from these two areas specifically to the Housing Revenue Account in accordance with the principles set out in BVACOP.

## ■ 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, which are made by an external Fund Manager, are tradable securities such as certificates of deposits and government gilts. These are shown based on the valuation at 31 March 2006. Short-term investments are repayable within one year and are only made with the approved organisations listed in the Council's Treasury Management 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 2005 SORPs Group Accounts requirements.



# CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

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.

<b>Expenditure on Services 2005/2006 (Note 1)</b>	<b>2005/06 Gross Expenditure £'000</b>	<b>2005/06 Total Income £'000</b>	<b>2005/06 Net Expenditure £'000</b>	<b>2004/2005 Net Expenditure £'000</b>
<b>CENTRAL SERVICES</b>				
Democratic Representation and Management	2,113	100	2,013	2,235
Corporate Management	1,509	57	1,452	1,213
Non Distributed Costs (Note 10)	(2,243)	-	(2,243)	32
Central Services to the Public	-	-	-	-
Local Taxation (includes Council Tax Benefit)	10,111	8,511	1,600	1,129
Other Central Services	1,532	706	826	852
<b>Total for Central Services</b>	<b>13,022</b>	<b>9,374</b>	<b>3,648</b>	<b>5,461</b>
<b>CULTURAL, ENVIRONMENTAL &amp; PLANNING SERVICES</b>				
Cultural and Related Services				
Culture and Heritage	3,107	1,167	1,940	1,865
Recreation and Sport	7,401	3,706	3,695	3,402
Open Spaces	1,624	205	1,419	1,471
Tourism	558	126	432	380
Environmental Services	-	-	-	-
Cemetery, Crematorium and Mortuary Services	795	790	5	(126)
Environmental Health	2,220	504	1,716	1,655
Community Safety	969	294	675	641
Street Cleansing (non-highway)	1,483	48	1,435	1,487
Waste Collection	4,997	1,255	3,742	3,485
Planning and Development Services	-	-	-	-
Building Control	818	609	209	162
Development Control	1,975	1,287	688	771
Planning Policy	770	20	750	660
Economic Development	2,580	2,229	351	49
Other Planning and Development Services	904	643	261	237
<b>Total for Cultural, Environmental &amp; Planning Services</b>	<b>30,201</b>	<b>12,883</b>	<b>17,318</b>	<b>16,139</b>
<b>HIGHWAYS, ROADS AND TRANSPORT SERVICES</b>				
Transport Planning and Strategy	204	34	170	249
Highways, Traffic Management and Road Safety	879	221	658	945
Parking Services	3,705	5,019	(1,314)	(1,399)
Public Transport				
Concessionary Fares	931	165	766	552
Other Public Transport	100	56	44	111
<b>Total for Highways, Roads and Transport Services</b>	<b>5,819</b>	<b>5,495</b>	<b>324</b>	<b>458</b>
<b>HOUSING GENERAL FUND</b>				
Private Sector Housing Renewal	952	203	749	977
Homelessness	1,002	578	424	645
Housing Benefits	31,052	30,212	840	534
Other Housing General Fund	1,470	319	1,151	2,202
<b>Total for Housing General Fund</b>	<b>34,476</b>	<b>31,312</b>	<b>3,164</b>	<b>4,358</b>
<b>HOUSING REVENUE ACCOUNT</b>	<b>32,004</b>	<b>21,021</b>	<b>10,983</b>	<b>12,787</b>
<b>SOCIAL SERVICES – OLDER PEOPLE</b>	<b>903</b>	<b>553</b>	<b>350</b>	<b>260</b>
<b>COST OF SERVICES</b>	<b>116,425</b>	<b>80,638</b>	<b>35,787</b>	<b>39,463</b>

## CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006 (continued)

	Notes	2005/2006 Net Expenditure £'000	2004/2005 Net Expenditure £'000
<b>Cost of Services (net)</b> Brought Forward	1	<b>35,787</b>	<b>39,463</b>
Precepts paid to Parish Councils		599	532
Deficit/(surplus) on Internal Trading	2	56	29
Contribution of Housing Capital Receipts to Government Pool	3	1,695	2,869
Provision for Investment Losses		-	11
Interest Receivable		(1,702)	(2,162)
Transfer to/(from) Asset Management	4	(13,633)	(13,862)
Pensions Interest Cost and Expected Return on Pensions Assets	10	1,824	1,414
<b>Net Operating Expenditure</b>		<b>24,626</b>	<b>28,294</b>
Surplus/(Deficit) transferred to/from HRA Balances		566	618
Movement on Earmarked Reserves	5	287	925
Transfer from Major Repairs Reserves	5	(2,610)	(3,068)
Transfer from Usable Capital Receipts for contribution to Pool	3	(1,695)	(2,869)
Capital Financing Account - MRP Adjustment	6	(1,565)	(1,560)
- Intangible Fixed Assets and Deferred Charges		(1,758)	(2,540)
Financing of Capital Expenditure		990	634
Contribution to/(from) the Pensions Reserve and Pension Fund Creditor	10	1,212	(1,130)
<b>Amount to be met from Government Grant and Local Taxpayers</b>		<b>20,053</b>	<b>19,304</b>
Precept demanded from the Collection Fund		(9,103)	(8,646)
Collection Fund Transfer - Community Charge		1	(1)
- Council Tax		(26)	-
General Government Grants	11	(6,138)	(5,977)
Contribution from Non-Domestic Rate Pool		(4,591)	(4,234)
<b>Deficit/(Surplus) for the Year</b>		<b>196</b>	<b>446</b>
<b>General Fund Balances</b>			
Balance at the Beginning of the Year		(2,193)	(2,639)
Deficit/(Surplus) for the Year		196	446
<b>Balance at the End of the Year</b>		<b>(1,997)</b>	<b>(2,193)</b>

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## ■ 1. Consolidated Revenue Account – General

The services shown follow groupings, under national Best Value guidance, to help comparison between different Local Authorities. Service expenditure reflects the current service cost of retirement benefits under the full implementation of FRS17 (see Note 10, page 16). 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 £146,200 on a turnover of £420,500. (2004/05 £22,900 deficit against turnover of £487,900).

**Building Control** – Shown in Note 9, page 15.

**Colchester Leisure World** – Included within “Recreation and Sport” in the Consolidated Revenue Account (page 11).

	2005/06 Income £'000	2005/06 Expenditure £'000	2005/06 Deficit/(Surplus) £'000	2004/2005 Deficit/(Surplus) £'000
Leisure World	3,140	3,676	536	339

**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 £56,000 on a combined total turnover for these activities of £11,811,000 (2004/05 £29,000 on £11,798,000). 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 changed the treatment of capital receipts from the sale of assets (see Note 10, page 8 and Note 19, page 45). In 2005/06 we have to pay a proportion of capital receipt into a Government pool for redistribution.

## ■ 4. Transactions on the Asset Management Revenue Account

	2005/2006 £'000	2004/2005 £'000
<b>Income</b>		
Capital Charges:		
General Fund	(5,708)	(5,313)
Housing Revenue Account	(19,220)	(19,780)
Transfer from Capital Contributions – Deferred Account	(343)	(212)
	<b>(25,271)</b>	<b>(25,305)</b>
<b>Expenditure</b>		
Provision for Depreciation		
General Fund	1,784	1,553
Housing Revenue Account	6,850	7,214
External Interest Charges	3,004	2,676
<b>Balance to Consolidated Revenue Account</b>	<b>(13,633)</b>	<b>(13,862)</b>

External interest charges and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges paid by services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation. Capital charges are calculated using a notional interest rate which was specified as 3.5% for 2005/06 (3.5% for 2004/05). The account includes capital charges and depreciation on Housing Revenue Account (HRA) assets under the HRA Resource Accounting requirements (see pages 21-26).

## ■ 5. Movement on Reserves

	2005/06 £'000	2004/2005 £'000
<i>Transfer to Reserves:</i>		
Heritage Reserve	7	7
Capital Expenditure Reserve	180	506
Asset Replacement Reserve	55	-
Gosbecks Reserve	21	18
Renewal and Repairs Fund	534	374
Regeneration Reserve	250	500
Other Earmarked Reserves	292	212
	<b>1,339</b>	<b>1,617</b>
<i>Income Attributable to Reserves:</i>		
Contributions & Sales	(13)	(7)
<i>Transfers from Reserves:</i>		
Heritage Reserve	(11)	(4)
Capital Expenditure Reserve	(400)	-
Asset Replacement Reserve	(5)	(358)
Renewal and Repairs Fund	(476)	(318)
Other Reserves	(147)	(5)
	<b>(1,052)</b>	<b>(692)</b>
<b>Net Movement on Earmarked Reserves</b>	<b>287</b>	<b>925</b>

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.

	2005/2006 £'000	2004/2005 £'000
Non-Housing Amount	(124)	(219)
<b>Minimum Revenue Provision</b>	<b>(124)</b>	<b>(219)</b>

Under the 2005 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.

	2005/06 £'000	2004/2005 £'000
Amount Charged as Depreciation (Non-HRA)	1,784	1,553
Transfer from Capital Contributions – Deferred Account	(343)	(212)
Credit to Consolidated Revenue Account – Appropriation Account	(1,565)	(1,560)
	<b>(124)</b>	<b>(219)</b>

## ■ 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.

	2005/06 £'000	2004/2005 £'000
Staff Recruitment	128	161
Tourism	429	450
Industry and Commerce	73	67
Miscellaneous Advertising & Publications	147	158
<b>Total Net Expenditure on Publicity</b>	<b>777</b>	<b>836</b>

## ■ 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.

<b>Building Regulations Charging Account 2005/2006</b>	2005/06 Chargeable £'000	2005/06 Non Chargeable £'000	2005/06 Building Control £'000	2004/2005 Building Control £'000
<i>Expenditure</i>				
Employee Expenses	374	153	527	490
Premises	41	16	57	41
Transport	23	10	33	36
Supplies and Services	13	5	18	14
Third Party Payments	12	5	17	7
Central and Support Service Charges	120	49	169	159
<b>TOTAL EXPENDITURE</b>	<b>583</b>	<b>238</b>	<b>821</b>	<b>747</b>
<i>Income</i>				
Building Regulation Charges	609	-	609	585
Miscellaneous Income	-	3	3	-
<b>TOTAL INCOME</b>	<b>609</b>	<b>3</b>	<b>612</b>	<b>585</b>
<b>(Surplus)/Deficit for Year</b>	<b>(26)</b>	<b>235</b>	<b>209</b>	<b>162</b>

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.

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			
	2005/06		2004/05	
	£'000	£'000	£'000	£'000
<i>Net Cost of Services:</i>				
Current Service Cost		2,632		2,799
Past Service Gain		(1,781)		-
Settlement/Curtailment		(463)		30
<i>Net Operating Expenditure:</i>				
Interest Cost		6,447		6,064
Expected Return of Assets in the Scheme		(4,623)		(4,650)
<i>Amounts to be met from Government Grants and Local Taxation:</i>				
Movement on Pensions Reserve	(2,212)		(4,243)	
Employers' Contributions Payable to Scheme	3,424	1,212	3,113	(1,130)
<b>Actual Amount Charged against Council Tax for Pensions in the Year</b>		<b>3,424</b>		<b>3,113</b>

The provisions of the LGPS were changed just before the end of the year by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum by commuting part of their pension. This has been introduced as part of the cost saving measures. Allowance has been made for this on the assumption that 50% of members will take up the option to increase their lump sum to the maximum available. This would reduce the assessed future pension costs by £1,781,000 and this is shown in the table above as Past Service Gain. A change in the take up rate of 1% would vary the figure by £35,620. An increase of 1% in the assumed take-up rate would result in an increase in the Past Service Gain and a matching reduction in the value of the estimated year end liabilities. For a reduction in the assumed take-up rate the Past Service Gain would reduce and the value of the estimated year end liabilities would increase.

Following the end of the Highways Agency Agreement on 31 March 2005 (note 13, page 18) staff transferred to the County Council on 1 April 2005. The actuary has assessed that this has reduced our estimated future net liabilities. This is the main factor within Settlement/Curtailment in the table above.

The Past Service Gain and the Settlement/Curtailment figures are shown in the Consolidated Revenue Account (page 11) under Non Distributed Costs.

