



Statement of Accounts 2006 / 2007



COLCHESTER BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2007

CONTENTS

	Page No.
Summary of Financial Statements.....	i
Foreword.....	1
Statement of Accounting Policies	6
Statement of Responsibilities for the Statement of Accounts	13
Statement of Internal Control.....	14
Core Financial Statements	
Income and Expenditure Account.....	18
Statement of the Movement on the General Fund Balance.....	20
Statement of Total Recognised Gains and Losses (STRGL)	22
Balance Sheet	23
Cash Flow Statement.....	24
Notes to the core statements	25
Supplementary Statements	
Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance	53
Collection Fund	62
Port Health Authority Accounts	66
Trust Fund Accounts.....	67
Group Accounts	74
Report of the Auditors.....	89



SUMMARY OF FINANCIAL STATEMENTS

Statement of Accounting Policies (page 6)

This explains how the figures are calculated.

Income and Expenditure Account and Statement of Movement on General Fund Balance (page 18)

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.

Statement of Total Recognised Gains and Losses (page 22)

This brings together all recognised gains and losses for the year and shows the total increase in net worth.

Balance Sheet (page 23)

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.

Cash Flow Statement (page 24)

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

Capital Expenditure and Financing (page 39)

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

Housing Revenue Account (page 53)

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 62)

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

Port Health Authority Accounts (page 66)

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

Trust Fund Accounts (page 67)

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

Group Accounts (page 74)

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

FOREWORD

Changes for the 2006/07 Accounts

A number of significant technical and presentational changes were required for the 2006/07 Statement of Accounts. Therefore, the document presented this year differs in presentation from that seen in recent years in a number of areas. The comparative figures for 2005/06 have been restated to the new format. These changes are set out in more detail in the accounting policies (Note 1, page 6) and in the individual statements and supporting notes.

The revised requirements introduce three new core statements:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance (with supporting note)
- Statement of Total Recognised Gains and Losses

These replace the:

- Consolidated Revenue Account
- Asset Management Revenue Account
- Statement of Total Movement in Reserves

The supporting notes are rearranged accordingly. A similar approach is taken for the presentation of the Housing Revenue Account and the Group accounts. In addition there are some modest changes to the Balance Sheet.

The changes do not impact on the results for the year or affect our financial standing with the outside world. Our financial position, resources and balances remain unchanged by the new requirements.

Results for 2007/08

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

During this year the net General Fund spending was £21.1 million met by the precept on the Collection Fund and Government grants.

	Original Estimate £m	Actual £m
Total Net Spending for the Year	21.4	21.1
Met by:		
Collection Fund Demand	9.5	9.5
Government Grants	11.8	12.3
Contribution from/(to) Balances	0.1	(0.7)
Total Financing	21.4	21.1

Expenditure on services was £0.7 million more than estimated but this was more than offset by additional income. Two main areas of additional income were the Local Authority Business Growth Initiative (LABGI) grant and interest earnings. The Local Authority Business Growth Incentive (LABGI) grant is provided to reward business growth, and returns to Councils a share of additional business rate revenue generated by economic growth above a certain threshold within the Borough. Notification of the amount receivable was not received until the end of February 2007 and was £0.5 million more than the original estimate. The net additional interest earnings (£0.4 million) arose because interest rates available for investment increased during the year and cashflow and borrowing movements were more favourable than estimated. Regular monitoring reports on the revenue position were submitted to the Finance and Audit Scrutiny Panel throughout the year.

General Fund balances now stand at £2.7 million, of which £1.8 million is 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. Construction work started during the year on the major Firstsite:Newsite project. The Council has agreed funding of £1.5 million with a further £12.5 million confirmed by other funding bodies and £2.5 million planned from fund raising. A significant element of the capital spending in 2006/07 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 £25 million, £5.5 million less than programmed. This shortfall was mainly due to spending on schemes being rescheduled into the following financial year. About 40% of capital spending was paid for from 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 has provided a regular source of funding, £3.7 million was received in 2006/07. 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 £5.1 million was received in 2006/07. The accumulated balance of £9.2 million is already planned to support capital spending from 2007/08 onwards.

The Housing Revenue Account

The Council is the major provider of rented housing in the Borough and manages approximately 6,350 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 £3.8 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 in the management of the dwellings. 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.

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 2006/07. The borrowing activities undertaken in the year are in accordance with these determinations.

New long term borrowing of £10 million was undertaken during the year from the Public Works Loans Board (PWLb). 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 £54.9 million.

The activities in the year included the investment of surplus funds. The Council continued to use an external fund manager for the management of the major part of these funds. The total funds invested at the year end were £27 million, of which £18 million was invested through the fund manager. A review of the Council's investment activity has been carried out and one of the actions arising from this has been to cease using our external fund manager from May 2007.

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 2006/07 or 2007/08 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 £39.6 million shortfall at 31 March 2007. 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 2006/07 were to be prepared and reported to Members by 30 June. 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 2006/07 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 £1.5 million. It was agreed to set balances at £1.5 million when planning the 2007/08 budget.

As at 31 March 2007 the Council's General Fund balances stood at £2.7 million. It is estimated that £0.9 million of these will be required to fund schemes carried forward from 2006/07 and to support expenditure during 2007/08. 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 for these 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 2007/08 and future years reflects these aims.

In November 2006 the Council resolved that the new Community Stadium project be included in the Council's approved Capital Programme at £14.23 million. It is anticipated that the scheme will proceed in 2007/08. The Council has agreed funding of £10.2 million supported by prudential borrowing. The remaining £4 million has been confirmed by other funding bodies.

In May 2007 the Cabinet formally endorsed the Colchester's Business Improvement District project and authorised the Chief Executive to hold the Business Improvement District (BID) ballot. Business Improvement Districts provide powers for local authorities to levy an additional ring fenced business rate to pay for services and activities additional to those which are already provided in a specified area. A BID can only be implemented if the majority of businesses in that area have voted in favour of it in a formal ballot. The BID is now a proven concept in the UK with 42 currently in place. Colchester is the first Town Centre BID application in Essex. In the event of a successful "yes" vote in favour of the BID, the plan to launch and operate would be put in place from December 2007 to March 2008. The official start date for the Colchester BID would be 1 April 2008. In accordance with the legislation this BID would run to 31 March 2013. The governance of the Colchester BID has yet to

be fully determined. The most commonly adopted governance model for other BIDs is an independent private limited company with a Board of Directors elected by BID members to oversee the delivery of the BID projects and the efficient running of the company.

Consultations have taken place on the revised Code of Practice on Local Authority Accounting in the United Kingdom (2007): A Statement of Recommended Practice which will apply to the 2007/08 accounts. Some significant changes, including to the accounting for fixed assets, are planned with consequential changes to the future presentation in the accounts.

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.

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.

If you need any help with reading or understanding this document, please take it to our Customer Service Centre, Angel Court, High Street, Colchester, or ☎ 282355. We will try to provide a reading service, translation or any other format you may need. Textphone: Dial 18001 followed by the full number that you wish to call (including area code).

**For more information about these accounts, please contact:
Andy Wilks, Financial Services, PO Box 138, Town Hall, High Street, Colchester CO1 1QY
Telephone: Colchester (01206) 282355
E-mail: andy.wilks@colchester.gov.uk**

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 (2006): A Statement of Recommended Practice. This is recognised by law as representing proper accounting practices under the Local Government Act 2003.

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies, in accordance with the revised Statement of Recommended Practice:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for Government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

A key driver for these changes has been to move local authority accounts closer to UK Generally Accepted Accounting Practices (UK GAAP). These are the accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements. One of the main aims is to narrow the areas of difference and variety in accounting treatment and thereby to enhance the usefulness of the Statement of Accounts. It is important to note that while these changes are "significant" this is in "technical" and "presentational" terms. The changes do not impact on the results for the year or affect our financial standing with the outside world. Our financial position, resources and balances remain unchanged by the revised code.

The changes impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts. The most significant impact is on the Income and Expenditure Account and details of the 2005/06 restatement are set out in Note 1, page 25. In the Income and Expenditure Account the changes have reduced the net operating expenditure by £111k (£66k 2005/06)

Our accounting policies have been set so that they follow the recommended accounting principles and practices as specified in the Code of Practice on Local Authority Accounting. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

■ 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 figure 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 2006/07 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 2006. 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 2006.
- 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 2007.
- 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 Note for the Statement of Movement on the General Fund Balance there are transfers 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 2007 on the basis of property indices published by the Royal Institution of Chartered Surveyors. All other land and property was revalued as at 1 April 2004. As part of a rolling programme a proportion of these assets have been revalued in 2006/07. 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.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where due to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against the Fixed Asset Restatement Account.

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 35, page 46).

■ 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 the asset.

■ 6. Intangible Assets

Purchased intangible assets for software are capitalised as assets at cost when they will bring benefits to the Council for more than one financial year. 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. Where the Council has decided to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

■ 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 Note for the Statement of Movement on the General Fund Balance. 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 in the Note for the Statement of Movement on the General Fund Balance. Separate reserves are for Renewal and Repairs, Capital Expenditure, Asset Replacement, Regeneration and the Major Repairs Reserve. Details of these are given in Note 37 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 29 page 42).

■ 9. Charges for the Use of Capital Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

Amounts set aside from revenue:

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

are disclosed within the Note to the Statement of Movements in the General Fund Balance.

■ 10. Capital Receipts

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Receipts are appropriated to the Usable Capital Receipt Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

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. 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 Income and Expenditure 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 2007. 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 2006 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, premiums and discounts are recognised on the balance sheet and written down to revenue 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 2007. 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, although the sports centres stock is valued at sale price. 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 Income and Expenditure 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 Balance Sheet at cost less provision for loss in value. The majority of short-term investments, which were 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 2007. 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 Revenue & Customs. 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 2006 SORPs Group Accounts requirements.

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 26 June 2007 and approved under delegated powers on 29 June 2007.

Signed on behalf of Colchester Borough Council
Councillor G Oxford
Chair of meeting approving the accounts:
Date: 29 June 2007

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 88 present fairly the financial position of the Council as at 31 March 2007 and the income and expenditure for the year then ended.

Charles Warboys
Head of Financial Services
28 June 2007

COLCHESTER BOROUGH COUNCIL

STATEMENT OF INTERNAL CONTROL

FOR THE YEAR ENDED 31 MARCH 2007

■ 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 2007 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 (revised during 2006/07) 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 robust reporting procedures to both officers and 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 2006. 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 2006/07, 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 2007 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework broadly 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 2005/06 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. A further, focused, review in 2006/07 whilst not producing a score demonstrated that the Council is still performing well.
- 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.

The Corporate Governance framework complies with the best practice guidance issued by CIPFA/SOLACE. This opinion is based on:

- Internal Audit compliance review to the CIPFA Office for Public Management (OPM) Good Governance Standards for Public Services.
- The External Auditors scored judgement under the CPA process, particularly in relation to governance, standards of conduct and performance Management.

Risk management within the Council continues to improve, primarily due to revising the strategy and defining ownership of the process. Embedding risk management within the culture is a lengthy process, and is continuing to improve. Management information in the form of risk registers continues to be refined and the reporting of risks and controls has been made more robust. However, when compared to the CIPFA/SOLACE Framework, it is evident that there are still some areas for improvement, especially in respect of embedding the process. 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 2005/06

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 an embedded, effective Business Continuity management process (Issue raised in 2003/04, 2004/05 and 2005/06)	There is a draft Business Continuity Strategy and Action Plan and responsibility for the process has been assigned. Work is being undertaken to ensure that all staff have knowledge of Business Continuity and the Service response plans are being drafted, which will lead to the corporate plan.
2	The Contract procedure rules are not being followed and therefore the Council lacks a central record of contracts. (Issue previously raised in 2005/06)	The Contract procedure rules need to be reissued and monitored. In particular the requirement to inform the Head of Finance of all new contracts.

