



Statement of Accounts 2008 / 2009



**COLCHESTER BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009**

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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 20)

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 24)

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

Balance Sheet (page 25)

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 26)

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

Capital Expenditure and Financing (page 45)

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

Housing Revenue Account (page 69)

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

Collection Fund Accounts (page 77)

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 81)

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

Trust Fund Accounts (page 82)

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

Group Accounts (page 89)

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

FOREWORD

Changes for the 2008/09 Accounts

The Council has amended the following accounting policies, in accordance with the 2008 Statement of Recommended Practice. 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 affect the following areas:

- Accounting for retirement benefits and particularly the valuation of quoted securities.
- Changes in the naming convention for expenditure that was previously classified as 'Deferred charges'

These new requirements do not impact on the results for the year or affect our financial standing with the outside world, and our financial position and resources remain unchanged. However, further new guidance concerning the amount required in the accounts to provide for the repayment of debt has resulted in a one-off saving in the Income and Expenditure Account.

Results for 2008/09

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 £23.7 million met by the precept on the Collection Fund and Government grants.

| | Original Estimate | Actual |
|---------------------------------|-------------------|-------------|
| | £m | £m |
| Total Net Spending for the Year | 23.7 | 23.7 |
| Met by: | | |
| Collection Fund Demand | 10.7 | 10.7 |
| Government Grants | 12.4 | 12.5 |
| Contribution from/(to) Balances | 0.6 | 0.5 |
| Total Financing | 23.7 | 23.7 |

Expenditure on services was £0.1 million more than estimated, but we benefitted from additional income from interest earnings, the Local Authority Business Growth Initiatives (LABGI) grant, and a number of technical adjustments that resulted in savings. The net additional interest earnings (£0.2 million) arose from higher interest rates and investment during the first half of the year. The position reflects the required treatment in respect of investments with Icelandic institutions. The 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. No LABGI payment was expected for 2008/09, however the Government announced the release of grant that had been held back pending a review of the scheme and a number of legal challenges. The Council's share of this grant was £0.1 million. 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 £2.9 million, of which £2 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. Significant items of expenditure during the year included purchase of Rowan House for £8.1 million, the completion of the Community Stadium (£4.7 million spent in 2008/09), £3.5 million for regeneration projects and £2.7 million for improvements to Council Housing.

The Council's capital spending was £25 million, £2.3 million less than programmed. This decrease was largely due to timing differences in contract payments on the major projects rather than changes in total cost of projects. Of this total, £11 million was funded from Council borrowing, £6 million was funded from the application of capital receipts, £5 million was funded from external grants and contributions, with the remainder mainly coming from General Fund and HRA revenue funding (including the Major Repairs Reserve).

The Council utilised its powers to undertake unsupported borrowing with the majority being used to fund the £8.1 million purchase of Rowan House and £3 million on the completion of the Community Stadium. This includes temporarily 'internally borrowing' using existing cash balances due to market conditions.

Capital Receipts continue to provide a significant resource to support capital spending plans, but sums received in 2008/09 were much lower than in previous years. Sale of Council houses has previously provided a regular source of funding, but only £200,000 was received in 2008/09. 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 £600,000 was received in 2008/09. The accumulated balance of £4.9 million is already planned to support capital spending from 2009/10 onwards.

The Housing Revenue Account

The Council is the major provider of rented housing in the Borough and manages approximately 6,300 properties. The Housing Revenue Account Financial Statement shows a contribution to balances for the year of £0.02 million. At the year end the Housing Revenue Account balance is £1.5 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.

Colchester Community Stadium Limited

The construction of the Community Stadium was completed and the Stadium opened in August 2008.

We set up Colchester Community Stadium Limited in June 2007 in preparation for the future management of the Community Stadium. The stadium is owned by the Council but is managed by a separate organisation, Colchester Community Stadium Limited. The company is responsible for the effective running of the entire Community Stadium as a financially viable enterprise delivering the maximum programme of community activities consistent with this objective. The Board of the Stadium Company consists of 9 directors; three directors nominated by the Council, one from Colchester United Football Club, one from Colchester United Community Sports Trust, three independents and the Chief Executive of the Stadium Company.

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 2008/09. The borrowing activities undertaken in the year are in accordance with these determinations.

New long term borrowing of £4 million was undertaken during the year, which consisted of one market loan. This was in respect of the unsupported borrowing agreed by Council to fund the building of a Community Stadium. The total loan debt at the year end was £69.4 million, which included temporary borrowing of £5.9 million.

The activities in the year included the investment of surplus funds. Investments totalling £4 million have been impaired in the accounts as a result of the Icelandic banks' default in October 2008. However, regulations issued in May 2009 allowed the Council to charge the impairments to the Financial Instruments Adjustment Account. The total funds invested at the year end were £19.5 million.

Financial Instruments

These cover our borrowings, investments, loans to individuals and more routine debtors and creditors. The requirements introduced in 2007/08 have a greater impact on the more complex investing and borrowing arrangements which generally we are not involved with. However, we are affected by some presentational changes and the requirement to give further information, particularly on investments and borrowings, in notes to the accounts. Some of the changes introduced for borrowings and investments under proper accounting practice conflict with the statutory requirements placed on local authorities, which led to the requirement for a Financial Instruments Adjustment Account to be introduced to hold the balances required to allow for these differences. The balances thus created are written down over the life of the individual financial instruments.

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 2008/09 or 2009/10 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 £51.9 million shortfall at 31 March 2009. 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, Colchester Borough Homes and Colchester Community Stadium Limited. The opportunity has also been taken to consolidate the activities of the Port Health Authority and 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 2008/09 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 2008/09 accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

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 £1.7 million. It was agreed to set balances at £1.7 million when planning the 2009/10 budget.

As at 31 March 2009 the Council's General Fund balances stood at £2.9 million. It is estimated that £0.9 million of these will be required to fund schemes carried forward from 2008/09 and to support expenditure during 2009/10. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

Outlook

The Council's Strategic Plan 2009-2012 clearly identifies priorities for action in these years. The Council continues, through its budgetary process, to ensure that the Council's limited resources are focussed on these priority areas.

The Council prepares a Medium Term Financial Forecast (MTFF) which estimates 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.

The national economic situation continues to impact on the Council's finances and the demand for certain services. Measures to mitigate the reduced income faced by the Council have been put in place and will continue to be monitored to ensure we respond appropriately as the situation changes. The Council has put in place additional measures to advise and support those most affected by the economic downturn. The 2010/11 financial year is covered by the Comprehensive Spending Review 2007 announcement of Government funding, so there is a clear indication of the level of grant income for this period. Funding for subsequent years to this has not been announced.

From 2008/09 onwards the Comprehensive Spending Review 2007 included the target that all public services will deliver at least 3% value for money gains over 2008/09 to 2010/11. No targets were set for individual local authorities, but we are required to report on efficiencies made annually. The budget process for 2009/10 and 2010/11 reflects these aims.

The Council is exploring new arrangements for the delivery of responsive repairs, planned maintenance and decent homes services for our Housing stock. From July 2008 Colchester Borough Homes (CBH) has assisted the Council with longer-term delivery of the service. The Council, CBH and contractors are working closely together to ensure there is as little disruption as possible to the repairs and maintenance service during the transition to the new arrangements.

The Council is a member of the Colchester and Ipswich Museum Service Joint Committee, which was formed with Ipswich Borough Council on 1 April 2007. As the Joint Committee was established under Sections 101 and 102 of the Local Government Act 1972, it is required to produce accounts annually and have them subjected to external audit. The draft accounts for 2007/08 and 2008/09 will be submitted to the Joint Committee for approval on 30 July 2009. A separate Joint Committee for Parking Services has been formed with Braintree District Council and Uttlesford District Council with effect from 1 April 2009. This Joint Committee will be subject to the same requirements to produce annual accounts from 2009/10.

Consultations have taken place on the revised Code of Practice on Local Authority Accounting in the United Kingdom (2009): A Statement of Recommended Practice that will apply to the 2009/10 accounts. There are a number of issues that have already been identified as potentially having an impact on the future presentation in the accounts, particularly relating to Council Tax and NNDR. A further consideration is the significant implications of the adoption of International Financial Reporting Standards (IFRSs) with effect from 2010/11.

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 2009-2012** – this sets a clear direction for the Council, and a focus for service planning and budget setting.

We also produce a wide range of other publications, booklets and leaflets, available free from the Customer Service Centre 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 ☎ 282389. 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.

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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 (2008): A Statement of Recommended Practice. This is recognised by law as representing proper accounting practices under the Local Government Act 2003.

In the 2008/09 Statement of Accounts, the Council has amended the following accounting policies, in accordance with the revised Statement of Recommended Practice:

- The Council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than at the mid-market value.
- There has been a naming convention change. Expenditure which may be capitalised under statutory provisions, but which does not result in the creation of fixed assets is now classified as 'Revenue expenditure funded from capital under statute'. This expenditure was previously classified as 'Deferred charges'. There are no changes to the accounting treatment for this type of expenditure within the Statement of Accounts.

These changes do not impact on the results for the year or affect our financial standing within the outside world, and our financial position and resources remain unchanged. However, the following revision has resulted in a one-off saving in the 2008/09 Income and Expenditure Account:

- New Government guidance has enabled a more flexible approach to assessing the level of Minimum Revenue Provision for the repayment of debt than was required under the previous statutory requirements. The guidance recommends that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with the useful life of the asset.

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 final salary 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 2008/09 determined to be 7.1%.

- 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 (2007) with the financial assumptions updated to reflect conditions at April 2008. 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 2008.
- 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 the actuarial assumptions made for the last valuation, or assumptions have been changed, actuarial gains and losses have been calculated to reflect conditions at March 2009.
- 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.

Under the 2008 Statement of Recommended Practice the Council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than at the mid-market value. This change in accounting policy has been applied for the financial year of 2008/09. The Council has elected not to restate the fair value of the scheme assets and the difference between the expected and actual return on assets for the financial years of 2004/05 and 2005/06. This election is permitted by FRS 17 (as revised). The impact of this change in accounting policy on the values reported for the prior financial years of 2006/07 and 2007/08 is to reduce the fair value of the scheme assets by £96,000 and £89,000, respectively. No restatements have been made to the values reported for the prior financial years of 2006/07 and 2007/08, as the reductions calculated in the fair value of the scheme assets are not considered to be material to the accounts.

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, provided that it yields benefits to the council for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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 adjusted to 31 March 2009 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 further proportion of these assets have been revalued in 2008/09. 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 as follows:

- where impairment losses are due to the clear consumption of economic benefits (e.g. physical damage or a deterioration in the condition of an asset) – the losses are charged to the relevant service revenue accounts
- otherwise, losses (e.g. general fall in prices) are written off against any previous revaluation gains on the relevant assets in the Revaluation Reserve, with any excess being charged to the relevant service revenue accounts.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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

■ 5. Depreciation

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

■ 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 using the straight line method, over an appropriate period relating to the asset life.

■ 7. Revenue expenditure funded from capital under statute

In the 2008 Statement of Recommended Practice there has been a naming convention change. Expenditure which may be capitalised under statutory provisions, but which does not result in the creation of fixed assets is now classified as 'Revenue expenditure funded from capital under statute'. This expenditure was previously classified as 'Deferred charges'. There are no changes to the accounting treatment for this type of expenditure within the Statement of Accounts.

Revenue expenditure funded from capital under statute represents spending which may properly be capitalised but where no tangible fixed asset is created. This type of spending has been written out as expenditure to the relevant service revenue accounts in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment 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 held for Renewal and Repairs, Insurance, Capital Expenditure, Regeneration, Asset Replacement, Heritage, Gosbecks and the Major Repairs Reserve. Details of these are given in Note 44 on page 61.

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 that is estimated taking into account age, stage of recovery and value.
- b) An insurance provision estimated on an assessment of outstanding claims. (See Note 35 page 56).

■ 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 over a period that is reasonably commensurate with the estimated useful life of the asset. 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 Adjustment 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. 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 Adjustment Account from the Statement of Movement on the General Fund Balance. Any revaluation gains, in respect of the asset disposed of, held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income above £10,000 received from disposals is accounted for as a capital receipt (note 37, page 57). 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.

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 grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the assets in the relevant service account, in line with the depreciation policy applied to them.

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 2009. 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 statutory minimum charge to revenue that the Authority considers to be prudent and is reasonably commensurate with the period over which the capital expenditure is expected to provide benefits; and
- by voluntary contributions from revenue or from the usable proportion of the proceeds of the sale of capital assets.

The Council has implemented new minimum revenue provision guidance from the secretary of State in 2008/09.

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

■ 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 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. Fair Value

This is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In most cases, this amount will be the transaction price e.g. the amount of a loan received or investment made.

■ 15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase of early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

■ 16. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a higher effective rate of interest than the rate receivable with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are not fixed or determinable payments, income (e.g. Dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

■ 17. 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 2009. Estimates have been used where actual figures were not available. The most significant estimates are in respect of works under construction contracts that are in progress.

■ 18. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value (e.g. sale price). The majority of the stocks held by the Council are valued at cost. Work in progress on uncompleted jobs is valued at cost and includes an allocation of overheads.

■ 19. 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.

■ 20. 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.

■ 21. 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. HM Revenues and Customs have raised no objection to the Council's method of calculation which shows we are within the limit. This calculation was not required in 2008/2009 as HM Revenue and Customs, pending a review, had implemented a moratorium. However, the calculation will again be required from 1 April 2009.

The standard rate of VAT was reduced by the Government from 17.5% to 15.0% on 1 December 2008. It will revert to 17.5% on 1 January 2010.

■ 22. Group Accounts

Group Accounts have been prepared to include the accounts of the wholly owned subsidiaries of the Council (Colchester Borough Homes Limited and Colchester Community Stadium Limited), the Port Health Authority and the Trust Funds.

The Group Accounts have been prepared on the basis of implementing the 2008 Statement of Recommended Practice's 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 Resource Management.
- Manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were approved by the Accounts and Regulatory Committee at the meeting held on 30 June 2009.

Signed on behalf of Colchester Borough Council
Councillor D. Willetts
Chair of meeting approving the accounts:
Date: 30 June 2009

The Head of Resource Management's Responsibilities

The Head of Resource Management 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 Resource Management 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 Resource Management has also:

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

Head of Resource Management's Certificate

I certify that the accounts set out on pages 1 to 103 present fairly the financial position of the Council as at 31 March 2009 and the income and expenditure for the year then ended.

Charles Warboys
Head of Resource Management
30 June 2009

COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

Scope of responsibility

Colchester Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Colchester Borough 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, Colchester Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Council is also responsible for ensuring that any companies owned by the Council, and any jointly operated services, also have proper arrangements in place for the governance of their affairs.

Colchester Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.colchester.gov.uk/constitution (see part 9) or can be obtained from Colchester Borough Council, P.O. Box 884, Town Hall, High Street, Colchester, CO1 1FR.

This statement explains how Colchester Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. Which in turn directs the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 Colchester Borough 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 governance framework has been in place at Colchester Borough Council for the year ended 31 March 2009 and up to the date of approval of the annual accounts

Elements of the Framework

The framework consists of comprehensive processes that each ensure that the Authority complies with the principals of good governance. These include:

- **The Strategic Plan** – which identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.

- **The Strategic Risk Register** – which reflects the objectives of the strategic plan and identifies the implications for the Council’s governance arrangements.
- **The Constitution** – This is the fundamental basis of the authority’s governance arrangements and includes:
 - Defining and documenting the roles and responsibilities of the executive, nonexecutive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
 - Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.
 - The Policy Framework which includes the documents relating to Corporate Governance including:
 - The Local Code of Corporate Governance.
 - A risk management strategy detailing processes and controls required to manage risks.
 - The Anti-Fraud and Corruption Policy.
 - The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
 - A code of conduct which defines the standards of behaviour for all members.
 - Planning procedures Code of Practice
 - Protocol on Members/officer Relations
 - Media Protocol
 - Operational Protocol relating to Administration Arrangements
 - Monitoring Officer Protocol
 - Chief Finance Officer Protocol
 - Resources Protocol
 - A whistle blowing policy for receiving and investigating complaints from the public and staff.
 - Gifts and Hospitality Guidance.
- **The operation of the Finance and Audit Scrutiny Panel** which undertakes the core functions of an audit committee, as identified in CIPFA’s document ‘Audit Committees – Practical Guidance for Local Authorities’.
- **The operation of the Strategic Overview and Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council’s policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **The operation of a Standards Committee**, that enforces the code of conduct for members.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A members training programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **A partnership strategy** that ensures that the quality of the Council’s partnerships are improved and that all partnerships, both current and proposed, add value.
- **Treasury management practices and policies.**

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

Colchester Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates including the Benefits Fraud Inspectorate, Equal Opportunities Commission, Lexcel, Investors In People, the Vehicle Inspectorate, DEFRA, East England Tourist Board, the Office of Surveillance Commissioners and the Local Government Ombudsman.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. These include:

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes the requirement to report to the Finance and Audit Scrutiny Panel at least every quarter.
- **A comprehensive risk management process** that ensures the key risks across the authority, both operational and strategic, are captured and reported to senior officers and members.
- **The operation of an independent Standards Committee** that is fully briefed to review the conduct of members.
- **Reporting of key performance indicators** to the Strategic Overview and Scrutiny Panel.
- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A partnership register** that records the details of all of the partnerships that the Council is involved in.

Effectiveness of Other Organisations

The Council owns two limited companies, Colchester Borough Homes which was created in 2003 and Colchester Community Stadium Company that was created in 2007. As these are limited companies there is no requirement for them to produce Governance Statements in this format. However it is recognised by the Council that it is essential for these companies to operate effective governance procedures to ensure appropriate and cost effective service provision and protection of Council assets.

During 2008/09 an internal audit of Colchester Borough Homes' governance arrangements, and compliance with the six core principles of good governance, was carried out. Whilst there is no statutory requirement for Colchester Borough Homes to comply with the six core principles it was appropriate that the Council sought assurance that the company was being governed efficiently and effectively.

The audit achieved a substantial assurance rating and 2 priority 2 recommendations and 1 priority 3 recommendation were made. These related to availability of documents on the website, a checklist for board member induction and introducing a corporate document standard and all have been agreed by management. During the year meetings were held with the management of Colchester Borough Homes and the Audit Manager of the Council to discuss control arrangements and a protocol for sharing audit reports was agreed. There were also regular service meetings between the two organisations where work plans, progress and financial arrangements were reviewed and agreed.

A review of the management arrangements for the Colchester Community Stadium Company (C.C.S.C.) was carried out as part of the preparation of this statement. Whilst C.C.S.C. is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. The review highlighted some weaknesses in control arrangements. These have been included in the action plan for 2009/10.

The Council is also the lead partner in a joint museum service with Ipswich Borough Council. Due to the nature of the arrangement, the joint museum service is required to produce its own annual governance statement. Therefore it is not intended to include any details relating to this service within this statement.

The Council participates in several partnerships and during 2008/09 a detailed register of partnerships was compiled and a comprehensive partnership strategy was developed. The strategy defines what a partnership is and details the governance arrangements that should be in place for all partnerships, both present and new. It also provides a mechanism for improving the effectiveness of the partnerships. The strategy was adopted by Cabinet in January 2009.