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 set for the period 1 April 2005 to 31 March 2008 are 158% (2004/05 175%) 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 2004. The employer's contributions payable are as follows:

	<b>2005/06 £'000</b>	<b>2004/2005 £'000</b>
Employer's equivalent contribution	1,449	1,640
Added years	378	371
Back funding	1,518	1,085
Strain on early retirements	79	17
	<b>3,424</b>	<b>3,113</b>

The results of the latest revaluation, as at 31 March 2004, 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 has increased. 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 42 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 52, 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. General Government Grants

In 2005/06 General Government Grants includes, in addition to the Revenue Support Grant, two new grants:

- Under the Local Authority Business Growth Incentive a proportion of the growth in business rates is returned to the authority - £150,948.
- The Public Service Agreement Performance Reward Grant reflected performance against a number of targets - £69,571.

## ■ 12. Members and Employees

The total of Members' allowances paid in the year was £423,052 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 Democratic 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.

	2005/2006	2004/2005
Central services	16	16
Cultural & related services	193	205
Environmental services	172	199
Planning & development services	66	62
Highways, roads & transport	52	70
Housing general fund	101	114
Administration and support services	189	190
	<b>789</b>	<b>855</b>

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

Remuneration Band	Number of Employees (left during the year)	
	2005/06	2004/2005
£50,000 - £59,999	7(1)	8
£60,000 - £69,999	-	1
£70,000 - £79,999	4(1)	1
£80,000 - £89,999	1(1)	1
£90,000 - £99,999	1	-
£110,000 - £119,999	-	1(1)

### ■ 13. 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 reimbursed the Borough for this work, including a contribution towards management and staffing costs.

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

A summary of expenditure incurred in respect of the activity in the final year 2004/05, which was not included in the Consolidated Revenue Account, is as follows:

	2005/06	2004/2005 £'000
Routine Maintenance		2,328
Street Lighting		393
Other		214
Management and Staffing Costs		1,439
Capital Works		1,464
<b>Total Expenditure</b>	<b>Nil</b>	<b>5,838</b>

## ■ 14. Audit Costs

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

	2005/2006 £'000	2004/2005 £'000
Core external audit services	104	135
Investigation of objection to 2003/04 accounts	22	-
Statutory inspection	4	3
Certification of Grant Claims	37	67
Other Services – National Fraud Initiative	-	1
	<b>167</b>	<b>206</b>

## ■ 15. 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:

	2005/2006		2004/2005	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
<b>Central Government:</b>				
Revenue Grants (see Note 5, page 55)	45,972		42,981	
Non-Domestic Rate Income from National Pool	4,591		4,234	
<i>Capital Grants</i>				
- Office of the Deputy Prime Minister	575		763	
- English Heritage	148		4	
- Regeneration Budget (EEDA)	242		700	
Department for Education and Skills	390		-	
Department for Environment and Rural Affairs	300		11	
Arts Council	501		16	
Football Foundation	783		-	
Sport England	386		-	
<b>Essex County Council:</b>				
Precept (see Notes 5 & 7, pages 29/30)		51,458		49,281
Highways Agency (see Note 13, page 18)	-		5,838	
Supporting People	731		696	
Countrywide Concessionary Travel Scheme		590		495
Trade Waste Disposal		155		174
Contributions to Capital Schemes	7		217	
Recycling Credits	654		508	
Joint Use of Sports Centres	90	134	45	101
Other, including County Supplies		473		188
On Street Parking (Decriminalisation)		70		57
<b>Essex County Council Pension Fund</b>				
Employers Contributions (see Note 10, page 16)		3,424		3,113
<b>Colchester Borough Homes Limited (see Note 24 to the Consolidated Balance Sheet, Page 47)</b>				
We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account.	463	3,093	621	2,873
<b>Parish Councils</b>		862		765
The payments are grants and precepts to support services provided by Parish Councils.				
<b>Colchester Primary Care Trust</b>				
Contributions for joint finance schemes for housing special needs and health promotion.	27	-	45	-

**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 62).

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**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. The club have contributed £28,000 as their share of expenses this year.

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**Voluntary Organisations – Grants**

Arts Development

249

199

Welfare Organisations

199

187

Village Halls and Community Centres

5

83

Community Partnership Schemes

318

423

Recreation Development

5

8

Housing Groups

43

42

Shopmobility (Joint with CCVS)

22

26

Other

38

28

**Economic Development Activities – Grants**

Colchester Town Centre Partnership

70

70

Colchester Business Enterprise Agency

14

14

Other

39

34

## ■ 16. Leasing

- (a) Leasing rentals are charged to operating costs in the revenue account.

The Council has entered into a number of leasing agreements in respect of land and buildings, computer and office equipment and vehicles, all of which are categorised as operating leases. All these arrangements provide for charges to be made evenly throughout the period of the lease. The guidance has been reviewed and the disclosure expanded so the previous year's actuals have been restated on the extended basis.

	2005/2006 £'000	2004/2005 £'000
Land & Buildings	267	298
Vehicles & Equipment	671	661
<b>Total</b>	<b>938</b>	<b>959</b>

The Authority is committed to making payments of £1,093,000 in 2006/2007, comprising the following:

	Land & Buildings £'000	Vehicles & Equipment £'000	Total £'000
Leases expiring in 2006/2007	-	30	30
Leases expiring between 2007/2008 and 2010/2011	-	636	636
Leases expiring after 2010/2011	427	-	427
<b>Total</b>	<b>427</b>	<b>666</b>	<b>1,093</b>

- (b) Leasing rental income is credited to service income in the revenue account.

The Council leases a number of commercial properties (land and buildings) which are accounted for as operating leases. The rentals receivable in 2005/2006 were £2,447,000 (2004/2005 £2,504,000).



# HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

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	2005/2006 £'000	2004/2005 £'000
<b>INCOME</b>			
Dwelling Rents (Gross)	1 & 2	17,702	16,887
Non-Dwelling Rents (Gross)	3	640	653
Charges for Services and Facilities	4	1,797	1,823
HRA Subsidy Receivable (including MRA)	12	690	36
Contributions towards Expenditure		192	123
<b>Total Income</b>		<b>21,021</b>	<b>19,522</b>
<b>EXPENDITURE</b>			
Repairs and Maintenance		4,637	4,255
Supervision and Management		7,450	6,320
Rents, Rates and Other Charges		103	85
Negative Subsidy – payment to Secretary of State	12	-	1,069
Increased provision for Bad or Doubtful Debts	14	83	143
Cost of Capital Charges	8	12,369	12,566
Depreciation and Impairments of Fixed Assets	9 & 10	6,850	7,214
Amortisation of Intangible Assets and Deferred Charges	11	272	242
Debt Management Costs		56	46
Sums directed by the Secretary of State – transfers to the General fund	13	184	369
<b>Gross Expenditure</b>		<b>32,004</b>	<b>32,309</b>
<b>Net Cost of Services</b>			
Net HRA Income from the Asset Management Account	8 & 11	(10,322)	(11,138)
Transfers from the General Fund as directed by the Secretary of State		-	-
Amortised Premiums and Discounts		200	287
HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)		(36)	(32)
<b>Net Operating Expenditure</b>		<b>825</b>	<b>1,904</b>
Revenue Contribution to Capital Expenditure	17	979	152
Contribution to Insurance Fund		48	-
Transfer to/(from) Major Repairs Reserve	5	(2,610)	(3,068)
Contribution (from)/to the Pension Reserve	6	192	(82)
<b>(Surplus)/ Deficit for the Year</b>		<b>(566)</b>	<b>(1,094)</b>
Capital Expenditure met from Balances	17	-	476
<b>(Surplus)/ Deficit for the Year After Use of Balances</b>		<b>(566)</b>	<b>(618)</b>
Balance Brought Forward		(2,638)	(2,020)
Balance Carried Forward	16	(3,204)	(2,638)

# 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 2006 1.3% of lettable properties were vacant.

The Council was responsible for the management of approximately 6,400 properties during the year. The stock at the beginning and end of the year was made up as follows:

	31 March 2006	1 April 2005
<b>Analysis by Type of Dwelling:</b>		
Houses & Bungalows	3,144	3,157
Flats & Maisonettes	3,251	3,275
<b>Total Dwellings</b>	<b>6,395</b>	<b>6,432</b>
<b>Analysis by Number of Bedrooms:</b>		
Bedsitters/1 Bedroom	2,608	2,620
2 Bedrooms	1,864	1,882
3 Bedrooms	1,830	1,838
4 or more Bedrooms	93	92
<b>Total Dwellings</b>	<b>6,395</b>	<b>6,432</b>
The change in stock can be summarised as follows:		
Stock at the beginning of the Year	6,432	6,511
Add: Acquisitions	1	1
	6,433	6,512
Deduct: Sales, Demolitions, Conversions, etc.	38	80
<b>Stock at the End of the Year</b>	<b>6,395</b>	<b>6,432</b>

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2005. The valuation of dwellings has been uplifted to 31 March 2006 in the 2005/06 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets	At 31 March 2006 £'000	At 1 April 2005 £'000
Operational Assets – Land, Houses and Other Property	375,064	422,074
Non Operational Assets	1,060	1,146

## ■ 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 2006 £'000	At 1 April 2005 £'000
HRA Dwellings	750,376	680,600

### ■ 3. Non Dwelling Rents

These total £640,000 and are made up as follows:

Non Dwelling Rents	2005/2006 £'000	2004/2005 £'000
Garages and other Charges	572	565
Land and Other Buildings	68	88
<b>Total</b>	<b>640</b>	<b>653</b>

### ■ 4. Charges for Services and Facilities

From 2003/04 the Government's Supporting People Programme was introduced. The effect of this is the support element of the rentals that are charged for council houses are now shown separately in the accounts. Income totalling £731,000 from Supporting People charges in 2005/06 (2004/05 £668,000) is shown under Charges for Services and Facilities. This includes a figure of £669,000 (2004/05 £623,000) which is a grant receivable under the Supporting People Programme.

### ■ 5. Major Repairs Reserve

Major Repairs Reserve	2005/2006 £'000	2004/2005 £'000
Balance as at 1 April 2005	-	-
Transfers in – depreciation (note 9)	6,850	7,214
Transfers out to the HRA	(2,610)	(3,068)
Capital Spending on Dwelling Stock met from Reserve	(4,240)	(4,146)
<b>Balance as at 31 March 2006</b>	<b>-</b>	<b>-</b>

### ■ 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	2005/2006 £'000	2004/2005 £'000
<b>HRA Capital Expenditure</b>		
Dwelling Stock	17,199	17,688
Non Dwelling Works	14	433
Investment in Information Technology	111	152
	<b>17,324</b>	<b>18,273</b>
<b>Financed by:</b>		
Supported Borrowing	12,105	13,500
Usable Capital Receipts	-	-
Revenue Contributions	979	628
Major Repairs Reserve	4,240	4,145
<b>Total</b>	<b>17,324</b>	<b>18,273</b>
<b>Summary of HRA Capital Receipts</b>		
	<b>2005/2006 £'000</b>	<b>2004/2005 £'000</b>
Sale of Council Houses – Direct	2,360	3,866
Sale of Council Houses – Deferred	14	57
Other (including shared ownership)	-	582
<b>Total</b>	<b>2,374</b>	<b>4,505</b>

The creation of an Arms Length Management Organisation and the achievement of the required inspection rating has attracted funding to improve Council homes. This continues to be invested in the Decent Homes programme and a major part of the work has been funded from the £12.1m supported borrowing in 2005/06.

Receipts from the sale of Council houses have reduced as only 35 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 64 in 2004/05.

From 1 April 2004 Local Authorities are 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 £2.374m, £1.695m was paid to the Secretary of State under the pooling arrangements. The retained balance of £0.679m can be used to finance capital expenditure (see page 31 and page 45, 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% (2004/05 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	2005/2006 £'000	2004/2005 £'000
Cost of Capital charge	12,369	12,566
Cost of Capital Accounting Adjustment	(10,049)	(10,896)
<b>HRA Interest Charge</b>	<b>2,320</b>	<b>1,670</b>

## ■ 9. Depreciation

Depreciation	2005/2006 £'000	2004/2005 £'000
Land – not depreciated	-	-
Dwellings	6,546	7,080
Other Property	304	134
<b>Total</b>	<b>6,850</b>	<b>7,214</b>

## ■ 10. Impairment Charges

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

## ■ 11. Intangible Fixed Assets

	2005/2006 £'000	2004/2005 £'000
Housing Integrated Computer System	272	242

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

The 2005/06 subsidy calculation shows an increase from 2004/05 in the ALMO Allowance, which supports the cost of bringing Council Housing Stock up to the decent homes standard. This results from the additional ALMO related funding awarded to the Council in October 2004.