3	<p>The audit carried out of the internal controls put in place in respect of the Supply Chain at Colchester Borough Homes / Inspace had a 'No Assurance' rating. The actual contract is between Colchester Borough Council and Inspace with Colchester Borough Homes managing the arrangements. It is therefore felt that the results of this audit have direct relevance to the control arrangements of the Council. Two priority one recommendations were made:</p> <p>Greater detail of costs should be retained on file and contractors should provide detailed analysis of actual costs.</p>	<p>CBH agreed that the recommendations should be implemented at their Finance and Audit sub-committee in September 2006. A follow-up was carried out by Deloitte in January 2007 and these two recommendations still had not been fully implemented but were due to be completed by the end of the financial year.</p>
4	<p>The Council needs to continue to develop the risk management process and ensure that the revised strategy is fully embedded during 07/08 (Risk Management also raised in 2003/04, 2004/05 and 2005/06)</p>	<p>Ensure that the reporting process is fully implemented and training needs are identified and satisfied.</p>
5	<p>The Council needs to improve controls in respect of staff's email accounts, e.g. undertake a review of all high level access rights for both Council and Serco staff, including the need for and usage of generic email accounts. In addition, copies of all outbound messages should be retained for a minimum of three months.</p>	<p>The review of access rights has been completed and Serco have confirmed that support staff have administrator access to systems in order to maintain and support them.</p> <p>Where generic accounts exist there has to be business justification to warrant it. This is because the implications to the operational efficiency of the organisation are affected without this generic login. Any generic logins have restrictions (e.g. no internet access) on what they can access so that they do not compromise system security. Serco have investigated archiving options. This type of email archiving system will mean additional capital and revenue costs to the organisation for which budgets do not exist. The estimated cost of implementing an email archiving solution is in the region of £200K+.</p>
6	<p>The validity of user accounts in respect of the Academy System needs to be confirmed to ensure that no redundant accounts have been compromised.</p>	<p>A review of the users will be undertaken by Business Development.</p>
7	<p>The need to reconcile income received and banked via the Cash office by the Museums Service with that recorded on the general ledger. This also applies to income received in respect of market and street trading.</p>	<p>The issue and solution lies outside Street & Leisure Services and relates to methods of working within the Cash Office. However through a meeting with the key Cash Office staff a further attempt will be made to identify and resolve the issues.</p>
8	<p>The need to ensure that exemptions in respect of void NNDR properties are reduced to 50% after three months – this will involve discussions with the system provider</p>	<p>It is thought that there are only a small number of isolated cases affected. However a report has been raised to investigate this issue.</p>
9	<p>The need to substantially improve the controls in place in respect of the Vehicle Workshop. This area was given a 'no assurance' audit opinion.</p>	<p>The new Workshop and Fleet manager was only appointed shortly prior to the audit and all, apart from one, of the recommendations from the audit were agreed and many of them have already been implemented.</p>
10	<p>Regular stock takes of both food and non-food items should be undertaken at Leisure World. E.g. on a monthly basis reconciling all stock orders with overall takings.</p>	<p>Regular stock checks will be implemented.</p>

Charles Warboys
Head of Financial Services (S151 Officer)
Date 26 June 2007

Adrian Pritchard
Chief Executive
Date 28 June 2007

Robert Davidson
Leader of the Council
Date 28 June 2007

THE CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

This account summarises the income and expenditure used in providing all services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually used and the future value of retirement benefits earned by employees in the year.

Expenditure on Services 2006/07 (Note 1)	2006/07 Gross Expenditure £'000	2006/07 Total Income £'000	2006/07 Net Expenditure £'000	2005/2006 Net Expenditure £'000
CENTRAL SERVICES				
Democratic Representation and Management	2,324	103	2,221	2,250
Corporate Management	1,609	202	1,407	1,430
Non Distributed Costs (Note 5)	61	-	61	(2,243)
Central Services to the Public				
Local Taxation (includes Council Tax Benefit)	10,913	9,251	1,662	1,564
Other Central Services	1,786	718	1,068	806
Total for Central Services	16,693	10,274	6,419	3,807
CULTURAL, ENVIRONMENTAL & PLANNING SERVICES				
Cultural and Related Services				
Culture and Heritage	3,015	998	2,017	1,825
Recreation and Sport	6,465	4,070	2,395	2,740
Open Spaces	1,746	176	1,570	1,345
Tourism	711	261	450	416
Environmental Services				
Cemetery, Crematorium and Mortuary Services	776	860	(84)	(23)
Environmental Health	2,078	495	1,583	1,641
Community Safety	1,077	361	716	596
Street Cleansing (non-highway)	1,202	51	1,151	1,412
Waste Collection	4,932	1,528	3,404	3,688
Planning and Development Services				
Building Control	831	648	183	192
Development Control	2,191	1,368	823	649
Planning Policy	699	13	686	738
Economic Development	1,506	2,275	(769)	(1,093)
Other Planning and Development Services	560	430	130	253
Total for Cultural, Environmental & Planning Services	27,789	13,534	14,255	14,379
HIGHWAYS, ROADS AND TRANSPORT SERVICES				
Transport Planning and Strategy	223	25	198	169
Highways, Traffic Management and Road Safety	603	99	504	486
Parking Services	2,866	4,780	(1,914)	(2,102)
Public Transport				
Concessionary Fares	1,929	158	1,771	766
Other Public Transport	101	26	75	22
Total for Highways, Roads and Transport Services	5,722	5,088	634	(659)
HOUSING GENERAL FUND				
Private Sector Housing Renewal	812	11	801	737
Homelessness	1,242	725	517	417
Housing Benefits	34,551	33,729	822	999
Other Housing General Fund	1,437	155	1,282	1,119
Total for Housing General Fund	38,042	34,620	3,422	3,272
HOUSING REVENUE ACCOUNT	20,234	21,624	(1,390)	(1,900)
SOCIAL SERVICES – OLDER PEOPLE	961	639	322	307
COST OF SERVICES	109,441	85,779	23,662	19,206

INCOME AND EXPENDITURE ACCOUNT THE YEAR ENDED 31 MARCH 2007 (continued)

	Notes	2006/2007 Net Expenditure £'000	2005/2006 Net Expenditure £'000
Cost of Services (net) Brought Forward	1	23,662	19,206
(Gain)/Loss on the disposal of fixed assets (net of disposal costs)	2	(111)	(66)
Precepts paid to Parish Councils		617	599
Deficit/(surplus) on Internal Trading	3	-	-
Interest payable and similar charges		3,438	3,004
Contribution of Housing Capital Receipts to Government Pool	4	2,669	1,695
Interest and investment income		(1,783)	(1,702)
Pensions Interest Cost and Expected Return on Pensions Assets	5	1,266	1,824
Net Operating Expenditure		29,758	24,560
Demand on the Collection Fund		(9,483)	(9,128)
General Capital Contributions	6	(744)	-
General Government Grants	7	(2,438)	(6,138)
Non-Domestic Rates redistribution		(9,816)	(4,591)
Deficit/(Surplus) for the Year		7,277	4,703

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Statement of Movement on the General Fund Balance to the amount established by the relevant statutory provision (see following statement, Page 20).

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of income receivable and expenditure due in operating the Council for the year. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are used.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The movement in the General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the result on the Income and Expenditure Account and the General Fund Balance.

	Notes	2006/2007 Net Expenditure £'000	2005/2006 Net Expenditure £'000
Deficit/(Surplus) for the year on the Income and Expenditure Account		7,277	4,703
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year.		(7,988)	(4,507)
(Increase)/Decrease in the General Fund Balance for the Year		(711)	196
General Fund Balance Brought Forward		(1,997)	(2,193)
General Fund Balance carried forward		(2,708)	(1,997)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The net amount required to be credited to the General Fund balance for the year is made up of the following:

	Notes	2006/2007 Net Expenditure £'000	2005/2006 Net Expenditure £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
Intangible fixed assets written down	15	(1,739)	(1,002)
Depreciation and impairment of fixed assets	18	(1,952)	(1,784)
Capital Contributions Deferred written down		497	343
General Capital contributions	6	744	-
Write downs of deferred charges to be financed from capital resources	19	(510)	(756)
Gain/(loss) on sale of fixed assets (excluding disposal costs)	2	149	66
Net charges made for retirement benefits in accordance with FRS 17	5	(4,376)	(2,212)
		(7,187)	(5,345)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.			
Minimum revenue provision for capital financing	14	(33)	(124)
Capital expenditure charged in-year to the General Fund Balance		409	990
Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	4	(2,669)	(1,695)
Employers' contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	5	3,882	3,424
		1,589	2,595
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
Housing Revenue Account balance		652	566
Net transfer to or (from) Major Repairs reserve	Page 58, Note 6	(2,772)	(2,610)
Net transfer to or (from) other earmarked reserves	37	(270)	287
		(2,390)	(1,757)
Net additional amount required to be credited to the General Fund balance for the year		(7,988)	(4,507)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Council for the year and shows the total change in its net worth. In addition to the deficit/(surplus) generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	Notes	2006/2007 Net Expenditure £'000	2005/2006 Net Expenditure £'000
Deficit/(Surplus) for the year on the Income and Expenditure Account	Page 19	7,277	4,703
(Surplus)/Deficit – movement in share of Collection Fund balance	38	(77)	(20)
(Increase)/Decrease arising on the revaluation of fixed assets	33	(42,458)	50,310
Actuarial (gains)/losses on pension fund assets and liabilities	5	(7,715)	(1,290)
Total recognised (gains)/loss for the year		(42,973)	53,703

In 2005/06 Council Dwellings were re-valued as at 1 April 2005. On the revaluation of Council Dwellings the vacant possession valued at Existing Use Value 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 was lower than that prescribed for the 2000 valuation. This change in the factor is the major reason for the decrease that arose on the revaluation in 2005/06.

BALANCE SHEET AS AT 31 MARCH 2007

The net amount required to be credited to the General Fund balance for the year is made up of the following:

	Notes	31 March 2007 £'000	31 March 2007 £'000
Fixed Assets			
Intangible Fixed Assets	15	3,829	4,748
Tangible Fixed Assets	16 & 17		
Operational Assets			
Council Dwellings		421,505	375,064
Other Land and Buildings		61,338	64,789
Operational Equipment		3,896	3,394
Infrastructure Assets		3,372	2,842
Community Assets		275	275
Non-Operational Assets			
Investment Properties		26,299	27,833
Assets under Construction		11,070	5,540
Surplus Assets held for Disposal		12,934	12,769
Total Fixed Assets		544,518	497,254
Investments (Long Term)	22	20	3,020
Long Term Debtors	23	630	610
Deferred Premiums on the early repayment of debt	24	1,758	2,061
Total Long Term Assets		546,926	502,945
Current Assets			
Stock	25	163	152
Debtors	26	12,659	10,305
Investments (short term)		30,010	24,705
Total Current Assets		42,832	35,162
Current Liabilities			
Short Term Borrowing		-	(5,000)
Creditors	27	(13,977)	(14,996)
Cash Overdrawn		(931)	(671)
Total Current Liabilities		(14,908)	(20,667)
Net Current Assets		27,924	14,495
Long Term Borrowing	28	(54,900)	(39,900)
Provisions	29	(306)	(390)
Capital Contributions deferred	30	(18,982)	(12,137)
Deferred discounts on early repayment of debt	31	(509)	(612)
Pension Scheme Liability	5	(39,595)	(46,816)
Total Net Assets		460,558	417,585
Represented by:			
Fixed Asset Restatement Account	33	383,869	349,981
Capital Financing Account	34	90,217	92,565
Usable Capital Receipts Reserve	35	9,226	7,277
Deferred Capital Receipts	36	129	175
Pensions Reserve	5	(39,595)	(46,816)
Earmarked Reserves	37	10,008	9,139
Revenue Balances	38	6,704	5,264
Total Net Worth	32 & 39	460,558	417,585

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

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

	Notes	2006/2007 £'000	2005/2006 £'000
Revenue Activities			
Cash outflows			
Cash paid to and on behalf of Employees		26,616	25,787
Other Operating Cash Payments		39,608	38,381
Housing Benefit Paid Out		20,375	18,918
		86,599	83,086
Precept paid to - Essex County Council		54,482	51,458
- Essex Police Authority		6,295	5,873
- Essex Fire Authority		3,303	3,205
Non-domestic Rates paid to National Pool		49,364	44,670
Payments to the Capital Receipts Pool		2,507	1,618
Total Cash outflows		202,550	189,910
Cash inflows			
Rents (after rebates)		11,666	11,255
Council Tax Income		66,425	62,504
Non-domestic Rate Income		48,525	45,146
Non-domestic Rate Income from National Pool		9,816	4,591
Government Grants	44	44,674	45,972
Cash Received from Goods and Services		15,820	16,281
Other Operating Cash Receipts		8,881	11,360
Total Cash inflows		205,807	197,109
Net Cash (Inflow)/Outflow from Revenue Activities	45	(3,257)	(7,199)
Returns on Investments and Servicing of Finance			
Cash outflows			
Interest Paid		3,200	2,673
Cash inflows			
Interest Received		(1,499)	(1,747)
Net Cash Outflow from Returns on Investments and Servicing of Finance		1,701	926
Capital Activities			
Cash outflows			
Purchase of Fixed Assets		24,277	24,935
Other Capital Cash payments		2,083	4,300
Purchase of Long Term Investments		-	-
Total Cash outflows		26,360	29,235
Cash inflows			
Sale of Fixed Assets		8,734	6,154
Capital Grants Received		5,872	3,218
Other Capital Cash Income		5,243	205
Total cash inflows		19,849	9,577
Net Cash Outflow/(Inflow) from Capital Activities		6,511	19,658
Net Cash Outflow/(Inflow) before Financing	46/47	4,955	13,385
Management of Liquid Resources			
Net Increase/(Decrease) in Short Term Deposits	47	5,305	(1,071)
Financing			
Cash outflows			
Repayments of Amounts Borrowed		7,400	2,000
PWLB Premium Paid		-	-
Cash inflows			
New Loans Raised		17,400	14,000
Discounts Received	-	-	-
Net Cash (Inflow)/Outflow from Financing		(10,000)	(12,000)
Decrease/(Increase) in Cash		260	314

NOTES TO THE CORE FINANCIAL STATEMENTS

■ 1. Income and Expenditure Account

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 5, page 27).