Internal Audit Opinion

From the work undertaken in 2008/09, 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 2009 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 complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Significant Governance Issues

The review of the effectiveness of the governance and internal control arrangements has identified some areas where actions are required to ensure that the authority continues to provide appropriate and cost effective services. The issues and action plans are shown in the table below. These will be monitored and reviewed via the Internal Audit process and progress will be reported quarterly to the Finance and Audit Scrutiny Panel.

| No. | Issue | Action |
|-----|---|---|
| 1 | <p>Colchester Community Stadium Company Whilst the stadium company operates at arms length it is necessary to ensure that there are appropriate controls in place to provide the Council with assurance that it is appropriately governed and delivering the desired outcomes.</p> | <p>A regular reporting process to the Council's scrutiny panel, including set performance indicators, will be implemented. This will cover the performance and governance of the company.</p> |
| 2 | <p>Flexible Working The Council is committed to developing flexible working practises, including home working. However it must be ensured that there are adequate governance arrangements in place to ensure that the anticipated service improvements are realised and that there is no detrimental effect on customer service.</p> | <p>Flexible working guidelines for staff and managers are already in place. An Accommodation project board oversee the changes to accommodation and a communications and consultation project team operates to involve staff.</p> |
| 3 | <p>Housing Repairs Contract There is currently an interim arrangement for the provision of essential housing repairs and it is anticipated that a full contract for the provision of the repairs service will be tendered during 2009/10. It has to be ensured that comprehensive controls are put in place for any arrangement going forward.</p> | <p>A comprehensive monitoring framework will be introduced to ensure that the future arrangements are properly set out and controlled.</p> |

| | |
|---|--|
| <p>4 Performance Management We acknowledge the need to review elements of our performance management arrangements given the change in the National Framework. There is also a need for improvement in specific areas, including ongoing performance monitoring of key performance indicators and project management arrangements.</p> | <p>New performance dashboard has been developed and is being implemented to assist with improved monitoring – outcomes from this will be reviewed.</p> <p>Performance management arrangements will be reviewed to ensure the new national framework and CAA are incorporated fully, and project management processes reviewed.</p> |
| <p>5 Security of Premises An internal audit review of premises security was carried out during 2008/09, which included physical entry attempts by audit staff. The audit covered three buildings – the Town Hall, Gosbecks Road and Christchurch museum, Ipswich. The review highlighted several areas of weakness which resulted in six priority 1 recommendations relating to responsibilities and policies and procedures. All recommendations were agreed.</p> | <p>All the recommendations have been agreed and incorporated into a draft security strategy, which identifies roles and responsibilities. This will be agreed by PMB and the actions highlighted in the report will be implemented.</p> |
| <p>6 Visual Arts Facility There have been ongoing issues surrounding the delivery of the Visual Arts Facility project leading to delays in completion and increased costs. An Audit Commission review of the project was carried out in April 2009 and this highlighted areas for improvement.</p> | <p>Work has already started on implementing the recommendations made in the Audit Commission review. These will be monitored during the year and progress reported to committee.</p> |
| <p>7 'Working Practises' Legislation During the course of the budget setting process in 2008/09 a decision about removing grant funding to an external organisation was made. Insufficient information was considered when reaching the decision which resulted in a breach of the Disability Discrimination Act and the issuing of a formal monitoring officer statement.</p> | <p>The monitoring officer statement, which included recommendations for improvement, has been reported to committee. The recommendations have been agreed and will be implemented. The risk of non-compliance with working practises legislation had already been identified on the strategic risk register and this will now be reviewed to ensure that the controls are operating correctly.</p> |

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts & Regulatory Committee and we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Anne Turrell
Leader of the Council
on behalf of Colchester Borough Council
Date: July 2009

Adrian Pritchard
Chief Executive
Date: July 2009

THE CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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 2008/09 (Notes 1&2) | 2008/09 Gross Expenditure | 2008/09 Total Income | 2008/09 Net Expenditure | 2007/2008 Net Expenditure Restated |
|--|---------------------------------|----------------------------|-------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 |
| CENTRAL SERVICES | | | | |
| Democratic Representation and Management | 2,425 | 89 | 2,336 | 2,214 |
| Corporate Management | 1,919 | 538 | 1,381 | 1,416 |
| Non Distributed Costs | 1,694 | – | 1,694 | 826 |
| Central Services to the Public | | | | |
| Local Taxation (includes Council Tax Benefit) | 12,096 | 10,568 | 1,528 | 1,538 |
| Other Central Services | 1,123 | 398 | 725 | 1,254 |
| Total for Central Services | 19,257 | 11,593 | 7,664 | 7,248 |
| CULTURAL, ENVIRONMENTAL & PLANNING SERVICES | | | | |
| Cultural and Related Services | | | | |
| Culture and Heritage | 3,676 | 1,471 | 2,205 | 1,994 |
| Recreation and Sport | 6,967 | 4,278 | 2,689 | 2,612 |
| Open Spaces | 2,035 | 288 | 1,747 | 1,548 |
| Tourism | 651 | 210 | 441 | 429 |
| Environmental Services | | | | |
| Cemetery, Crematorium and Mortuary Services | 1,088 | 908 | 180 | (95) |
| Environmental Health | 3,100 | 562 | 2,538 | 1,554 |
| Community Safety | 1,300 | 429 | 871 | 708 |
| Street Cleansing (non-highway) | 1,865 | 94 | 1,771 | 1,318 |
| Waste Collection | 6,090 | 1,545 | 4,545 | 3,444 |
| Planning and Development Services | | | | |
| Building Control | 895 | 489 | 406 | 139 |
| Development Control | 179 | 215 | (36) | 1,144 |
| Planning Policy | 2,475 | 688 | 1,787 | 824 |
| Economic Development | 1,511 | 3,014 | (1,503) | (560) |
| Other Planning and Development Services | 233 | 363 | (130) | 26 |
| Total for Cultural, Environmental & Planning Services | 32,065 | 14,554 | 17,511 | 15,085 |
| HIGHWAYS, ROADS AND TRANSPORT SERVICES | | | | |
| Transport Planning and Strategy | 140 | 32 | 108 | 288 |
| Highways, Traffic Management and Road Safety | 876 | 135 | 741 | 671 |
| Parking Services | 3,654 | 5,065 | (1,411) | (2,348) |
| Public Transport | | | | |
| Concessionary Fares | 2,554 | 689 | 1,865 | 1,880 |
| Other Public Transport | 119 | 13 | 106 | 98 |
| Total for Highways, Roads and Transport Services | 7,343 | 5,934 | 1,409 | 589 |
| HOUSING GENERAL FUND | | | | |
| Private Sector Housing Renewal | 1,742 | 50 | 1,692 | 862 |
| Homelessness | 1,630 | 798 | 832 | 600 |
| Housing Benefits | 40,789 | 39,975 | 814 | 648 |
| Other Housing General Fund | 1,528 | 146 | 1,382 | 1,137 |
| Total for Housing General Fund | 45,689 | 40,969 | 4,720 | 3,247 |
| HOUSING REVENUE ACCOUNT | 62,395 | 23,752 | 38,643 | 5,903 |
| SOCIAL SERVICES – OLDER PEOPLE | 917 | 772 | 145 | 263 |
| COST OF SERVICES | 167,666 | 97,574 | 70,092 | 32,335 |

INCOME AND EXPENDITURE ACCOUNT THE YEAR ENDED 31 MARCH 2009 (continued)

| | Notes | 2008/2009 Net Expenditure £'000 | 2007/2008 Net Expenditure Restated £'000 |
|---|--------|--|--|
| Cost of Services (net) Brought Forward | 1&2 | 70,092 | 32,335 |
| (Gain)/Loss on the disposal of fixed assets (net of disposal costs) | 3 | 18 | (184) |
| Precepts paid to Parish Councils | | 801 | 743 |
| Deficit/(surplus) on Internal Trading | 4 | - | - |
| Interest payable and similar charges | | 3,900 | 3,796 |
| Contribution of Housing Capital Receipts to Government Pool | 5 & 42 | 150 | 1,886 |
| Interest and investment income | | (2,207) | (2,630) |
| Investment impairment charge | 1 | 938 | - |
| Pensions interest cost and expected return on pensions assets | 6 | 2,921 | 1,017 |
| Net Operating Expenditure | | 76,613 | 36,963 |
| Demand on the Collection Fund | | (10,749) | (10,156) |
| General Capital Contributions | 7 | (229) | (297) |
| General Government Grants | 8 | (1,636) | (2,219) |
| Non-Domestic Rates redistribution | | (10,871) | (10,231) |
| Deficit/(Surplus) for the Year | | 53,128 | 14,060 |

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 22).

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 usable capital receipts balance rather than council tax.
- Timing differences on the charges and income under Financial Instruments.
- 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 | 2008/2009 Net Expenditure £'000 | 2007/2008 Net Expenditure £'000 |
|---|---------|--|--|
| Deficit/(Surplus) for the year on the Income and Expenditure Account | Page 21 | 53,128 | 14,060 |
| Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year | Page 23 | (52,672) | (14,699) |
| (Increase)/Decrease in the General fund Balance for the Year | | 456 | (639) |
| General Fund Balance Brought Forward | | (3,347) | (2,708) |
| General Fund Balance carried forward | | (2,891) | (3,347) |

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 | 2008/2009 Net Expenditure £'000 | 2007/2008 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 | 18 | (1,678) | (1,478) |
| Depreciation and impairment of fixed assets | 19 & 21 | (44,675) | (7,681) |
| Capital Contributions Deferred written down | | 564 | 556 |
| General Capital contributions | 7 | 229 | 297 |
| Write down of revenue expenditure funded from capital under statute | | (454) | (542) |
| Gain/(loss) on sale of fixed assets (excluding disposal costs) | 3 | (11) | 296 |
| Timing differences on interest on soft loans | 41 | (138) | (46) |
| Investment impairment charge and interest receivable on impaired investments | 41 | (805) | - |
| Capital receipts not linked to the disposal of fixed assets | | 15 | - |
| Net charges made for retirement benefits in accordance with FRS 17 | 6 | (6,163) | (4,564) |
| | | (53,116) | (13,162) |
| 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 | 17 | 104 | 10 |
| Capital expenditure charged in-year to the General Fund Balance | | 455 | 1,392 |
| Premiums and discounts written down | | 200 | 200 |
| Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool | 5 & 42 | (150) | (1,886) |
| Employers' contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners | 6 | 4,648 | 4,376 |
| | | 5,257 | 4,092 |
| 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 | Page 70 | 20 | (2,358) |
| Net transfer to or (from) Major Repairs reserve | Page 73, Note 5 | (3,667) | (3,421) |
| Net transfer to or (from) other earmarked reserves | 44 | (1,166) | 150 |
| | | (4,813) | (5,629) |
| Net additional amount required to be credited to the General Fund balance for the year | | (52,672) | (14,699) |

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 | 2008/2009 Net Expenditure £'000 | 2007/2008 Net Expenditure £'000 |
|---|---------|--|--|
| Deficit/(Surplus) for the year on the Income and Expenditure Account | Page 21 | 53,128 | 14,060 |
| (Surplus)/Deficit – movement in share of Collection Fund balance | 45 | 94 | (9) |
| (Increase)/Decrease arising on the revaluation of fixed assets | 39 | 11,355 | (37,919) |
| Actuarial losses/(gains) on pension fund assets and liabilities | 6 | (4,847) | 15,488 |
| Total recognised (gains)/loss for the year | | 59,730 | (8,380) |
| Adjustment of opening position on Financial Instruments at 1 April 2007 | 41 | – | 1,460 |
| Total recognised (gains)/loss | | 59,730 | (6,920) |

BALANCE SHEET AS AT 31 MARCH 2009

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

| | Notes | 31 March 2009 £'000 | 31 March 2008 Restated £'000 |
|--|---------|---------------------------|---------------------------------------|
| Fixed Assets | | | |
| Intangible Fixed Assets | 18 | 2,097 | 3,044 |
| Tangible Fixed Assets | 19 & 20 | | |
| Operational Assets | | | |
| Council Dwellings | | 369,396 | 429,092 |
| Other Land and Buildings | | 75,863 | 61,345 |
| Operational Equipment | | 4,319 | 4,608 |
| Infrastructure Assets | | 4,038 | 4,314 |
| Community Assets | | 275 | 275 |
| Non-Operational Assets | | | |
| Investment Properties | | 51,523 | 38,068 |
| Assets under Construction | | 21,191 | 27,804 |
| Surplus Assets held for Disposal | | 15,554 | 19,325 |
| Total Fixed Assets | | 544,256 | 587,875 |
| Investments (Long Term) | 24 | 4,209 | 5,294 |
| Long Term Debtors | 25 | 550 | 425 |
| Deferred Premiums on the early repayment of debt | 26 | - | - |
| Total Long Term Assets | | 549,015 | 593,594 |
| Current Assets | | | |
| Stock | 27 | 144 | 193 |
| Debtors | 28 | 12,438 | 15,687 |
| Investments (short term) | | 15,300 | 29,857 |
| Total Current Assets | | 27,882 | 45,737 |
| Current Liabilities | | | |
| Short Term Borrowing | | (10,972) | - |
| Creditors | 29 | (12,203) | (23,135) |
| Cash Overdrawn | | (1,259) | (1,037) |
| Total Current Liabilities | | (24,434) | (24,172) |
| Net Current Assets | | | |
| | | 3,448 | 21,565 |
| Long Term Borrowing | 30 | (58,406) | (59,377) |
| Provisions | 35 | (347) | (323) |
| Capital Contributions deferred | 36 | (34,023) | (32,710) |
| Deferred discounts on early repayment of debt | 37 | - | - |
| Pension Scheme Liability | 6 | (51,939) | (55,271) |
| Total Net Assets | | 407,748 | 467,478 |
| Represented by: | | | |
| Revaluation Reserve | 39 | 23,976 | 35,907 |
| Capital Adjustment Account | 40 | 418,520 | 463,787 |
| Financial Instruments Adjustment Account | 41 | (2,049) | (1,306) |
| Usable Capital Receipts Reserve | 42 | 4,999 | 10,240 |
| Deferred Capital Receipts | 43 | 90 | 108 |
| Pensions Reserve | 6 | (51,939) | (55,271) |
| Earmarked Reserves | 44 | 9,687 | 9,019 |
| Revenue Balances | 45 | 4,464 | 4,994 |
| Total Net Worth | 38 & 46 | 407,748 | 467,478 |

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

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

| | Notes | 2008/2009 £'000 | 2007/2008 Restated £'000 |
|--|-------|--------------------|--------------------------------|
| Net Cash (Inflow)/Outflow from Revenue Activities | 53 | (902) | (6,489) |
| Returns on Investments and Servicing of Finance | | | |
| Cash outflows | | | |
| Interest Paid | | 3,617 | 3,783 |
| Cash inflows | | | |
| Interest Received | | (2,451) | (1,719) |
| Net Cash Outflow from Returns on Investments and Servicing of Finance | | 1,166 | 2,064 |
| Capital Activities | | | |
| Cash outflows | | | |
| Purchase of Fixed Assets | | 30,129 | 22,057 |
| Other Capital Cash payments | | 2,284 | 1,605 |
| Purchase of Long Term Investments | | 4,000 | 5,000 |
| Total Cash outflows | | 36,413 | 28,662 |
| Cash inflows | | | |
| Sale of Fixed Assets | | 797 | 7,545 |
| Proceeds from Long Term Investments matured in year | | 10 | - |
| Capital Grants Received | | 6,533 | 9,808 |
| Other Capital Cash Income | | 735 | 2,253 |
| Total cash inflows | | 8,075 | 19,606 |
| Net Cash Outflow/(Inflow) from Capital Activities | | 28,338 | 9,056 |
| Net Cash Outflow/(Inflow) before Financing | 54/55 | 28,602 | 4,631 |
| Management of Liquid Resources | | | |
| Net (Decrease)/Increase in Short Term Deposits | 55 | (18,450) | (1,060) |
| Financing | | | |
| Cash outflows | | | |
| Repayments of Amounts Borrowed | | - | - |
| PWLB Premium Paid | | - | - |
| Cash inflows | | | |
| New Loans Raised | | (9,930) | (3,500) |
| Discounts Received | | - | - |
| Net Cash (Inflow)/Outflow from Financing | | (9,930) | (3,500) |
| Decrease/(Increase) in Cash | | 222 | 71 |

NOTES TO THE CORE FINANCIAL STATEMENTS

■ 1. *Exceptional items, Extraordinary items and Prior period adjustments*

An exceptional item of £938,000 has been included within the Income and Expenditure Account for 2008/09. This relates to the impairment charge made for the investments held with Icelandic Banks. Further details regarding the impairment of the investments held by the Council is provided in note 31 (page 49) and note 34 (page 51).

No extraordinary events have occurred in 2008/09.

The Council is a member of the Colchester and Ipswich Museum Service Joint Committee, which was formed with Ipswich Borough Council on 1 April 2007. For accounting purposes, the Joint Committee is considered to be a joint arrangement which is not an entity (JANE). Prior period adjustments have been made to the comparatives disclosed for 2007/08, in accordance with the accounting treatment prescribed for JANEs. The adjustments were made to exclude Ipswich Borough Council's share of the Joint Committee's income, expenditure, assets, liabilities and cash flows. There is no impact on the Council's deficit of £14,060,000 reported in the Income and Expenditure account for 2007/08, as an equal adjustment of £1,250,000 has been made to reduce both the income and expenditure reported for "Cultural and Heritage". There is no impact on the Council's total net assets of £467,478,000 reported in the Balance sheet for 2007/08, as an equal adjustment of £23,000 has been made to reduce both current assets and current liabilities.

Under the requirements of the 2008 Statement of Recommended Practice, the amortisation of HRA premiums and discounts are no longer shown as part of the Income and Expenditure Account surplus/deficit for the year. These are now included as a reconciling item within the Statement of Movement on the General Fund Balance. A prior period adjustment has been made to the comparatives disclosed within the Statement of Movement on the General Fund Balance for 2007/08, to reflect this change in the accounting treatment.

■ 2. *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 6, page 29).

In the 2007/08 Statement of Accounts, the Council adopted significant new accounting policies on Financial Instruments (See accounting policies 14-16, pages 11-12), which had some impact on the figures in the Income and Expenditure Account. Under the new policies the interest "loss" on "soft loans" has been charged to the Income and Expenditure Account and is included under "Private Sector Housing Renewal". These policies have been continued for 2008/09.

In the 2008 Statement of Recommended Practice there has been a naming convention change. Expenditure which may be capitalised under statutory provisions, but which does not result in the creation of fixed assets is now classified as 'Revenue expenditure funded from capital under statute'. This expenditure was previously classified as 'Deferred charges'. There are no changes to the accounting treatment for this type of expenditure within the Statement of Accounts (See accounting policy 7, page 8).

■ 3. 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 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.)

■ 4. Trading Operations

Significant operations of a trading nature are included in this Statement of Accounts as set out below.

Trade Refuse - Included within "Waste Collection" in the Income and Expenditure Account (page 20). The deficit for the year was £168,000 on a turnover of £423,400. (2007/08 £102,500 deficit against turnover of £448,600).

Colchester Leisure World – Included within "Recreation and Sport" in the Income and Expenditure Account (page 20).

| | 2008/09 Income £'000 | 2008/09 Expenditure £'000 | 2008/09 Net Expenditure £'000 | 2007/08 Net Expenditure £'000 |
|---------------|----------------------------|---------------------------------|--|--|
| Leisure World | 3,641 | 4,835 | 1,194 | 1,122 |

The figures above include all our management and premises running costs.

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 £17,895,000 (£13,901,000 for 2007/08). These sums have been fully recharged to services.

Support services totalling £413,000 were provided to the Colchester and Ipswich Museum Service Joint Committee (£201,000 for 2007/08). Ipswich Borough Council's share of the Joint Committee's support services costs of £116,000 has been excluded from the Income and Expenditure Account (£79,000 for 2007/08). Refer to Note 48 for the details of the accounting treatment applied for the Colchester and Ipswich Museum Service Joint Committee.