The Antisocial Allowance applied to 2004/05 only and therefore is not receivable in 2005/06.

The Admissible 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	2005/2006 £'000	2004/2005 £'000
Allowance for Management	2,985	2,981
Allowance for Maintenance	5,871	5,182
Allowance for Major Repairs	4,240	4,145
Allowance for Antisocial Behaviour	-	1
Admissible Allowance	48	73
ALMO Allowance	2,857	1,061
Charges for Capital	2,271	2,559
Rent	(17,564)	(17,050)
Interest on Receipts	(18)	(21)
<b>Housing Subsidy (Payable)/ Receivable</b>	<b>690</b>	<b>(1,069)</b>

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. As part of the transitional arrangements the Secretary of State has provided for a transfer from the HRA to the General Fund of £184k as a contribution towards the costs. 2005/06 is the final year for these transitional arrangements.

## ■ 14. Rent Arrears

The arrears at 31 March 2006 totalled £1.201 million. This excludes prepayments of £0.219 million, and may be analysed as follows:

Arrears	2005/2006		2004/2005	
	£'000	£'000	£'000	£'000
Due from Current Tenants	488		562	
Due from Former Tenants	713	1,201	664	1,226
Prepayments		(219)		(188)
<b>Net Arrears</b>		<b>982</b>		<b>1,038</b>

These arrears include all charges due from tenants i.e. rent, rates, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31 March 2006 the provision totalled £0.969 million.

## ■ 15. Exceptional or Prior Year Items

There are none.

## ■ 16. Revenue Balances

Out of the revenue balance of £3.2 million a sum of £2.637 million has already been committed for future use.

Revenue Balances	2005/2006 £'000		2004/2005 £'000
Revenue Balance at the beginning of the Year	2,638		2,020
Add: Housing Revenue Account Surplus	566		1,094
Less: Housing Revenue Account Deficit	-		-
Less: Use of Accumulated Balance	-		(476)
<b>Revenue Balance at the End of the Year</b>	<b>3,204</b>		<b>2,638</b>
Less: Committed Sum			
Housing Investment Programme 2006/07 and Future Years	(2,419)	(1,572)	
Estimate Balance Carried Forward	(218)	(56)	(1,628)
<b>Uncommitted Balance</b>	<b>567</b>		<b>1,010</b>

## ■ 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 (£2.419 million) will be used to support capital spending in future years.

### Further Information

Arms Length Management Organisation (ALMO) - see Note 24 on page 47.

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 2005/2006

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 2006

	Notes	2005/2006 £'000	2004/2005 £'000
<b>INCOME</b>			
Council Tax	1 - 3	70,205	67,337
Non-Domestic Rates	4	45,088	40,971
<b>Total Income</b>		<b>115,293</b>	<b>108,308</b>
<b>EXPENDITURE</b>			
Precepts	5	69,467	66,533
<i>Non-Domestic Rates:</i>			
Payment to National Pool	4	44,843	40,725
Cost of Collection Allowance		245	246
<i>Bad and Doubtful Debts:</i>			
Write off of Council Tax		0	1
Provision for Council Tax Bad Debts	6	391	484
<b>Total Expenditure</b>		<b>114,946</b>	<b>107,989</b>
(Surplus)/Deficit for the Year – Council Tax	7	(347)	(319)
Distribution/(Collection) of Previous Estimated Surplus/Deficit	7	198	0
Net adjustments for Previous Year's Community Charges	8	0	1
Contribution from Colchester Borough Council to estimated Collection Fund Deficit (Community Charge)	9	(1)	1
<b>(Surplus)/Deficit for the Year</b>		<b>(150)</b>	<b>(317)</b>
<b>Collection Fund Balance</b>			
Balance at the Beginning of the Year		(336)	(19)
(Surplus)/Deficit for the Year		(150)	(317)
<b>Balance at the End of the Year</b>		<b>(486)</b>	<b>(336)</b>

# NOTES TO THE COLLECTION FUND ACCOUNTS

## ■ 1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,242.46 with an estimated tax base of 55,911 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2005/2006 £'000	2004/2005 £'000
<b>Council Tax Income</b>		
Tax Payers	62,704	60,214
Council Tax Benefits transferred from General Fund	7,501	7,123
	<b>70,205</b>	<b>67,337</b>

## ■ 2. Council Tax Base

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

Band	Chargeable Dwellings	Estimated Properties After Discounts – Exemptions etc.	Ratio to Band D	Band D Equivalent Dwellings
A	7,644	6,282	6/9	4,188
B	16,905	14,932	7/9	11,614
C	16,752	15,348	8/9	13,643
D	11,354	10,584	9/9	10,584
E	6,572	6,265	11/9	7,657
F	3,244	3,113	13/9	4,496
G	2,015	1,945	15/9	3,242
H	111	106	18/9	211
Contributions in lieu for Ministry of Defence Properties				841
<b>Total Band D</b>				<b>56,476</b>
Less: Adjustment for collection rate and for anticipated changes during the year for successful appeals against banding, new properties, demolitions, disabled relief and exempt properties				(565)
<b>Council Tax Base</b>				<b>55,911</b>

## ■ 3. Band D Council Tax

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

Authority	Population	Band D Council Tax
Basildon	167,228	1,298.08
<b>Colchester</b>	<b>161,061</b>	<b>1,242.46</b>
Chelmsford	159,579	1,238.56
Tendring	145,186	1,226.50
Braintree	140,559	1,242.16
Epping Forest	122,064	1,255.91
Castle Point	87,878	1,279.08
Rochford	80,514	1,269.11
Harlow	77,949	1,304.01
Uttlesford	71,012	1,250.00
Brentwood	69,299	1,231.69
Maldon	62,149	1,258.23

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

Non-domestic rates are organised on a national basis. The Government specifies an amount (41.5p in 2005/06) 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.

	2005/2006 £'000	2004/2005 £'000
<b>NNDR Income</b>		
Bills Issued	47,818	43,413
Mandatory Reliefs	(2,548)	(2,202)
Discretionary Reliefs	(118)	(144)
Provision for Bad Debts	(130)	(167)
<b>Net Income</b>	<b>45,022</b>	<b>40,900</b>
General Fund contribution to Discretionary Reliefs	66	71
<b>NNDR Income to Income &amp; Expenditure Account</b>	<b>45,088</b>	<b>40,971</b>
Cost of Collection Allowance	(245)	(246)
<b>Amount Payable to NNDR Pool</b>	<b>44,843</b>	<b>40,725</b>

The total non-domestic rateable value at 31 March 2006 was £131,613,662; the multiplier for the year was 41.5p. The product of this is £54,620,000. 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, small business rate reliefs, 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.

	2005/2006 £'000	2004/2005 £'000
Essex County Council	51,311	49,281
Colchester Borough Council	9,104	8,646
Essex Police Authority	5,857	5,487
Essex Fire Authority	3,195	3,119
<b>Total Precepts</b>	<b>69,467</b>	<b>66,533</b>

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

Contributions are made to a provision for bad debts. During 2005/06 £80,000 of irrecoverable debts were written off (2004/05 £278,000).

## ■ 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 year's cumulative surplus on Council Tax is distributed to Essex County Council, Essex Police Authority, Essex Fire Authority and this Council in proportion to the value of the respective precepts made by the four Councils on the Collection Fund in the related year. The anticipated surplus of £198,000 is shared as shown below.

	2005/2006 £'000	2004/2005 £'000
Essex County Council	147	0
Colchester Borough Council	26	0
Essex Police Authority	16	0
Essex Fire Authority	9	0
<b>Total Surplus</b>	<b>198</b>	<b>0</b>

## ■ 8. Community Charge

Community Charge was replaced by the Council Tax from 1 April 1993. However, the Council continues to collect and account for Community Charges raised in earlier years. The expenditure of the Fund reflects adjustments to previous years' collections.

## ■ 9. Contribution from Colchester Borough Council

A small contribution of £700 was required from the Council to cover historical adjustments to Community Charge Income (note 8).

# STATEMENT OF CAPITAL EXPENDITURE AND FINANCING FOR THE YEAR ENDED 31 MARCH 2006

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

## ■ 1. Summary of Capital Expenditure

	2005/2006 £'000
Intangible Fixed Assets	2,146
Operational Assets	22,050
Non Operational Assets	1,970
Deferred Charges	1,120
Long Term Debtors	123
<b>Total Capital Expenditure</b>	<b>27,409</b>

## ■ 2. Analysis of Expenditure and Financing

	2005/2006 £'000
<b>Fixed Assets:</b>	
Improvements to Council Housing	17,213
Colchester Regeneration Projects	2,425
Sport and Recreation	1,404
Office Improvements	1,304
Heritage and Tourism	411
Waste Services	361
Community Facilities	358
Investment in Information Technology	309
Traffic Management	109
Other	126
<b>Total Fixed Assets</b>	<b>24,020</b>
<b>Capital Expenditure not Resulting in Fixed Assets:</b>	
Loans to Private Sector Housing	123
Investment in Information Technology – Software	2,146
Renovation Grants	548
Conservation Area Partnership Grants	136
Grants to Registered Social Landlords	31
Other	405
<b>Total Capital Expenditure not Resulting in Fixed Assets</b>	<b>3,389</b>
<b>Total Capital Expenditure to be Financed</b>	<b>27,409</b>
<b>Financed by:</b>	
Supported Borrowing	13,283
Application of Capital Receipts	5,342
Major Repairs Reserve	4,240
Application of Other Reserves	11
Direct Revenue Funding	979
Grants and Contributions	3,554
<b>Total Financing</b>	<b>27,409</b>

## ■ 3. Capital Financing Requirement

	2005/2006 £'000
Opening requirement	33,710
Supported borrowing	13,283
Minimum Revenue Provision	124
<b>Closing Requirement</b>	<b>47,117</b>

# 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 2006, for which the committed sums of £15.3 million shown below are yet to be reflected in the accounts. All the following schemes are identified and funded within the approved capital programme.

	Total Anticipated Contract Expenditure £'000	Less Total Expenditure to 31 March 2006 £'000	Committed Contracts as at 31 March 2006 £'000
Housing stock – Decent Homes	13,200	-	13,200
Waste Collection vehicles	900	-	900
St. Anne's Community development	800	358	442
Registered Social Landlords' Schemes	1,680	1,344	336
Shrub End sports ground	1,600	1,300	300
Office Accommodation Improvements	2,443	2,280	163
	<b>20,623</b>	<b>5,282</b>	<b>15,341</b>

Where a significant element of an overall project has been contracted by 31 March 2006 the full project cost is included above even if some elements were not contracted until after 31 March 2006.

## ■ 2. Approved Capital Schemes

In addition to the above contracts construction works for Firstsite:newsite, the Visual Arts Facility, with an estimated value of £12.3 million, had been approved to proceed but had not been contracted at 31 March 2006. This is part of the £16.5 million project for which the Council has agreed funding of £1.5 million. A further £12.5 million has been confirmed by other funding bodies with £2.5 million planned from fund raising.