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (**only figures that have changed are included in the table**):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Removal of Capital Financing Charges £'000	Relocation of Government Grants Deferred Credits £'000	Recognition of Gains and Losses on Disposal of Fixed Assets £'000	Restating Movements between General Fund and HRA £'000	2005/06 Comparatives in Income and Expenditure Account £'000
Corporate and democratic core	3,465	(98)	(17)	-	330	3,680
Central services to the public	2,426	(37)	(19)	-	-	2,370
Cultural, environmental and planning services	17,318	(2,748)	(191)	-	-	14,379
Highways, roads and transport services	324	(901)	(82)	-	-	(659)
Housing general fund services	3,164	(48)	(28)	-	184	3,272
Local Authority Housing (HRA)	10,983	(12,369)	-	-	(514)	(1,900)
Social Services	350	(37)	(6)	-	-	307
Impact on Net Cost of Services	35,787	(16,238)	(343)	-	-	19,206
(Gain)/Loss on the disposal of fixed assets	-	-	-	(66)	-	(66)
Deficit/(surplus) on Internal Trading	56	(56)	-	-	-	-
Asset management revenue account interest payable and similar charges in 2006/07	(13,633)	16,294	343	-	-	3,004
Impact on Net Operating Expenditure	24,626	-	-	(66)	-	24,560

■ 2. Gain/Loss on the Disposal of Fixed Assets

For local authorities the use of a capital receipt arising from the sale of a fixed asset is limited by regulation and this remains the position. However, in line with the latest Statement of Recommended Practice requirements, the gain or loss on disposal is now shown in the Income and Expenditure account. The impact is then cleared from the revenue account through the "Statement of Movement on the General Fund Balance" to bring the accounts back to the statutory position. It is normal practice to sell assets at market value so for many transactions there are unlikely to be significant figures recorded under this. In the Income and Expenditure account the gain is shown net of the costs of disposal. However for the general fund these costs must remain as a revenue cost so the clearing entry in the Statement of Movement on General Fund balance excludes these. (There is a specific statutory provision allowing the costs of disposal on council houses to be offset against the capital receipt.)

■ 3. Trading Operations

Significant operations of a trading nature are included in this Statement of Accounts as set out below. The comparative figures for 2005/06 have been restated in accordance with current guidance (Note 1 above).

Trade Refuse - Included within "Waste Collection" in the Income and Expenditure Account (page 18). The deficit for the year was £110,400 on a turnover of £484,100. (2005/06 £141,300 deficit against turnover of £420,500).

Colchester Leisure World – Included within "Recreation and Sport" in the Income and Expenditure Account (page 18).

	2006/07 Income	2006/07 Expenditure	2006/07 Net Expenditure	2005/06 Net Expenditure
	£'000	£'000	£'000	£'000
Leisure World	3,369	4,431	1,062	1,202

Following the decision not to proceed with a Leisure Trust the accounting arrangements for Colchester Leisure World have been revised. The figures above include all our management and premises running costs. The figures for 2005/06 have been restated to the comparative basis.

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 Income and Expenditure Account. The total turnover for the year for these activities was £13,504,000 (2005/06 £12,311,000). These sums have been fully recharged to services.

Building Control - 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.

	2006/07 Chargeable £'000	2006/07 Non Chargeable £'000	2006/07 Building Control £'000	2005/06 Building Control £'000
Expenditure				
Employee Expenses	367	149	516	527
Premises	26	11	37	47
Transport	21	8	29	33
Supplies and Services	11	5	16	18
Third Party Payments	14	6	20	17
Central and Support Service Charges	154	59	213	159
TOTAL EXPENDITURE	593	238	831	801
Income				
Building Regulation Charges	648	-	648	609
(Surplus)/Deficit for Year	(55)	238	183	192

The above sums are included within the Income and Expenditure Account (page 18).

■ 4. Capital Receipt Pooling

We have to pay a proportion of capital receipt into a Government pool for redistribution (see Note 35, page 46).

■ 5. Pensions Costs and Benefits

Participation in Pension Schemes

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.

Transactions Relating to Retirement Benefits

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 in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General fund Balance during the year:

Local Government Pension Scheme			
	2006/07		2005/06
	£'000	£'000	£'000
Income and Expenditure Account			
Net Cost of Services:			
Current Service Cost		3,050	2,632
Past Service Gain		-	(1,781)
Settlement/Curtailment		60	(463)
Net Operating Expenditure:			
Interest Cost		6,653	6,447
Expected Return of Assets in the Scheme		(5,387)	(4,623)
Net Charge to the Income and Expenditure Account		4,376	2,212
Statement of Movement on the General Fund Balance			
Reversal of net charges made for retirement benefits in accordance with FRS17	(4,376)		(2,212)
Employers' Contributions Payable to Scheme	3,882	(494)	1,212
Actual Amount Charged against Council Tax for Pensions in the Year		3,882	3,424

In 2005/06 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 was 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 reduced the assessed future pension costs by £1,781,000 and this is shown in the table above as Past Service Gain.

Following the end of the Highways agency agreement on 31 March 2005 staff transferred to the County Council on 1 April 2005. The actuary assessed that this reduced our estimated future net liabilities. This is the main factor within the 2005/06 Settlement/Curtailment figure in the table above.

The Past Service Gain and the Settlement/Curtailment figures are shown in the Income and Expenditure Account (page 18) 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% 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:

	2006/07 £'000	2005/2006 £'000
Employer's equivalent contribution	1,498	1,449
Added years	375	378
Back funding	1,951	1,518
Strain on early retirements	58	79
	3,882	3,424

We pay contributions to the County fund monthly in arrears so at 31 March 2007 the sum of £318,000 for the March contributions has been included in the accounts as a creditor.

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 £1,951,000 for 2006/07 and this is expected to increase to £2,384,000 for 2007/08. The next revaluation as at 31 March 2007 is currently underway and 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.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2007 are as follows:

	31 March 2007 £'000	31 March 2006 £'000
Estimated liabilities in scheme	135,292	136,318
Estimated assets in scheme	95,697	89,502
Net liability	39,595	46,816

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £39.6 million has a significant impact on the net worth of the authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

Basis for Estimating Assets and Liabilities

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 2007 %	31 March 2006 %
Rate of inflation	3.1	2.9
Rate of increase in salaries	4.6	4.4
Rate of increase in pensions (parts of pensions in payment representing guaranteed minimum pensions are not increased (pre-1998 accrual) or increased at 2.0% per annum (post-1998 accrual)).	3.1	2.9
Rate for discounting scheme liabilities	5.4	4.9
Take up of option to convert annual pension into retirement grant	50.0	50.0

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £2,952 million for the Fund as a whole at 28 February 2007 (£2,797 million at 31 March 2006). The fund's assets consist of the following categories, by proportion with the expected rates of return shown.

	31 March 2007		31 March 2006	
	Proportion	Expected Return	Proportion	Expected Return
	%	%	%	%
Equity investments	69.3	7.5	70.5	7.0
Gilts	9.9	4.7	10.4	4.3
Other Bonds	6.3	5.4	5.6	4.9
Property	12.5	6.5	11.6	6.0
Other assets	2.0	5.25	1.9	4.5
	100.0	6.9	100.0	6.4

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.

Pension Reserve

	2006/2007 £'000	2005/2006 £'000
Balance at the beginning of the year	(46,816)	(49,319)
Actuarial Gain/(Loss)	7,715	1,290
Transfer (to)/from Revenue	(494)	1,213
Balance at the End of the Year	(39,595)	(46,816)

The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17. 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.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000's	%	£000's	%	£000's	%	£000's	%	£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	1,067	1.1
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	6,648	4.9
	(18,127)	(30.81)	9,471	14.0	(18,574)	15.2	1,290	0.9	7,715	5.7

■ 6. General Capital Contributions

Where grants cannot be identified to particular assets that are likely to depreciate the grants have been credited to the Income and Expenditure Account. The credit has then been reversed out to the Capital Financing Account in the Statement of Movement on the General Fund Balance.

■ 7. General Government Grants

General Government Grants includes, in addition to the Revenue Support Grant, two grants:

- Under the Local Authority Business Growth Incentive a proportion of the growth in business rates is returned to the authority - £508,887 (2005/06 - £150,948).
- The Public Service Agreement Performance Reward Grant reflected performance against a number of targets - £69,570 (2005/06 - £69,571).

■ 8. 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.

■ 9. 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.

	2006/07 £'000	2005/2006 £'000
Staff Recruitment	149	128
Tourism	346	429
Industry and Commerce	55	73
Miscellaneous Advertising & Publications	107	147
Total Net Expenditure on Publicity	657	777

■ 10. Members and Employees

The total of Members' allowances paid in the year was £441,451 and this is included within Democratic Representation and Management in the Income and Expenditure Account (page 18). 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.

	2006/2007	2005/2006
Central services	22	16
Cultural & related services	213	193
Environmental services	226	172
Planning & development services	76	66
Highways, roads & transport	50	52
Housing general fund	98	101
Administration and support services	183	189
	868	789

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)	
	2006/07	2005/06
£50,000 - £59,999	4	7(1)
£60,000 - £69,999	5	-
£70,000 - £79,999	2	4(1)
£80,000 - £89,999	-	1(1)
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-

■ 11. Audit Costs

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

	2006/2007 £'000	2005/2006 £'000
Core external audit services	102	104
Investigation of objection to 2003/04 accounts	-	22
Statutory inspection	3	4
Certification of Grant Claims	54	37
Other Services – National Fraud Initiative	1	-
	160	167

■ 12. 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:

	2006/2007		2005/2006	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Central Government:				
Revenue Grants (see Note 44, page 51)	44,674		45,972	
Non-Domestic Rate Income from National Pool	9,816		4,591	
<i>Capital Grants</i>				
- Department of Communities and Local Government	928		575	
- English Heritage	19		148	
- Regeneration Budget (EEDA)	2,864		242	
Department for Education and Skills	-		390	
Department for Environment and Rural Affairs	80		300	
Arts Council England	865		501	
Football Foundation	-		783	
Sport England	-		386	
Museums, Libraries and Archive Council	18		-	
Essex County Council:				
Precept (see Notes 5 & 7, pages 64/65)		54,482		51,458
Supporting People	735		731	
Countywide Concessionary Travel Scheme		1,619		590
Trade Waste Disposal		130		155
Contributions to Capital Schemes	1,578		7	
Recycling Credits	786		654	
Joint Use of Sports Centres	43	140	90	134
Other, including County Supplies	239	1,060	339	473
On Street Parking (Decriminalisation)		43		70
Community Projects	80		42	

Essex County Council Pension Fund

Employers' Contributions (see Note 5, page 27)

3,882

3,424

Colchester Borough Homes Limited (see Note 40, Page 48)

434

3,139

463

3,093

We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account.

Parish Councils

914

862

The payments are grants and precepts to support services provided by Parish Councils.

Colchester Primary Care Trust

15

-

27

-

Contributions for joint finance schemes for housing special needs and health promotion.

Mercury Theatre Company – Grant

292

285

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 70).

Colchester United Football Club

43

43

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.

Voluntary Organisations – Grants

Arts Development

280

249

Welfare Organisations

187

199

Village Halls and Community Centres

154

5

Community Partnership Schemes

182

318

Recreation Development

-

5

Housing Groups

27

43

Shopmobility (Joint with CCVS)

22

22

Other

20

38

Economic Development Activities – Grants

Colchester Town Centre Partnership

70

70

Colchester Business Enterprise Agency

25

14

Other

77

39

■ 13. 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.

	2006/2007 £'000	2005/2006 £'000
Land & Buildings	473	267
Vehicles & Equipment	682	671
Total	1,155	938

The Authority is committed to making payments of £1,172,000 in 2007/2008, comprising the following:

	Land & Buildings £'000	Vehicles & Equipment £'000	Total £'000
Leases expiring in 2007/2008	-	20	20
Leases expiring between 2008/2009 and 2011/2012	10	166	176
Leases expiring after 2011/2012	462	514	976
Total	472	700	1,172

(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 2006/2007 were £2,226,000 (2005/2006 £2,447,000).

■ 14. 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.

	2006/2007 £'000	2005/2006 £'000
Non-Housing Amount	(33)	(124)
Minimum Revenue Provision	(33)	(124)

■ 15. Intangible Fixed Assets

	2006/2007 £'000	2005/2006 £'000
Software		
Original Cost	7,083	4,937
Written Out to Revenue to 1 April	(2,335)	(1,333)
Balance at the beginning of the Year	4,748	3,604
Expenditure in Year	820	2,146
Written Out to Revenue in Year	(1,739)	(1,002)
Balance at the End of the Year	3,829	4,748

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).