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.

| | 2008/09 Chargeable £'000 | 2008/09 Non Chargeable £'000 | 2008/09 Building Control £'000 | 2007/08 Building Control £'000 |
|-------------------------------------|--------------------------------|---------------------------------------|---|---|
| Expenditure | | | | |
| Employee Expenses | 340 | 138 | 478 | 468 |
| Premises | 25 | 10 | 35 | 47 |
| Transport | 16 | 7 | 23 | 25 |
| Supplies and Services | 9 | 3 | 12 | 15 |
| Third Party Payments | 2 | 1 | 3 | 4 |
| Central and Support Service Charges | 257 | 91 | 348 | 230 |
| TOTAL EXPENDITURE | 649 | 250 | 899 | 789 |
| Income | | | | |
| Building Regulation Charges | (489) | (13) | (502) | (650) |
| (Surplus)/Deficit for Year | 160 | 237 | 397 | 139 |

Land Charges – The Local Authorities (charges for property services) Regulations 2008 require the disclosure of information relating to the costs of the land charges function. The statement below shows the total cost of the land charges function.

| | 2008/09 Land Charges £'000 | 2007/08 Land Charges £'000 |
|-------------------------------------|----------------------------------|----------------------------------|
| Expenditure | | |
| Employee Expenses | 54 | 59 |
| Transport | 1 | 1 |
| Supplies and Services | 54 | 69 |
| Third Party Payments | 43 | 86 |
| Central and Support Service Charges | 198 | 186 |
| TOTAL EXPENDITURE | 350 | 401 |
| Income | | |
| Search Fees Income | (256) | (464) |
| (Surplus)/Deficit for Year | 94 | (63) |

The above sums are included within the Income and Expenditure Account (page 20).

■ 5. Capital Receipt Pooling

We have to pay a proportion of capital receipt into a Government pool for redistribution (see Note 42, page 60).

■ 6. 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 benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

Change of Accounting Policy

Under the 2008 Statement of Recommended Practice the Council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than at the mid-market value. This change in accounting policy has been applied for the financial year of 2008/09.

The Council has elected not to restate the fair value of the scheme assets and the difference between the expected and actual return on assets for the financial years of 2004/05 and 2005/06. This election is permitted by FRS 17 (as revised).

The impact of this change in accounting policy on the values reported for the prior financial years of 2006/07 and 2007/08 is to reduce the fair value of the scheme assets by £96,000 and £89,000, respectively. No restatements have been made to the values reported for 2006/07 and 2007/08, as the reductions calculated in the fair value of the scheme assets are not considered to be material to the accounts.

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 | | | |
|---|---------------------------------|--------------|---------|--------------|
| | 2008/09 | | 2007/08 | |
| | £'000 | £'000 | £'000 | £'000 |
| Income and Expenditure Account | | | | |
| Net Cost of Services: | | | | |
| Current Service Cost | | 3,195 | | 2,722 |
| Past Service Cost | | - | | 824 |
| Settlement/Curtailment | | 47 | | 1 |
| Net Operating Expenditure: | | | | |
| Interest Cost | | 8,817 | | 7,282 |
| Expected Return of Assets in the Scheme | | (5,896) | | (6,265) |
| Effect of paragraph 41 limit | | - | | - |
| Net Charge to the Income and Expenditure Account | | 6,163 | | 4,564 |
| Statement of Movement on the General Fund Balance | | | | |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | (6,163) | | (4,564) | |
| Employers' Contributions Payable to Scheme | 4,648 | (1,515) | 4,376 | (188) |
| Actual Amount Charged against Council Tax for Pensions in the Year | | 4,648 | | 4,376 |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £4,847,000 (2007/08 – actuarial losses of £15,488,000) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains/losses recognised in the Statement of Total Recognised Gains and Losses is £10,739,000 (net actuarial losses).

In 2007/08 the provisions of the LGPS were changed by the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. These provide some increases in death benefits on accrued service which are shown as Past Service Costs. The Past Service Cost and the Settlement/Curtailment figures are shown in the Income and Expenditure Account (page 20) 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 Council is also 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 2007. The employer's contributions payable are as follows:

| | 2008/09 £'000 | 2007/2008 £'000 |
|------------------------------------|------------------|--------------------|
| Employer's equivalent contribution | 2,134 | 1,607 |
| Added years | 393 | 384 |
| Back funding | 2,074 | 2,384 |
| Strain on early retirements | 47 | 1 |
| | 4,648 | 4,376 |

We pay contributions to the County fund monthly in arrears so at 31 March 2009 the sum of £382,000 (£367,000 for 2007/08) for the March contributions has been included in the accounts as a creditor.

The results of the latest revaluation, as at 31 March 2007, were implemented with effect from 1 April 2008.

The actuary has advised that the overall funding level of the Pension Fund had increased from 71.4% in 2004 to 79.6% in 2007. The higher than anticipated investment returns and back funding contributions over this period, partially offset by increasing life expectancy, have contributed to this result. The valuation also reflects the introduction of the "new look" LGPS from 1 April 2008 under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and related regulations. The new scheme includes provision for an increase in the contributions made by employees. The valuation has set the employer's contribution rate at 11.9% until 31 March 2011 with the under funding planned to be cleared over a twenty year period. The sum required from this Council for back funding in 2009/10 is £2,169,900 (£2,074,500 for 2008/09). This sum is expected to increase to £2,269,700 by 2010/11. The next revaluation will be as at 31 March 2010 and will be implemented with effect from 1 April 2011.

Further information can be found in Essex County Council's Pension Fund's Annual Report which is available upon request from Essex County Council, Investment Team, P.O. Box 11, County Hall, Chelmsford, CM1 1LX.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--------------------------------------|--------------------|--------------------|
| 1 April | 144,914 | 135,292 |
| Current Service Cost | 3,195 | 2,722 |
| Interest Cost | 8,817 | 7,282 |
| Contributions by scheme participants | 1,197 | 1,055 |
| Actuarial (gains)/losses | (30,071) | 2,403 |
| Benefits paid | (5,147) | (4,665) |
| Past Service Costs | - | 824 |
| Curtailments | 47 | 1 |
| Settlements | - | - |
| 31 March | 122,952 | 144,914 |

Reconciliation of fair value of the scheme assets:

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--------------------------------------|--------------------|--------------------|
| 1 April | 89,643 | 95,697 |
| Expected rate of return | 5,896 | 6,265 |
| Actuarial gains/(losses) | (25,224) | (13,085) |
| Employer contributions | 4,648 | 4,376 |
| Contributions by scheme participants | 1,197 | 1,055 |
| Benefits paid | (5,147) | (4,665) |
| Settlements | - | - |
| 31 March | 71,013 | 89,643 |

The expected rate of return on scheme assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected investment return on government bonds is based on the yield on 20 year fixed interest gilts at the relevant date. The expected investment return on corporate bonds is based on market yields at the relevant date, restricted to 2% p.a. over and above that available on gilts, reflecting an increased risk of default in the corporate bond yield. The expected return on equities is the yield on 20 year fixed interest gilts plus an allowance for the 'risk premium' associated with equity investments.

The actual return on scheme assets in the year was a negative return of £19,239,000 (A negative return of £4,034,000 for 2007/08).

Scheme History

| | 2008/09 £'000 | 2007/08 £'000 | 2006/07 £'000 | 2005/06 £'000 | 2004/05 £'000 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Present value of liabilities | 122,952 | 144,914 | 135,292 | 136,318 | 122,471 |
| Fair value of assets | 71,013 | 89,643 | 95,697 | 89,502 | 73,152 |
| Deficit in the scheme | 51,939 | 55,271 | 39,595 | 46,816 | 49,319 |

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £51,939,000 has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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.

The total contributions expected to be made by the Council to the pension scheme for the year to 31 March 2010 is £4,696,000.

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 31 March 2007.

The principal assumptions used by the actuary were:

| | 31 March 2009 % | 31 March 2008 % |
|--|-----------------------|-----------------------|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity Investments | 7.5 | 7.5 |
| Government Bonds | 4.0 | 4.6 |
| Other Bonds | 6.0 | 6.1 |
| Property | 6.5 | 6.5 |
| Other assets | 0.5 | 5.25 |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.0 | 22.0 |
| Women | 24.9 | 24.8 |
| Longevity at 65 for future pensioners: | | |
| Men | 23.1 | 23.1 |
| Women | 25.9 | 25.9 |
| Rate of inflation | 3.3 | 3.6 |
| Rate of increase in salaries | 4.8 | 5.1 |
| Rate of increase in pensions | 3.3 | 3.6 |
| Rate for discounting scheme liabilities | 7.1 | 6.1 |
| Take up of option to convert annual pension into retirement lump sum | 50.0 | 50.0 |

The County Council Pension Fund's assets consist of the following categories, by proportion of the total assets held:

| | 31 March 2009 % | 31 March 2008 % |
|---|-----------------------|-----------------------|
| Proportion of total assets held: | | |
| Equity investments | 74.5 | 70.2 |
| Gilts | 8.7 | 9.4 |
| Other Bonds | 5.3 | 6.6 |
| Property | 9.8 | 10.7 |
| Other assets | 1.7 | 3.1 |
| | 100.0 | 100.0 |

The above figures have been provided by the actuary 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.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2009:

| | 2008/09 % | 2007/08 % | 2006/07 % | 2005/06 % | 2004/05 % |
|---|--------------|--------------|--------------|--------------|--------------|
| Differences between the expected and actual return on assets | (35.4) | (11.5) | 1.1 | 15.6 | 4.7 |
| Differences between actuarial assumptions about liabilities and actual experience | - | 2.8 | - | 1.7 | 2.5 |

Pension Reserve

The Pension 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.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|---------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year | (55,271) | (39,595) |
| Actuarial (Loss)/Gain | 4,847 | (15,488) |
| Transfer (to)/from Revenue | (1,515) | (188) |
| Balance at the End of the Year | (51,939) | (55,271) |

The change from an estimated net liability of £55,271,000 at 31 March 2008 to an estimated net liability of £51,939,000 at 31 March 2009 is the net result of a number of factors. Investments performed significantly worse than previously assumed over the year to 31 March 2009. There has been an improvement in the position of the estimated liabilities as the actuarial assumptions used for the liabilities calculation at 31 March 2009 were less conservative than those used as at 31 March 2008. This was as a result of the yields on corporate bonds rising and inflation expectations falling during the year. The net result has been a decrease in estimated liabilities, which has more than offset the decline seen in asset performance and has led to a reduction in the overall liability.

The £51,939,000 net liability represents the difference between the value of the Council's pension fund assets at 31 March 2009 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 2009 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 actuary in their full actuarial review of the Pension Fund as at 31 March 2007. Their advice on the shortfall in the funding of the scheme at that time has determined the future level of pension contributions which were implemented from 1 April 2008. The sum required from this Authority for back funding is £2,169,900 for 2009/10 and this is expected to increase to £2,269,700 for 2010/11. The under funding is planned to be cleared over a twenty year period. The position is reviewed annually and the next full revaluation will be as at 31 March 2010. The results of the 2010 valuation will be implemented with effect from 1 April 2011.

■ 7. 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 Adjustment Account in the Statement of Movement on the General Fund Balance.

■ 8. General Government Grants

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

- Under the Local Authority Business Growth Incentive a proportion of the growth in business rates is returned to the authority – £99,998 (2007/08 – £502,345).
- In 2008/09 the Council received an Area Based Grant totalling £22,500, which has been spent by the Council during the year. This grant replaces the Local Area Agreement Grant of £297,972, which was paid to the Council in 2007/08 (Note 15, page 38).

■ 9. 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.

■ 10. Local Authority (Goods and Services) Act 1970

Under the Local Authority (Goods and Services) Act 1970, the Council can enter into agreements with other local authorities and other prescribed bodies, to supply goods and materials, provide administrative, professional or technical services, provide vehicles, plant or apparatus and carry out maintenance works on land and buildings.

The accounts include the following income from other local authorities and other prescribed bodies:

| | 2008/09 £'000 | 2007/08 £'000 |
|--------------------------------|------------------|------------------|
| Building inspection | 1 | 10 |
| Debt recovery | 10 | 17 |
| Heritage and conservation | 1 | 10 |
| Grounds maintenance | 114 | 86 |
| Helpline monitoring and rental | 2 | 2 |
| Parking enforcement | 107 | 80 |
| Traffic management | 7 | 9 |
| Waste collection | 19 | 23 |
| | 261 | 237 |

The charges levied by the Council reflect the full cost of providing the services and supplies to other local authorities and other prescribed bodies.

In addition, the Council provided a range of professional and other services to Colchester Borough Homes Limited, which is responsible for managing and maintaining the Council's housing stock. The income received by the Council for these services was £446,000 (£439,000 for 2007/08).

■ 11. Expenditure on Publicity

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

| | 2008/09 £'000 | 2007/2008 £'000 |
|---|------------------|--------------------|
| Staff Recruitment | 158 | 95 |
| Tourism | 488 | 372 |
| Industry and Commerce | 47 | 38 |
| Miscellaneous Advertising & Publications | 180 | 139 |
| Total Net Expenditure on Publicity | 873 | 644 |

■ 12. Members and Employees

The total of Members' allowances and expenses paid in the year was £542,358 (£527,574 in 2007/2008) and this is included within Democratic Representation and Management in the Income and Expenditure Account (page 20). 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.

| | 2008/2009 | 2007/2008 |
|-------------------------------------|------------|------------|
| Central services | 23 | 20 |
| Cultural & related services | 222 | 234 |
| Environmental services | 266 | 248 |
| Planning & development services | 67 | 70 |
| Highways, roads & transport | 50 | 53 |
| Housing general fund | 89 | 94 |
| Administration and support services | 187 | 192 |
| | 904 | 911 |

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 | |
|---------------------|---------------------|---------|
| | 2008/09 | 2007/08 |
| £50,000 - £59,999 | 10 | 5 |
| £60,000 - £69,999 | 7 | 7 |
| £70,000 - £79,999 | - | 1 |
| £80,000 - £89,999 | 1 | 2 |
| £90,000 - £99,999 | 2 | 1 |
| £100,000 - £109,999 | - | - |
| £110,000 - £119,999 | 1 | 1 |
| £160,000 - £169,999 | 1 | - |

The totals for 2008/2009 include five employees who left the Council in the year.

■ 13. Audit Costs

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

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| Core external audit services | 131 | 115 |
| Statutory inspection | 6 | 6 |
| Certification of Grant Claims | 65 | 40 |
| Other Services – National Fraud Initiative | 2 | 1 |
| | 204 | 162 |

■ 14. Related Party Transactions

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

| | 2008/2009 | | 2007/2008 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Receipts £'000 | Payments £'000 | Receipts £'000 | Payments £'000 |
| Central Government: | | | | |
| Revenue Grants (see Note 52, page 67) | 53,502 | | 49,772 | |
| Non-Domestic Rate Income from National Pool | 10,871 | | 10,231 | |
| Capital Grants | | | | |
| - Department of Communities and Local Government | 1,035 | | 4,064 | |
| - English Heritage | 84 | | 10 | |
| - Regeneration Budget (EEDA) | - | | 2,457 | |
| - Her Majesty's Court Service | 20 | | - | |
| - Department for Environment and Rural Affairs | 2 | | 115 | |
| - Arts Council England | 651 | | 2,205 | |
| - Football Foundation | 578 | | 1,500 | |
| - Department of Culture, Media and Sport | 52 | | - | |
| Essex County Council: | | | | |
| Precept (see Collection Fund Notes 5 & 7, page 79/80) | | 61,716 | | 58,402 |
| Supporting People | 733 | | 758 | |
| Countywide Concessionary Travel Scheme | | 2,212 | | 1,881 |
| Trade Waste Disposal | | 132 | | 164 |
| Contributions to Capital Schemes | 111 | | 873 | |
| Recycling Credits | 750 | | 752 | |
| Joint Use of Sports Centres | 18 | 150 | 18 | 148 |
| Other, including County Supplies | 257 | 1,432 | 240 | 771 |
| On Street Parking (Decriminalisation) | | 24 | | 57 |
| Community Projects | 58 | | 88 | |
| Essex County Council Pension Fund | | | | |
| Employers Contributions (see Note 6, page 29) | | 4,648 | | 4,376 |
| Colchester Borough Homes Limited (see Note 47, Page 62) | 446 | 3,510 | 439 | 3,376 |
| 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 | | 1,039 | | 1,153 |
| The payments are grants and precepts to support services provided by Parish Councils. | | | | |
| Colchester Primary Care Trust | 10 | | 21 | |
| Contributions for joint finance schemes for housing special needs and health promotion. | | | | |
| Mercury Theatre Company – Grant | | 298 | | 298 |
| 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 87). | | | | |
| Colchester United Football Club | - | | 15 | |
| 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 being built on land owned by the Council. | | | | |

Colchester Community Stadium Limited
(see Note 47, Page 62)

We have provided a loan for initial working capital to the company and have received advance rent for the Community Stadium.

| | | | |
|-----|---|-----|----|
| 250 | - | 250 | 35 |
|-----|---|-----|----|

Voluntary Organisations – Grants

| | | |
|-------------------------------------|-----|-----|
| Arts Development | 354 | 334 |
| Welfare Organisations | 142 | 199 |
| Village Halls and Community Centres | 78 | 59 |
| Community Partnership Schemes | 387 | 181 |
| Recreation Development | 61 | 25 |
| Housing Groups | 62 | 28 |
| Shopmobility (Joint with CCVS) | 23 | 22 |
| Other | 77 | 22 |

Economic Development Activities – Grants

| | | |
|---------------------------------------|----|----|
| Colchester Town Centre Partnership | - | 70 |
| Colchester Business Enterprise Agency | 21 | 31 |
| Other | 47 | 49 |

■ **15. Local Area Agreement (LAA)**

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA completed the final year of its three year agreement.

The purpose of the LAA is:

To form an agreement between the Essex Partnership, Essex County Council, Essex’s Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex’s twelve Local Strategic Partnerships and District and Borough Councils, and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen outcomes that are regarded as being key to making Essex a better place to live and work.

- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The LAA partners are:

■ **Local Government Bodies:**

Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council, Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.

■ **Local Strategic Partnerships (LSP):**

Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.

■ **Community Protection Authorities:**

Essex County Fire and Rescue, Essex Police, National Probation Service.

■ **Health Bodies:**

South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT and North East Essex PCT, Basildon and Thurrock University Hospitals NHS Foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority.

■ **Learning Bodies:**

Essex Learning and Skills Council, Essex Southend and Thurrock Connexions, University of Essex.

■ **Voluntary Organisations:**

Essex County for Voluntary Youth Services.

■ **Other Organisations:**

Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

In 2007/08 the Council received an LAA grant of £297,972 to support its own services. In 2008/09 this grant has been replaced by an Area Based Grant, which is a non-ring fenced general grant. The Council received £22,500 in 2008/09 (Note 8, page 34).

■ **16. Leasing**

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

The Council has entered into a number of leasing agreements in respect of land and buildings, computer and office equipment and vehicles, all of which are categorised as operating leases. All these arrangements provide for charges to be made evenly throughout the period of the lease.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------|--------------------|--------------------|
| Land & Buildings | 591 | 521 |
| Vehicles & Equipment | 797 | 694 |
| Total | 1,388 | 1,215 |

The Authority is committed to making payments of £1,354,000 in 2009/2010, comprising the following:

| | Land & Buildings £'000 | Vehicles & Equipment £'000 | Total £'000 |
|---|---------------------------|-------------------------------|----------------|
| Leases expiring in 2009/2010 | - | 140 | 140 |
| Leases expiring between 2010/2011 and 2013/2014 | 187 | 623 | 810 |
| Leases expiring after 2013/2014 | 404 | - | 404 |
| Total | 591 | 763 | 1,354 |

(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 2008/2009 were £2,709,000 (2007/2008 £2,384,000).