## ■ 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 16, page 20).



# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

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

	Notes	31 March 2006 £'000	31 March 2005 £'000
<b>Fixed Assets</b>			
Intangible Fixed Assets	1	4,748	3,604
Tangible Fixed Assets	2 & 3		
<i>Operational Assets</i>			
Council Dwellings		375,064	422,074
Other Land and Buildings		64,789	61,791
Operational Equipment		3,394	3,348
Infrastructure Assets		2,842	2,945
Community Assets		275	275
<i>Non-Operational Assets</i>			
Investment Properties		27,833	26,262
Assets under Construction		5,540	3,984
Surplus Assets held for Disposal		12,769	12,834
<b>Total Fixed Assets</b>		<b>497,254</b>	<b>537,117</b>
<b>Deferred Premiums</b>	6	2,061	2,365
<b>Investments (Long Term)</b>	7	3,020	3,020
<b>Long Term Debtors</b>	8	610	533
<b>Total Long Term Assets</b>		<b>502,945</b>	<b>543,035</b>
<b>Current Assets</b>			
Stock	9	152	286
Debtors	10	10,305	11,623
Investments (short term)		24,705	25,776
<b>Total Current Assets</b>		<b>35,162</b>	<b>37,685</b>
<b>Current Liabilities</b>			
Short Term Borrowing		(5,000)	-
Creditors	11	(14,573)	(15,890)
Cash Overdrawn		(671)	(357)
<b>Total Current Liabilities</b>		<b>(20,244)</b>	<b>(16,247)</b>
<b>Net Current Assets</b>		<b>14,918</b>	<b>21,438</b>
Long Term Borrowing	12	(39,900)	(32,900)
Provisions	13	(390)	(538)
Pension Scheme Liability	14	(46,816)	(49,319)
<b>Total Net Assets</b>		<b>430,757</b>	<b>481,716</b>
<i>Represented by:</i>			
Fixed Asset Restatement Account	15	349,981	406,373
Capital Financing Account	16	92,565	92,198
Capital Contributions – Deferred	17	12,137	9,432
Deferred Credits	18	787	905
Usable Capital Receipts Reserve	19	7,277	8,120
Pensions Reserve	20	(46,816)	(49,319)
Earmarked Reserves	21	9,139	8,840
Revenue Balances	22	5,687	5,167
<b>Total Net Worth</b>	<b>23</b>	<b>430,757</b>	<b>481,716</b>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## ■ 1. Intangible Fixed Assets

	2005/2006 £'000	2004/2005 £'000
<b>Software</b>		
Original Cost	4,937	2,966
Written Out to Revenue to 1 April	(1,333)	(726)
<b>Balance at the beginning of the Year</b>	<b>3,604</b>	<b>2,240</b>
Expenditure in Year	2,146	1,971
Written Out to Revenue in Year	(1,002)	(607)
<b>Balance at the End of the Year</b>	<b>4,748</b>	<b>3,604</b>

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 were identified separately for the first time in 2004/05. Previously they were included under Deferred Charges (see Note 5, page 38).

## ■ 2. Tangible Fixed Assets

Major assets held by the Council are as follows:

	31 March 2006	31 March 2005
<b>Operational Assets</b>		
<b>Council Dwellings</b>		
Council House Stock	6,395	6,432
Council Garages	2,605	2,607
Shared Ownership Properties	13	13
<b>Other Land and Buildings</b>		
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	9	9
<b>Vehicles, Plant and Equipment</b>		
Vehicles and Plant	74	96
CCTV Town Centre Monitoring System	1	1
<b>Community Assets</b>		
Museum Exhibits (including artwork)	Circa 500,000	Circa 500,000
Civic Regalia	78	78
Commons and Greens	13	13
Parks and Open Spaces	1,100 acres	1,100 acres
Sports Grounds	191 acres	191 acres
Woodland	163 acres	163 acres
Children's Play Area	56	52
Balkerne Gate Roman Features	1	1
Gosbecks Archaeological Park	1	1
<b>Non-Operational Assets</b>		
Former Outdoor Swimming Pool	1	1
Industrial Lettings	46	46
Managed Workshop Scheme	2	2
Shopping Centre (site only)	1	1
Office Complex (site only)	1	1
Business Park (site only)	1	1
Shops	30	30
Office Premises	4	4
Doctors' Surgeries	3	3
Vacant Industrial Land	2 acres	2 acres
Allotments	57 acres	57 acres
Oyster Fishery on River Colne	1	1
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 2005	448,993	62,729	6,885	4,077	275	43,082	566,041
Additions	17,485	3,738	665	99	63	1,970	24,020
Disposals	(2,005)	0	(151)	0	0	(1,215)	(3,371)
Revaluations/Restatements	(82,693)	252	(5)	0	(63)	2,416	(80,093)
Assets Transferred	110	0	0	0	0	(110)	0
Gross Book Value at 31 March 2006	381,890	66,719	7,394	4,176	275	46,143	506,597
Depreciation b/fwd as at 1 April 2005	(26,919)	(938)	(3,537)	(1,132)	0	(2)	(32,528)
Depreciation for the Year	(6,826)	(992)	(614)	(202)	0	0	(8,634)
Depreciation on Assets Sold	0	0	151	0	0	0	151
Depreciation on Assets Revalued	26,920	0	0	0	0	0	26,920
Depreciation on Assets Transferred	(1)	0	0	0	0	1	0
Depreciation balance as at 31 March 2006	(6,826)	(1,930)	(4,000)	(1,334)	0	(1)	(14,091)
<b>Net Book Value at 31 March 2006</b>	<b>375,064</b>	<b>64,789</b>	<b>3,394</b>	<b>2,842</b>	<b>275</b>	<b>46,142</b>	<b>492,506</b>
<b>Net Book Value at 31 March 2005</b>	<b>422,074</b>	<b>61,791</b>	<b>3,348</b>	<b>2,945</b>	<b>275</b>	<b>43,080</b>	<b>533,513</b>

The revaluations/restatements take account of:

- the revaluation of Council dwellings as at 1 April 2005
- the uplift of Council dwellings to 31 March 2006 value
- the revaluation of some other land and buildings and non-operational assets at 1 April 2005
- the impact of additions during 2005/06

On the revaluation of Council Dwellings as at 1 April 2005 the vacant possession value at EUV increased. However, an adjustment factor, prescribed in government guidance, is then applied to provide the balance sheet value to reflect the tenanted accommodation. The factor applied for the 2005 valuation is lower than that prescribed for the 2000 valuation. This change in the factor alone would have reduced the value of Council Dwellings by £82 million. The overall effect of the revaluation was to reduce the value by £64 million as at April 2005.

On the revaluation of Land and Buildings at 1 April 2005 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 £380k (2004/05 £1,522k) 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 31) for analysis of "Additions" and sources of finance.

Non-operational assets are analysed in the table below.

	Investment Properties £'000	Surplus Properties £'000	Assets under Construction £'000	TOTAL £'000
<b>Analysis of Non-Operational Assets</b>				
Value as at 1 April 2005	26,337	12,761	3,984	43,082
Additions	26	388	1,556	1,970
Disposals	(1,215)	0	0	(1,215)
Revaluations/Restatements	2796	(380)	0	2,416
Assets Transferred	(110)	0	0	(110)
Gross Book Value at 31 March 2006	27,834	12,769	5,540	46,143
Depreciation b/fwd as at 1 April 2005	(2)	0	0	(2)
Depreciation for the Year	0	0	0	0
Depreciation on Assets Sold	0	0	0	0
Depreciation on Assets Revalued	0	0	0	0
Depreciation on Assets Transferred	1	0	0	1
Depreciation Balance as at 31 March 2006	(1)	0	0	(1)
<b>Net Book Value at 31 March 2006</b>	<b>27,833</b>	<b>12,769</b>	<b>5,540</b>	<b>46,142</b>
<b>Net Book Value at 31 March 2005</b>	<b>26,335</b>	<b>12,761</b>	<b>3,984</b>	<b>43,080</b>

### ■ 3. Valuation of Fixed Assets

Council dwellings were revalued at 1 April 2005 at a gross value of £357 million. The valuation of dwellings has been uplifted to 31 March 2006 in the 2005/06 accounts and this is reflected in the valuation shown in Note 2 above. All Land and Building assets other than Council dwellings were revalued as at 1 April 2004 at a valuation of £102 million. Assets are now being revalued under a five year rolling programme. The Land and Building assets under this year's programme were valued at £11.6 million as at 1 April 2005.

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 line with the requirements of Resource Accounting for the Housing Revenue Account. Guidance on the valuation approach was provided by the Department for Communities and Local Government. The dwellings were valued on the basis of Existing Use Value – Social Housing (EUV-SH). The stock was broken down into archetype groups and an average based on beacon values applied to each group. The figure applied per unit is based upon tenanted individual properties.

Non-operational assets are assets held by the Council but which are not directly occupied or used in the delivery of services. They have been valued on the basis of 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 external valuers, Mr Nick Denny, MRICS, Estates Manager, Estates Services, Colchester Borough Council and Ms E O'Hara, MRICS, 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 7. 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 are reviewed as part of each revaluation. The lives being used are:

Council dwellings	-	35 years
Other buildings	-	Analysed into four life bandings:
		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

	2005/2006 £'000	2004/2005 £'000
Balance at the beginning of the Year	-	-
<i>Expenditure in Year</i>		
Renovation Grants	548	805
Other	573	1,476
	<b>1,121</b>	<b>2,281</b>
<i>Less:</i>		
Government Grants	365	348
Amounts Written Off to Consolidated Revenue Account	756	1,933
<b>Balance at the End of the Year</b>	<b>-</b>	<b>-</b>

Intangible Fixed Assets were included under Deferred Charges in earlier years but these are now identified separately (see Note 1, page 34).



## ■ 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 2005/06, £303,525 (2004/05 £390,743), has been included under interest charges within the Asset Management Revenue Account (Note 4, page 13).

## ■ 7. Long Term Investments

	Balance at 31 March 2006 £'000	Balance at 31 March 2005 £'000
Association of District Councils (ADC) Debenture	10	10
Market Value of Marketable Securities at 31 March	10	10
Term Deposits	3,000	3,000
<b>Total Long Term Investments</b>	<b>3,020</b>	<b>3,020</b>
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 2005 £'000	Advances in the Year £'000	Repayments In the Year £'000	Balance at 31 March 2006 £'000
Sale of Council Houses	189	-	14	175
Purchase/Improvement of Private Sector Houses	344	123	32	435
<b>Total Long Term Debtors</b>	<b>533</b>	<b>123</b>	<b>46</b>	<b>610</b>

## ■ 9. Stocks and Work in Progress

	Value as at 31 March 2006 £'000	Value as at 31 March 2005 £'000
Stocks	152	328
Less Provision for Obsolete Stock	0	42
<b>Total Stocks</b>	<b>152</b>	<b>286</b>

### Work in progress

There is no work in progress at the end of 2005/06.

## ■ 10. Debtors

	Value as at 31 March 2006 £'000	Value as at 31 March 2005 £'000
<b>Sums falling due within One Year</b>		
Non-domestic Rate Arrears	939	1,201
Council Tax Arrears	3,420	3,096
Government Departments	382	373
Council Tenants	1,201	1,226
Essex County Council	438	949
Customs & Excise (VAT)	817	1,720
General Debtors	7,462	6,558
<b>Total Due within One Year</b>	<b>14,659</b>	<b>15,123</b>
<b>Sums falling due after One Year:</b>		
General Debtors	-	20
<b>Total Due after One Year</b>	<b>-</b>	<b>20</b>
Gross Debtors	14,659	15,143
Less Provision for Doubtful Debts	(4,354)	(3,520)
<b>Total Debtors</b>	<b>10,305</b>	<b>11,623</b>

## ■ 11. Creditors

	Value as at 31 March 2006 £'000	Value as at 31 March 2005 £'000
Non Domestic Rate Prepayment	1,384	1,478
Council Tax Prepayment	1,994	1,779
Contribution to NNDR Pool	900	727
Interest Payable	929	798
Government Departments	1,150	1,182
Council Tenants	237	202
Contractors' Deposits	538	552
Essex County Council	1,326	848
Contractors re Capital Schemes	2,493	4,949
General Creditors	3,622	3,375
<b>Total Creditors</b>	<b>14,573</b>	<b>15,890</b>

## ■ 12. Long Term Borrowing

	Amount Outstanding as at 31 March	
	2006 £'000	2005 £'000
Public Works Loan Board	14,400	7,900
Money Market	25,500	25,000
<b>Total Long Term Borrowing</b>	<b>39,900</b>	<b>32,900</b>

The average interest rate for all loans (including short term borrowing) was 6.83% (2004/05 = 7.62%).