■ 16. Tangible Fixed Assets

Major assets held by the Council are as follows:

	31 March 2007	31 March 2006
Operational Assets		
Council Dwellings		
Council House Stock	6,349	6,395
Council Garages	2,605	2,605
Shared Ownership Properties	13	13
Other Land and Buildings		
Town Hall	1	1
Other Office Locations	4	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
Vehicles, Plant and Equipment		
Vehicles and Plant	59	74
CCTV Town Centre Monitoring System	1	1
Community Assets		
Museum Exhibits (including artwork)	Circa 500,000	Circa 500,000
Civic Regalia	78	78
Commons and Greens	13	13
Parks and Open Spaces	1,100 acres	1,100 acres
Sports Grounds	191 acres	191 acres
Woodland	163 acres	163 acres
Children's Play Area	56	56
Balkerne Gate Roman Features	1	1
Gosbecks Archaeological Park	1	1
Non-Operational Assets		
Former Outdoor Swimming Pool	1	1
Industrial Lettings	46	46
Managed Workshop Scheme	2	2
Shopping Centre (site only)	1	1
Office Complex (site only)	1	1
Business Park (site only)	1	1
Shops	30	30
Office Premises	3	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 2006	381,890	66,719	7,394	4,176	275	46,143	506,597
Additions	13,242	2,388	1,176	736	42	5,641	23,225
Disposals	(3,580)	-	(467)	-	-	(4,990)	(9,037)
Revaluations/Restatements	43,595	(5,416)	(12)	-	(42)	2,599	40,724
Assets Transferred	-	(912)	-	-	-	912	-
Gross Book Value at 31 March 2007	435,147	62,779	8,091	4,912	275	50,305	561,509
Depreciation b/fwd as at 1 April 2006	(6,826)	(1,930)	(4,000)	(1,334)	-	(1)	(14,091)
Depreciation for the Year	(6,953)	(1,108)	(662)	(206)	-	(1)	(8,930)
Depreciation on Assets Sold	-	-	467	-	-	-	467
Depreciation on Assets Revalued	137	1,560	-	-	-	37	1,734
Depreciation on Assets Transferred	-	37	-	-	-	(37)	-
Depreciation balance as at 31 March 2007	(13,642)	(1,441)	(4,195)	(1,540)	-	(2)	(20,820)
Net Book Value at 31 March 2007	421,505	61,338	3,896	3,372	275	50,303	540,689
Net Book Value at 31 March 2006	375,064	64,789	3,394	2,842	275	46,142	492,506

The revaluations/restatements take account of:

- the uplift of Council dwellings to 31 March 2007 value
- the revaluation of some other land and buildings and non-operational assets
- the impact of additions during 2006/07

On the revaluation of Land and Buildings in 2006/07 the majority of assets increased in value but a number reduced and the figures shown above are the net impact. The reduction in value amounted to £6,227k (2005/06 £380k) and the single largest reduction was on a reassessment of the value of Colchester Leisure World (£2,832k). The reductions relate 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 (Note 20, page 39) 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
Analysis of Non-Operational Assets				
Value as at 1 April 2006	27,834	12,769	5,540	46,143
Additions	-	65	5,576	5,641
Disposals	(1,575)	(3,415)	-	(4,990)
Revaluations/Restatements	192	2,453	(46)	2,599
Assets Transferred	(150)	1,062	-	912
Gross Book Value at 31 March 2007	26,301	12,934	11,070	50,305
Depreciation b/fwd as at 1 April 2006	(1)	-	-	(1)
Depreciation for the Year	(1)	-	-	(1)
Depreciation on Assets Sold	-	-	-	-
Depreciation on Assets Revalued	-	37	-	37
Depreciation on Assets Transferred	-	(37)	-	(37)
Depreciation Balance as at 31 March 2007	(2)	-	-	-
Net Book Value at 31 March 2007	26,299	12,934	11,070	50,303
Net Book Value at 31 March 2006	27,833	12,769	5,540	46,142

■ 17. Valuation of Fixed Assets

All 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 2007 in the 2006/07 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 £44 million.

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.

■ 18. Depreciation

Assets are being depreciated in accordance with the Statement of Accounting Policies outlined in Note 5, page 8. 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 17 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	

■ 19. Deferred Charges

	2006/2007 £'000	2005/2006 £'000
Balance at the beginning of the Year	-	-
Expenditure in Year		
Renovation Grants	539	548
Other	505	573
	1,044	1,121
Less:		
Capital Contributions	534	365
Amounts Written Off to Consolidated Revenue Account	510	756
Balance at the End of the Year	-	-

■ 20. Capital Expenditure and Financing

Summary of Capital Expenditure

	2006/2007 £'000
Intangible Fixed Assets	820
Operational Assets	17,583
Non Operational Assets	5,640
Deferred Charges	1,045
Long Term Debtors	106
Total Capital Expenditure	25,194

Analysis of Expenditure and Financing

	2006/2007 £'000
Fixed Assets:	
Improvements to Council Housing	13,242
Colchester Regeneration Projects	6,262
Waste Services	1,016
Heritage and Tourism	894
Community Facilities	495
Sport and Recreation	418
Office Improvements	347
Traffic Management	285
Investment in Information Technology	116
Other	149
Total Fixed Assets	23,224
Capital Expenditure not Resulting in Fixed Assets:	
Investment in Information Technology – Software	820
Renovation Grants	539
Grants to Registered Social Landlords	259
Grants for Community Facilities	144
Loans to Private Sector Housing	106
Other	102
Total Capital Expenditure not Resulting in Fixed Assets	1,970
Total Capital Expenditure to be Financed	25,194
Financed by:	
Supported Borrowing	10,105
Application of Capital Receipts	4,188
Major Repairs Reserve	3,066
Application of Other Reserves	4
Direct Revenue Funding	405
Grants and Contributions	7,426
Total Financing	25,194

Capital Financing Requirement

	2006/2007 £'000
Opening requirement	47,117
Supported borrowing	10,105
Minimum Revenue Provision	33
Closing Requirement	57,255

■ 21. Commitments Under Capital Contracts

Committed Capital Contracts

The following significant contracts have been entered into by the Council at 31 March 2007, for which the committed sums of £12.8 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	Less Total Expenditure to 31 March 2007	Committed Contracts as at 31 March 2007
	£'000	£'000	£'000
Housing stock – Decent Homes and Upgrades	2,600	-	2,600
Firstsite:Newsite	16,500	7,212	9,288
Waste and cleansing service vehicles	720	-	720
Registered Social Landlords' Schemes	360	288	72
Museum Store Fit Out	175	21	154
	20,355	7,521	12,834

Where a significant element of an overall project has been contracted by 31 March 2007 the full project cost is included above even if some elements were not contracted until after 31 March 2007. The Council has agreed funding of £1.5 million for Firstsite:Newsite, the Visual Arts Facility. A further £12.5 million has been confirmed by other funding bodies with £2.5 million planned from fund raising.

Approved Capital Schemes

In addition to the above contracts construction works had been approved to proceed but had not been contracted at 31 March 2007 for the following:

- a new Community Stadium, with an estimated value of £14.2 million. The Council has agreed funding of £10.2 million supported by prudential borrowing. The remaining £4 million has been confirmed by other funding bodies.
- works to replace the atrium roof at Angel Court in the sum of £190k

■ 22. Long Term Investments

	Balance at 31 March 2007	Balance at 31 March 2006
	£'000	£'000
Association of District Councils (ADC) Debenture	10	10
Market Value of Marketable Securities at 31 March	10	10
Term Deposits	-	3,000
Total Long Term Investments	20	3,020
Marketable Securities at cost	21	21

■ 23. Long Term Debtors

These are debtors which fall due over a period of at least one year. They comprise 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 2006 £'000	Advances in the Year £'000	Repayments in the Year £'000	Balance at 31 March 2007 £'000
Sale of Council Houses	175	-	46	129
Purchase/Improvement of Private Sector Houses	435	106	40	501
Total Long Term Debtors	610	106	86	630

■ 24. 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 2006/07, £303,525 (2005/06 £303,525), has been included under interest charges within the Income and Expenditure Account (page 18).

■ 25. Stocks and Work in Progress

	Value as at 31 March 2007 £'000	Value as at 31 March 2006 £'000
Stocks	163	152
Less Provision for Obsolete Stock	-	-
Total Stocks	163	152

Work in progress

There is no work in progress at the end of 2006/2007

■ 26. Debtors

	Value as at 31 March 2007 £'000	Value as at 31 March 2006 £'000
Sums falling due within One Year		
Non-domestic Rate Arrears	803	939
Contribution to NNDR Pool	731	-
Council Tax Arrears	3,887	3,420
Government Departments	1,920	382
Council Tenants	1,298	1,201
Essex County Council	1,584	438
HM Customs and Revenue (VAT)	1,038	817
General Debtors	6,310	7,462
Total Due within One Year	17,571	14,659
Sums falling due after One Year:		
General Debtors	-	-
Total Due after One Year	-	-
Gross Debtors	17,571	14,659
Less Provision for Doubtful Debts	(4,912)	(4,354)
Total Debtors	12,659	10,305

■ 27. Creditors

	Value as at 31 March 2007 £'000	Value as at 31 March 2006 £'000
Non Domestic Rate Prepayment	1,858	1,384
Council Tax Prepayment	2,483	1,994
Contribution to NNDR Pool	-	900
Interest Payable	966	929
Government Departments	1,265	1,150
Council Tenants	250	237
Contractors' Deposits	83	538
Essex County Council	1,457	1,686
Contractors re Capital Schemes	1,336	2,493
General Creditors	4,279	3,685
Total Creditors	13,977	14,996

The 2005/06 comparative figures have been restated in accordance with current guidance. Creditors have been increased by the precepting authorities' share of the Collection fund balance (See note 38, page 47 and note 7, page 65).

■ 28. Long Term Borrowing

	Amount Outstanding as at 31 March	
	2007 £'000	2006 £'000
Public Works Loan Board	24,400	14,400
Money Market	30,500	25,500
Total Long Term Borrowing	54,900	39,900

The average interest rate for all loans (including short term borrowing) was 6.22% (2005/06 = 6.83%).

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

	2007 £'000	2006 £'000
Maturing:		
Between one and two years	-	-
Between two and five years	5,000	-
Between five and ten years	5,500	5,500
Over ten years	44,400	34,400
Total Long Term Borrowing	54,900	39,900

■ 29. Provisions

Category of Provision	Balance at 1 April 2006 £'000	Contribution From Revenue in the Year £'000	Payments in the Year £'000	Balance at 31 March 2007 £'000
Insurance	390	14	98	306

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 37, 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.

■ 30. Capital Contributions Deferred

	Government £'000	2006/2007 Developers £'000	Other £'000	Total £'000	2005/2006 Total £'000
As at 1 April:					
Applied Contributions	6,014	437	1,573	8,024	5,181
Unapplied Contributions	121	3,818	174	4,113	4,251
Total at 1 April	6,135	4,255	1,747	12,137	9,432
As at 31 March:					
Applied Contributions	8,877	917	3,883	13,677	8,024
Unapplied Contributions	17	4,890	398	5,305	4,113
Total at 31 March	8,894	5,807	4,281	18,982	12,137

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 Note 20, page 39). Once applied the contributions are written out to revenue against asset depreciation over the life of the assets.

■ 31. Discounts

Discounts can be received when long term debt is redeemed and this benefit is applied to later years' revenue accounts. The benefit for 2006/07 is £103,468 (2005/06 £103,468). This has been offset against interest charges within the Income and Expenditure Account (page 18). Premiums paid on long term debt redemption are detailed in a separate note (Note 24, page 41).

	Balance at 31 March 2007 £'000	Balance at 31 March 2006 £'000
Discounts Received	509	612

■ 32. Summary Introduction to Detail of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April £'000	Net Movement in Year £'000	Balance 31 March £'000	Purpose of Reserve	Further Detail of Movements – Notes
Fixed Asset Restatement Account	349,981	33,888	383,869	Gains on revaluation of fixed assets	33
Capital Financing Account	92,565	(2,348)	90,217	Capital resources set aside to meet past expenditure	34
Usable Capital Receipts	7,277	1,949	9,226	Proceeds of fixed asset sales available to meet future capital investment	35
Deferred Capital Receipts	175	(46)	129		36
Pensions Reserve	(46,816)	7,221	(39,595)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	5
Housing Revenue Account	3,204	652	3,856	Resources available to meet future running costs for council houses	HRA Statements, page 53
Major Repairs Reserve	-	1,139	1,139	Resources available to meet capital investment in council housing	HRA Statements, Note 5, page 58
General Fund	1,997	711	2,708	Resources available to meet future running costs for non-housing services	Statement of Movement on the General fund Balance, page 20
Collection Fund	63	77	140	Available to offset future Council Tax	Collection Fund Statement Note 7, page 65
Other Reserves	9,139	(270)	8,869	Resources earmarked for particular spending plans	37
	417,585	42,973	460,558		

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 Note 5, page 27. The Revenue Reserves can be used to meet capital and revenue expenditure. Further information on these reserves is provided in the individual notes.