The gross value of land and buildings held by the Council for use in operating leases was £69,026,000 (2007/2008 £61,229,000) and the accumulated depreciation charges for these assets to 31 March 2009 was £307,000 (2007/2008 £130,000).

■ 17. 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.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------------------|--------------------|--------------------|
| Non-Housing Amount | 104 | 10 |
| Minimum Revenue Provision | 104 | 10 |

The Council has assessed its MRP for 2008/09 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The MRP for 2008/09 relates to capital expenditure incurred before 1 April 2008, which will continue to be charged at the uniform rate of 4% of the adjusted Capital Financing Requirement, in accordance with option 1 of the guidance.

The Council will apply option 3 of the guidance (Asset Life Method) for calculating MRP on capital expenditure incurred on or after 1 April 2008 for which no government support is being given, and is therefore funded by prudential borrowing.

Under this option, it is intended that MRP should be spread over the estimated useful life of the asset for which the borrowing is undertaken using equal annual instalments. However, no MRP charges need to be made until the financial year after that in which an item of capital expenditure becomes fully operational, so the charge for 2008/09 does not reflect the Community Stadium or the purchase of Rowan House.

■ 18. Intangible Fixed Assets

| | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------------|--------------------|
| Software | | |
| Original Cost | 6,713 | 6,020 |
| Written Out to Revenue to 1 April | (3,669) | (2,191) |
| Balance at the beginning of the Year | 3,044 | 3,829 |
| Expenditure in Year | 731 | 693 |
| Written Out to Revenue in Year | (1,678) | (1,478) |
| Balance at the End of the Year | 2,097 | 3,044 |

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).

■ 19. Tangible Fixed Assets

Major assets held by the Council are as follows:

| | 31 March 2009 | 31 March 2008 Restated |
|---|------------------|------------------------------|
| Operational Assets | | |
| Council Dwellings | | |
| Council House Stock | 6,318 | 6,320 |
| Council Garages | 2,605 | 2,605 |
| Shared Ownership Properties | 12 | 13 |
| Other Land and Buildings | | |
| Town Hall | 1 | 1 |
| Other Office Locations | 2 | 2 |
| Depots | 3 | 3 |
| Sports Centres (plus 2 jointly used with schools) | 1 | 1 |
| Tennis Centre | 1 | 1 |
| Cemetery | 1 | 1 |
| Crematorium | 1 | 1 |
| Public Conveniences | 18 | 18 |
| 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) | 13 | 14 |
| Colchester Castle | 1 | 1 |
| Other Museums | 3 | 3 |
| Nurseries | 1 | 1 |
| Sports Pavilions | 9 | 9 |
| Vehicles, Plant and Equipment | | |
| Vehicles and Plant | 88 | 83 |
| 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 | 168 acres | 168 acres |
| Woodland | 163 acres | 163 acres |
| Children's Play Area | 65 | 65 |
| Balkerne Gate Roman Features | 1 | 1 |
| Gosbecks Archaeological Park | 1 | 1 |
| Non-Operational Assets | | |
| Former Outdoor Swimming Pool | 1 | 1 |
| Industrial Lettings | 44 | 44 |
| 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 | 3 |
| Doctors Surgeries | 3 | 3 |
| Vacant Industrial Land | 2 acres | 2 acres |
| Allotments | 56 acres | 56 acres |
| Oyster Fishery on River Colne | 1 | 1 |
| Farmland | 292 acres | 292 acres |
| Sites for Advertising | 4 | 4 |
| Football Stadium | 3 | 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 2008 | 455,299 | 63,926 | 9,321 | 6,097 | 275 | 85,199 | 620,117 |
| Additions | 2,686 | 9,029 | 724 | 27 | 10 | 9,612 | 22,088 |
| Disposals | (214) | (177) | - | - | - | (385) | (776) |
| Revaluations/Restatements | 186 | 9,422 | - | - | - | 107 | 9,715 |
| Impairments | (54,402) | (1,965) | - | - | (10) | (8,377) | (64,754) |
| Assets Transferred | - | (2,136) | 22 | - | - | 2,114 | - |
| Gross Book Value at 31 March 2009 | 403,555 | 78,099 | 10,067 | 6,124 | 275 | 88,270 | 586,390 |
| Depreciation b/fwd as at 1 April 2008 | (26,207) | (2,581) | (4,713) | (1,783) | - | (2) | (35,286) |
| Depreciation for the Year | (7,952) | (927) | (1,035) | (303) | - | - | (10,217) |
| Depreciation on Assets Sold | - | - | - | - | - | - | - |
| Depreciation on Assets Transferred | - | 25 | - | - | - | (25) | - |
| Depreciation on Assets Revalued | - | 1,051 | - | - | - | 11 | 1,062 |
| Depreciation on Assets Impaired | - | 196 | - | - | - | 14 | 210 |
| Depreciation balance as at 31 March 2009 | (34,159) | (2,236) | (5,748) | (2,086) | - | (2) | (44,231) |
| Net Book Value at 31 March 2009 | 369,396 | 75,863 | 4,319 | 4,038 | 275 | 88,268 | 542,159 |
| Net Book Value at 31 March 2008 | 429,092 | 61,345 | 4,608 | 4,314 | 275 | 85,197 | 584,831 |
| Nature of Asset holding | | | | | | | |
| Owned | 369,396 | 75,863 | 4,319 | 4,038 | 275 | 88,268 | 542,159 |
| Finance lease | - | - | - | - | - | - | - |
| PFI | - | - | - | - | - | - | - |
| Total | 369,396 | 75,863 | 4,319 | 4,038 | 275 | 88,268 | 542,159 |

The revaluations/restatements take account of:

- the revaluation of non HRA land and buildings and non-operational assets
- the impact of additions during 2008/09

The values of each category of assets are reviewed at the end of each financial year for evidence of reductions in value.

Due to the decline in the national economy which has led to the fall in property prices during 2008/09, the Council was required to carry out an impairment review to identify the General Fund and HRA assets affected and to quantify the resulting decline in value. The results of this review have been adjusted for in the values of the fixed assets shown above.

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted as follows:

- where impairment losses are due to the clear consumption of economic benefits (e.g. physical damage or a deterioration in the condition of an asset) – the losses are charged to the relevant service revenue accounts

- otherwise, losses (e.g. general fall in prices) are written off against any previous revaluation gains on the relevant assets in the Revaluation Reserve, with any excess being charged to the relevant service revenue accounts.

See Statement of Capital Expenditure and Financing (Note 22, page 45) 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 2008 | 38,070 | 19,325 | 27,804 | 85,199 |
| Additions | 4,760 | 38 | 4,814 | 9,612 |
| Disposals | - | (385) | - | (385) |
| Revaluations/Restatements | 107 | - | - | 107 |
| Impairments | (4,677) | (3,700) | - | (8,377) |
| Assets Transferred | 13,265 | 276 | (11,427) | 2,114 |
| Gross Book Value at 31 March 2009 | 51,525 | 15,554 | 21,191 | 88,270 |
| Depreciation b/fwd as at 1 April 2008 | (2) | - | - | (2) |
| Depreciation for the Year | - | - | - | - |
| Depreciation on Assets Sold | - | - | - | - |
| Depreciation on Assets Transferred | (25) | - | - | (25) |
| Depreciation on Assets Revalued | 11 | - | - | 11 |
| Depreciation on Assets Impaired | 14 | - | - | 14 |
| Depreciation balance as at 31 March 2009 | (2) | - | - | (2) |
| Net Book Value at 31 March 2009 | 51,523 | 15,554 | 21,191 | 88,268 |
| Net Book Value at 31 March 2008 | 38,068 | 19,325 | 27,804 | 85,197 |
| Nature of Asset holding | | | | |
| Owned | 51,523 | 15,554 | 21,191 | 88,268 |
| Finance lease | - | - | - | - |
| PFI | - | - | - | - |
| Total | 51,523 | 15,554 | 21,191 | 88,268 |

■ 20. 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 adjusted to 31 March 2009 in the 2008/09 accounts and this is reflected in the valuation shown in Note 19 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 £40 million.

The valuations were made in accordance with the Appraisal and Valuation Standards (6th Edition) issued by the Royal Institution of Chartered Surveyors.

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. Under the 2008 Statement of Recommended Practice, the DRC method can now only be used in the absence of an active market.

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.

Due to the decline in the national economy which has led to the fall in property prices during 2008/09, the Council was required to carry out an impairment review to identify the assets affected and to quantify the resulting decline in value. The results of this review have been adjusted for in the values of the fixed assets shown in the accounts (see Note 19).

The valuations and the impairment review in the year were carried out by independent external valuers – NPS Property Consultants Limited, who are members of the Royal Institution of Chartered Surveyors, and by Mr M Shorten, MRICS, Estates Manager, Estates Services, Colchester Borough Council and Ms E Coone, MRICS, Estates Officer, Estates Services, Colchester Borough Council.

■ 21. 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 20 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

■ 22. Capital Expenditure and Financing

Summary of Capital Expenditure

| | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------------|--------------------|
| Intangible Fixed Assets | 731 | 693 |
| Operational Assets | 12,476 | 10,708 |
| Non Operational Assets | 9,612 | 18,138 |
| Revenue expenditure funded from capital under statute | 1,930 | 801 |
| Long Term Debtors | 325 | 111 |
| Total Capital Expenditure | 25,074 | 30,451 |

Analysis of Expenditure and Financing

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--------------------------------------|--------------------|--------------------|
| Fixed Assets: | | |
| Office Purchase & Improvements | 9,370 | 461 |
| Community Stadium Construction | 4,745 | 10,670 |
| Colchester Regeneration Projects | 3,492 | 8,612 |
| Improvements to Council Housing | 2,686 | 6,601 |
| Sport and Recreation | 903 | 575 |
| Public Conveniences | 379 | 195 |
| Waste Services | 180 | 1,089 |
| Heritage and Tourism | 109 | 180 |
| Investment in Information Technology | 88 | 118 |
| Car Park Ticket Machines | 58 | 325 |
| Community Facilities | 32 | - |
| Other | 46 | 20 |
| Total Fixed Assets | 22,088 | 28,846 |

Capital Expenditure not Resulting in Fixed Assets:

| | | |
|--|---------------|---------------|
| Hythe Station Refurbishment | 1,000 | - |
| Renovation Grants | 785 | 521 |
| Investment in Information Technology – Software | 731 | 693 |
| Loans to Private Sector Housing | 325 | 111 |
| Equipping SOS Bus | 72 | - |
| Grants for Community Facilities | 37 | 62 |
| Other | 36 | 218 |
| Total Capital Expenditure not Resulting in Fixed Assets | 2,986 | 1,605 |
| Total Capital Expenditure to be Financed | 25,074 | 30,451 |

Financed by:

| | | |
|---------------------------------|---------------|---------------|
| Unsupported Borrowing | 11,332 | 5,934 |
| Application of Capital Receipts | 5,932 | 4,698 |
| Major Repairs Reserve | 2,451 | 5,416 |
| Direct Revenue Funding | 455 | 1,392 |
| Grants and Contributions | 4,904 | 13,011 |
| Total Financing | 25,074 | 30,451 |

Capital Financing Requirement

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------------|--------------------|--------------------|
| Opening requirement | 63,179 | 57,255 |
| Unsupported borrowing | 11,332 | 5,934 |
| Minimum Revenue Provision | (104) | (10) |
| Closing Requirement | 74,407 | 63,179 |

■ 23. Commitments Under Capital Contracts

Committed Capital Contracts

The Council has no new significant committed capital contracts as at 31 March 2009.

The following contracts are nearing completion:

| | Total Anticipated Contract Expenditure £'000 | Less Total Expenditure to 31 March 2009 £'000 | Committed Contracts as at 31 March 2009 £'000 |
|------------------|---|---|---|
| Town Hall Lift | 1,377 | 940 | 437 |
| King Edward Quay | 2,047 | 1,900 | 147 |
| | 3,424 | 2,840 | 584 |

There are currently no committed contracts for Firstsite:Newsite and Decent Homes. The Council continues to look at contractual arrangements for these projects and expects to enter into new contractual arrangements in the near future.

Approved Capital Schemes

The Council's capital programme includes the following significant schemes for 2009/10 and future years:

- Firstsite:Newsite completion and fit out £9.2 million
- Decent Homes and upgrades to Council housing stock £7.6 million
- Business Incubator Units £2.4 million
- A programme of investment in information technology £1.5 million

Additionally, the council has attracted a further £1.7 million from Growth Point Funding for regeneration projects which will be added into the capital programme.

■ 24. Long Term Investments

| | Balance at 31 March 2009 £'000 | Balance at 31 March 2008 £'000 |
|---|---|---|
| Association of District Councils (ADC) Debenture | - | 10 |
| Market Value of Marketable Securities at 31 March | 10 | 10 |
| Term Deposits | 4,199 | 5,274 |
| Total Long Term Investments | 4,209 | 5,294 |
| Marketable Securities at cost | 21 | 21 |

■ 25. 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.

| Category of Long Term Debtor | Balance at 1 April 2008 £'000 | Interest adjustment £'000 | Advances in the Year £'000 | Repayments in the Year £'000 | Balance at 31 March 2009 £'000 |
|--|--|---------------------------------|----------------------------------|------------------------------------|---|
| Sale of Council Houses | 108 | - | - | (18) | 90 |
| Purchase/Improvement of Private Sector Houses | 47 | - | - | (6) | 41 |
| Improvement of Private Sector Houses-interest free | 270 | (138) | 325 | (38) | 419 |
| Total Long Term Debtors | 425 | (138) | 325 | (62) | 550 |

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The "loss" for interest foregone is calculated based on the current market rate, at the end of the year in which the advance is recognised, for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see note 41, page 59). The interest adjustment for the year reflects:

- "loss" of interest foregone on advances made in the year – (£154,000)
- one year write back of value of loans outstanding at beginning of year – £16,000.

■ 26. Deferred Premiums

The balance of deferred premiums has been transferred to the Financial Instruments Adjustment Account. (See note 41, page 59).

■ 27. Stocks and Work in Progress

| | Value as at 31 March 2009 £'000 | Value as at 31 March 2008 Restated £'000 |
|-----------------------------------|--|--|
| Stocks | 144 | 193 |
| Less Provision for Obsolete Stock | - | - |
| Total Stocks | 144 | 193 |

In accordance with the accounting treatment prescribed for joint arrangements that are not entities (JANEs) within the 2008 Statement of Recommended Practice, the Council has included its share of the Colchester and Ipswich Museum Service Joint Committee's stocks in the Council's Balance Sheet. The share of the stocks held by the Joint Committee which relates to Ipswich Borough Council has been excluded from the Council's Balance Sheet and the March 2008 comparatives for stocks have been restated to take account of this exclusion. Refer to Note 1, page 27 and Note 48, page 65 for further details of the accounting treatment applied for the Colchester and Ipswich Museum Service Joint Committee.

Work in progress

There is no work in progress at the end of 2008/2009

■ 28. Debtors

| | Value as at 31 March 2009 £'000 | Value as at 31 March 2008 £'000 |
|---|--|--|
| Sums falling due within One Year | | |
| Non-domestic Rate Arrears | 1,827 | 988 |
| Contribution to NNDR Pool | 175 | 907 |
| Council Tax Arrears | 4,612 | 4,419 |
| Government Departments | 2,893 | 4,067 |
| Council Tenants | 1,259 | 1,380 |
| Essex County Council | 571 | 450 |
| HM Customs and Revenue (VAT) | - | 1,166 |
| General Debtors | 7,521 | 8,226 |
| Total Due within One Year | 18,858 | 21,603 |
| Sums falling due after One Year: | | |
| General Debtors | - | - |
| Total Due after One Year | - | - |
| Gross Debtors | 18,858 | 21,603 |
| Less Provision for Doubtful Debts | (6,420) | (5,916) |
| Total Debtors | 12,438 | 15,687 |

In accordance with the accounting treatment prescribed for joint arrangements that are not entities (JANEs) within the 2008 Statement of Recommended Practice, the Council has included its share of the Colchester and Ipswich Museum Service Joint Committee's debtors in the Council's Balance Sheet. The share of the debtors held by the Joint Committee which relates to Ipswich Borough Council has been excluded from the Council's Balance Sheet and the March 2008 comparatives for debtors have been restated to take account of this exclusion. Refer to Note 1, page 27 and Note 48, page 65 for further details of the accounting treatment applied for the Colchester and Ipswich Museum Service Joint Committee.

■ 29. Creditors

| | Value as at 31 March 2009 £'000 | Value as at 31 March 2008 £'000 |
|--------------------------------|--|--|
| Non Domestic Rate Prepayment | 2,526 | 3,623 |
| Council Tax Prepayment | 2,202 | 1,885 |
| Contribution to NNDR Pool | - | - |
| Government Departments | 896 | 1,428 |
| Council Tenants | 369 | 234 |
| Contractors' Deposits | 83 | 83 |
| Essex County Council | 1,131 | 1,578 |
| Contractors re Capital Schemes | 738 | 8,119 |
| General Creditors | 4,258 | 6,185 |
| Total Creditors | 12,203 | 23,135 |

In accordance with the accounting treatment prescribed for joint arrangements that are not entities (JANEs) within the 2008 Statement of Recommended Practice, the Council has included its share of the Colchester and Ipswich Museum Service Joint Committee's creditors in the Council's Balance Sheet. The share of the creditors held by the Joint Committee which relates to Ipswich Borough Council has been excluded from the Council's Balance Sheet and the March 2008 comparatives for creditors have been restated to take account of this exclusion. Refer to Note 1, page 27 and Note 48, page 65 for further details of the accounting treatment applied for the Colchester and Ipswich Museum Service Joint Committee.

■ 30. Financial Instruments balances

| | Long-Term | | Current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2009 £000 | 31 March 2008 £000 | 31 March 2009 £000 | 31 March 2008 £000 |
| Financial liabilities at amortised cost | | | | |
| - Public Works Loan Board (PWLB) | 28,171 | 28,171 | - | - |
| - Money Market | 30,235 | 31,206 | 10,972 | - |
| Total borrowings | 58,406 | 59,377 | 10,972 | - |
| Loans and receivables - Investments | 4,199 | 5,274 | 15,300 | 29,857 |
| - ADC Debenture | - | 10 | - | - |
| Available-for-sale financial assets | 10 | 10 | - | - |
| Total investments | 4,209 | 5,294 | 15,300 | 29,857 |

All investments are managed internally and held as "Loans and receivables".