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

	2006 £'000	2005 £'000
<b>Maturing:</b>		
Between one and two years	-	5,000
Between two and five years	-	-
Between five and ten years	5,500	-
Over ten years	34,400	27,900
<b>Total Long Term Borrowing</b>	<b>39,900</b>	<b>32,900</b>

The Council's LOBO Loans are shown as maturing on the first lender option date. This means that the £5m LOBO loan which has its first six-monthly break point in July 2006 is shown as a short-term loan.

## ■ 13. Provisions

Category of Provision	Balance at 1 April 2005 £'000	Contribution From Revenue in the Year £'000	Payments In the Year £'000	Balance at 31 March 2006 £'000
Insurance	450	8	68	390
Other	88	-	88	-
<b>Total Provisions</b>	<b>538</b>	<b>8</b>	<b>156</b>	<b>390</b>

The **Insurance Provision** has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However the actual cost of individual claims and the timing of payments is uncertain. The Insurance Fund has been allocated between the provision and reserve elements. (See Note 21, page 46).

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** included a number of small sums set aside to meet specific service payments which we believed we must make in the future but were uncertain when the payments would be due. These have now been cleared.

## ■ 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 2006 are as follows:

	31 March 2006 £'000	31 March 2005 £'000
Estimated liabilities in scheme	136,318	122,471
Estimated assets in scheme	89,502	73,152
<b>Net liability</b>	<b>46,816</b>	<b>49,319</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £46.8 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 2006 the sum of £278,000 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 2006 %	31 March 2005 %
Rate of inflation	2.9	2.9
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions	2.9	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	4.9	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 2006		31 March 2005	
	Proportion	Expected Return	Proportion	Expected Return
	%	%	%	%
Equity investments	70.5	7.0	68.9	7.5
Gilts	10.4	4.3	11.0	4.7
Other Bonds	5.6	4.9	5.9	5.4
Property	11.6	6.0	11.4	6.5
Other assets	1.9	4.5	2.8	4.8
	<b>100.0</b>	<b>6.4</b>	<b>100.0</b>	<b>6.9</b>

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

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

## ■ 15. Fixed Asset Restatement Account

	2005/2006 £'000	2004/2005 £'000
Balance at the beginning of the Year	406,373	344,421
Less: Disposal of Fixed Assets	3,220	4,713
less: Restatement Decreases/(Increases)	53,172	(66,665)
<b>Balance at the End of the Year</b>	<b>349,981</b>	<b>406,373</b>

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 decrease reflects the net effect of:

- The revaluation of Council dwellings as at 1 April 2005.
- The revaluation of some Other Land and Buildings as at 1 April 2005.
- The uplift in the value of Council dwellings to March 2006.

(Note 3 page 37). The overall effect of the revaluation of Council dwellings as at 1 April 2005 was a decrease of £64million. On the revaluation of some Other Land and Buildings at 1 April 2005 the majority of assets increased in value but a limited number reduced and the figure shown above includes the net impact. The reduction in value amounted to £380k (2004/05 £1,522k) 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. (note 2, page 36).

## ■ 16. Capital Financing Account

	2005/2006 £'000	2004/2005 £'000
Balance at the beginning of the Year	92,198	92,297
Capital Financing		
Capital Receipts	5,342	6,510
Revenue	979	628
Reserves	4,251	4,151
MRP (less non-HRA depreciation provision)	(1,565)	(1,560)
	101,205	102,026
Less: Write Down of:		
Deferred Charges – via revenue	1,758	2,540
Long Term Debtors	32	74
HRA Depreciation	6,850	7,214
<b>Balance at the End of the Year</b>	<b>92,565</b>	<b>92,198</b>

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 45). 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	2005/2006 Developers £'000	Other £'000	Total £'000	2004/2005 Total £'000
As at 1 April:					
Applied Contributions	3,284	274	1,623	5,181	3,757
Unapplied Contributions	44	4,167	40	4,251	3,826
<b>Total at 1 April</b>	<b>3,328</b>	<b>4,441</b>	<b>1,663</b>	<b>9,432</b>	<b>7,583</b>
As at 31 March:					
Applied Contributions	6,014	437	1,573	8,024	5,181
Unapplied Contributions	121	3,818	174	4,113	4,251
<b>Total at 31 March</b>	<b>6,135</b>	<b>4,255</b>	<b>1,747</b>	<b>12,137</b>	<b>9,432</b>

The account contains the amounts received to support capital projects from Government grants, developers (mainly under Section 106 agreements) and other contributors. The contributions are used to finance capital expenditure as the projects proceed (see page 31). Once applied the contributions are written out to revenue against asset depreciation over the life of the assets.

## ■ 18. Deferred Credits

	Balance at 31 March 2006 £'000	Balance at 31 March 2005 £'000
Council House Sales	175	189
Discounts Received	612	716
<b>Total Deferred Credits</b>	<b>787</b>	<b>905</b>

Discounts can be received when long term debt is redeemed and this benefit is applied to later years' revenue accounts. The benefit for 2005/06 is £103,468 (2004/05 £103,468). This has been offset against interest charges within the Asset Management Revenue Account (Note 4, page 13). Premiums paid on long term debt redemption are detailed in a separate note (Note 6, page 39).

## ■ 19. Usable Capital Receipts Reserve

	Notes	2005/2006 £'000	2004/2005 £'000
Balance at the Beginning of the Year		8,120	12,195
<i>Capital Receipts in the Year:</i>			
Sale of Council Housing		2,374	3,923
Other Sales and Repayments of Loans		3,820	1,381
<b>Total Capital Receipts in the Year</b>		<b>6,194</b>	<b>5,304</b>
<i>Capital Receipts Applied in the Year:</i>			
Financing of Capital Expenditure		5,342	6,510
Transferred to Consolidated Revenue Account		1,695	2,869
<b>Total Capital Receipts Applied in the Year</b>		<b>7,037</b>	<b>9,379</b>
<b>Balance at the End of the Year</b>		<b>7,277</b>	<b>8,120</b>

We have to pay a proportion of capital receipts into a Government pool for redistribution. (See note 3, page 13).

## ■ 20. Pensions Reserve

	2005/2006 £'000	2004/2005 £'000
Balance at the beginning of the year	(49,319)	(29,619)
Actuarial Gain/(Loss)	1,290	(18,574)
Transfer (to)/from Revenue	1,213	(1,126)
<b>Balance at the End of the Year</b>	<b>(46,816)</b>	<b>(49,319)</b>

The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17 (see Note 14, page 42). 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 2005 £'000	Transfer (to) From Revenue £'000	Capital Financing £'000	Balance at 31 March 2006 £'000
Major Repairs Reserve	-	4,240	4,240	-
Renewal & Repairs Fund	3,261	58	-	3,319
Insurance Reserve	469	1	-	470
Capital Expenditure Reserve	3,431	(220)	-	3,211
Regeneration Reserve	500	250	-	750
Asset Replacement Reserve	292	49	-	341
Heritage Reserve	17	7	11	13
Gosbecks Reserve	446	21	-	467
Other Reserves	424	144	-	568
<b>Total Reserves</b>	<b>8,840</b>	<b>4,550</b>	<b>4,251</b>	<b>9,139</b>

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

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

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 41).

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 2005 £'000	Additions To Balances £'000	Withdrawal from Balances £'000	Balance at 31 March 2006 £'000
General Fund	Page 12	2,193	-	196	1,997
Housing Revenue Account	Page 21	2,638	566	-	3,204
Collection Fund	Page 27	336	150	-	486
<b>Total Revenue Balances</b>		<b>5,167</b>	<b>716</b>	<b>196</b>	<b>5,687</b>

## ■ 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 2006 £'000	31 March 2005 £'000
General Fund	427,553	479,078
Housing Revenue Account	3,204	2,638
<b>Total Net Worth</b>	<b>430,757</b>	<b>481,716</b>

## ■ 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 2006. The accounts were prepared in accordance with the Companies Act 1985 and were approved by the Board of Colchester Borough Homes on 18 July 2006.

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 are based on the approved accounts and cover the period 1 April 2005 to 31 March 2006. The company has now adopted Financial Reporting Standard 17, Retirement Benefits (FRS17), in full and the previous year's figures have been restated accordingly.

	2005/2006 £'000	2004/2005 £'000
Turnover	4,681	4,480
Less operating costs	4,490	4,409
	191	71
Add interest receivable	41	30
FRS17 interest adjustment	19	1
Surplus on ordinary activities before taxation	251	102
Tax charge on surplus on ordinary activities	8	5
<b>Retained Surplus for the Financial Period</b>	<b>243</b>	<b>97</b>

## Balance Sheet

	31 March 2006 £'000	31 March 2005 £'000
<b>Current Assets</b>		
Debtors	293	321
Cash at bank and in hand	379	339
	672	660
Creditors: Amounts falling due within one year	(329)	(444)
Net Current Assets	343	216
<b>Total Assets Less Current Liabilities</b>	343	216
<b>Provision for Liabilities and Charges</b>		
Other Provisions	23	22
<b>Net assets excluding Pension Fund</b>	320	194
Pension Fund Liability	(1,066)	(1,030)
	(746)	(836)
<b>Reserves</b>		
Other Reserves	-	157
Income and Expenditure Account	(746)	(993)
	<b>(746)</b>	<b>(836)</b>

The following balances with the Council are included above:

	£'000	£'000
Debtors	14	6
Creditors	120	248

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2006 the cash at bank of £379,000 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, produced an assessment of the pension liability position which was included in the approved accounts as set out above. On 6 September the actuary provided a revised statement as it had been identified that the assets had been previously understated. The effect of this is to reduce the Pension Fund Liability shown above from £1,066 to £811 and correspondingly the reserves change from £746 to £491. The revised position may be summarised as follows:

	31 March 2006 £'000	31 March 2005 £'000
Estimated Liabilities in Scheme	9,496	7,558
Estimated Assets in Scheme	8,685	6,528
<b>Net Liability</b>	<b>811</b>	<b>1,030</b>

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The revaluation as at 31 March 2004 was 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 57 to 63.

## ■ 26. Post Balance Sheet Events

These accounts were authorised for issue on 27 June 2006.

On 6 September the actuary provided a revised Pension Fund FRS17 disclosure statement as it had been identified that the assets had been previously understated. In agreement with our auditors we have revised the accounts to reflect this updated statement. The effect of this is to reduce the Pension Fund Liability shown in the balance sheet (page 33) and consequent amendments have also been made in the related supporting notes (see below) and the Group accounts (pages 64-79).

There are no other items which have arisen after the closure of the 2005/06 accounts which would materially affect these accounts. However, developments continue which significantly affect the future provision of Housing Services.

The Government made an allocation of funds of £22.2 million which provided significant additional funding for major improvements to tenants' homes through Colchester Borough Homes Limited from 2005/06. This programme of work will continue in 2006/07.

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 42)**

The change from an estimated net liability of £49,319 million at 31 March 2005 to an estimated net liability of £46,816 million at 31 March 2006 is the net result of two main offsetting factors (Note 4, page 52). Investments performed strongly over the year to 31 March 2006 and provided a significantly higher than expected return. However, actuarial assumptions used for the liabilities calculation at 31 March 2006 were significantly more conservative than those used as at 31 March 2005. The result has been a substantial increase in estimated liabilities which has largely offset the asset gain.

The £46,816 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2006 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 2006 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 was 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 meant the overall contribution from participating authorities had to be increased. While the basic employer's contribution has reduced from 175% to 158% of the employees' contribution the back funding contribution has increased. 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 expected that this would exceed £0.4 million. It is not appropriate to disclose the nature of the item or the specific sum at this stage because the matters are sensitive being the subject of contractual negotiations with third parties and our insurance company. There could be a potential liability that 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.

There is the potential for disputes with two contractors over the final sums payable under contracts for construction works. It is not appropriate to disclose the details of the items or the individual sums at this stage because the matters are sensitive being the subject of contractual negotiations. We have fully provided in the accounts for all sums that we have assessed as due under the terms of the contracts. However, it is possible that the contractors will seek to pursue claims for further sums which we do not believe are justified. It is not expected that these claims, should they be pursued, would exceed £0.5 million.