■ 33. Fixed Asset Restatement Account

	2006/2007 £'000	2005/2006 £'000
Balance at the beginning of the Year	349,981	406,373
Less: Disposal of Fixed Assets	8,570	6,082
Add: Restatement Increases/(Decreases)	42,458	(50,310)
Balance at the End of the Year	383,869	349,981

The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations. The increase reflects the net effect of:

- The revaluation of some Land and Buildings
- The uplift in the value of Council dwellings to March 2007.

On the revaluation of some Other Land and Buildings the majority of assets increased in value but a number reduced and the figure shown above includes the net impact. The reduction in value amounted to £6,227k (2005/06 £380k) and the single largest reduction was on a reassessment of the value of Colchester Leisure World (£2,832k). The reductions relate to a reassessment of the estimated value of the assets since the previous valuation in the light of current knowledge and market conditions. (Note 16, page 35).

The 2005/06 comparative figures have been restated in accordance with current guidance (Note 1, page 6). In 2005/06 the effect of the revaluation of Council dwellings as at 1 April 2005 was a decrease of £64 million. This impact was offset in part by the uplift of the Council dwellings value to 31 March 2006 and increases in revaluation of some Other Land and Buildings.

■ 34. Capital Financing Account

	2006/2007 £'000	2005/2006 £'000
Balance at the beginning of the Year	92,565	92,198
Capital Financing		
Capital Receipts	4,188	5,342
Revenue	405	979
Reserves	3,070	4,251
General Capital Contribution	744	-
Minimum Revenue Provision	(33)	(124)
Capital Contribution Deferred Written Down	497	343
	101,436	102,989
Less: Write Down of:		
Intangible Assets and Deferred Charges – via revenue	2,250	1,758
Depreciation and Impairment (non-housing)	1,952	1,784
HRA Depreciation	6,977	6,850
Long Term Debtors	40	32
Balance at the End of the Year	90,217	92,565

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. The balance on the account is reduced as capital expenditure which does not produce a retained asset for the Authority is written out.

The 2005/06 comparative figures have been restated in accordance with current guidance (Note 1, page 6).

■ 35. Usable Capital Receipts Reserve

	Notes	2006/2007 £'000	2005/2006 £'000
Balance at the Beginning of the Year		7,277	8,120
Capital Receipts in the Year:			
Sale of Council Housing		3,705	2,374
Other Sales and Repayments of Loans		5,101	3,820
Total Capital Receipts in the Year		8,806	6,194
Capital Receipts Applied in the Year:			
Financing of Capital Expenditure		4,188	5,342
Transferred to Consolidated Revenue Account		2,669	1,695
Total Capital Receipts Applied in the Year		6,857	7,037
Balance at the End of the Year		9,226	7,277

We have to pay a proportion of capital receipts into a Government pool for redistribution. (See Note 4, page 27).

■ 36. Deferred Capital Receipts

	Balance at 31 March 2007 £'000	Balance at 31 March 2006 £'000
Council House Sales	129	175

■ 37. Earmarked Reserves

	Balance at 1 April 2006 £'000	Transfer (to) From Revenue £'000	Capital Financing £'000	Balance at 31 March 2007 £'000
Renewal & Repairs Fund	3,319	51	-	3,370
Insurance Reserve	470	39	-	509
Capital Expenditure Reserve	3,211	(8)	-	3,203
Regeneration Reserve	750	(58)	-	692
Asset Replacement Reserve	341	(172)	-	169
Heritage Reserve	13	3	-	16
Gosbecks Reserve	467	(15)	-	452
Other Reserves	568	(110)	-	458
	9,139	(270)	-	8,869
Major Repairs Reserve	-	4,205	3,066	1,139
Total Reserves	9,139	3,935	3,066	10,008

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 29, page 42).

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

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

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

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

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

Other Reserves includes:

- Sums set aside to support spending on the Mercury Theatre building
- Surplus from the on street parking account to be used to cover future shortfalls or support future transportation expenditure in accordance with the Decriminalisation of Parking agreement.
- Sums set aside to support future section 106 monitoring activity.

■ 38. Revenue Balances

		Balance at 1 April 2006 £'000	Additions To Balances £'000	Withdrawal from Balances £'000	Balance at 31 March 2007 £'000
	Notes				
General Fund		1,997	711	-	2,708
Housing Revenue Account		3,204	652	-	3,856
Collection Fund		63	77	-	140
Total Revenue Balances		5,264	1,440	-	6,704

The 2005/06 comparative figures have been restated in accordance with current guidance. The balance on the Collection Fund now only shows the Council's share, the sums for precepting authorities are shown as creditors (See Note 27, page 42 and Note 7, page 65).

■ 39. 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 2007 £'000	31 March 2006 £'000
General Fund	456,702	414,381
Housing Revenue Account	3,856	3,204
Total Net Worth	460,558	417,585

The 2005/06 comparative figures have been restated in accordance with current guidance. The order of the items in the Balance sheet has been rearranged to match the change in net worth to that shown in the Statement of Total Recognised Gains and Losses (page 22).

■ 40. 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 is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

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. The Council pay for these services through the Management Fee and this is agreed annually under the review process provided for under the Management Agreement. Colchester Borough Homes aim to break even overall.

Colchester Borough Homes Limited was incorporated on 24 July 2003 and has prepared its accounts for the period to 31 March 2007. The accounts were prepared in accordance with the Companies Act 1985 and will be submitted for approval to the Board of Colchester Borough Homes on 24 July 2007.

The following summarised accounts are based on the draft accounts to be submitted for approval and cover the period 1 April 2006 to 31 March 2007. The company has adopted Financial Reporting Standard 17, Retirement Benefits (FRS17), in full.

	2006/2007 £'000	2005/2006 £'000
Turnover	4,886	4,681
Less operating costs	5,249	4,490
	(363)	191
Add interest receivable	38	41
FRS17 interest adjustment	63	19
(Deficit)/Surplus on ordinary activities before taxation	(262)	251
Tax charge on (deficit)/surplus on ordinary activities	7	8
(Deficit)/Surplus for the Financial Period	(269)	243

Balance Sheet

	31 March 2007 £'000	31 March 2006 £'000
Current Assets		
Debtors	354	279
Cash at bank and in hand	257	379
	611	658
Creditors: Amounts falling due within one year	(386)	(315)
Net Current Assets	225	343
Total Assets Less Current Liabilities	225	343
Provision for Liabilities and Charges		
Other Provisions	24	23
Net assets excluding Pension Fund	201	320
Pension Fund Liability	(278)	(811)
	(77)	(491)
Reserves	(77)	(491)

The following balances with the Council are included above:

	£'000	£'000
Debtors	-	-
Creditors	76	106

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 2005/06 comparative figures have been restated to reflect the revised FRS17 statement for 2005/06 issued by the actuary after the CBH accounts for that year had been closed. Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2007 the cash at bank of £257,000 was consolidated with the Council's funds for investment purposes.

Further information is provided within the Group Accounts (Pages 74-88).

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. The position may be summarised as follows:

	31 March 2007 £'000	31 March 2006 £'000
Estimated Liabilities in Scheme	10,065	9,496
Estimated Assets in Scheme	9,787	8,685
Net Liability	278	811

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.

41. Trust Funds

Details of the nature and amount of Trust funds are provided on pages 67 to 73.

42. Post Balance Sheet Events

These accounts were authorised for issue on 28 June 2007.

There are no items which have arisen after the closure of the 2006/07 accounts which would materially affect these accounts.

Pension Disclosure (Note 5, page 27)

The change from an estimated net liability of £46,816 million at 31 March 2006 to an estimated net liability of £39,595 million at 31 March 2007 is the result of two factors (Note 5, page 27). Investments performed well over the year to 31 March 2007 and provided a higher than expected return. Furthermore, actuarial assumptions used for the liabilities calculation at 31 March 2007 were less conservative than those used as at 31 March 2006, driven by the yields on corporate bonds. The result has been an improvement in the position on estimated liabilities which, along with the asset gain, has led to a significant reduction in the overall liability.

The £39,595 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2007 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 2007 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 determined the future level of pension contributions which was implemented from 1 April 2005. The sum required from this Authority for back funding was £1,951,000 for 2006/07 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 is currently underway and will provide a further review. The results will be implemented with effect from 1 April 2008.

■ 43. 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.

The new free fare pass concessionary travel scheme introduced from 1 April 2006 significantly increased the cost of providing concessionary travel. Bus operators have been reimbursed under a county wide scheme coordinated by Essex County Council and negotiated by advisors. Some operators have claimed additional sums and appealed to the Department for Transport. The Essex councils and their advisors do not accept the full level of the claim by the operators. The appeal has been determined in principle, and interim payments made to operators, but notification of the final amounts payable is awaited. On the basis of advice received the accounts include the best assessment of the maximum sums payable. The sums included do not match the full sums claimed by the operators and our share of the excess could amount to in the order of £0.43 million. However, it is not accepted that this excess sum is payable and thus it has not been provided for in the accounts.

There is the potential for disputes with 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. The contractors have not quantified their claims but it is possible that these claims, should they be pursued, could be in the order of £1.2 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. The sale is yet to be completed. The dispute is now the subject of an official adjudication with the Secretary of State having appointed an adjudicator to resolve the matter. The asset is held in the balance sheet at an earlier valuation which does not exceed the potential net proceeds.

■ 44. Analysis of Government Grants

	2006/2007		2005/2006
	£'000	£'000	£'000
Revenue Support Grant		1,860	5,917
DWP Grants for Benefits			
Rent Allowances	19,663		18,199
Rent Rebates – HRA	11,574		10,501
Local Taxation	8,283		7,512
Administration	1,110		932
Verification Framework	-		165
		40,630	
Housing Subsidy (see note below)		21	671
Homelessness		140	424
Local Authority Business Growth Incentive		509	151
DEFRA Waste Recycling		66	125
Planning Delivery Grant		642	653
Other		806	722
Total Government Grants		44,674	45,972

Note

In 2006/07 we received the balance of our subsidy entitlement for 2005/06. However we are required to make payments to the government for 2006/07 and £244,000 is included under "Other Operating Cash Payments" on page 24.

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

	Notes	2006/2007 £'000	2005/2006 £'000
(Surplus)/Deficit per Statement of Movement on the General fund Balance	Page 20	(711)	196
(Surplus)/Deficit per Collection Fund	Page 62	(603)	(150)
Net Deficit/(Surplus)		(1,314)	46
Interest		(1,701)	(926)
Non-Cash Transactions:			
Contributions from/(to) provisions		117	272
Contributions (to)/from Reserves		(2,122)	(3,621)
Contributions to Capital		(405)	(979)
Items on an Accruals Basis:			
Increase/(Decrease) in Stock and Work in Progress		11	(134)
Increase/(Decrease) in Debtors		1,754	(1,311)
Decrease/(Increase) in Creditors		403	(546)
Net Cash (Inflow)/Outflow from Revenue Activities		(3,257)	(7,199)

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

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

	2006/2007	
	£'000	£'000
Decrease in Cash in the Period	(260)	
Cash Inflow from Increase in Debt Financing	(10,000)	
Cash Outflow from Increase in Liquid Resources	5,305	
Movement in Net Debt in the Period		(4,955)
Net Debt at 1 April 2006		(20,866)
Net Cash Flow		(25,821)

■ 47. Analysis of Net Debt

	Balance 31 March 2006 £'000	Cashflow £'000	Balance 31 March 2007 £'000
Cash Overdrawn	(671)	(260)	(931)
Debt Due after One Year	(39,900)	(15,000)	(54,900)
Debt Due within One Year	(5,000)	5,000	-
Short Term Investments	24,705	5,305	30,010
Net (Debt)/Investment	(20,866)	(4,955)	(25,821)
Net PWLB Premium Paid/Discount Received		-	-
Net Cash Flow		(4,955)	(25,821)

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.

■ 48. 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.

SUPPLEMENTARY STATEMENTS

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

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 charges.

	Notes to HRA	2006/2007 £'000	2005/2006 £'000
INCOME			
Gross Rent from Council Dwellings	2 & 3	18,654	17,702
Non-Dwelling Rents	4	664	640
Charges for Services and Facilities	5	2,070	1,797
Contributions towards Expenditure		234	192
HRA Subsidy Receivable (including MRA)	13	2	690
Total Income		21,624	21,021
EXPENDITURE			
Repairs and Maintenance		5,117	4,637
Supervision and Management		7,316	7,120
Rents, Rates and Taxes		99	103
Negative HRA Subsidy Payable (including MRA)	13	179	-
Depreciation and Impairments of Fixed Assets	10 & 11	6,977	6,850
Intangible Assets and Deferred Charges written down	12	300	272
Debt Management Costs		63	56
Increased provision for Bad or Doubtful Debts	15	183	83
Total Expenditure		20,234	19,121
Net Cost of HRA Services per Income and Expenditure Account		(1,390)	(1,900)
HRA services share of Corporate and Democratic Core		341	330
Net Cost of HRA Services		(1,049)	(1,570)
(Gain)/Loss on sale of HRA fixed assets		(79)	(58)
Interest payable and similar charges	9	2,809	2,319
Premiums and discounts written down		200	200
Interest and investment income		(78)	(36)
(Surplus)/ Deficit for the Year		1,803	855

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that councils need to take into the Housing Revenue Account. In order to give a full presentation of the financial performance of the council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Statement of Movement on the Housing Revenue Account Balance to the amount established by the relevant statutory provision (see following statement, Page 54).