■ 31. Impairment of Investments

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks.

| Bank | Date Invested | Maturity Date | Amount Invested £'000 | Interest Rate % | Carrying Amount £'000 | Impairment £'000 |
|--------------------|------------------|------------------|-----------------------------|-----------------------|-----------------------------|---------------------|
| Landsbanki Islands | 02/09/2008 | 02/12/2008 | 3,000 | 5.82 | 2,399 | 702 |
| Landsbanki Islands | 10/09/2008 | 10/12/2008 | 1,000 | 5.80 | 796 | 236 |
| | | | 4,000 | | 3,195 | 938 |

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

| Date | £'000 |
|---------------|--------------|
| March 2010 | 922 |
| December 2010 | 922 |
| December 2011 | 922 |
| December 2012 | 878 |
| | 3,644 |

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

| Bank | Credited £'000 | Received £'000 |
|--------------------|-------------------|-------------------|
| Landsbanki Islands | 133 | 0 |

■ 32. Financial Instruments gains/losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

| | 2008/09 | | | Total £000 |
|---|--|----------------------------------|---------------------------------------|----------------|
| | Financial Liabilities | Financial Assets | | |
| | Liabilities measured at amortised cost £000 | Loans and receivables £000 | Available-for- sale assets £000 | |
| Interest expenses | 3,900 | - | - | 3,900 |
| Losses on derecognition | - | - | - | - |
| Interest payable and similar charges | 3,900 | - | - | 3,900 |
| Interest income | - | (1,265) | - | (1,265) |
| Gains on derecognition | - | - | - | - |
| Interest and investment income | - | (1,265) | - | (1,265) |
| Net loss/(gain) for the year | 3,900 | (1,265) | - | 2,635 |
| Adjusted via SMGFB-premiums/discounts | 200 | - | - | 200 |
| Impact on balances | 4,100 | (1,265) | - | 2,835 |
| Borne by: | | | | |
| General Fund | 1,045 | (1,234) | - | (189) |
| Housing Revenue Account | 3,055 | (31) | - | 3,024 |
| | 4,100 | (1,265) | - | 2,835 |

| | 2007/08 | | | Total £000 |
|---|--|----------------------------------|---------------------------------------|----------------|
| | Financial Liabilities | Financial Assets | | |
| | Liabilities measured at amortised cost £000 | Loans and receivables £000 | Available-for- sale assets £000 | |
| Interest expenses | 3,796 | - | - | 3,796 |
| Losses on derecognition | - | - | - | - |
| Interest payable and similar charges | 3,796 | - | - | 3,796 |
| Interest income | - | (2,586) | (44) | (2,630) |
| Gains on derecognition | - | - | - | - |
| Interest and investment income | - | (2,586) | (44) | (2,630) |
| Net loss/(gain) for the year | 3,796 | (2,586) | (44) | 1,166 |
| Adjusted via SMGFB-premiums/discounts | 200 | - | - | 200 |
| Impact on balances | 3,996 | (2,586) | (44) | 1,366 |
| Borne by: | | | | |
| General Fund | 784 | (2,489) | (44) | (1,749) |
| Housing Revenue Account | 3,212 | (97) | - | 3,115 |
| | 3,996 | (2,586) | (44) | 1,366 |

The average interest rate on all financial liabilities - borrowings (including short term borrowing) for 2008/09 was 5.61% (2007/08 = 5.92%).

The loss/(gains) made from investments made using Fund Managers in 2007/08 are shown under "Available for sale financial assets". In 2008/09 all investments were managed internally and the main losses/(gains) were thus shown under "Loans and receivables".

The above figures include the investments that have been impaired due the financial difficulties faced by Icelandic Banks (see note 31, page 49).

■ 33. Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. We have based our fair value calculations on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

The fair value of trade debtors and creditors is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31 March 2009 | | 31 March 2008 | |
|------------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Total debt | 69,378 | 78,990 | 59,377 | 67,187 |
| Creditors | 12,203 | 12,203 | 23,135 | 23,135 |
| Total financial liabilities | 81,581 | 91,193 | 82,512 | 90,322 |
| Loans and receivables | 19,499 | 19,688 | 35,131 | 35,131 |
| Debtors | 12,438 | 12,438 | 15,687 | 15,687 |
| Total financial assets | 31,937 | 32,126 | 50,818 | 50,818 |

The fair value of the total debt is more than the carrying amount mainly because the authority's portfolio of loans includes a major fixed rate loan where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loan.

■ 34. Disclosure of nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority has adopted CIPFA's "Treasury Management in the Public Sector: Code of Practice" and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under the Treasury Management Policy and policies approved by the council in the annual Treasury Management Strategy. These documents and the Treasury Management Practices provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are made with banks and financial institutions with reference to independent credit ratings. Limits are placed on the value of the investments and the length of maturity. The Council's approach to managing credit risk is by having limits on individual investments commensurate with the level of credit risk. The Annual Investment Policy included limits of £10 million for Government securities and other local authorities, and limits with independently rated banks and building societies from £1 million to £7.5 million, the upper limit only being for the higher rated organisations. In addition limits were placed on the total level of investment in certain sectors and for all investments there are limits placed on the length of the investment. These limits were reviewed following the international banking crisis, to introduce sovereign debt criteria, reduce investment and duration limits, and to only invest with the very highest rated banks and building societies. This has also been reflected in the 2009/10 investment policy, which continues to be reviewed in the context of emerging guidance.

Loans to Customers (see note 25, page 47) are secured against the property and represent only a modest proportion of the total property value.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

| | Amount at 31 March 2008 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2009 | Estimated maximum exposure to default and uncollectability |
|--|----------------------------|--|--|--|
| | £000 A | % B | % C | £000 (A X C) |
| Deposits with banks and financial institutions | 16,304 | 0 | 2.38 | 388 |
| Customers (see note 25) | 549 | 0 | 0 | 0 |
| | | | | 388 |

Over the last five years, the only experience of default by local authorities was the Icelandic Banks default in October 2008. Deposits totalling £3.195 million have therefore been excluded from this table as they have already suffered a default due to the issuing bank being in administration. No credit limits were exceeded during the reporting period and the authority does not expect any further losses from non-performance by any of its counterparties in relation to deposits. There were no defaults by customers on their loans during the reporting period and none are expected.

The Council's current debtors included in the Balance Sheet are shown net of bad debt provisions, which are based on historical default experience for collections.

Credit risk – impaired investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £4 million deposited with one of these institutions, with maturity dates and interest rates as follows:

| Bank | Date Invested | Maturity Date | Amount Invested £'000 | Interest Rate % | Carrying Amount £'000 | Impairment £'000 |
|--------------------|---------------|---------------|--------------------------|--------------------|--------------------------|---------------------|
| Landsbanki Islands | 02/09/2008 | 02/12/2008 | 3,000 | 5.82 | 2,399 | 702 |
| Landsbanki Islands | 10/09/2008 | 10/12/2008 | 1,000 | 5.80 | 796 | 236 |
| | | | 4,000 | | 3,195 | 938 |

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The Landsbanki Resolution Committee has announced that its best estimate of the amount to be repaid to preferential claimants is 83%. This will be based on the revised claim, including interest to 22 April 2009. The Council has therefore decided to recognise an impairment based on a total repayment of 83%, using the latest estimate from the Resolution Committee.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the Council has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the Council’s claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009. Interest relating to the period between the maturity date of the investments and 22 April 2009 are expected to be credited at a penalty rate of 22%.

The impairment loss recognised in the Income and Expenditure Account in 2008/09 (£938,000), has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £805,000 has been transferred to the Financial Instruments Adjustment Account. The balance of £133,000 relates to interest which has been borne in full by the General Fund.

Discussions are ongoing with DCLG to amend Regulations to allow the Council to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account and Pension Fund.

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that consideration is given to the maturity profile through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities – borrowings is as follows:

| | £000 |
|----------------------------|-------------|
| Less than one year | 10,972 |
| Between one and two years | - |
| Between two and five years | 5,576 |
| Between five and ten years | 4,028 |
| Over ten years | 48,802 |
| | 69,378 |

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates/short term investments – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value, so nominal gains and losses would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of available for sale assets will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. Our policy is to aim to keep a maximum of 50% of our borrowings in variable rate loans although currently all the Council's debt is on fixed rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000 |
|---|--------------|
| Increase in interest payable on new fixed rate borrowings | 37 |
| Increase in interest receivable on short term investments made in year | (217) |
| Increase in government grant receivable for financing costs | - |
| Impact on Income and Expenditure Account | (180) |
| Share of overall impact debited to the HRA (net) | 23 |
| Decrease in fair value of 'available for sale assets' | - |
| Impact on STRGL | - |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on I&E Account or STRGL) | 8,022 |
| Decrease in fair value of investments (loans and receivables) (no impact on I&E account or STRGL) | 38 |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not generally invest in equity shares so has no significant exposure to losses arising from movements in the prices of shares.

Foreign exchange risk

The Council has no financial assets (investments) or liabilities (borrowings) denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates on these. The Council has secured European funding to support some projects and these can be denominated in Euros. Claims for funding are converted to Euros using the exchange rate published on the European Union website for the month following the date of the claim. Any outstanding balances of this funding at year-end are re-converted to Sterling and accrued for using the published rate for April. Therefore, there are modest exchange risks between the claimed and accrued amounts, as well as between the accrued and actual income. However, at 31 March 2009, the estimated sums outstanding in sterling in respect of this funding totalled £274,000 so the risk is limited.

■ 35. Provisions

| Category of Provision | Balance at 1 April 2008 £'000 | Contribution From Revenue in the Year £'000 | Payments in the Year £'000 | Balance at 31 March 2009 £'000 |
|-----------------------|--|--|----------------------------------|---|
| Insurance | 323 | 47 | 23 | 347 |

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 are uncertain. The Insurance Fund has been allocated between the provision and reserve elements. (See Note 44, page 61).

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 between October 1998 and July 2008 with an excess of £1,500. Subsidence is now covered by the Council's external building insurance policy up to external insurance excess of £25,000 per claim but with an overall aggregate with general properties, for any one period of insurance, of £100,000.
- (2) **General Properties** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with Housing stock, for any one period of insurance, of £100,000.
- (3) **All Risk Items** – Accidental damage or any loss associated with theft which is excluded from our external theft policy but qualifies under the provision policy.

■ 36. Capital Contributions Deferred

| | Government £'000 | 2008/2009 Developers £'000 | Other £'000 | Total £'000 | 2007/2008 Total £'000 |
|--------------------------|---------------------|----------------------------------|----------------|----------------|-----------------------------|
| As at 1 April: | | | | | |
| As at 1 April: | | | | | |
| Applied Contributions | 13,750 | 1,874 | 9,951 | 25,575 | 13,677 |
| Unapplied Contributions | 49 | 5,779 | 1,307 | 7,135 | 5,305 |
| Total at 1 April | 13,799 | 7,653 | 11,258 | 32,710 | 18,982 |
| As at 31 March: | | | | | |
| As at 31 March: | | | | | |
| Applied Contributions | 13,643 | 2,504 | 12,063 | 28,210 | 25,575 |
| Unapplied Contributions | 204 | 4,879 | 730 | 5,813 | 7,135 |
| Total at 31 March | 13,847 | 7,383 | 12,793 | 34,023 | 32,710 |

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 22, page 45). Once applied the contributions are written out to revenue against asset depreciation over the life of the assets.

■ 37. Discounts

The balance of deferred discounts has been transferred to the Financial Instruments Adjustment Account. (See note 41, page 59).

■ 38. 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 2008 £'000 | Net Movement in Year £'000 | Balance 31 March 2009 £'000 | Purpose of Reserve | Further Detail of Movements – Notes |
|--|---|---|--|---|--|
| Revaluation Reserve | 35,907 | (11,931) | 23,976 | Gains on revaluation of fixed assets not yet realised through sales | 39 |
| Capital Adjustment Account | 463,787 | (45,267) | 418,520 | Capital resources set aside to meet past expenditure | 40 |
| Financial Instruments Adjustment Account | (1,306) | (743) | (2,049) | Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments | 41 |
| Usable Capital Receipts | 10,240 | (5,241) | 4,999 | Proceeds of fixed asset sales available to meet future capital investment | 42 |
| Deferred Capital Receipts | 108 | (18) | 90 | Sums due on fixed asset sales not yet received | 43 |
| Pensions Reserve | (55,271) | 3,332 | (51,939) | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet | 6 |
| Housing Revenue Account | 1,498 | 20 | 1,518 | Resources available to meet future running costs for council houses | HRA Statements, Note 16, page 76 |
| Major Repairs Reserve | - | 1,834 | 1,834 | Resources available to meet capital investment in council housing | HRA Statements, Note 5, page 73 |
| General Fund | 3,347 | (456) | 2,891 | Resources available to meet future running costs for non-housing services | Statement of Movement on the General fund Balance, page 22 |
| Collection Fund | 149 | (94) | 55 | Available to offset future Council Tax | Note 45 and Collection Fund Statements pages 77-80 |
| Other Reserves | 9,019 | (1,166) | 7,853 | Resources earmarked for particular spending plans | 44 |
| | 467,478 | (59,730) | 407,748 | | |

The Revaluation Reserve and Capital Adjustment Account cannot be called upon to support spending as these accounts are only realised on the disposal of assets. The Financial Instruments Adjustment Account cannot be called upon to support spending because it will be required to balance the adjustments over the life of the borrowings and investments. 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 6, page 29. The Revenue Reserves can be used to meet capital and revenue expenditure. Further information on these reserves is provided in the individual notes.

■ 39. Revaluation Reserve

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| Balance at the beginning of the Year | 35,907 | - |
| Add: Revaluation Increases | 10,778 | 37,919 |
| | 46,685 | 37,919 |
| Less: | | |
| Revaluation Decreases | 22,133 | - |
| Transferred to Capital Adjustment Account (Note 40): | | |
| Depreciation on revaluation gain element | 386 | 1 |
| Disposal of Fixed assets-revaluation gain element | 190 | 2,011 |
| Balance at the End of the Year | 23,976 | 35,907 |

The Revaluation Reserve shows the amount by which the values of the assets owned by the Council are greater than the "historic cost" value at which they were held at 1 April 2007. The increase reflects the effect of the revaluation of some Land and Buildings.

Revaluation decreases represent the impairment loss in the value of the assets which have been written off against previous revaluation gains made for the same assets.

The reserve is written down by that part of depreciation charges that have only been incurred because assets have been revalued.

When assets are disposed of any revaluation gain held in the reserve in respect of the asset disposed of is written out to the Capital Adjustment Account.

■ 40. Capital Adjustment Account

| | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------------|--------------------|
| Balance at the beginning of the Year | 463,787 | 474,086 |
| Capital Financing | | |
| Capital Receipts | 5,932 | 4,698 |
| Revenue | 455 | 1,392 |
| Reserves | 2,451 | 5,416 |
| General Capital Contribution | 229 | 297 |
| Minimum Revenue Provision | 104 | 10 |
| Capital Contribution Deferred Written Down | 564 | 556 |
| Transferred from Revaluation Reserve (Note 39): | | |
| Depreciation on revaluation gain element | 386 | 1 |
| Disposal of Fixed assets-revaluation gain element | 190 | 2,011 |
| | 474,098 | 488,467 |
| Less: Write Down of: | | |
| Intangible Assets | 1,678 | 1,478 |
| Revenue expenditure funded from capital under statute | 454 | 542 |
| Depreciation (non-housing) and Impairment | 44,675 | 7,681 |
| HRA Depreciation | 7,952 | 7,698 |
| Disposal of Fixed Assets | 776 | 7,244 |
| Long Term Debtors | 43 | 37 |
| Balance at the End of the Year | 418,520 | 463,787 |

The credit balance of £384 million on the former Fixed Asset Restatement Account at 31 March 2007 was transferred into this reserve.

This reserve is credited with the amount of resources set aside to finance capital expenditure (revenue, capital receipts etc.).

This reserve is reduced with the historical cost of acquiring, creating and enhancing assets, over the life of these assets. The balance on the account is also reduced as capital expenditure which does not result in the acquisition, creation or enhancement of fixed assets for the Council is written out.

■ 41. Financial Instruments Adjustment Account

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| Balance at the beginning of the Year | 1,306 | - |
| Prior period adjustments as at 1 April 2007:- | | |
| Deferred premiums on early repayment of debt | - | 1,758 |
| Deferred discounts on early repayment of debt | - | (509) |
| Soft loans – “loss” for interest foregone | - | 211 |
| | 1,306 | 1,460 |
| 2008/09 movements:- | | |
| Deferred premiums on early repayment of debt to revenue | (303) | (303) |
| Deferred discounts on early repayment of debt to revenue | 103 | 103 |
| Soft loans – adjustment for interest at market rate to revenue | (16) | (13) |
| Soft loans – “loss” for interest foregone on new advances | 154 | 59 |
| Investment impairment charge | 938 | - |
| Interest receivable on impaired investments | (133) | - |
| Balance at the End of the Year | 2,049 | 1,306 |

This account holds the balances required to allow for the differences in statutory requirements and proper accounting practices for borrowings and investments. The balances thus created are written down over the life of the individual financial instruments. (See accounting policies 14-16, pages 11-12).

Premiums and discounts can occur where long term debt is redeemed and these are applied to future years' revenue accounts in line with recommended practice. For 2008/09 the charge, £303,525 (2007/08 £303,525), and the benefit, £103,468 (2007/08 £103,468), have been included under interest charges within the Income and Expenditure Account (page 20).

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing (see note 25, page 47). These are secured against the property and repayable on sale. The "loss" for interest forgone is calculated based on the current market rate, at the end of the year in which the advance is recognised, for an equivalent loan and using an assumed average life for the loans. The balances thus created are cleared back through revenue over the life of the loans.

Regulations issued in May 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

| Bank | Amount charged to FIAA £'000 |
|--------------------|---|
| Landsbanki Islands | 938 |

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The authority estimates that the following credits will be made to the FIAA:

| Bank | Balance on FIAA at 31/03/09 £'000 | Transfers during 2009/10 £'000 | Transfers during 2010/11 £'000 | Balance on FIAA at 31/03/11 £'000 |
|--------------------|--|---|---|--|
| Landsbanki Islands | 805 | (191) | (614) | 0 |

■ 42. Usable Capital Receipts Reserve

| | Notes | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------|----------------------------|----------------------------|
| Balance at the Beginning of the Year | | 10,240 | 9,226 |
| Capital Receipts in the Year: | | | |
| Sale of Council Housing | | 217 | 2,630 |
| Other Sales and Repayments of Loans | | 624 | 4,968 |
| Total Capital Receipts in the Year | | 841 | 7,598 |
| Capital Receipts Applied in the Year: | | | |
| Financing of Capital Expenditure | | 5,932 | 4,698 |
| Transferred to Income and Expenditure Account | | 150 | 1,886 |
| Total Capital Receipts Applied in the Year | | 6,082 | 6,584 |
| Balance at the End of the Year | | 4,999 | 10,240 |

We have to pay a proportion of capital receipts into a Government pool for redistribution. (See Note 5, page 29).

■ 43. Deferred Capital Receipts

| | Balance at 31 March 2009 £'000 | Balance at 31 March 2008 £'000 |
|---------------------|---|---|
| Council House Sales | 90 | 108 |

■ 44. Earmarked Reserves

| | Balance at 1 April 2008 £'000 | Transfer (to) From Revenue £'000 | Capital Financing £'000 | Balance at 31 March 2009 £'000 |
|-----------------------------|--|--|-------------------------------|---|
| Renewal & Repairs Fund | 3,565 | (677) | - | 2,888 |
| Insurance Reserve | 618 | (24) | - | 594 |
| Capital Expenditure Reserve | 3,218 | (156) | - | 3,062 |
| Regeneration Reserve | 665 | (228) | - | 437 |
| Asset Replacement Reserve | 35 | (26) | - | 9 |
| Heritage Reserve | 9 | (9) | - | - |
| Gosbecks Reserve | 430 | (7) | - | 423 |
| Other Reserves | 479 | (39) | - | 440 |
| | 9,019 | (1,166) | - | 7,853 |
| Major Repairs Reserve | - | 4,284 | (2,450) | 1,834 |
| Total Reserves | 9,019 | 3,118 | (2,450) | 9,687 |

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 35, page 56).

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.

■ 45. Revenue Balances

| | Notes | Balance at 1 April 2008 £'000 | Additions To Balances £'000 | Withdrawal from Balances £'000 | Balance at 31 March 2009 £'000 |
|-------------------------------|-------|--|-----------------------------------|--------------------------------------|---|
| General Fund | | 3,347 | - | (456) | 2,891 |
| Housing Revenue Account | | 1,498 | 20 | - | 1,518 |
| Collection Fund | | 149 | - | (94) | 55 |
| Total Revenue Balances | | 4,994 | 20 | (550) | 4,464 |

The balance on the Collection Fund only shows the Council's share, the sums for precepting authorities are shown as creditors.