Essex County Council have claimed user rights on an area of land owned by the Council. The land is scheduled for disposal and the claim could be in the order of £1.125 million depending on the sale value realised. Negotiations are continuing and the sale is yet to be completed. The asset is held in the balance sheet at an earlier valuation which does not exceed the potential net proceeds.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 MARCH 2006

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

	CAPITAL RESERVES			REVENUE RESERVES			Total 2005/2006 £'000	Total 2004/2005 £'000
	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Usable Capital Receipts £'000	Pension Reserve £'000	Earmarked Reserves £'000	Revenue Balances £'000		
Balance at the beginning of the Year	406,373	92,198	8,120	(49,319)	8,840	5,167	471,379	431,881
Net Surplus/(deficit) for year		(4,943)	(1,695)	1,213	299	520	(4,606)	(9,110)
Actuarial (loss)/gain relating to pensions				1,290			1,290	(18,574)
Unrealised (loss)/gains from revaluation of fixed assets	(53,172)						(53,172)	66,665
<i>Effects of disposals of assets:</i>								
Cost or value of assets disposed of	(3,220)	(32)					(3,252)	(4,787)
Proceeds of disposals			6,194				6,194	5,304
Net surplus/(deficit)	(3,220)	(32)	6,194				2,942	517
Financing of Fixed Assets		5,342	(5,342)				-	-
<b>Balance at the End of the Year</b>	<b>349,981</b>	<b>92,565</b>	<b>7,277</b>	<b>(46,816)</b>	<b>9,139</b>	<b>5,687</b>	<b>417,833</b>	<b>471,379</b>
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 42. 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 43-47).

## ■ 2. Capital Reserves

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

	HRA £'000	General Fund £'000	Total 2005/2006 £'000
Net Surplus/(Deficit) for Year	(3,598)	(3,040)	(6,638)
Unrealised Gains/(Loss) from Revaluation of Fixed Assets	(55,772)	2,600	(53,172)
<i>Effects of Disposals of Assets:</i>			
Cost or Value of Assets Disposed of	(2,005)	(1,247)	(3,252)
Proceeds of Disposals	2,374	3,820	6,194
Net Surplus/(Deficit)	369	2,573	2,942
<b>Net Movement</b>	<b>(59,001)</b>	<b>2,133</b>	<b>(56,868)</b>

## ■ 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 46-47).

## ■ 4. Pension Reserve

The actuarial gain identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	2002/2003 £000's %		2003/2004 £000's %		2004/2005 £000's %		2005/2006 £000's %	
Differences between the expected and actual return on assets	(18,127)	(30.81)	9,471	14.0	3,452	4.7	14,007	15.6
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	(3,010)	2.5	(2,317)	1.7
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-	(19,016)	15.5	(10,400)	7.6
	<b>(18,127)</b>	<b>(30.81)</b>	<b>9,471</b>	<b>14.0</b>	<b>(18,574)</b>	<b>15.2</b>	<b>1,290</b>	<b>0.9</b>

# THE CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2006

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

	Notes	2005/2006 £'000	2004/2005 £'000
<b>Revenue Activities</b>			
<i>Payments</i>			
Cash paid to and on behalf of Employees		25,787	25,562
Other Operating Cash Payments		38,381	41,286
Housing Benefit Paid Out		18,918	16,759
		83,086	83,607
Precept paid to - Essex County Council		51,458	49,281
- Essex Police Authority		5,873	5,487
- Essex Fire Authority		3,205	3,119
Non-domestic Rates paid to National Pool		44,670	41,543
Payments to the Capital Receipts Pool		1,618	2,494
<b>Total Payments</b>		<b>189,910</b>	<b>185,531</b>
<i>Receipts</i>			
Rents (after rebates)		11,255	10,690
Local Tax Income		62,504	60,103
Local Non-domestic Rate Income		45,146	40,723
Non-domestic Rate Income from National Pool		4,591	4,234
Government Grants	5	45,972	42,981
Cash Received from Goods and Services		16,281	16,218
Other Operating Cash Receipts		11,360	14,198
<b>Total Receipts</b>		<b>197,109</b>	<b>189,147</b>
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	<b>1</b>	<b>(7,199)</b>	<b>(3,616)</b>
<b>Returns on Investments and Servicing of Finance</b>			
<i>Payments</i>			
Interest Paid		2,673	2,284
<i>Receipts</i>			
Interest Received		(1,747)	(1,954)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>926</b>	<b>330</b>
<b>Capital Activities</b>			
<i>Payments</i>			
Purchase of Fixed Assets		24,935	20,159
Other Capital Cash payments		4,300	3,496
Purchase of Long Term Investments		-	3,000
<b>Total Payments</b>		<b>29,235</b>	<b>26,655</b>
<i>Receipts</i>			
Sale of Fixed Assets		6,154	5,247
Capital Grants Received		3,218	831
Other Capital Cash Income		205	1,049
<b>Total Receipts</b>		<b>9,577</b>	<b>7,127</b>
<b>Net Cash Outflow/(Inflow) from Capital Activities</b>		<b>19,658</b>	<b>19,528</b>
<b>Net Cash Outflow/(Inflow) before Financing</b>	<b>2/3</b>	<b>13,385</b>	<b>16,242</b>
<b>Management of Liquid Resources</b>			
Net (Decrease)/Increase in Short Term Deposits	4	(1,071)	(7,764)
<b>Financing</b>			
<i>Payments</i>			
Repayments of Amounts Borrowed		2,000	8,150
PWLB Premium Paid		-	-
<i>Receipts</i>			
New Loans Raised		14,000	18,150
Discounts Received		-	-
<b>Net Cash (Inflow)/Outflow from Financing</b>		<b>(12,000)</b>	<b>(10,000)</b>
<b>Decrease/(Increase) in Cash</b>		<b>314</b>	<b>(1,522)</b>



# NOTES TO THE CASH FLOW STATEMENT

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

	Notes	2005/2006 £'000	2004/2005 £'000
Deficit/(Surplus) per Consolidated Revenue Account	Page 12	196	446
(Surplus)/Deficit per Collection Fund	Page 27	(150)	(317)
Net Deficit/(Surplus)		46	129
Interest		(926)	(330)
Non-Cash Transactions:			
Contributions from/(to) provisions		272	216
Contributions (to)/from Reserves		(3,621)	(3,118)
Contributions to Capital		(979)	(628)
Items on an Accruals Basis:			
(Decrease)/Increase in Stock and Work in Progress		(134)	(109)
(Decrease)/Increase in Debtors		(1,311)	(1,130)
(Increase)/Decrease in Creditors		(546)	1,354
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		<b>(7,199)</b>	<b>(3,616)</b>

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

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

	2005/2006 £'000	£'000
Decrease in Cash in the Period	(314)	
Cash Inflow from Increase in Debt Financing	(12,000)	
Cash Inflow from Decrease in Liquid Resources	(1,071)	
Movement in Net Debt in the Period		(13,385)
Net Debt at 1 April 2005		(7,481)
<b>Net Cash Flow</b>		<b>(20,866)</b>

## ■ 3. Analysis of Net Debt

	Balance 31 March 2005 £'000	Cashflow £'000	Balance 31 March 2006 £'000
Cash Overdrawn	(357)	(314)	(671)
Debt Due after One Year	(32,900)	(7,000)	(39,900)
Debt Due within One Year	-	(5,000)	(5,000)
Short Term Investments	25,776	(1,071)	24,705
Net (Debt)/Investment	(7,481)	(13,385)	(20,866)
Net PWLB Premium Paid/Discount Received		-	-
<b>Net Cash Flow</b>		<b>(13,385)</b>	<b>(20,866)</b>

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

	2005/2006		2004/2005
	£'000	£'000	£'000
Revenue Support Grant		5,917	5,977
DWP Grants for Benefits			
Rent Allowances	18,199		
Rent Rebates – HRA (See note below)	10,501		
Local Taxation	7,512		
Administration	932		
Verification Framework	165		
		37,309	35,170
Housing Subsidy (see note below)		671	(19)
Homelessness		424	33
DEFRA Waste Recycling		125	537
Planning Delivery Grant		653	259
Other		873	1,024
<b>Total Government Grants</b>		<b>45,972</b>	<b>42,981</b>

### Note

There was a major revision to Housing Subsidy arrangements from 1 April 2004 (see note 12, page 25). In 2004/05 in addition to the refund of previous years' subsidy shown above we also paid £1,069,000 to the government which is included under "Other Operating Cash Payments" on page 53. For 2005/06 we received subsidy and were not required to make payments to the government.

## PORT HEALTH AUTHORITY ACCOUNTS 2005/2006

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 2006

	2005/2006 £	2004/2005 £
<b>Income:</b>		
Certificate of Deratting Fees	0	86
Bank Interest	16	15
<b>Total Income</b>	<b>16</b>	<b>101</b>
<b>Expenditure:</b>		
Paid to Riparian Authorities		
Colchester Borough Council	14	89
Tendring District Council	2	12
<b>Gross Expenditure</b>	<b>16</b>	<b>101</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>

### BALANCE SHEET AS AT 31 MARCH 2006

	2005/2006 £	2004/2005 £
<b>Current Assets:</b>		
Cash at Bank	1,673	1,657
<b>Current Liabilities:</b>		
Colchester Borough Council	(1,647)	(1,633)
Tendring District Council	(26)	(24)
<b>Net Current Assets</b>	<b>0</b>	<b>0</b>

## 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 2005

	2004/2005 £	2003/2004 £
Balance as at 1 October	573	558
Add:		
- Interest on Investments	288	288
- Bank Interest	17	12
- Other Income	20	20
	898	878
Less:		
- Administration and Distribution Expenses	42	40
- Subscription	15	15
- Distribution to Freeman	235	250
<b>Balance as at 30 September</b>	<b>606</b>	<b>573</b>

#### BALANCE SHEET AS AT 30 SEPTEMBER 2005

	2004/2005 £	2003/2004 £
Assets:		
Investments	6,608	6,062
Cash at Bank	606	573
<b>Represented by Accumulated Fund</b>	<b>7,214</b>	<b>6,635</b>

Please note: Investments are stated at market value as at 30 September 2005. These investments are Bank of England 2½% 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 2006 was £427,576. A further sum of £48,714 was held on deposit pending transfer to the Tymperleys' account.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2006

	2005/2006 £	2004/2005 £
Balance as at 1 April	50,264	51,801
Add:		
- Interest on Investments	13,725	13,016
- Interest on Balance	1,859	2,128
	65,848	66,945
Less:		
- Distribution to Tymperleys	14,035	16,681
<b>Balance as at 31 March</b>	<b>51,813</b>	<b>50,264</b>

### BALANCE SHEET AS AT 31 MARCH 2006

	2005/2006 £	2004/2005 £
Assets:		
Investments	427,576	363,590
Debtors	3,098	981
Cash at Bank	48,714	49,283
<b>Represented by Accumulated Fund</b>	<b>479,388</b>	<b>413,854</b>

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 2006

	2005/2006 £	2004/2005 £
Balance as at 1 April	4,276	3,972
Add:		
- Interest Received	46	39
- Dividends	292	285
	4,614	4,296
Less:		
- Expenses	20	20
<b>Balance as at 31 March</b>	<b>4,594</b>	<b>4,276</b>

#### BALANCE SHEET AS AT 31 MARCH 2006

	2005/2006 £	2004/2005 £
Assets:		
Investments	8,331	7,273
Cash at Bank	4,594	4,276
<b>Represented by Accumulated Fund</b>	<b>12,925</b>	<b>11,549</b>

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 2006

	2005/2006 £	2004/2005 £
Balance as at 1 April	7,227	6,954
Add:		
- Interest received	39	44
- Dividends	244	229
<b>Balance as at 31 March</b>	<b>7,510</b>	<b>7,227</b>

### BALANCE SHEET AS AT 31 MARCH 2006

	2005/2006 £	2004/2005 £
Assets:		
Investments	8,193	6,776
Cash at Bank	6,481	6,198
<b>Represented by Accumulated Fund</b>	<b>14,674</b>	<b>12,974</b>

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. Four grants were paid in 2005/2006.

### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	2005/2006 £	2004/2005 £
Balance as at 1 April	4,161	3,517
Add:		
- Interest received	39	25
- Dividends	655	619
	4,855	4,161
Less:		
- Grants Paid	435	0
<b>Balance as at 31 March</b>	<b>4,420</b>	<b>4,161</b>

### BALANCE SHEET AS AT 31 MARCH 2006

	2005/2006 £	2004/2005 £
Assets:		
Investments	21,249	17,743
Cash at Bank	3,021	2,762
<b>Represented by Accumulated Fund</b>	<b>24,270</b>	<b>20,505</b>

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 2005

	2004/2005 £	2003/2004 £
Fund Balances as at 1 October	228,353	227,010
Add:		
- Investment Income	4,085	1,772
	232,438	228,782
Less:		
- Management/Admin Expenses	429	429
<b>Balance as at 30 September</b>	<b>232,009</b>	<b>228,353</b>

### BALANCE SHEET AS AT 30 SEPTEMBER 2005

	2004/2005 £	2003/2004 £
<i>Fixed Asset:</i>		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
<i>Current Assets:</i>		
Cash at Bank	101,128	97,043
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	234,524	230,439
<i>Current Liabilities:</i>		
Sundry Creditors	2,515	2,086
<b>Total Net Assets</b>	<b>232,009</b>	<b>228,353</b>
<i>Represented by:</i>		
<b>Unrestricted Funds</b>		
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	68,625	64,969
	<b>232,009</b>	<b>228,353</b>

## ■ 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 2006

	2005/2006 £	2004/2005 £
Income from functions	57,629	61,442
Less: Function related expenses	13,096	9,990
<b>Net Income</b>	<b>44,533</b>	<b>51,452</b>
Payments to Mayor's Charities	44,533	51,425
<b>Net Surplus/(Deficit)</b>	<b>-</b>	<b>27</b>

### BALANCE SHEET AS AT 31 MAY 2006

	2005/2006 £	2004/2005 £
<b>Current Assets</b>		
Sundry Debtors	2,122	431
Cash at Bank	-	-
	2,122	431
<b>Current Liabilities</b>		
Sundry Creditors	-	-
Cash Overdrawn	(2,122)	(431)
<b>Net Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Represented by:</b>		
Reserves Brought Forward	-	(27)
Surplus/(Deficit) for Year	-	27
Reserves Carried Forward	-	-

## ■ 1. Introduction

The 2005 Statement of Recommended Practice (SORP) sets out comprehensive 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 47) 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 56-63) 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 2006 on the basis of interim financial statements at this date.

During 2005/06 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 6-10 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 2006

Expenditure on Services	Notes	2005/2006 Gross Expenditure £'000	2005/2006 Gross Income £'000	2005/2006 Net Expenditure £'000	2004/2005 Net Expenditure £'000
Corporate and Democratic Core		3,579	215	3,364	3,430
Non Distributed Costs		(2,243)	-	(2,243)	32
Central Services to the Public		11,608	9,236	2,372	1,945
Cultural and Related Services		11,595	5,267	6,328	5,975
Environmental Services		10,289	2,974	7,315	6,912
Planning and Development Services		5,571	4,833	738	459
Highways, Roads and Transport Services		4,918	5,577	(659)	(546)
Housing General Fund		34,328	31,240	3,088	4,319
Housing Revenue Account	G2	19,384	20,961	(1,577)	149
Social Services – Older People		861	554	307	223
<b>Cost of Services</b>	G3	<b>99,890</b>	<b>80,857</b>	<b>19,033</b>	<b>22,898</b>
(Profits) or losses on disposal of assets				(2,942)	(517)
<b>Net Cost of Services</b>	1/G3			<b>16,091</b>	<b>22,381</b>

  

	Notes		
Precepts paid to Parish Councils		599	532
Deficit/(Surplus) on Internal Trading	2/G4	-	-
Contribution of Housing Capital Receipts to Government Pool	3	1,695	2,869
Provision for Investment Losses		-	11
Increase in Value of Trust Fund Investments		(70)	(34)
Interest Receivable		(1,722)	(2,178)
Interest Payable		2,958	2,646
Pensions Interest Cost and Expected Return on Pension Assets	10/G5	1,805	1,413
Taxation of Group Entities		8	5
<b>Net Operating Expenditure</b>		<b>21,364</b>	<b>27,645</b>
Surplus/(Deficit) transferred from/to HRA Balances		566	618
Movement on Council Earmarked Reserves	5	287	925
Transfer from Major Repairs Reserve	5	(2,610)	(3,068)
Contribution (from)/to Colchester Borough Homes Reserve		(157)	157
Addition to Trust Funds Accumulated Funds		77	35
Transfer from Usable Capital Receipts for Contribution to Pool	3	(1,695)	(2,869)
Reversal of Profits/Losses on Disposal of Fixed Assets		2,942	517
Capital Financing Account - MRP Adjustment	6	(1,565)	(1,560)
- Deferred Charges		(1,758)	(2,540)
Financing of Capital Expenditure		990	634
Contribution (from)/to the Pensions Reserve and Pension Fund Creditor	10	1,329	(1,130)
Contribution (from)/to Group Income and Expenditure Reserve re Colchester Borough Homes		283	(60)
<b>Amount to be met from Government Grant and Local Taxpayers</b>		<b>20,053</b>	<b>19,304</b>
Precept demanded from the Collection Fund		(9,103)	(8,646)
Collection Fund Transfer - Community Charge		1	(1)
- Council Tax		(26)	-
General Government Grants	11	(6,138)	(5,977)
Contribution from Non-Domestic Rate Pool		(4,591)	(4,234)
<b>Deficit/(Surplus) for the Year</b>		<b>196</b>	<b>446</b>
Balance at the Beginning of the Year		(2,193)	(2,639)
<b>Balance at the End of the Year</b>		<b>(1,997)</b>	<b>(2,193)</b>

# 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 (£16,291,000) which is included in the Council's Consolidated Revenue Account. Grants and contributions written out to revenue (£343,000) 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			
	CBC £'000	CBH £'000	2005/2006 Total £'000	2004/2005 Total £'000
<i>Net Cost of Services:</i>				
Current Service Cost	2,632	418	3,050	3,184
Past Service Gain	(1,781)	(242)	(2,023)	-
Settlement/Curtailment	(463)	-	(463)	30
<i>Net Operating Expenditure:</i>				
Interest Cost	6,447	423	6,870	6,405
Expected Return of Assets in the Scheme	(4,623)	(442)	(5,065)	(4,992)
	<b>2,212</b>	<b>157</b>	<b>2,369</b>	<b>4,627</b>

The provisions of the LGPS were changed just before the end of the year by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum by commuting part of their pension. This has been introduced as part of the cost saving measures. Allowance has been made for this on the assumption that 50% of members will take up the option to increase their lump sum to the maximum available. This would reduce the assessed future pension costs by £2,023,000 and this is shown in the table above as Past Service Gain.

Following the end of the Highways Agency Agreement on 31 March 2005 (note 13, page 18) staff transferred to the County Council on 1 April 2005. The actuary has assessed that this has reduced our estimated future net liabilities. This is the main factor within Settlement/Curtailment in the table above.

The Past Service Gain and the Settlement/Curtailment figures are shown in the Group Income and Expenditure Account (page 66) under Non Distributed Costs.

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 2005 to 31 March 2006 were:

- for the Council 158% (2004/2005 175%) of employees' contribution plus lump sums for back-funding £3,424,000 (2004/2005 £3,113,000)
- for Colchester Borough Homes Ltd 185% (2004/2005 230%) plus lump sums for back-funding £275,000 (2004/2005 £301,000)

The results of the latest revaluation, as at 31 March 2004, 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 meant the overall contribution from participating authorities had to be increased. The under funding is planned to be cleared over a twenty year period. The contributions required from 1 April 2005 are:

- Council – While the basic employer's contribution has reduced from 175% to 158% the back funding contribution has increased. 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 this is expected to 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 72 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 77, 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) 2005/2006	Number of Employees (left during the year) 2004/2005
£50,000 - £59,999	8 (1)	9
£60,000 - £69,999	-	1
£70,000 - £79,999	4 (1)	1
£80,000 - £89,999	1 (1)	1
£90,000 - £99,999	1	-
£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	2005/2006 Total £'000	2004/2005 Total £'000
Core External Audit Services	104	6	110	139
Investigation of objection to 2003/04 Accounts	22	-	22	-
Statutory Inspection	4	-	4	3
Certification of Grant Claims	37	-	37	67
Other Services - National Fraud Initiative	-	-	-	1
- Internal Audit	-	15	15	18
	<b>167</b>	<b>21</b>	<b>188</b>	<b>228</b>



## GROUP BALANCE SHEET AS AT 31 MARCH 2006

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

	Notes	31 March 2006 £'000	31 March 2005 £'000
<b>Fixed Assets</b>			
Intangible Fixed Assets	1	4,748	3,604
Tangible Fixed Assets	2 & 3		
Operational Assets			
Council Dwellings		375,064	422,074
Other Land and Buildings		64,872	61,874
Operational Equipment		3,394	3,348
Infrastructure Assets		2,842	2,945
Community Assets		275	275
Non-Operational Assets			
Investment Properties		27,833	26,262
Assets under Construction		5,540	3,984
Surplus Assets held for Disposal		12,769	12,834
<b>Total Fixed Assets</b>		<b>497,337</b>	<b>537,200</b>
<b>Deferred Premiums</b>	6	<b>2,061</b>	<b>2,365</b>
<b>Investments (Long Term)</b>	G3	<b>3,434</b>	<b>3,364</b>
<b>Long Term Debtors</b>	8	<b>610</b>	<b>533</b>
<b>Total Long Term Assets</b>		<b>503,442</b>	<b>543,462</b>
<b>Current Assets</b>			
Stock	9	152	286
Debtors	G4	10,490	11,689
Investments (Short Term)		24,705	25,776
Cash and Bank		-	244
<b>Total Current Assets</b>		<b>35,347</b>	<b>37,995</b>
<b>Current Liabilities</b>			
Short Term Borrowing		(5,000)	-
Creditors	G5	(14,775)	(16,072)
Cash Overdrawn		(35)	-
<b>Total Current Liabilities</b>		<b>(19,810)</b>	<b>(16,072)</b>
<b>Net Current Assets</b>		<b>15,537</b>	<b>21,923</b>
Long Term Borrowing	12	(39,900)	(32,900)
Provisions	13/G6	(413)	(560)
Pension Scheme Liability	G7	(47,627)	(50,349)
<b>Total Net Assets</b>		<b>431,039</b>	<b>481,576</b>
<i>Represented by:</i>			
Fixed Asset Restatement Account	15	349,981	406,373
Capital Financing Account	16	92,648	92,281
Capital contributions – Deferred	17	12,137	9,432
Deferred Credits	18	787	905
Usable Capital Receipts Reserve	19	7,277	8,120
Pensions Reserve	G8	(47,627)	(50,349)
Earmarked Reserves	21	9,139	8,840
Revenue Balances	22	5,687	5,167
Colchester Borough Homes Ltd Reserves	G9	320	194
Trust Funds	G10	690	613
<b>Total Equity</b>	G11	<b>431,039</b>	<b>481,576</b>

# 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 34-50 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 47). 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 2006			31 March 2005
	CBC £'000	Trust Funds £'000	Total £'000	Total £'000
Association of District Councils (ADC) Debenture	10	-	10	10
Market Value of Marketable Securities at 31 March	10	414	424	354
Term Deposits	3,000	-	3,000	3,000
<b>Total Long Term Investments</b>	<b>3,020</b>	<b>414</b>	<b>3,434</b>	<b>3,364</b>

## G4 – Debtors

	Value as at 31 March 2006				31 March 2005
	CBC £'000	CBH £'000	Trust Funds £'000	Total £'000	Total £'000
<b>Sums falling due within One Year:</b>					
Non-domestic Rate Arrears	939			939	1,201
Council Tax Arrears	3,420			3,420	3,096
Government Departments	382			382	373
Council Tenants	1,201			1,201	1,226
Essex County Council	438			438	949
Customs and Excise (VAT)	817			817	1,720
General Debtors	7,352	292	3	7,647	6,624
<b>Total Due within One Year</b>	<b>14,549</b>	<b>292</b>	<b>3</b>	<b>14,844</b>	<b>15,189</b>
<b>Sums falling due after One Year:</b>					
General Debtors	-	-	-	-	20
<b>Total Due after One Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>
Gross Debtors	14,549	292	3	14,844	15,209
Less Provision for Doubtful Debts	(4,354)	-	-	(4,354)	(3,520)
<b>Total Debtors</b>	<b>10,195</b>	<b>292</b>	<b>3</b>	<b>10,490</b>	<b>11,689</b>

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

## G5 – Creditors

	Value as at 31 March 2006			31 March 2005
	CBC £'000	CBH £'000	Trust Funds £'000	Total £'000
Non-Domestic Rate Prepayment	1,384			1,384
Council Tax Prepayment	1,994			1,994
Contribution to NNDR Pool	900			900
Interest Payable	926			926
Government Departments	1,150	88		1,238
Council Tenants	237			237
Contractors' Deposits	538			538
Essex County Council	1,326	41		1,367
Contractors re Capital Schemes	2,493			2,493
General Creditors	3,564	92	42	3,698
<b>Total Creditors</b>	<b>14,512</b>	<b>221</b>	<b>42</b>	<b>14,775</b>
				<b>16,072</b>

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

## G6 – Provisions

	Balance at 1 April 2005 £'000	Contribution From Revenue In the Year £'000	Payments in the Year Balance at £'000	Balance at 31 March 2006 £'000
Colchester Borough Council (see Note 13, page 40)	538	8	156	390
Colchester Borough Homes Ltd	22	1	-	23
<b>Total Provisions</b>	<b>560</b>	<b>9</b>	<b>156</b>	<b>413</b>

The Colchester Borough Homes Ltd provision is for building reinstatement.