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the Housing Revenue account over the last twelve months. However, the authority is required to maintain the Housing Revenue Account on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension fund pensioners, rather than as future benefits earned.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

	2006/2007 £'000	2005/2006 £'000
(Surplus)/ Deficit for the year on the HRA Income and Expenditure Account	1,803	855
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(2,455)	(1,421)
(Increase)/Decrease in the Housing Revenue Account Balance	(652)	(566)
Housing Revenue Account balance brought forward	(3,204)	(2,638)
Housing Revenue Account balance carried forward	(3,856)	(3,204)

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

The net amount required to be credited to the Housing Revenue Account balance for the year is made up of the following:

	Notes	2006/2007 £'000	2005/2006 £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year			
Intangible fixed assets written down	12	(300)	(272)
Gain/(loss) on sale of HRA fixed assets		79	58
Net charges made for retirement benefits in accordance with FRS 17	7	(179)	(204)
		(400)	(418)
Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year.			
Sums directed by the Secretary of State to be debited or (credited) to the HRA that are not income or expenditure in accordance with UK GAAP	14	-	184
Transfer to/(from) Major Repairs Reserve	6	(2,772)	(2,610)
Employer's contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	7	438	396
Contribution to Insurance Fund		10	48
Capital expenditure funded by the HRA	18	269	979
		(2,055)	(1,003)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(2,455)	(1,421)

NOTES TO THE HOUSING REVENUE ACCOUNT

■ 1. Income and Expenditure Account

In the 2006/07 Statement of Accounts, the council has adopted two significant new accounting policies that impact on the comparative figures for 2005/06 in the Housing Revenue Account Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts.
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (**only figures that have changed are included in the table**):

	Housing Revenue Account in 2005/06 Statement of Accounts £'000	Removal of Capital Financing Charges £'000	Recognition of Gains and Losses on Disposal of Fixed Assets £'000	Restating Movements between General Fund and HRA £'000	2005/06 Comparatives in Income and Expenditure Account £'000
Supervision and Management	7,450	-	-	(330)	7,120
Cost of Capital Charges	12,369	(12,369)	-	-	-
Sums directed by the Secretary of State – transfers to the General fund	184	-	-	(184)	-
HRA services share of Corporate and Democratic Core	-	-	-	330	330
Impact on Net Cost of HRA Services	10,983	(12,369)	-	(184)	(1,570)
(Gain)/Loss on the disposal of fixed assets	-	-	(58)	-	(58)
Asset management revenue account/Interest payable and similar charges in 2006/07	(10,322)	12,641	-	-	2,319
Impact on (Surplus)/Deficit for the Year	825	272	(58)	(184)	855

■ 2. 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 2007 0.8% of lettable properties were vacant.

The Council was responsible for the management of approximately 6,350 properties during the year. The stock at the beginning and end of the year was made up as follows:

	31 March 2007	1 April 2006
Analysis by Type of Dwelling:		
Houses & Bungalows	3,120	3,144
Flats & Maisonettes	3,229	3,251
Total Dwellings	6,349	6,395
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,593	2,608
2 Bedrooms	1,854	1,864
3 Bedrooms	1,808	1,830
4 or more Bedrooms	94	93
Total Dwellings	6,349	6,395
The change in stock can be summarised as follows:		
Stock at the beginning of the Year	6,395	6,432
Add: Conversions	1	1
	6,396	6,433
Deduct: Sales, Demolitions, Conversions, etc.	47	38
Stock at the End of the Year	6,349	6,395

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 2007 in the 2006/07 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets	At 31 March 2007 £'000	At 1 April 2006 £'000
Operational Assets – Land, Houses and Other Property	421,505	375,064
Non Operational Assets	1,059	1,060

■ 3. 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 2007 £'000	At 1 April 2006 £'000
HRA Dwellings	763,505	750,376

■ 4. Non Dwelling Rents

These total £664,000 and are made up as follows:

Non Dwelling Rents	2006/2007 £'000	2005/2006 £'000
Garages and other Charges	589	572
Land and Other Buildings	75	68
Total	664	640

■ 5. 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 £761,000 from Supporting People charges in 2006/07 (2005/06 £731,000) is shown under Charges for Services and Facilities. This includes a figure of £692,000 (2005/06 £669,000) which is a grant receivable under the Supporting People Programme.

■ 6. Major Repairs Reserve

Major Repairs Reserve	2006/2007 £'000	2005/2006 £'000
Balance as at 1 April 2006	-	-
Transfers in – depreciation (Note 10)	6,977	6,850
Transfers out to the HRA	(2,772)	(2,610)
Capital Spending on Dwelling Stock met from Reserve	(3,066)	(4,240)
Balance as at 31 March 2007	1,139	-

■ 7. Pension Reserve

Under the full implementation of FRS17 (see Note 5, page 27) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

■ 8. HRA Capital Financing

Capital Financing	2006/2007 £'000	2005/2006 £'000
HRA Capital Expenditure		
Dwelling Stock	13,233	17,199
Non Dwelling Works	9	14
Investment in Information Technology	198	111
	13,440	17,324
Financed by:		
Supported Borrowing	10,105	12,105
Usable Capital Receipts	-	-
Revenue Contributions	269	979
Major Repairs Reserve	3,066	4,240
Total	13,440	17,324
Summary of HRA Capital Receipts		
	2006/2007 £'000	2005/2006 £'000
Sale of Council Houses – Direct	3,659	2,360
Sale of Council Houses – Deferred	46	14
Other (including shared ownership)	-	-
Total	3,705	2,374

The creation of an Arms Length Management Organisation and the achievement of the required inspection rating has attracted funding to improve Council homes. This has continued to be invested in the Decent Homes programme and a major part of the work has been funded from the £10.1m supported borrowing in 2006/07.

Receipts from the sale of Council houses have increased as 37 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 35 in 2005/06.

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 £3.705m, £2.669m was paid to the Secretary of State under the pooling arrangements. The retained balance of £1.035m can be used to finance capital expenditure (see Note 20, page 39 and Note 35, page 46).

■ 9. Interest Payable

As in previous years, the actual charge to the HRA is its share of the external interest costs of the Council. Interest is charged to the Housing Revenue Account at a "consolidated interest rate" derived by a formula specified by the Department of Communities and Local Government.

HRA Interest Charge	2006/2007 £'000	2005/2006 £'000
HRA Interest Charge	2,809	2,319

■ 10. Depreciation

Depreciation	2006/2007 £'000	2005/2006 £'000
Land – not depreciated	-	-
Dwellings	6,672	6,546
Other Property	305	304
Total	6,977	6,850

■ 11. Impairment Charges

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

■ 12. Intangible Fixed Assets

	2006/2007 £'000	2005/2006 £'000
Housing Integrated Computer System	300	272

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).

■ 13. Housing Subsidy

The 2006/07 subsidy calculation shows the introduction of the Rental Constraint Allowance which compensates Local Authorities for the effect of the rent restructuring review and the resultant capping of rent increases for 2006/07 and 2007/08.

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	2006/2007 £'000	2005/2006 £'000
Allowance for Management	3,136	2,985
Allowance for Maintenance	6,180	5,871
Allowance for Major Repairs	4,206	4,240
Rental Constraint Allowance	144	-
Admissible Allowance	24	48
ALMO Allowance	2,857	2,857
Charges for Capital	2,141	2,271
Rent	(18,854)	(17,564)
Interest on Receipts	(13)	(18)
Housing Subsidy (Payable)/ Receivable	(179)	690

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.

■ 14. 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 provided for a transfer from the HRA to the General Fund as a contribution towards the costs. 2005/06 was the final year for these transitional arrangements.

■ 15. Rent Arrears

The arrears at 31 March 2007 totalled £1.298 million. This excludes prepayments of £0.228 million, and may be analysed as follows:

Arrears	2006/2007		2005/2006	
	£'000	£'000	£'000	£'000
Due from Current Tenants	571		488	
Due from Former Tenants	727	1,298	713	1,201
Prepayments		(228)		(219)
Net Arrears		1,070		982

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 2007 the provision totalled £1.034 million.

■ 16. Exceptional or Prior Year Items

There are none.

■ 17. Revenue Balances

Out of the revenue balance of £3.8 million a sum of £2.625 million has already been committed for future use.

Revenue Balances	2006/2007 £'000	2005/2006 £'000
Revenue Balance at the beginning of the Year	3,204	2,638
Add: Housing Revenue Account Surplus	652	566
Less: Housing Revenue Account Deficit	-	-
Less: Use of Accumulated Balance	-	-
Revenue Balance at the End of the Year	3,856	3,204
Less: Committed Sum		
Investment in Housing Stock 2007/08 and Future Years	(2,462)	(2,419)
Estimate Balance Carried Forward	(162)	(218)
Uncommitted Balance	1,232	567

■ 18. 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 (£2.462 million) will be used to support spending in future years.

Further Information

Arms Length Management Organisation (ALMO) - see Note 40 on page 48.

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

COLLECTION FUND ACCOUNTS 2006/2007

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 2007

	Notes To Collection Fund	2006/2007 £'000	2005/2006 £'000
INCOME			
Council Tax	1 - 3	74,662	70,205
Non-Domestic Rates	4	47,979	45,088
Total Income		122,641	115,293
EXPENDITURE			
Precepts	5	73,183	69,467
Non-Domestic Rates:			
Payment to National Pool	4	47,733	44,843
Cost of Collection Allowance		246	245
Bad and Doubtful Debts:			
Write off of Council Tax		-	-
Provision for Council Tax Bad Debts	6	496	391
Total Expenditure		121,658	114,946
(Surplus)/Deficit for the Year – Council Tax	7	(983)	(347)
Distribution/(Collection) of Previous Estimated Surplus/Deficit	7	380	198
Net adjustments for Previous Year's Community Charges	8	-	-
Contribution from Colchester Borough Council to estimated Collection Fund Deficit (Community Charge)	9	-	(1)
(Surplus)/Deficit for the Year		(603)	(150)
Collection Fund Balance			
Balance at the Beginning of the Year		(486)	(336)
(Surplus)/Deficit for the Year		(603)	(150)
Balance at the End of the Year		(1,089)	(486)

NOTES TO THE COLLECTION FUND ACCOUNTS

■ 1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,296.73 with an estimated tax base of 56,436 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2006/2007 £'000	2005/2006 £'000
Council Tax Income		
Tax Payers	66,518	62,704
Council Tax Benefits transferred from General Fund	8,144	7,501
	74,662	70,205

■ 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	7,767	6,317	6/9	4,211
B	17,119	14,937	7/9	11,618
C	17,006	15,570	8/9	13,840
D	11,434	10,680	9/9	10,680
E	6,672	6,344	11/9	7,754
F	3,308	3,198	13/9	4,619
G	2,029	1,951	15/9	3,251
H	109	103	18/9	206
Contributions in lieu for Ministry of Defence Properties				809
Total Band D				56,988
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				552
Council Tax Base				56,436

■ 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	167,531	1,357.72
Colchester	161,855	1,296.73
Chelmsford	159,948	1,294.74
Tendring	146,635	1,285.71
Braintree	142,353	1,300.40
Epping Forest	122,394	1,312.91
Castle Point	88,152	1,329.03
Rochford	81,020	1,329.60
Harlow	78,010	1,360.44
Uttlesford	71,344	1,309.99
Brentwood	69,237	1,287.48
Maldon	62,815	1,316.89

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

Non-domestic rates are organised on a national basis. The Government specifies an amount (42.6p in 2006/07) 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.

	2006/2007 £'000	2005/2006 £'000
NNDR Income		
Bills Issued	50,853	47,818
Mandatory Reliefs	(2,628)	(2,548)
Discretionary Reliefs	(142)	(118)
Provision for Bad Debts	(174)	(130)
Net Income	47,909	45,022
General Fund contribution to Discretionary Reliefs	70	66
NNDR Income to Income & Expenditure Account	47,979	45,088
Cost of Collection Allowance	(246)	(245)
Amount Payable to NNDR Pool	47,733	44,843

The total non-domestic rateable value at 31 March 2007 was £132,134,109; the multiplier for the year was 42.6p. The product of this is £56,289,000. 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.

	2006/2007 £'000	2005/2006 £'000
Essex County Council	54,201	51,311
Colchester Borough Council	9,433	9,104
Essex Police Authority	6,263	5,857
Essex Fire Authority	3,286	3,195
Total Precepts	73,183	69,467

■ 6. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. During 2006/07 £121,000 of irrecoverable debts were written off (2005/06 £80,000).

■ 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 £380,000 was shared as shown below.