■ 46. 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 2009 £'000 | 31 March 2008 £'000 |
|-------------------------|---------------------------|---------------------------|
| General Fund | 406,230 | 465,980 |
| Housing Revenue Account | 1,518 | 1,498 |
| Total Net Worth | 407,748 | 467,478 |

The change in net worth in the Balance sheet matches that shown in the Statement of Total Recognised Gains and Losses (page 24).

■ 47. 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 is 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 breakeven overall.

Colchester Borough Homes Limited was incorporated on 24 July 2003 and has prepared its accounts for the year to 31 March 2009. 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 29 July 2009.

The following summarised accounts are based on the draft accounts to be submitted for approval and cover the period 1 April 2008 to 31 March 2009. The company has adopted Financial Reporting Standard 17, Retirement Benefits (FRS17), in full.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| Turnover | 8,365 | 5,109 |
| Less operating costs | 8,399 | 5,373 |
| | (34) | (264) |
| Add interest receivable | 43 | 44 |
| FRS17 interest adjustment | (70) | 100 |
| (Deficit)/Surplus on ordinary activities before taxation | (61) | (120) |
| Tax charge on (deficit)/surplus on ordinary activities | 9 | 10 |
| (Deficit)/Surplus for the Financial Period | (70) | (130) |

Balance Sheet

| | 31 March 2009 £'000 | 31 March 2008 £'000 |
|--|---------------------------|---------------------------|
| Current Assets | | |
| Debtors | 513 | 222 |
| Cash at bank and in hand | 724 | 287 |
| | 1,237 | 509 |
| Creditors: Amounts falling due within one year | (794) | (227) |
| Net Current Assets | 443 | 282 |
| Total Assets Less Current Liabilities | 443 | 282 |
| Provision for Liabilities and Charges | | |
| Other Provisions | 30 | 29 |
| Net assets excluding Pension Fund | 413 | 253 |
| Pension Fund Liability | (2,184) | (1,893) |
| Net Liabilities | (1,771) | (1,640) |
| Reserves | (1,771) | (1,640) |

The following balances with the Council are included above:

| | £'000 | £'000 |
|-----------|-------|-------|
| Debtors | 403 | - |
| Creditors | - | 14 |

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 accounts are also published electronically on the company's website – www.colchesterboroughhomes.co.uk.

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2009 the cash at bank of £724,000 was consolidated with the Council's funds for investment purposes.

Further information is provided within the Group Accounts (Pages 89-103).

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 accounts as set out above. The position may be summarised as follows:

| | 31 March 2009 £'000 | 31 March 2008 £'000 |
|---------------------------------|---------------------------|---------------------------|
| Estimated Liabilities in Scheme | 10,149 | 11,413 |
| Estimated Assets in Scheme | 7,965 | 9,520 |
| Net Liability | 2,184 | 1,893 |

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The revaluation as at 31 March 2007 was implemented with effect from 1 April 2008.

These figures have been provided by the actuary 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.

Colchester Community Stadium Limited, created by the Council as an arms length company to manage the Community Stadium, is a limited company wholly owned by the Council. It was established with no share capital and is 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.

Colchester Community Stadium Limited was incorporated on 1 June 2007. The company produced its first set of accounts for the period to 30 June 2008. These accounts were prepared in accordance with the Companies Act 1985 and were approved by the Board of Colchester Community Stadium Limited on 24 March 2009. The accounts were audited by Baker Chapman & Bussey and an unqualified opinion was given. A copy of the Accounts may be obtained from the company at the following address – PO Box 5215, Town Hall, High Street, Colchester, Essex, CO1 1GG. The accounts are also published electronically on the Council's website – www.colchester.gov.uk.

The following summarised accounts are taken from the accounts approved for the period to 30 June 2008.

Income and Expenditure Account

| | Period to 30 June 2008 £'000 |
|--|---------------------------------------|
| Turnover | - |
| Less operating costs | (22) |
| | (22) |
| Add interest receivable | 1 |
| Less interest payable | (1) |
| | (22) |
| (Deficit)/Surplus on ordinary activities before taxation | (22) |
| Tax charge on (deficit)/surplus on ordinary activities | - |
| (Deficit)/Surplus for the Financial Period | (22) |

Balance Sheet

| | Period to 30 June 2008 £'000 |
|--|---------------------------------------|
| Current Assets | |
| Debtors | 45 |
| Cash at bank and in hand | 312 |
| | 357 |
| Creditors: Amounts falling due within one year | (344) |
| Net Current Assets | 13 |
| Creditors: Amounts falling due after one year | (35) |
| Net liabilities | (22) |
| Reserves | (22) |

The following balances with the Council are included above:

| | £'000 |
|-----------|-------|
| Debtors | - |
| Creditors | 373 |

Colchester Community Stadium Limited is to prepare its next set of accounts for the year ended 30 June 2009. These accounts will be prepared in accordance with the Companies Act and will be submitted for approval to the Board of Colchester Community Stadium Limited.

Colchester Community Stadium Limited has a different year end to the Council. The results for this subsidiary company have been brought into the Group accounts as at 31 March 2009 (Pages 89 to 103) on the basis of interim financial statements at this date.

■ 48. Joint Committees

The Council is a member of the Colchester and Ipswich Museum Service Joint Committee, which was formed with Ipswich Borough Council on 1 April 2007. For accounting purposes, this Joint Committee is considered to be a joint arrangement which is not an entity (JANE). The Council has followed the accounting treatment prescribed for JANEs within the 2008 Statement of Recommended Practice.

The Statement of Accounts includes the Council's own income, expenditure, assets, liabilities and cash flows along with its share of the Joint Committee's income, expenditure, assets, liabilities and cash flows. The Council's share has been based the levels of funding paid by the parties to the Joint Committee.

■ 49. Trust Funds

Details of the nature and amount of Trust funds are provided on pages 82 to 88.

■ 50. Post Balance Sheet Events

These accounts were authorised for issue on 30 June 2009 by the Accounts and Regulatory Committee and the Head of Resource Management (Page 14).

There are no items which have arisen after the closure of the 2008/09 accounts which would materially affect these accounts.

■ 51. 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. This claim has not been settled as yet and 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 of this claim continues to be monitored.

In respect of the concessionary travel scheme some bus operators have claimed sums in addition to the amounts paid by the Councils in Essex. An original appeal to the Department for Transport was unsuccessful but has led to a judicial review of the decision in relation to one operator for the year ended 31 March 2008. If the operator wins its case, the results could impact on payments that Councils in Essex would have to make. There are also possible impacts from other judicial reviews where Essex is not directly involved but the whole method of payment to operators nationally has been challenged. No estimate can be made at this stage but it is possible that a substantial liability could result. In addition there may be the costs of legal representation at the hearings whether or not any of the claims are accepted. No provisions have been made in the accounts but the position of the reviews are continued to be monitored.

There is the potential for disputes with the main contractor over the final sums payable under contracts for construction works in 2008/2009 and "making good" any unsatisfactory items. We have fully provided in the accounts for all the sums that have been assessed as due under the terms of the contracts. A formal legal claim for further sums has now been received from the contractor. We do not believe the legal claim is justified as from the legal advice we have received no further sums are considered to be due or payable. It is not appropriate to disclose the details or the individual sums at this stage because the matters are likely to be the subject of litigation.

The Council has received an equal pay claim on behalf of a number of female members of staff, in respect to the lifetime protected pay given to some male staff within one area of the Council. This claim is currently being reviewed by the Council. The estimated costs have not been disclosed as this may prejudice the position of the Council. No provision has been made in the accounts but the position of this claim continues to be monitored by the Council.

■ 52. Analysis of Government Grants

| | 2008/2009 | | 2007/2008 |
|---|-----------|---------------|---------------|
| | £'000 | £'000 | £'000 |
| Revenue Support Grant | | 1,513 | 1,717 |
| DWP Grants for Benefits | | | |
| Rent Allowances | 25,426 | | 23,124 |
| Rent Rebates | 13,136 | | 12,708 |
| Local Taxation | 9,502 | | 8,640 |
| Administration | 1,202 | | 1,237 |
| Local Housing Allowance preparation | - | | 131 |
| | | 49,266 | |
| Housing Subsidy (see note below) | | - | 116 |
| Homelessness | | 175 | 160 |
| Concessionary Fares scheme preparation | | 538 | 103 |
| Local Authority Business Growth Incentive | | 389 | 213 |
| DEFRA Waste Recycling | | - | 70 |
| Planning Delivery Grant | | 490 | 341 |
| Museums, Libraries and Archives | | 808 | 743 |
| Other | | 323 | 469 |
| Total Government Grants | | 53,502 | 49,772 |

Note

In 2007/08 we received the balance of our subsidy entitlement for earlier years. However we are required to make payments to the government for 2008/09 and this is included under "Other Operating Cash Payments" on page 26.

■ 53. Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

| | Notes | 2008/2009 £'000 |
|--|---------|--------------------|
| (Surplus)/Deficit per the Income and Expenditure Account | Page 21 | 53,128 |
| (Surplus)/Deficit per Collection Fund | Page 77 | 727 |
| Net (Surplus)/Deficit | | 53,855 |
| Non-Cash Transactions | | |
| Depreciation and Impairments | | (54,305) |
| Deferred grants amortised in year | | 564 |
| Grants funding Revenue Expenditure Funded from Capital under Statute amortised in year | | 1,015 |
| Grants funding Revenue Expenditure Funded from Capital under Statute credited directly to the Income and Expenditure Account in year | | 462 |
| Pension Fund adjustments | Note 6 | (1,515) |
| Other Non-Cash transactions | | 102 |
| Interest and investment income | Page 21 | 2,207 |
| Interest payable and similar charges | Page 21 | (3,900) |
| Investment impairment charge | Page 21 | (938) |
| Revenue Expenditure Funded from Capital under Statute | | (1,930) |
| Gain/(Loss) on disposal of fixed assets | | (1) |
| Items on an Accruals Basis: | | |
| Increase/(Decrease) in Stock and Work in Progress | | (49) |
| Increase/(Decrease) in Debtors | | (115) |
| (Increase)/Decrease in Creditors | | 3,646 |
| Net Cash (Inflow)/Outflow from Revenue Activities | | (902) |

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

For 2008/09 the cash flow calculations have been based on the indirect calculation method. In 2007/08 the direct method of calculation was used and therefore direct comparators for this reconciliation are not available.

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

| | 2008/2009 | |
|---|-----------|-----------------|
| | £'000 | £'000 |
| Decrease in Cash in the Period | (222) | |
| Cash Inflow from new loans raised | (9,930) | |
| Cash Inflow from management of Liquid Resources | (19,357) | |
| Cash Outflow from deferred liabilities | 978 | |
| Change in Net Debt resulting from cash flows | | (28,531) |
| Other Non Cash changes | | 3,751 |
| Net Debt at 1 April 2008 | | (30,557) |
| Net Cash Flow | | (55,337) |

■ 55. Analysis of Net Debt

| | Balance 31 March 2008 £'000 | Interest Accrual Movement £'000 | Cashflow Movement £'000 | Other Non-cash Changes £'000 | Balance 31 March 2009 £'000 |
|------------------------------------|--------------------------------------|--|-------------------------------|---------------------------------------|--------------------------------------|
| Cash Overdrawn | (1,037) | - | (222) | - | (1,259) |
| Loans due within one year | - | 978 | (10,901) | (1,049) | (10,972) |
| Loans due after more than one year | (59,377) | - | 971 | - | (58,406) |
| Short Term Investments | 29,857 | (907) | (18,450) | 4,800 | 15,300 |
| Net Cash Flow | (30,557) | 71 | (28,602) | 3,751 | (55,337) |

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.

■ 56. Liquid Resources

These are short term investments of surplus cash and include those made by external cash fund managers for part of 2007/08. All these investments are repayable within twelve months and are with approved organisations listed in the Council's Treasury Policy Statement.

| | Balance 31 March 2009 £'000 | Balance 31 March 2008 £,000 | Change in Year £'000 |
|------------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| Short Term investments | 15,300 | 29,857 | (14,557) |
| Cash overdrawn | (1,259) | (1,037) | (222) |
| Increase/(Decrease) in year | 14,041 | 28,820 | (14,779) |

SUPPLEMENTARY STATEMENTS

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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 | 2008/2009 £'000 | 2007/2008 Restated £'000 |
|--|-----------------|--------------------|--------------------------------|
| INCOME | | | |
| Gross Rent from Council Dwellings | 1 & 2 | 20,522 | 19,930 |
| Non-Dwelling Rents | 3 | 706 | 686 |
| Charges for Services and Facilities | 4 | 2,273 | 1,935 |
| Contributions towards Expenditure | | 251 | 210 |
| HRA Subsidy Receivable (including MRA) | 13 | - | 116 |
| Total Income | | 23,752 | 22,877 |
| EXPENDITURE | | | |
| Repairs and Maintenance | | 4,503 | 6,462 |
| Supervision and Management | | 8,231 | 8,030 |
| Rents, Rates and Taxes | | 103 | 102 |
| Negative HRA Subsidy Payable (including MRA) | 13 | 2,312 | 917 |
| Depreciation and Impairments of Fixed Assets | 9 & 10 | 46,993 | 12,876 |
| Intangible Assets and Revenue expenditure funded from Capital under statute written down | 11 | 185 | 157 |
| Debt Management Costs | | 30 | 35 |
| Increased provision for Bad or Doubtful Debts | 14 | 38 | 201 |
| Total Expenditure | | 62,395 | 28,780 |
| Net Cost of HRA Services per Income and Expenditure Account | | 38,643 | 5,903 |
| HRA services share of Corporate and Democratic Core | | 391 | 348 |
| Net Cost of HRA Services | | 39,034 | 6,251 |
| (Gain)/Loss on sale of HRA fixed assets | | (59) | (147) |
| Interest payable and similar charges | 8 | 2,855 | 3,012 |
| Interest and investment income | | (35) | (97) |
| (Surplus)/ Deficit for the Year | | 41,795 | 9,019 |

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 70).

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.

| | 2008/2009 | 2007/2008 |
|---|----------------|-------------------|
| | £'000 | Restated £'000 |
| (Surplus)/ Deficit for the year on the HRA Income and Expenditure Account | 41,795 | 9,019 |
| Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year | (41,815) | (6,661) |
| (Increase)/Decrease in the Housing Revenue Account Balance | (20) | 2,358 |
| Housing Revenue Account balance brought forward | (1,498) | (3,856) |
| Housing Revenue Account balance carried forward | (1,518) | (1,498) |

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 | 2008/2009 £'000 | 2007/2008 Restated £'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 | 11 | (185) | (157) |
| Impairment of Fixed Assets | 10 | (39,041) | (5,178) |
| Gain/(loss) on sale of HRA fixed assets | | 59 | 147 |
| Net charges made for retirement benefits in accordance with FRS 17 | 6 | (116) | (150) |
| | | (39,283) | (5,338) |
| Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year. | | | |
| Transfer to/(from) Major Repairs Reserve | 5 | (3,667) | (3,421) |
| Employers' contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners | 6 | 448 | 504 |
| Contribution to Insurance Fund | | 32 | 106 |
| Premiums and discounts written down | 12 | 200 | 200 |
| Capital expenditure funded by the HRA | 17 | 455 | 1,288 |
| | | (2,532) | (1,323) |
| Net additional amount required by statute to be debited (or credited) to the HRA Balance for the year | | (41,815) | (6,661) |

NOTES TO THE HOUSING REVENUE ACCOUNT

■ 1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2009 0.59% of lettable properties were vacant.

The Council was responsible for the management of approximately 6,300 properties during the year. The stock at the beginning and end of the year was made up as follows:

| | 31 March 2009 | 1 April 2008 |
|---|------------------|-----------------|
| Analysis by Type of Dwelling: | | |
| Houses & Bungalows | 3,108 | 3,108 |
| Flats & Maisonettes | 3,210 | 3,212 |
| Total Dwellings | 6,318 | 6,320 |
| Analysis by Number of Bedrooms: | | |
| Bedsitters/1 Bedroom | 2,581 | 2,582 |
| 2 Bedrooms | 1,847 | 1,848 |
| 3 Bedrooms | 1,796 | 1,796 |
| 4 or more Bedrooms | 94 | 94 |
| Total Dwellings | 6,318 | 6,320 |
| The change in stock can be summarised as follows: | | |
| Stock at the beginning of the Year | 6,320 | 6,349 |
| Add: Conversions | 1 | - |
| | 6,321 | 6,349 |
| Deduct: Sales, Demolitions, Conversions, etc. | 3 | 29 |
| Stock at the End of the Year | 6,318 | 6,320 |

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 2009 in the 2008/09 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets

| | At 31 March 2009 £'000 | At 1 April 2008 £'000 |
|--|------------------------------|-----------------------------|
| Operational Assets – Land, Houses and Other Property | 369,396 | 429,092 |
| Non Operational Assets | 78 | 94 |

■ 2. Vacant Possession

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

Vacant Possession Value

| | At 31 March 2009 £'000 | At 1 April 2008 £'000 |
|---------------|------------------------------|-----------------------------|
| HRA Dwellings | 884,565 | 851,221 |

■ 3. Non Dwelling Rents

These total £706,000 and are made up as follows:

| Non Dwelling Rents | 2008/2009 £'000 | 2007/2008 £'000 |
|---------------------------|--------------------|--------------------|
| Garages and other Charges | 620 | 605 |
| Land and Other Buildings | 86 | 81 |
| Total | 706 | 686 |

■ 4. Charges for Services and Facilities

From 2003/04 the Government's Supporting People Programme was introduced. The effect of this is the support element of the rentals that are charged for council houses are now shown separately in the accounts. Income totalling £762,000 from Supporting People charges in 2008/09 (2007/08 £781,000) is shown under Charges for Services and Facilities. This includes a figure of £701,000 (2007/08 £711,000) which is a grant receivable under the Supporting People Programme.

■ 5. Major Repairs Reserve

| Major Repairs Reserve | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------------|--------------------|
| Balance as at 1 April 2008 | - | 1,139 |
| Transfers in – depreciation (Note 9) | 7,952 | 7,698 |
| Transfers out to the HRA | (3,667) | (3,421) |
| Capital Spending on Dwelling Stock met from Reserve | (2,451) | (5,416) |
| Balance as at 31 March 2008 | 1,834 | - |

■ 6. Pension Reserve

Under the full implementation of FRS17 (see Note 6, page 29) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

■ 7. HRA Capital Financing

| Capital Financing | 2008/2009 £'000 | 2007/2008 £'000 |
|--|----------------------------|----------------------------|
| HRA Capital Expenditure | | |
| Dwelling Stock | 2,540 | 6,546 |
| Non Dwelling Works | 146 | 17 |
| Investment in Information Technology | 220 | 141 |
| | 2,906 | 6,704 |
| Financed by: | | |
| Supported Borrowing | - | - |
| Revenue Contributions | 455 | 1,288 |
| Major Repairs Reserve | 2,451 | 5,416 |
| Total | 2,906 | 6,704 |
| | | |
| Summary of HRA Capital Receipts | 2008/2009 £'000 | 2007/2008 £'000 |
| Sale of Council Houses – Direct | 198 | 2,609 |
| Sale of Council Houses – Deferred | 19 | 21 |
| Other (including shared ownership) | 75 | - |
| Total | 292 | 2,630 |

The creation of an Arms Length Management Organisation and the achievement of the required inspection rating attracted funding to improve Council homes. This has been fully invested in the Decent Homes programme.

Receipts from the sale of Council houses have decreased as 3 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 28 in 2007/08.