## G7 – Disclosure of Net Pensions Asset/Liability

Note G5 page 67 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 2006 are as follows:

	CBC £'000	CBH £'000	31 March 2006 Total £'000	31 March 2005 Total £'000
Estimated Liabilities in Scheme	136,318	9,496	145,814	130,029
Estimated Assets in Scheme	89,502	8,685	98,187	79,680
<b>Net Liability</b>	<b>46,816</b>	<b>811</b>	<b>47,627</b>	<b>50,349</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £47.6 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 67) 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 2006 the sum of £302,000 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 2006 %	31 March 2005 %
Rate of inflation	2.9	2.9
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions	2.9	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	4.9	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 2006		31 March 2005	
	Proportion	Expected Return	Proportion	Expected Return
	%	%	%	%
Equity investments	70.5	7.0	68.9	7.5
Gilts	10.4	4.3	11.0	4.7
Other Bonds	5.6	4.9	5.9	5.4
Property	11.6	6.0	11.4	6.5
Other assets	1.9	4.5	2.8	4.75
	<b>100.0</b>	<b>6.4</b>	<b>100.0</b>	<b>6.9</b>

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

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

## G8 – Pensions Reserve

	CBC £'000	CBH £'000	2005/2006 Total £'000	2004/2005 Total £'000
Balance at the beginning of the Year	(49,319)	(1,030)	(50,349)	(30,811)
Actuarial Gain/(Loss)	1,290	102	1,392	(18,330)
Transfer (to)/from Revenue	1,213	117	1,330	(1,208)
<b>Balance at the End of the Year</b>	<b>(46,816)</b>	<b>(811)</b>	<b>(47,627)</b>	<b>(50,349)</b>

The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17 (see Note G5, page 67). 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 2005 £'000	Transfer (to)/ from Revenue £'000	Balance at 31 March 2006 £'000
Income and Expenditure Account	37	283	320
Other Reserves	157	(157)	-
<b>Total Reserves</b>	<b>194</b>	<b>126</b>	<b>320</b>

**Other Reserves** – were 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

	2005/2006 £'000	2004/2005 £'000
Balance at 1 April 2005	613	578
Addition in Year	77	35
<b>Balance at 31 March 2006</b>	<b>690</b>	<b>613</b>

## 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 2006 £'000	31 March 2005 £'000
General Fund	426,825	478,131
Housing Revenue Account	3,524	2,832
Trust Funds	690	613
<b>Total Net Worth</b>	<b>431,039</b>	<b>481,576</b>

## ***G12 – Post Balance Sheet Events***

The accounts were authorised for issue on 27 June 2006.

On 6 September the actuary provided revised Pension Fund FRS17 disclosure statements for Colchester Borough Council and Colchester Borough Homes as it had been identified that the assets had been previously understated. In agreement with our auditors we have revised the accounts to reflect these updated statements. The effect of this is to reduce the Pension Fund Liability shown in the balance sheet (page 70) and consequent amendments have also been made in the related supporting notes (see below).

There are no other items which have arisen after the closure of the 2005/06 accounts which would materially affect these accounts. However, developments continue which significantly affect the future provision of Housing Services.

The Government made an allocation of funds of £22.2 million which provided significant additional funding for major improvements to tenants' homes through Colchester Borough Homes Limited from 2005/06. This programme of work will continue in 2006/07.

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 72)***

The change from an estimated net liability of £50.349 million at 31 March 2005 to an estimated net liability of £47.627 million at 31 March 2006 is the net result of two main offsetting factors (Note G3, page 77). Investments performed strongly over the year to 31 March 2006 and provided a significantly higher than expected return. However, actuarial assumptions used for the liabilities calculation at 31 March 2006 were significantly more conservative than those used as at 31 March 2005. The result has been a substantial increase in estimated liabilities which has largely offset the asset gain.

The £47.627 million net liability represents the difference between the value of the Group's pension fund assets at 31 March 2006 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 2006 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 was 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 2005. The decline in the funding level meant the overall contribution from participating authorities had to be increased. While the basic employer's contribution has reduced the back funding contributions have increased.

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 2006

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			CBH Reserves	Trust Funds	Total 2005/06	Total 2004/05
	Fixed Asset	Capital	Usable	Pension	Earmarked	Revenue				
	Restatement Account £'000	Financing Account £'000	Capital Receipts £'000	Reserve £'000	Reserves £'000	Balances £'000				
Balance at the Beginning of the Year	406,373	92,281	8,120	(50,349)	8,840	5,167	194	613	471,239	431,365
Net Surplus/(deficit) for year		(4,943)	(1,695)	1,330	299	520	126	77	(4,286)	(8,978)
Actuarial (loss)/gain relating to pensions				1,392					1,392	(18,330)
Unrealised (loss)/gains from revaluation of fixed assets	(53,172)								(53,172)	66,665
<i>Effects of disposals of assets:</i>										
Cost or value of assets disposed of	(3,220)	(32)							(3,252)	(4,787)
Proceeds of disposals			6,194						6,194	5,304
Net surplus/(deficit)	(3,220)	(32)	6,194						2,942	517
Financing of Fixed Assets		5,342	(5,342)						-	-
<b>Balance at the End of the Year</b>	<b>349,981</b>	<b>92,648</b>	<b>7,277</b>	<b>(47,627)</b>	<b>9,139</b>	<b>5,687</b>	<b>320</b>	<b>690</b>	<b>418,115</b>	<b>471,239</b>
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 51.

## 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 72. 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 43-47) and the Group Balance Sheet (page 74).

## G3 – Pension Reserve

The actuarial gain identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	CBC £'000	CBH £'000	2005/2006		2004/2005		20003/2004		2002/2003	
			Total £'000	%	Total £'000	%	Total £'000	%	Total £'000	%
Differences between the expected and actual return on assets	14,007	1,326	15,333	13.0	3,707	4.7	9,582	13.2	(18,127)	(30.81)
Differences between actuarial assumptions about liabilities and actual experience	(2,317)	(397)	(2,714)	1.9	(2,323)	1.8	(903)	0.9	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	(10,400)	(827)	(11,227)	7.7	(19,714)	15.2	(367)	0.4	-	-
	<b>1,290</b>	<b>102</b>	<b>1,392</b>	<b>1.0</b>	<b>(18,330)</b>	<b>14.1</b>	<b>8,312</b>	<b>11.5</b>	<b>(18,127)</b>	<b>(30.81)</b>



## THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

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

	Notes	2005/2006 £'000	2004/2005 £'000
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	G1	<b>(7,170)</b>	<b>(3,225)</b>
<b>Returns on Investments and Servicing of Finance</b>			
<i>Payments</i>			
Interest Paid		2,627	2,274
<i>Receipts</i>			
Interest Received		(1,770)	(1,970)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>857</b>	<b>304</b>
<b>Taxation</b>		<b>5</b>	<b>-</b>
<b>Capital Activities</b>			
<i>Payments</i>			
Purchase of Fixed Assets		24,935	20,159
Other Capital Cash Payments		4,300	3,496
Purchase of Long Term Investments		-	3,000
Total Payments		29,235	26,655
<i>Receipts</i>			
Sale of Fixed Assets		6,154	5,247
Capital Grants Received		3,218	831
Other Capital Cash Income		205	1,049
Total Receipts		9,577	7,127
<b>Net Cash Outflow/(Inflow) from Capital Activities</b>		<b>19,658</b>	<b>19,528</b>
<b>Net Cash Outflow/(Inflow) before Financing</b>	G2/G3	<b>13,350</b>	<b>16,607</b>
<b>Management of Liquid Resources</b>			
Net (Decrease)/Increase in Short Term Deposits	G4	(1,071)	(7,764)
<b>Financing</b>			
<i>Payments</i>			
Repayments of Amounts Borrowed		2,000	8,150
PWLB Premium Paid		-	-
<i>Receipts</i>			
New Loans Raised		14,000	18,150
Discounts Received		-	-
<b>Net Cash (Inflow)/Outflow from Financing</b>		<b>(12,000)</b>	<b>(10,000)</b>
<b>Decrease/(Increase) in Cash</b>		<b>279</b>	<b>(1,157)</b>

# NOTES TO THE GROUP CASH FLOW STATEMENT

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

	Notes	2005/2006 £'000	2004/2005 £'000
Deficit/(Surplus) per Group Income and Expenditure Account	Page 66	196	446
(Surplus)/Deficit Colchester Borough Homes Ltd	Page 74	(283)	(22)
(Surplus)/Deficit per Collection Fund	Page 27	(150)	(317)
Net (Surplus)/Deficit		(237)	107
Interest		(857)	(304)
Taxation		(5)	-
Non-Cash Transactions:			
Contributions from/(to) provisions		271	215
Contributions (to)/from Reserves		(3,471)	(3,276)
Contributions to Capital		(979)	(628)
Items on an Accruals Basis:			
(Decrease)/Increase in Stock and Work in Progress		(134)	(109)
(Decrease)/Increase in Debtors		(1,192)	(605)
(Increase)/Decrease in Creditors		(566)	1,375
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		<b>(7,170)</b>	<b>(3,225)</b>

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

	2005/2006 £'000	£'000
Decrease in Cash in the Period	(279)	
Cash Inflow from Increase in Debt Financing	(12,000)	
Cash Inflow from Decrease in Liquid Resources	(1,071)	
Movement in Net Debt in the Period		(13,350)
Net Debt at 1 April 2005		(6,880)
<b>Net Cash Flow</b>		<b>(20,230)</b>

## G3 – Analysis of Net Debt

	Balance 31 March 2005 £'000	Cashflow £'000	Balance 31 March 2006 £'000
Cash In Hand/(Overdrawn)	244	(279)	(35)
Debt Due after One Year	(32,900)	(7,000)	(39,900)
Debt Due within One Year	-	(5,000)	(5,000)
Short Term Investments	25,776	(1,071)	24,705
Net (Debt)/Investment	(6,880)	(13,350)	(20,230)
Net PWLB Premium Paid/Discount Received		-	-
<b>Net Cash Flow</b>		<b>(13,350)</b>	<b>(20,230)</b>

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 the Members of Colchester Borough Council*

### **Opinion on the Financial Statements**

I have audited the financial statements of Colchester Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, associated group accounts, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control 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, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of Audit Opinion**

I conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Paul King  
District Auditor

Date 26 September 2006  
Audit Commission,  
Sheffield House,  
Lytton Way, Stevenage,  
Hertfordshire SG1 3HG

## ***Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources***

### **Authority's Responsibilities**

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by Section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- Certifying that I have done so
- Stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in Section 6 of the Local Government Act 1999 and statutory guidance; and
- Where relevant, making any recommendations under Section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Colchester Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 25 November 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

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

Paul King  
District Auditor

Date 26 September 2006  
Audit Commission,  
Sheffield House,  
Lytton Way, Stevenage,  
Hertfordshire SG1 3HG





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