	2006/2007 £'000	2005/2006 £'000
Essex County Council	281	147
Colchester Borough Council	50	26
Essex Police Authority	32	16
Essex Fire Authority	17	9
Total Surplus	380	198

The cumulative surplus at the end of March 2007 is not required to be distributed until the following financial year. The surplus will be distributed in proportion to the value of the respective precepts as shown below:

	2006/2007 £'000	2005/2006 £'000
Essex County Council	807	360
Colchester Borough Council	140	63
Essex Police Authority	93	41
Essex Fire Authority	49	22
Total Surplus	1,089	486

This future distribution is anticipated in the presentation in the Balance Sheet (page 23).

■ 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.

■ 9. Contribution from Colchester Borough Council

No contribution was required from the Council to cover historical adjustments to Community Charge Income (Note 8).

PORT HEALTH AUTHORITY ACCOUNTS 2006/2007

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 2007

	2006/2007 £	2005/2006 £
Income:		
Certificate of Deratting Fees	45	-
Recovered from Riparian Authorities		
Colchester Borough Council	650	-
Tendring District Council	89	-
Bank Interest	16	16
Total Income	800	16
Expenditure:		
Paid to Riparian Authorities		
Colchester Borough Council	-	14
Tendring District Council	-	2
Other expenditure	800	-
Gross Expenditure	800	16
Net Expenditure	-	-

BALANCE SHEET AS AT 31 MARCH 2007

	2006/2007 £	2005/2006 £
Current Assets:		
Cash at Bank	1,689	1,673
Cash in transit	800	-
	2,489	1,673
Current Liabilities:		
Colchester Borough Council	(1,753)	(1,647)
Tendring District Council	(736)	(26)
Net Current Assets	-	-

TRUST FUND ACCOUNTS

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

■ 1. The Resident Freeman's Fund

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

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2005/2006 £	2004/2005 £
Balance as at 1 October	606	573
Add: - Interest on Investments	288	288
- Bank Interest	18	17
- Other Income	20	20
	932	898
Less: - Administration and Distribution Expenses	45	42
- Subscription	15	15
- Distribution to Freeman	230	235
Balance as at 30 September	642	606

BALANCE SHEET AS AT 30 SEPTEMBER 2006

	2005/2006 £	2004/2005 £
Assets:		
Investments	6,800	6,608
Cash at Bank	642	606
Represented by Accumulated Fund	7,442	7,214

Please note: Investments are stated at market value as at 30 September 2006. 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 2007 was £441,808. A further sum of £62,442 was held on deposit pending transfer to the Tymperleys' account.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2007

	2006/2007 £	2005/2006 £
Balance as at 1 April	51,813	50,264
Add: - Interest on Investments	14,261	13,725
- Interest on Balance	2,060	1,859
	68,134	65,848
Less: - Distribution to Tymperleys	13,979	14,035
Balance as at 31 March	54,155	51,813

BALANCE SHEET AS AT 31 MARCH 2007

	2006/2007 £	2005/2006 £
Assets:		
Investments	441,808	427,576
Debtors	-	3,098
Cash at Bank	62,442	48,714
	504,250	479,388
Liabilities:		
Creditors	(8,287)	-
Represented by Accumulated Fund	495,963	479,388

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 2007

	2006/2007 £	2005/2006 £
Balance as at 1 April	4,594	4,276
Add: - Interest Received	48	46
- Dividends	300	292
	4,942	4,614
Less: - Expenses	20	20
Balance as at 31 March	4,922	4,594

BALANCE SHEET AS AT 31 MARCH 2007

	2006/2007 £	2005/2006 £
Assets:		
Investments	8,482	8,331
Cash at Bank	4,922	4,594
Represented by Accumulated Fund	13,404	12,925

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 2007

	2006/2007 £	2005/2006 £
Balance as at 1 April	7,510	7,227
Add: - Interest received	36	39
- Dividends	259	244
Balance as at 31 March	7,805	7,510

BALANCE SHEET AS AT 31 MARCH 2007

	2006/2007 £	2005/2006 £
Assets:		
Investments	8,508	8,193
Cash at Bank	6,776	6,481
Represented by Accumulated Fund	15,284	14,674

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. One grant was paid in 2006/2007.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	2006/2007 £	2005/2006 £
Balance as at 1 April	4,420	4,161
Add: - Interest received	56	39
- Dividends	692	655
	5,168	4,855
Less: - Grants Paid	308	435
Balance as at 31 March	4,860	4,420

BALANCE SHEET AS AT 31 MARCH 2007

	2006/2007 £	2005/2006 £
Assets:		
Investments	22,008	21,249
Cash at Bank	3,460	3,021
Represented by Accumulated Fund	25,468	24,270

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 2006

	2005/2006 £	2004/2005 £
Fund Balances as at 1 October	232,009	228,353
Add: - Investment Income	4,198	4,085
	236,207	232,438
Less: - Management/Admin Expenses	429	429
Balance as at 30 September	235,778	232,009

BALANCE SHEET AS AT 30 SEPTEMBER 2006

	2005/2006 £	2004/2005 £
Fixed Asset:		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	105,326	101,128
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	238,722	234,524
Current Liabilities:		
Sundry Creditors	2,944	2,515
Total Net Assets	235,778	232,009
Represented by:		
Unrestricted Funds		
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	72,394	68,625
	235,778	232,009

■ 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 2007

	2006/2007 £	2005/2006 £
Income from functions	38,311	57,629
Less: Function related expenses	6,434	13,096
Net Income	31,877	44,533
Payments to Mayor's Charities	31,877	44,533
Net Surplus/(Deficit)	-	-

BALANCE SHEET AS AT 31 MAY 2007

	2006/2007 £	2005/2006 £
Current Assets		
Sundry Debtors	1,290	2,122
Cash at Bank	-	-
	1,290	2,122
Current Liabilities		
Sundry Creditors	-	-
Cash Overdrawn	(1,290)	(2,122)
Net Current Liabilities	-	-

■ 1. Introduction

The 2006 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 40, page 48) as a wholly owned subsidiary and prepare Group Accounts. For completeness the opportunity has been taken to include Port Health and the Trust Funds (see pages 66-73) 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 2007 on the basis of interim financial statements at this date.

During 2006/07 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.

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 6-12 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 – Investments

The investments for Trust Funds are shown at valuation.

GROUP INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2007

Expenditure on Services	Notes G2	2006/2007 Gross Expenditure £'000	2006/2007 Gross Income £'000	2006/2007 Net Expenditure £'000	2005/2006 Net Expenditure £'000
Corporate and Democratic Core		3,966	324	3,642	3,694
Non Distributed Costs		61	-	61	(2,243)
Central Services to the Public		12,700	9,969	2,731	2,371
Cultural and Related Services		11,937	5,505	6,432	6,326
Environmental Services		10,065	3,295	6,770	7,314
Planning and Development Services		5,787	4,734	1,053	739
Highways, Roads and Transport Services		5,722	5,088	634	(659)
Housing General Fund		38,042	34,620	3,422	3,272
Housing Revenue Account	G3	20,597	21,624	(1,027)	(2,091)
Social Services – Older People		913	591	322	307
Cost of Services		109,790	85,750	24,040	19,030
Net Cost of Services				24,040	19,030

	Notes		
(Gain)/ Loss on the disposal of fixed assets	2	(111)	(66)
Precepts paid to Parish Councils		617	599
Deficit/(Surplus) on Internal Trading	3	-	-
Interest Payable		3,398	2,961
Contribution of Housing Capital Receipts to Government Pool	4	2,669	1,695
Increase in Value of Trust Fund Investments		(15)	(70)
Interest and Investment Income		(1,803)	(1,722)
Pensions Interest Cost and Expected Return on Pension Assets	5/G5	1,203	1,805
Taxation of Group Entities		7	8
Net Expenditure		30,005	24,240
Demand on the Collection Fund		(9,483)	(9,128)
General Capital Contributions	6	(744)	-
General Government Grants	7	(2,438)	(6,138)
Contribution from Non-Domestic Rate Pool		(9,816)	(4,591)
(Surplus)/Deficit for the Year		7,524	4,383

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

	2006/2007 £'000	2005/2006 £'000
Deficit/(Surplus) for the year on the Authority Income and Expenditure Account (page 19)	7,277	4,703
(Surplus)/Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions):		
■ Subsidiaries (Note 40, page 48)	269	(243)
■ Trust Funds (Note G14, page 84)	(22)	(77)
Deficit/(Surplus) for the year on the Group Income and Expenditure Account	7,524	4,383

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the figure from the Authority Income and Expenditure Account needs to be reconciled in the Statement of Movement on the General Fund Balance to the amount established by the relevant statutory provision (see statement, Page 20).

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Group for the year and shows the total change in its net worth. In addition to the deficit/(surplus) generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	Notes	2006/2007 Net Expenditure £'000	2005/2006 Net Expenditure £'000
Deficit/(Surplus) for the year on the Income and Expenditure Account	Page 75	7,524	4,383
(Surplus)/Deficit – movement in share of Collection Fund balance	38	(77)	(20)
(Increase)/Decrease arising on the revaluation of fixed assets	33	(42,458)	50,310
Actuarial (gains)/losses on pension fund assets and liabilities	G5	(8,398)	(1,392)
Total recognised (gains)/loss for the year		(43,409)	53,281

In 2005/06 Council Dwellings were re-valued as at 1 April 2005. On the revaluation of Council Dwellings the vacant possession valued at Existing Use Value 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 was lower than that prescribed for the 2000 valuation. This change in the factor is the major reason for the decrease that arose on the revaluation in 2005/06.

GROUP BALANCE SHEET AS AT 31 MARCH 2007

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

The 2005/06 comparative figures have been restated in accordance with current guidance, details are provided in the supporting notes.

	Notes	31 March 2007 £'000	31 March 2006 £'000
Fixed Assets			
Intangible Fixed Assets	15	3,829	4,748
Tangible Fixed Assets	16 & 17		
Operational Assets			
Council Dwellings		421,505	375,064
Other Land and Buildings		61,421	64,872
Operational Equipment		3,896	3,394
Infrastructure Assets		3,372	2,842
Community Assets		275	275
Non-Operational Assets			
Investment Properties		26,299	27,833
Assets under Construction		11,070	5,540
Surplus Assets held for Disposal		12,934	12,769
Total Fixed Assets		544,601	497,337
Investments (Long Term)	G8	449	3,434
Long Term Debtors	23	630	610
Deferred Premiums on the early repayment of debt	24	1,758	2,061
Total Long Term Assets		547,438	503,442
Current Assets			
Stock	25	163	152
Debtors	G9	12,904	10,490
Investments (Short Term)		30,010	24,705
Cash and Bank		-	-
Total Current Assets		43,077	35,347
Current Liabilities			
Short Term Borrowing		-	(5,000)
Creditors	G10	(14,234)	(15,198)
Cash Overdrawn		(411)	(35)
Total Current Liabilities		(14,645)	(20,233)
Net Current Assets		28,432	15,114
Long Term Borrowing	28	(54,900)	(39,900)
Provisions	29/G11	(330)	(413)
Capital contributions – Deferred	30	(18,982)	(12,137)
Deferred discounts on early repayment of debt	31	(509)	(612)
Pension Scheme Liability	G5	(39,873)	(47,627)
Total Net Assets		461,276	417,867
Represented by:			
Fixed Asset Restatement Account	33	383,869	349,981
Capital Financing Account	34/G12	90,300	92,648
Usable Capital Receipts Reserve	35	9,226	7,277
Deferred Capital Receipts	36	129	175
Pensions Reserve	G5	(39,873)	(47,627)
Earmarked Reserves	37	10,008	9,139
Revenue Balances	38	6,704	5,264
Colchester Borough Homes Ltd Reserves	G13	201	320
Trust Funds	G14	712	690
Total Equity	32 & G15	461,276	417,867

THE GROUP CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2007

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

	Notes	2006/2007 £'000	2005/2006 £'000
Net Cash (Inflow)/Outflow from Revenue Activities	G17	(3,097)	(7,170)
Returns on Investments and Servicing of Finance			
Payments			
Interest Paid		3,172	2,627
Receipts			
Interest Received		(1,522)	(1,770)
Net Cash Outflow from Returns on Investments and Servicing of Finance		1,650	857
Taxation		7	5
Capital Activities			
Payments			
Purchase of Fixed Assets		24,277	24,935
Other Capital Cash Payments		2,083	4,300
Purchase of Long Term Investments		-	-
Total Payments		26,360	29,235
Receipts			
Sale of Fixed Assets		8,734	6,154
Capital Grants Received		5,872	3,218
Other Capital Cash Income		5,243	205
Total Receipts		19,849	9,577
Net Cash Outflow/(Inflow) from Capital Activities		6,511	19,658
Net Cash Outflow/(Inflow) before Financing	G18/G19	5,071	13,350
Management of Liquid Resources			
Net Increase/(Decrease)/ in Short Term Deposits	G20	5,305	(1,071)
Financing			
Payments			
Repayments of Amounts Borrowed		7,400	2,000
PWLB Premium Paid		-	-
Receipts			
New Loans Raised		17,400	14,000
Discounts Received		-	-
Net Cash (Inflow)/Outflow from Financing		(10,000)	(12,000)
Decrease /(Increase) in Cash		376	279

NOTES TO THE GROUP FINANCIAL STATEMENTS

G1

Specific notes for the Group Statements are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Statements are set out on pages 25-52 and the group statements cross reference to them where relevant.