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 £0.292 million, £0.150 million was paid to the Secretary of State under the pooling arrangements. The retained balance of £0.142 million can be used to finance capital expenditure (see Note 22, page 45 and Note 42, page 60).

■ 8. 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 | 2008/2009 £'000 | 2007/2008 £'000 |
|---------------------|--------------------|--------------------|
| HRA Interest Charge | 2,855 | 3,012 |

■ 9. Depreciation

| Depreciation | 2008/2009 £'000 | 2007/2008 £'000 |
|------------------------|--------------------|--------------------|
| Land – not depreciated | - | - |
| Dwellings | 7,672 | 7,418 |
| Other Property | 280 | 280 |
| Total | 7,952 | 7,698 |

■ 10. Impairment Charges

| Impairment | 2008/2009 £'000 | 2007/2008 £'000 |
|-------------------------------|--------------------|--------------------|
| Dwellings | 38,248 | 68 |
| Temporary Accommodation Units | 793 | 4,960 |
| Non-Operational Assets | - | 150 |
| Total | 39,041 | 5,178 |

The values of each category of assets 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 any previous revaluation gains on the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

However, under the revised requirements of the SORP 2007 (See accounting policy 4, page 7) the Revaluation Reserve only holds revaluation gains accumulated since 1 April 2007. For 2008/09 there were previous revaluation gains accumulated and therefore reductions in values have been partially written off against the Revaluation Reserve, with the remaining balance being written off through the service revenue account. In earlier years general reductions in value were netted off against increases through the former Fixed Asset Restatement Account rather than through the service revenue account.

Under the statutory provisions for the Housing Revenue Account assets are accounted for as they are financed, rather than when consumed. Therefore, the impairment does not impact on the HRA balance (see the Statement of Movement on the HRA Balance, page 70).

■ 11. Intangible Fixed Assets

| | 2008/2009 £'000 | 2007/2008 £'000 |
|------------------------------------|--------------------|--------------------|
| Housing Integrated Computer System | 185 | 157 |

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

■ 12. Premiums and Discounts

Under the requirements of the 2008 Statement of Recommended Practice, the amortisation of HRA premiums and discounts are no longer shown as part of the HRA surplus/deficit for the year, but are now included within the Statement of Movement on the HRA Balance. A prior period adjustment has been made to the comparatives disclosed for 2007/08 in the HRA account and the Statement of Movement on the HRA Balance, in order to reflect this change in the accounting treatment.

■ 13. Housing Subsidy

The 2008/09 subsidy calculation shows the cessation of the Rental Constraint Allowance which compensated Local Authorities for the effect of the rent restructuring review and the capping of rent increases for 2006/07 and 2007/08.

| Housing Subsidy | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| Allowance for Management | 3,226 | 3,148 |
| Allowance for Maintenance | 6,388 | 6,358 |
| Allowance for Major Repairs | 4,285 | 4,276 |
| Rental Constraint Allowance | - | 447 |
| Admissible Allowance | - | - |
| ALMO Allowance | 2,857 | 2,857 |
| Charges for Capital | 1,982 | 2,077 |
| Rent | (21,037) | (20,070) |
| Interest on Receipts | (7) | (10) |
| Housing Subsidy (Payable)/ Receivable | (2,306) | (917) |

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. Rent Arrears

The arrears at 31 March 2009 totalled £1.259 million. This excludes prepayments of £0.318 million, and may be analysed as follows:

| Arrears | 2008/2009 | | 2007/2008 | |
|--------------------------|-----------|------------|-----------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Due from Current Tenants | 589 | | 691 | |
| Due from Former Tenants | 670 | 1,259 | 689 | 1,380 |
| Prepayments | | (318) | | (204) |
| Net Arrears | | 941 | | 1,176 |

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 2009 the provision totalled £0.943 million.

■ 15. Exceptional or Prior Year Items

As disclosed in Note 12 to the HRA, the amortisation of HRA premiums and discounts are no longer shown as part of the HRA surplus/deficit for the year, but are now included within the Statement of Movement on the HRA Balance. A prior period adjustment has therefore been made to the comparatives disclosed for 2007/08.

■ 16. Revenue Balances

Out of the revenue balance of £1.5 million a sum of £1.06 million has already been committed for future use. The uncommitted balance is below the target prudent level agreed by the Council and action is being taken within budget plans for 2009/10 to rebuild the balance to the target level.

| Revenue Balances | 2008/2009 | 2007/2008 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Revenue Balance at the beginning of the Year | 1,498 | 3,856 |
| Add: Housing Revenue Account Surplus | 20 | - |
| Less: Housing Revenue Account statutory deficit | - | (1,258) |
| Less: Use of Accumulated Balance for capital spending | - | (1,100) |
| Revenue Balance at the End of the Year | 1,518 | 1,498 |
| Less: Committed Sum | | |
| Investment in Housing Stock 2009/10 and Future Years | (988) | (1,021) |
| Estimate Balance Carried Forward | (71) | (171) |
| Uncommitted Balance | 459 | 306 |

■ 17. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£0.988 million) will be used to support spending in future years.

Further Information

Arms Length Management Organisation (ALMO) - see Note 47 on page 62.

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 2008/2009

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 2009

| | Notes To Collection Fund | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------------------------|--------------------|--------------------|
| INCOME | | | |
| Council Tax | 1 - 3 | 84,064 | 79,588 |
| Non-Domestic Rates | 4 | 52,990 | 49,249 |
| Total Income | | 137,054 | 128,837 |
| EXPENDITURE | | | |
| Precepts | 5 | 83,210 | 78,352 |
| Non-Domestic Rates: | | | |
| Payment to National Pool | 4 | 52,746 | 49,006 |
| Cost of Collection Allowance | 4 | 244 | 243 |
| Bad and Doubtful Debts: | | | |
| Write off of Council Tax | | - | - |
| Provision for Council Tax Bad Debts | 6 | 531 | 699 |
| Total Expenditure | | 136,731 | 128,300 |
| (Surplus)/Deficit for the Year – Council Tax | 7 | (323) | (537) |
| Distribution/(Collection) of Previous Estimated Surplus/Deficit | 7 | 1,050 | 467 |
| (Surplus)/Deficit for the Year | | 727 | (70) |
| Collection Fund Balance | | | |
| Balance at the Beginning of the Year | | (1,159) | (1,089) |
| (Surplus)/Deficit for the Year | | 727 | (70) |
| Balance at the End of the Year | | (432) | (1,159) |

NOTES TO THE COLLECTION FUND ACCOUNTS

■ 1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,411.11 with an estimated tax base of 58,968 Band D equivalent properties. The Council Tax income can be analysed as follows:

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| Council Tax Income | | |
| Tax Payers | 75,670 | 70,972 |
| Council Tax Benefits transferred from General Fund | 9,394 | 8,616 |
| | 84,064 | 79,588 |

■ 2. Council Tax Base

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

| Band | Chargeable Dwellings | Estimated Properties After Discounts – Exemptions etc. | Ratio to Band D | Band D Equivalent Dwellings |
|---|----------------------|--|-----------------|-----------------------------|
| A | 8,689 | 6,527 | 6/9 | 4,351 |
| B | 19,008 | 15,921 | 7/9 | 12,383 |
| C | 18,568 | 16,156 | 8/9 | 14,361 |
| D | 12,409 | 11,064 | 9/9 | 11,064 |
| E | 7,209 | 6,660 | 11/9 | 8,140 |
| F | 3,545 | 3,347 | 13/9 | 4,834 |
| G | 2,183 | 2,012 | 15/9 | 3,353 |
| H | 134 | 108 | 18/9 | 216 |
| Contributions in lieu for Ministry of Defence Properties | | | | 862 |
| Total Band D | | | | 59,564 |
| 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 | | | | (596) |
| Council Tax Base | | | | 58,968 |

■ 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 |
|-------------------|----------------|--------------------|
| Colchester | 172,227 | 1,411.11 |
| Basildon | 170,452 | 1,477.75 |
| Chelmsford | 165,001 | 1,410.15 |
| Tendring | 149,367 | 1,402.83 |
| Braintree | 144,028 | 1,416.91 |
| Epping Forest | 123,453 | 1,426.51 |
| Castle Point | 88,960 | 1,451.90 |
| Rochford | 81,743 | 1,450.11 |
| Harlow | 77,880 | 1,473.21 |
| Brentwood | 71,669 | 1,403.88 |
| Uttlesford | 71,172 | 1,422.51 |
| Maldon | 63,218 | 1,434.43 |

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

Non-domestic rates are organised on a national basis. The Government specifies an amount (45.8p in 2008/09) 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.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|
| NNDR Income | | |
| Bills Issued | 56,193 | 52,242 |
| Mandatory Reliefs | (2,923) | (2,713) |
| Discretionary Reliefs | (138) | (148) |
| Provision for Bad Debts | (220) | (208) |
| Net Income | 52,912 | 49,173 |
| General Fund contribution to Discretionary Reliefs | 78 | 76 |
| NNDR Income to Income & Expenditure Account | 52,990 | 49,249 |
| Cost of Collection Allowance | (244) | (243) |
| Amount Payable to NNDR Pool | 52,746 | 49,006 |

The total non-domestic rateable value at 31 March 2009 was £131,813,509; the multiplier for the year was 45.8p. The product of this is £60,371,000. 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.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------------|--------------------|--------------------|
| Essex County Council | 61,716 | 58,056 |
| Colchester Borough Council | 10,614 | 10,096 |
| Essex Police Authority | 7,207 | 6,734 |
| Essex Fire Authority | 3,673 | 3,466 |
| Total Precepts | 83,210 | 78,352 |

■ 6. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. During 2008/09 £351,000 of irrecoverable debts were written off (2007/08 £201,000).

■ 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 £1,050,000 was shared as shown below.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------------|--------------------|--------------------|
| Essex County Council | 778 | 346 |
| Colchester Borough Council | 135 | 60 |
| Essex Police Authority | 90 | 40 |
| Essex Fire Authority | 47 | 21 |
| Total Surplus | 1,050 | 467 |

The cumulative surplus at the end of March 2009 is not required to be distributed until the following financial years. The surplus will be distributed in proportion to the value of the respective precepts as shown below.

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------------|--------------------|--------------------|
| Essex County Council | 321 | 859 |
| Colchester Borough Council | 55 | 149 |
| Essex Police Authority | 37 | 100 |
| Essex Fire Authority | 19 | 51 |
| Total Surplus | 432 | 1,159 |

This future distribution is anticipated in the presentation in the Balance Sheet (page 25).

■ 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 2008/2009

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 2009

| | 2008/2009 £ | 2007/2008 £ |
|-------------------------------------|----------------|----------------|
| Income: | | |
| Recovered from Riparian Authorities | | |
| Colchester Borough Council | - | 408 |
| Tendring District Council | - | 55 |
| Bank Interest | (17) | 37 |
| Total Income | (17) | 500 |
| Expenditure: | | |
| Paid to Riparian Authorities | | |
| Colchester Borough Council | - | - |
| Tendring District Council | - | - |
| Other expenditure | - | 500 |
| Gross Expenditure | - | 500 |
| Net Expenditure | (17) | - |

BALANCE SHEET AS AT 31 MARCH 2009

| | 2008/2009 £ | 2007/2008 £ |
|-----------------------------|----------------|----------------|
| Current Assets: | | |
| Cash at Bank | 2,543 | 2,526 |
| Cash in transit | - | - |
| | 2,543 | 2,526 |
| Current Liabilities: | | |
| Colchester Borough Council | (1,860) | (1,845) |
| Tendring District Council | (683) | (681) |
| 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 2008

| | 2007/2008 £ | 2006/2007 £ |
|--|----------------|----------------|
| Balance as at 1 October | 632 | 642 |
| Add: - Interest on Investments | 287 | 287 |
| - Bank Interest | 24 | 20 |
| - Other Income | 20 | 20 |
| | 963 | 969 |
| Less: - Administration and Distribution Expenses | 46 | 40 |
| - Subscription | 15 | 15 |
| - Distribution to Freeman | 300 | 282 |
| Balance as at 30 September | 602 | 632 |

BALANCE SHEET AS AT 30 SEPTEMBER 2008

| | 2007/2008 £ | 2006/2007 £ |
|--|----------------|----------------|
| Assets: | | |
| Investments | 6,179 | 6,147 |
| Cash at Bank | 602 | 632 |
| Represented by Accumulated Fund | 6,781 | 6,779 |

Please note: Investments are stated at market value as at 30 September 2008. 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 2009 was £316,883. A further sum of £50,657 was held on deposit pending transfer to the Tymperleys' account.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2009

| | 2008/2009 £ | 2007/2008 £ |
|------------------------------------|----------------|----------------|
| Balance as at 1 April | 57,898 | 54,155 |
| Add: - Interest on Investments | 15,967 | 15,713 |
| - Interest on Balance | 1,289 | 2,542 |
| | 75,154 | 72,410 |
| Less: - Distribution to Tymperleys | 22,646 | 14,512 |
| Balance as at 31 March | 52,508 | 57,898 |

BALANCE SHEET AS AT 31 MARCH 2009

| | 2008/2009 £ | 2007/2008 Restated £ |
|--|----------------|----------------------------|
| Assets: | | |
| Investments | 316,883 | 413,179 |
| Debtors | 1,852 | 8,416 |
| Cash at Bank | 50,657 | 49,482 |
| | 369,392 | 471,077 |
| Liabilities: | | |
| Creditors | - | - |
| Represented by Accumulated Fund | 369,392 | 471,077 |

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 2009

| | 2008/2009 £ | 2007/2008 £ |
|-------------------------------|----------------|----------------|
| Balance as at 1 April | 5,290 | 4,922 |
| Add: - Interest Received | 48 | 78 |
| - Dividends | 301 | 310 |
| | 5,639 | 5,310 |
| Less: - Expenses | 20 | 20 |
| Balance as at 31 March | 5,619 | 5,290 |

BALANCE SHEET AS AT 31 MARCH 2009

| | 2008/2009 £ | 2007/2008 £ |
|--|----------------|----------------|
| Assets: | | |
| Investments | 6,261 | 8,061 |
| Cash at Bank | 5,619 | 5,290 |
| Represented by Accumulated Fund | 11,880 | 13,351 |

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 2009

| | 2008/2009 | 2007/2008 |
|-------------------------------|--------------|--------------|
| | £ | £ |
| Balance as at 1 April | 8,144 | 7,805 |
| Add: - Interest received | 11 | 66 |
| - Dividends | 304 | 273 |
| Balance as at 31 March | 8,459 | 8,144 |

BALANCE SHEET AS AT 31 MARCH 2009

| | 2008/2009 | 2007/2008 |
|--|---------------|---------------|
| | £ | £ |
| Assets: | | |
| Investments | 5,742 | 7,874 |
| Cash at Bank | 7,430 | 7,114 |
| Represented by Accumulated Fund | 13,172 | 14,988 |

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. 12 grants were paid in 2008/2009.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

| | 2008/2009 £ | 2007/2008 £ |
|-------------------------------|----------------|----------------|
| Balance as at 1 April | 5,679 | 4,860 |
| Add: - Interest received | 68 | 92 |
| - Dividends | 780 | 727 |
| - Profit on disposal | 540 | - |
| | 7,067 | 5,679 |
| Less: - Grants Paid | 1,886 | - |
| Balance as at 31 March | 5,181 | 5,679 |

BALANCE SHEET AS AT 31 MARCH 2009

| | 2008/2009 £ | 2007/2008 £ |
|--|----------------|----------------|
| Assets: | | |
| Investments | 15,161 | 20,444 |
| Debtors | 20 | - |
| Cash at Bank | 3,221 | 4,279 |
| Represented by Accumulated Fund | 18,402 | 24,723 |

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 2008

| | 2007/2008 £ | 2006/2007 £ |
|-----------------------------------|----------------|----------------|
| Fund Balances as at 1 October | 240,802 | 235,778 |
| Add: - Investment Income | 5,896 | 5,453 |
| | 246,698 | 241,231 |
| Less: - Management/Admin Expenses | 429 | 429 |
| Balance as at 30 September | 246,269 | 240,802 |

BALANCE SHEET AS AT 30 SEPTEMBER 2008

| | 2007/2008 £ | 2006/2007 £ |
|---|----------------|----------------|
| Fixed Asset: | | |
| Mercury House (at Cost) and Mercury Theatre (nominal) | 83,384 | 83,384 |
| Current Assets: | | |
| Cash at Bank | 116,675 | 110,779 |
| Deposit – Colchester Mercury Theatre | 50,000 | 50,000 |
| Income Tax Recoverable | 12 | 12 |
| | 250,071 | 244,175 |
| Current Liabilities: | | |
| Sundry Creditors | 3,802 | 3,373 |
| Total Net Assets | 246,269 | 240,802 |
| Represented by: | | |
| Unrestricted Funds | | |
| Designated Funds: | | |
| Capital Reserve | 83,384 | 83,384 |
| Sinking Fund | 80,000 | 80,000 |
| Other Charitable Funds | 82,885 | 77,418 |
| | 246,269 | 240,802 |

■ 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 2009

| | 2008/2009 £ | 2007/2008 £ |
|---------------------------------|----------------|----------------|
| Income from functions | 54,516 | 44,158 |
| Less: Function related expenses | 15,026 | 9,655 |
| Net Income | 39,490 | 34,503 |
| Payments to Mayor's Charities | 39,490 | 34,503 |
| Net Surplus/(Deficit) | - | - |

BALANCE SHEET AS AT 31 MAY 2009

| | 2008/2009 £ | 2007/2008 £ |
|--------------------------------|----------------|----------------|
| Current Assets | | |
| Sundry Debtors | - | 1,000 |
| Cash at Bank | - | - |
| | - | 1,000 |
| Current Liabilities | | |
| Sundry Creditors | - | - |
| Cash Overdrawn | - | (1,000) |
| Net Current Liabilities | - | - |

■ 1. Introduction

The 2008 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 interests in Colchester Borough Homes Ltd and Colchester Community Stadium Ltd. (see Note 47, page 62) as wholly owned subsidiaries and prepare Group Accounts. For completeness the opportunity has been taken to include Port Health and the Trust Funds (see pages 82-88) in the statements that follow.

The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes and Colchester Community Stadium) 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 entities have a different year end to the Council they have been brought into the Group Accounts as at 31 March 2009 on the basis of interim financial statements at this date.