G2

The 2005/06 comparative figures have been restated in accordance with current guidance. These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (**only figures that have changed are included in the table**):

	Group Income and Expenditure Account in 2005/06 Statement of Accounts £'000	Adjustment to value of assets disposed of £'000	Restating Movements between General Fund and HRA £'000	2005/06 Comparatives in Income and Expenditure Account £'000
Corporate and democratic core	3,364	-	330	3,694
Housing general fund services	3,088	-	184	3,272
Local Authority Housing (HRA)	1,577	-	(514)	(2,091)
(Surplus)/Loss on the disposal of fixed assets	(2,942)	2,876	-	(66)
Impact on Net Operating Expenditure	21,364	2,876	-	24,240

G3

Colchester Borough Homes Ltd is a wholly owned subsidiary of the Council (See Note 40, page 48). The Council has 46% voting right on the Board of Colchester Borough Homes Ltd and the Council as well as the Board agrees the annual delivery plan.

G4

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

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.

Transactions Relating to Retirement Benefits

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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Group Income and Expenditure Account during the year:

	Local Government Pension Scheme			2005/2006 Total £'000
	CBC £'000	CBH £'000	2006/2007 Total £'000	
Net Cost of Services:				
Current Service Cost	3,050	521	3,571	3,050
Past Service Gain	-	-	-	(2,023)
Settlement/Curtailment	60	-	60	(463)
Net Operating Expenditure:				
Interest Cost	6,653	482	7,135	6,870
Expected Return of Assets in the Scheme	(5,387)	(545)	(5,932)	(5,065)
	4,376	458	4,834	2,369

For 2005/06 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 reduced 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 staff transferred to the County Council on 1 April 2005. The actuary assessed that this has reduced our estimated future net liabilities. This is the main factor within the 2005/06 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 75) 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 2008 are:

- for the Council 158% of employees' contribution plus lump sums for back-funding £3,882,000 (2005/2006 £3,424,000)
- for Colchester Borough Homes Ltd 185% plus lump sums for back-funding £308,000 (2005/2006 £275,000)

We pay contributions to the County fund monthly in arrears so at 31 March 2007 the sum of £343,000 for the March employer's contributions has been included in the accounts as a creditor.

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 £1,951,000 for 2006/07 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 £25,000 for 2006/07 and this is expected to increase to £26,000 for 2007/08.

The next revaluation as at 31 March 2007 is currently underway and 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.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2007 are as follows:

	CBC £'000	CBH £'000	31 March 2007 Total £'000	31 March 2006 Total £'000
Estimated Liabilities in Scheme	135,292	10,065	145,357	145,814
Estimated Assets in Scheme	95,697	9,787	105,484	98,187
Net Liability	39,595	278	39,873	47,627

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £39.9 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 designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

Basis for Estimating Assets and Liabilities

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 2007 %	31 March 2006 %
Rate of inflation	3.1	2.9
Rate of increase in salaries	4.6	4.4
Rate of increase in pensions (parts of pensions in payment representing guaranteed minimum pensions are not increased (pre 1998 accrual) or increased at 2.0% per annum (post-1998 accrual)).	3.1	2.9
Rate for discounting scheme liabilities	5.4	4.9
Take up of option to convert annual pension into retirement grant	50.0	50.0

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £2,952 million for the Fund as a whole at 28 February 2007 (£2,797 million at 31 March 2006). The fund's assets consist of the following categories, by proportion with the expected rates of return shown.

	31 March 2007		31 March 2006	
	Proportion	Expected Return	Proportion	Expected Return
	%	%	%	%
Equity investments	69.3	7.5	70.5	7.0
Gilts	9.9	4.7	10.4	4.3
Other Bonds	6.3	5.4	5.6	4.9
Property	12.5	6.5	11.6	6.0
Other assets	2.0	5.25	1.9	4.5
	100.0	6.9	100.0	6.4

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.

Pensions Reserve

	CBC	CBH	2006/2007 Total	2005/2007 Total
	£'000	£'000	£'000	£'000
Balance at the Beginning of the Year	(46,816)	(811)	(47,627)	(50,349)
Actuarial Gain/(Loss)	7,715	683	8,398	1,392
Transfer (to)/from Revenue	(494)	(150)	(644)	1,330
Balance at the End of the Year	(39,595)	(278)	(39,873)	(47,627)

The reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17. 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.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	CBC	CBH	2006/2007		2005/2006		2004/2005		2003/2004	
			£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	1,067	106	1,173	1.1	15,333	13.0	3,707	4.7	9,582	13.2
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	(2,714)	1.9	(2,323)	1.8	(903)	0.9
Changes in the demographic and financial assumptions used to estimate liabilities	6,648	577	7,225	5.0	(11,227)	7.7	(19,714)	15.2	(367)	0.4
	7,715	683	8,398	5.8	1,392	1.0	(18,330)	14.1	8,312	11.5

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) 2006/2007	Number of Employees (left during the year) 2005/2006
£50,000 - £59,999	4	8 (1)
£60,000 - £69,999	6	-
£70,000 - £79,999	2	4 (1)
£80,000 - £89,999	-	1 (1)
£90,000 - £99,999	-	1
£100,000 - £109,999	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	2006/2007 Total £'000	2005/2006 Total £'000
Core External Audit Services	102	6	108	110
Investigation of objection to 2003/04 Accounts	-	-	-	22
Statutory Inspection	3	-	3	4
Certification of Grant Claims	54	-	54	37
Other Services - National Fraud Initiative	1	-	1	-
- Internal Audit	-	11	11	15
	160	17	177	188

G8 – Long Term Investments

	Balance as at 31 March 2007			31 March 2006
	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	429	439	424
Term Deposits	-	-	-	3,000
Total Long Term Investments	20	429	449	3,434

G9 – Debtors

	Value as at 31 March 2007				31 March 2006
	CBC £'000	CBH £'000	Trust Funds £'000	Total £'000	Total £'000
Sums falling due within One Year:					
Non-domestic Rate Arrears	803			803	939
Contribution to NNDR Pool	731			731	
Council Tax Arrears	3,887			3,887	3,420
Government Departments	1,920			1,920	382
Council Tenants	1,298			1,298	1,201
Essex County Council	1,584			1,584	438
Customs and Excise (VAT)	1,038			1,038	817
General Debtors	6,211	343	1	6,555	7,647
Total Due within One Year	17,472	343	1	17,816	14,844
Sums falling due after One Year:					
General Debtors	-	-	-	-	-
Total Due after One Year	-	-	-	-	-
Gross Debtors	17,472	343	1	17,816	14,844
Less Provision for Doubtful Debts	(4,912)	-	-	(4,912)	(4,354)
Total Debtors	12,560	343	1	12,904	10,490

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

G10 – Creditors

	Value as at 31 March 2007				31 March 2006
	CBC £'000	CBH £'000	Trust Funds £'000	Total £'000	Total £'000
Non-Domestic Rate Prepayment	1,858			1,858	1,384
Council Tax Prepayment	2,483			2,483	1,994
Contribution to NNDR Pool	-			-	900
Interest Payable	957			957	926
Government Departments	1,265	128		1,393	1,238
Council Tenants	250			250	237
Contractors' Deposits	83			83	538
Essex County Council	1,457	41		1,498	1,727
Contractors re Capital Schemes	1,336			1,336	2,493
General Creditors	4,220	128	28	4,376	3,761
Total Creditors	13,909	297	28	14,234	15,198

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

The 2005/06 comparative figures have been restated in accordance with current guidance. Creditors have been increased by the precepting authorities' share of the Collection fund balance (See Note 38, page 47 and Note 7, page 65).

G11 – Provisions

Category of Provision	Balance at 1 April 2006 £'000	Contribution From Revenue in the Year £'000	Payments in the Year £'000	Balance at 31 March 2007 £'000
Colchester Borough Council (see Note 29, page 42)	390	14	98	306
Colchester Borough Homes Ltd	23	1	-	24
Total Provisions	413	15	98	330

The Colchester Borough Homes Ltd provision is for building reinstatement.

G12 – Capital Financing Account

	2006/2007 £'000	2005/2006 £'000
Colchester Borough Council	90,217	92,565
Trust Funds	83	83
Total at 31 March	90,300	92,648

G13 – Colchester Borough Homes Ltd Reserves

	Balance at 1 April 2006 £'000	Transfer (to)/ from Revenue £'000	Balance at 31 March 2007 £'000
Income and Expenditure Account	320	(119)	201
Other Reserves	-	-	-
Total Reserves	320	(119)	201

The reserves are retained to cover changes in spending plans between years and to provide working capital.

G14 – Trust Funds

	2006/2007 £'000	2005/2006 £'000
Balance at 1 April 2006	690	613
Addition in Year	22	77
Balance at 31 March 2007	712	690

G15 – 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 2007 £'000	31 March 2006 £'000
General Fund	456,507	413,653
Housing Revenue Account	4,057	3,524
Trust Funds	712	690
Total Net Worth	461,276	417,867

The 2005/06 comparative figures have been restated in accordance with current guidance. The order of the items in the Balance sheet has been rearranged to match the change in net worth to that shown in the Statement of Total Recognised Gains and Losses (Page 76).

G16 – Post Balance Sheet Events

The accounts were authorised for issue on 28 June 2007.

There are no items which have arisen after the closure of the 2006/07 accounts which would materially affect these accounts.

Pension Disclosure (Note G5, page 79)

The change from an estimated net liability of £47,627 million at 31 March 2006 to an estimated net liability of £39,873 million at 31 March 2007 is the result of two factors (Note G5, page 79). Investments performed well over the year to 31 March 2007 and provided a higher than expected return. Furthermore, actuarial assumptions used for the liabilities calculation at 31 March 2007 were less conservative than those used as at 31 March 2006, driven by the yields on corporate bonds. The result has been an improvement in the position on estimated liabilities which, along with the asset gain, has led to a significant reduction in the overall liability.

The £39,873 million net liability represents the difference between the value of the Group's pension fund assets at 31 March 2007 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 2007 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 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 next revaluation as at 31 March 2007 is currently underway and will provide a further review. The results will be implemented with effect from 1 April 2008.

G17 – Reconciliation of Group Income and Expenditure Account to Revenue Activities Cash Flow

	Notes	2006/2007 £'000	2005/2006 £'000
(Surplus)/Deficit per Statement of Movement on the General Fund Balance	Page 20	(711)	196
Deficit/(Surplus) Colchester Borough Homes Ltd	Page 85	119	(283)
(Surplus)/Deficit per Collection Fund	Page 62	(603)	(150)
Net (Surplus)/ Deficit		(1,195)	(237)
Interest		(1,650)	(857)
Taxation		(7)	(5)
Non-Cash Transactions:			
Contributions from/(to) provisions		116	271
Contributions (to)/from Reserves		(2,129)	(3,471)
Contributions to Capital		(405)	(979)
Items on an Accruals Basis:			
Increase/(Decrease) in Stock and Work in Progress		11	(134)
Increase/(Decrease) in Debtors		1,814	(1,192)
Decrease/(Increase) in Creditors		348	(566)
Net Cash (Inflow)/Outflow from Revenue Activities		(3,097)	(7,170)

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.

G18 – Reconciliation of the Net Cash Flow to the Movement in Net Debt

	2006/2007 £'000	£'000
Decrease in Cash in the Period	(376)	
Cash Inflow from Increase in Debt Financing	(10,000)	
Cash Outflow from Increase in Liquid Resources	5,305	
Movement in Net Debt in the Period		(5,071)
Net Debt at 1 April 2006		(20,230)
Net Cash Flow		(25,301)

G19 – Analysis of Net Debt

	Balance 31 March 2006 £'000	Cashflow £'000	Balance 31 March 2007 £'000
Cash In Hand/(Overdrawn)	(35)	(376)	(411)
Debt Due after One Year	(39,900)	(15,000)	(54,900)
Debt Due within One Year	(5,000)	5,000	-
Short Term Investments	24,705	5,305	30,010
Net (Debt)/Investment	(20,230)	(5,071)	(25,301)
Net PWLB Premium Paid/Discount Received	-	-	-
Net Cash Flow		(5,071)	(25,301)

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.

G20 – Liquid Resources

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

Independent Auditor's Report to Colchester Borough Council

Opinion on the Financial Statements

I have audited the financial statements of Colchester Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group Accounts 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 2006 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 2006.

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 2006, the financial position of Colchester Borough Council as at 31 March 2007 and its income and expenditure for the year then ended.

Paul King
District Auditor

Date 28 September 2007
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 December 2006, I am satisfied that, 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 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 20 October 2006. 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 28 September 2007
Audit Commission,
Sheffield House,
Lytton Way, Stevenage,
Hertfordshire SG1 3HG



Printed on Recycled Paper

Published by Financial Services, Colchester Borough Council