During 2008/09 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 6-13 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 2009

| Expenditure on Services | Notes 1&2 | 2008/2009 Gross Expenditure £'000 | 2008/2009 Gross Income £'000 | 2008/2009 Net Expenditure £'000 | 2007/2008 Net Expenditure £'000 |
|--|--------------|--|---------------------------------------|--|--|
| Corporate and Democratic Core | | 4,388 | 647 | 3,741 | 3,645 |
| Non Distributed Costs | | 1,694 | - | 1,694 | 826 |
| Central Services to the Public | G3 | 13,221 | 10,966 | 2,255 | 2,792 |
| Cultural and Related Services | | 13,525 | 6,868 | 6,657 | 6,344 |
| Environmental Services | | 13,443 | 3,538 | 9,905 | 6,929 |
| Planning and Development Services | | 5,293 | 4,333 | 960 | 1,823 |
| Highways, Roads and Transport Services | | 7,343 | 5,934 | 1,409 | 589 |
| Housing General Fund | | 45,689 | 40,969 | 4,720 | 3,247 |
| Housing Revenue Account | G3 | 61,983 | 23,222 | 38,761 | 6,167 |
| Social Services – Older People | | 854 | 709 | 145 | 263 |
| Cost of Services | | | | 70,247 | 32,625 |
| Net Cost of Services | | | | 70,247 | 32,625 |

| | Notes | | |
|--|--------|---------------|---------------|
| (Gain)/Loss on the disposal of fixed assets | 3 | 18 | (184) |
| Precepts paid to Parish Councils | | 801 | 743 |
| Deficit/(Surplus) on Internal Trading | 4 | - | - |
| Interest Payable | | 3,855 | 3,749 |
| Contribution of Housing Capital Receipts to Government Pool | 5 & 42 | 150 | 1,886 |
| Interest and Investment Income | | (2,227) | (2,653) |
| Investment impairment charge | 1 | 938 | - |
| Pensions Interest Cost and Expected Return on Pension Assets | 6/G4 | 2,990 | 917 |
| Taxation of Group Entities | | 9 | 10 |
| Net Expenditure | | 76,781 | 37,093 |
| Demand on the Collection Fund | | (10,749) | (10,156) |
| General Capital Contributions | 7 | (229) | (297) |
| General Government Grants | 8 | (1,636) | (2,219) |
| Contribution from Non-Domestic Rate Pool | | (10,871) | (10,231) |
| (Surplus)/Deficit for the Year | | 53,296 | 14,190 |

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

| | 2008/2009 £'000 | 2007/2008 £'000 |
|---|--------------------|--------------------|
| Deficit/(Surplus) for the year on the Authority Income and Expenditure Account (adjusted for intra-group transactions) | 53,212 | 14,060 |
| (Surplus)/Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions): | | |
| ■ Subsidiaries (Note 47, page 62) | 82 | 140 |
| ■ Trust Funds (Note G13, page 101) | 2 | (10) |
| Deficit/(Surplus) for the year on the Group Income and Expenditure Account | 53,296 | 14,190 |

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 22).

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 | 2008/2009 Net Expenditure £'000 | 2007/2008 Net Expenditure £'000 |
|---|---------|--|--|
| Deficit/(Surplus) for the year on the Income and Expenditure Account | Page 90 | 53,296 | 14,190 |
| (Surplus)/Deficit – movement in share of Collection Fund balance | 45 | 94 | (9) |
| (Increase)/Decrease arising on the revaluation of fixed assets | 39 | 11,355 | (37,919) |
| Decrease/(Increase) arising on the revaluation of Trust Fund investments | G13 | 106 | 30 |
| Actuarial losses/(gains) on pension fund assets and liabilities | G4 | (4,786) | 16,921 |
| Total recognised (gains)/loss for the year | | 60,065 | (6,787) |
| Adjustment of opening position on Financial Instruments at 1 April 2008 (see note below) | 41 | - | 1,460 |
| Total recognised (gains)/loss | | 60,065 | (5,327) |

GROUP BALANCE SHEET AS AT 31 MARCH 2009

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

| | Notes | 31 March 2009 £'000 | 31 March 2008 Restated £'000 |
|--|------------|---------------------------|---------------------------------------|
| Fixed Assets | | | |
| Intangible Fixed Assets | 18 | 2,097 | 3,044 |
| Tangible Fixed Assets | 19 & 20 | | |
| Operational Assets | | | |
| Council Dwellings | | 369,396 | 429,092 |
| Other Land and Buildings | | 75,946 | 61,431 |
| Operational Equipment | | 4,319 | 4,608 |
| Infrastructure Assets | | 4,038 | 4,314 |
| Community Assets | | 275 | 275 |
| Non-Operational Assets | | | |
| Investment Properties | | 51,523 | 38,068 |
| Assets under Construction | | 21,191 | 27,804 |
| Surplus Assets held for Disposal | | 15,554 | 19,322 |
| Total Fixed Assets | | 544,339 | 587,958 |
| Investments (Long Term) | G7 | 4,501 | 5,693 |
| Long Term Debtors | 25 | 550 | 425 |
| Deferred Premiums on the early repayment of debt | 26 | - | - |
| Total Long Term Assets | | 549,390 | 594,076 |
| Current Assets | | | |
| Stock | 27 | 144 | 193 |
| Debtors | G8 | 12,393 | 15,797 |
| Investments (Short Term) | | 15,302 | 29,882 |
| Cash and Bank | | - | - |
| Total Current Assets | | 27,839 | 45,872 |
| Current Liabilities | | | |
| Short Term Borrowing | | (10,972) | - |
| Creditors | G9 | (12,552) | (23,262) |
| Cash Overdrawn | | (238) | (480) |
| Total Current Liabilities | | (23,762) | (23,742) |
| Net Current Assets | | | |
| | | 4,077 | 22,130 |
| Long Term Borrowing | 30 | (58,406) | (59,377) |
| Provisions | 35/G10 | (377) | (352) |
| Capital contributions – Deferred | 36 | (34,023) | (32,710) |
| Deferred discounts on early repayment of debt | 37 | - | - |
| Pension Scheme Liability | G4 | (54,123) | (57,164) |
| Total Net Assets | | 406,538 | 466,603 |
| Represented by: | | | |
| Revaluation Reserve | 39 | 23,976 | 35,907 |
| Capital Adjustment Account | G11 | 418,603 | 463,870 |
| Financial Instruments Adjustment Account | 41 | (2,049) | (1,306) |
| Usable Capital Receipts Reserve | 42 | 4,999 | 10,240 |
| Deferred Capital Receipts | 43 | 90 | 108 |
| Pensions Reserve | G4 | (54,123) | (57,164) |
| Earmarked Reserves | 44 | 9,687 | 9,019 |
| Revenue Balances | | 4,380 | 4,994 |
| Subsidiaries Reserves | G12 | 391 | 243 |
| Trust Funds Reserves | G13 | 584 | 692 |
| Total Equity | G14 | 406,538 | 466,603 |

THE GROUP CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2009

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

| | Notes | 2008/2009 £'000 | 2007/2008 £'000 |
|--|---------|--------------------|--------------------|
| Net Cash (Inflow)/Outflow from Revenue Activities | G16 | (1,283) | (6,478) |
| Returns on Investments and Servicing of Finance | | | |
| Payments | | | |
| Interest Paid | | 3,562 | 3,730 |
| Receipts | | | |
| Interest Received | | (2,464) | (1,746) |
| Net Cash Outflow from Returns on Investments and Servicing of Finance | | 1,098 | 1,984 |
| Taxation | | 9 | 7 |
| Capital Activities | | | |
| Payments | | | |
| Purchase of Fixed Assets | | 30,129 | 22,057 |
| Other Capital Cash Payments | | 2,284 | 1,605 |
| Purchase of Long Term Investments | | 4,000 | 5,000 |
| Total Payments | | 36,413 | 28,662 |
| Receipts | | | |
| Sale of Fixed Assets | | 797 | 7,545 |
| Proceeds from Long Term Investments matured in year | | 10 | - |
| Capital Grants Received | | 6,533 | 9,808 |
| Other Capital Cash Income | | 735 | 2,253 |
| Total Receipts | | 8,075 | 19,606 |
| Net Cash Outflow/(Inflow) from Capital Activities | | 28,338 | 9,056 |
| Net Cash Outflow/(Inflow) before Financing | G17/G18 | 28,162 | 4,569 |
| Management of Liquid Resources | | | |
| Net (Decrease)/Increase in Short Term Deposits | G18 | (18,474) | (1,035) |
| Financing | | | |
| Payments | | | |
| Repayments of Amounts Borrowed | | - | - |
| PWLB Premium Paid | | - | - |
| Receipts | | | |
| New Loans Raised | | 9,930 | 3,500 |
| Discounts Received | | - | - |
| Net Cash (Inflow)/Outflow from Financing | | (9,930) | (3,500) |
| Decrease/(Increase) in Cash | | (242) | 34 |

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 27-68 and the group statements cross reference to them where relevant.

G2

Colchester Borough Homes Limited (CBH) and Colchester Community Stadium Limited (CCS) are wholly owned subsidiaries of the Council (See Note 47, page 62).

The Council has 40% voting right on the Board of Colchester Borough Homes Ltd and the Council as well as the Board agrees the annual delivery plan.

The Council has 33% voting right on the Board of Colchester Community Stadium Ltd and the Council as well as the Board agrees the annual delivery plan.

G3

The operating income and expenditure of Colchester Borough Homes Ltd has been included within the Housing Revenue Account. The operating income and expenditure of Colchester Community Stadium Ltd has been included within Cultural and Related Services.

G4 – 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 (CBC) and Colchester Borough Homes Ltd (CBH) offer retirement benefits. Although these benefits 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 participate in the Local Government Pensions Scheme (LGPS) administered by Essex County Council. This is a funded defined benefit final salary 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.

Change of Accounting Policy

Under the 2008 Statement of Recommended Practice the Group has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than at the mid-market value. This change in accounting policy has been applied for Group the financial year of 2008/09.

The Group has elected not to restate the fair value of the scheme assets and the difference between the expected and actual return on assets for the financial years of 2004/05 and 2005/06. This election is permitted by FRS 17 (as revised).

The impact of this change in accounting policy is to reduce the fair value of the scheme assets by £106,000 for 2006/07 and £99,000 for 2007/08. No restatements have been made to the values reported for the Group for the prior financial years of 2006/07 and 2007/08, as the reductions calculated in the fair value of the scheme assets are not considered to be material to the accounts.

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 Group Income and Expenditure Account during the year:

| | Local Government Pension Scheme | | | 2007/2008 Total £'000 |
|---|---------------------------------|--------------|-----------------------------|-----------------------------|
| | CBC £'000 | CBH £'000 | 2008/2009 Total £'000 | |
| Net Cost of Services: | | | | |
| Current Service Cost | 3,195 | 556 | 3,751 | 3,158 |
| Past Service Cost | - | - | - | 967 |
| Settlement/Curtailment | 47 | - | 47 | 92 |
| Net Operating Expenditure: | | | | |
| Interest Cost | 8,817 | 718 | 9,535 | 7,829 |
| Expected Return of Assets in the Scheme | (5,896) | (648) | (6,544) | (6,912) |
| | 6,163 | 626 | 6,789 | 5,134 |

In addition to the recognised gains and losses included in the Group Income and Expenditure Account, actuarial gains of £4,786,000 (actuarial losses of £16,921,000 for 2007/08) are included in the Group Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains/losses recognised in the Group Statement of Total Recognised Gains and Losses is £11,204,000 (net actuarial losses).

In 2007/08 the provisions of the LGPS were changed by the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. These provide some increases in death benefits on accrued service which are shown as Past Service 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 was £4,648,000 for the Council (£4,376,000 for 2007/08) and £396,000 for Colchester Borough Homes Ltd (£388,000 for 2007/08).

We pay contributions to the County fund monthly in arrears so at 31 March 2009 the sum of £417,000 (£392,000 for 2007/08) for the March contributions has been included in the accounts as a creditor.

The results of the latest revaluation, as at 31 March 2007, were implemented with effect from 1 April 2008.

The actuary has advised that the overall funding level of the Pension Fund had increased from 71.4% in 2004 to 79.6% in 2007. The higher than anticipated investment returns and back funding contributions over this period, partially offset by increasing life expectancy, have contributed to this result. The valuation also reflects the introduction of the "new look" LGPS from 1 April 2008 under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and related regulations. The new scheme includes provision for an increase in the contributions made by employees. The valuation has set the employer's contribution rates until 31 March 2011 with the under funding planned to be cleared over a twenty year period. The contributions that were been set during the latest revaluation are:

- Council – The basic employer's contribution is 11.9% of pensionable pay. The sum required for back funding for 2009/10 is £2,169,900 (£2,074,500 for 2008/09). This sum is expected to increase to be £2,269,700 in 2010/11.
- Colchester Borough Homes - The basic employer's contribution is 13.7% of pensionable pay. The sum required for back funding for 2009/10 is £2,834 (£2,709 for 2008/09). This sum is expected to increase to be £2,964 in 2010/11.

The next revaluation will be as at 31 March 2010 and will be implemented with effect from 1 April 2011.

Further information can be found in Essex County Council's Pension Fund's Annual Report which is available upon request from Essex County Council, Investment Team, P.O. Box 11, County Hall, Chelmsford, CM1 1LX.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

| | CBC £'000 | CBH £'000 | 2008/2009 Total £'000 | 2007/2008 Total £'000 |
|--------------------------------------|----------------|---------------|-----------------------------|-----------------------------|
| 1 April | 144,914 | 11,413 | 156,327 | 145,357 |
| Current Service Cost | 3,195 | 556 | 3,751 | 3,158 |
| Interest Cost | 8,817 | 718 | 9,535 | 7,829 |
| Contributions by scheme participants | 1,197 | 185 | 1,382 | 1,207 |
| Actuarial (gains)/losses | (30,071) | (2,684) | (32,755) | 2,853 |
| Benefits paid | (5,147) | (39) | (5,186) | (5,136) |
| Past Service Costs | - | - | - | 967 |
| Curtailments | 47 | - | 47 | 92 |
| Settlements | - | - | - | - |
| 31 March | 122,952 | 10,149 | 133,101 | 156,327 |

Reconciliation of fair value of the scheme assets:

| | CBC £'000 | CBH £'000 | 2008/2009 Total £'000 | 2007/2008 Total £'000 |
|--------------------------------------|---------------|--------------|-----------------------------|-----------------------------|
| 1 April | 89,643 | 9,520 | 99,163 | 105,484 |
| Expected rate of return | 5,896 | 648 | 6,544 | 6,912 |
| Actuarial gains/(losses) | (25,224) | (2,745) | (27,969) | (14,068) |
| Employer contributions | 4,648 | 396 | 5,044 | 4,764 |
| Contributions by scheme participants | 1,197 | 185 | 1,382 | 1,207 |
| Benefits paid | (5,147) | (39) | (5,186) | (5,136) |
| Settlements | - | - | - | - |
| 31 March | 71,013 | 7,965 | 78,978 | 99,163 |

The expected rate of return on scheme assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected investment return on government bonds is based on the yield on 20 year fixed interest gilts at the relevant date. The expected investment return on corporate bonds is based on market yields at the relevant date, restricted to 2% p.a. over and above that available on gilts, reflecting an increased risk of default in the corporate bond yield. The expected return on equities is the yield on 20 year fixed interest gilts plus an allowance for the 'risk premium' associated with equity investments.

The actual return on scheme assets in the year was a negative return of £21,326,000 (A negative return of £4,440,000 for 2007/08).

Scheme History

| | CBC £'000 | CBH £'000 | 2008/09 Total £'000 | 2007/08 Total £'000 | 2006/07 Total £'000 | 2005/06 Total £'000 | 2004/05 Total £'000 |
|------------------------------|---------------|--------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Present value of liabilities | 122,952 | 10,149 | 133,101 | 156,327 | 145,357 | 145,814 | 130,029 |
| Fair value of assets | 71,013 | 7,965 | 78,978 | 99,163 | 105,484 | 98,187 | 79,680 |
| Deficit in the scheme | 51,939 | 2,184 | 54,123 | 57,164 | 39,873 | 47,627 | 50,349 |

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £54,123,000 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 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.

The total contributions expected to be made by the Group to the pension scheme for the year to 31 March 2010 is £5,092,000.

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 31 March 2007.

The principal assumptions used by the actuary were:

| | 31 March 2009 % | 31 March 2008 % |
|--|-----------------------|-----------------------|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity Investments | 7.5 | 7.5 |
| Government Bonds | 4.0 | 4.6 |
| Other Bonds | 6.0 | 6.1 |
| Property | 6.5 | 6.5 |
| Other assets | 0.5 | 5.25 |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.0 | 22.0 |
| Women | 24.9 | 24.8 |
| Longevity at 65 for future pensioners: | | |
| Men | 23.1 | 23.1 |
| Women | 25.9 | 25.9 |
| Rate of inflation | 3.3 | 3.6 |
| Rate of increase in salaries | 4.8 | 5.1 |
| Rate of increase in pensions | 3.3 | 3.6 |
| Rate for discounting scheme liabilities | 7.1 | 6.1 |
| Take up of option to convert annual pension into retirement lump sum | 50.0 | 50.0 |

The County Council's Pension fund's assets consist of the following categories, by proportion of the total assets held:

| Proportion of total assets held: | 31 March 2009 % | 31 March 2008 % |
|---|-----------------------|-----------------------|
| Equity investments | 74.5 | 70.2 |
| Gilts | 8.7 | 9.4 |
| Other Bonds | 5.3 | 6.6 |
| Property | 9.8 | 10.7 |
| Other assets | 1.7 | 3.1 |
| | 100.0 | 100.0 |

The above figures have been provided by the actuary to the Essex Pension Scheme using information provided by the scheme and assumptions determined by the Group 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.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2009:

| | CBC £'000 | CBH £'000 | 2008/09 Total £'000 | 2007/08 Total £'000 | 2006/07 Total £'000 | 2005/06 Total £'000 | 2004/05 Total £'000 |
|---|--------------|--------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Differences between the expected and actual return on assets | (35.4) | (34.3) | (35.3) | 11.4 | 1.1 | 13.0 | 4.7 |
| Differences between actuarial assumptions about liabilities and actual experience | - | - | - | 2.7 | - | 1.9 | 1.8 |

Pension Reserve

The Pension 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.

| | CBC £'000 | CBH £'000 | 2008/2009 Total £'000 | 2007/2008 Total £'000 |
|---------------------------------------|-----------------|----------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | (55,271) | (1,893) | (57,164) | (39,873) |
| Actuarial (Loss)/Gain | 4,847 | (61) | 4,786 | (16,921) |
| Transfer (to)/from Revenue | (1,515) | (230) | (1,745) | (370) |
| Balance at the End of the Year | (51,939) | (2,184) | (54,123) | (57,164) |

The change from an estimated net liability of £57,164,000 at 31 March 2008 to an estimated net liability of £54,123,000 at 31 March 2009 is the net result of a number of factors. Investments performed significantly worse than previously assumed over the year to 31 March 2009. There has been an improvement in the position of the estimated liabilities as the actuarial assumptions used for the liabilities calculation at 31 March 2009 were less conservative than those used as at 31 March 2008. This was as a result of the yields on corporate bonds rising and inflation expectations falling during the year. The net result has been a decrease in estimated liabilities, which has more than offset the decline seen in asset performance and has led to a reduction in the overall liability.

The £54,123,000 net liability represents the difference between the value of the Group's pension fund assets at 31 March 2009 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 2009 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 actuary in their full actuarial review of the Pension Fund as at 31 March 2007. Their advice on the shortfall in the funding of the scheme at that time has determined the future level of pension contributions which were implemented from 1 April 2008. The under funding is planned to be cleared over a twenty year period. The position is reviewed annually and the next full revaluation will be at as 31 March 2010. The results of the 2010 valuation will be implemented with effect from 1 April 2011.

G5 – 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 2008/2009 | Number of Employees 2007/2008 |
|---------------------|-------------------------------|-------------------------------|
| £50,000 - £59,999 | 11 | 8 |
| £60,000 - £69,999 | 9 | 7 |
| £70,000 - £79,999 | - | 1 |
| £80,000 - £89,999 | 1 | 2 |
| £90,000 - £99,999 | 3 | 1 |
| £100,000 - £109,999 | - | - |
| £110,000 - £119,999 | 1 | 1 |
| £160,000 - £169,999 | 1 | - |

G6 – Audit Costs

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

| | CBC (Audit Commission) £'000 | CBH (Scrutton Bland) £'000 | CCS (Baker Chapman & Bussey) £'000 | 2008/2009 Total £'000 | 2007/2008 Total £'000 |
|--|------------------------------|----------------------------|------------------------------------|-----------------------|-----------------------|
| Core External Audit Services | 131 | 11 | 3 | 145 | 122 |
| Statutory Inspection | 6 | - | - | 6 | 6 |
| Certification of Grant Claims | 65 | - | - | 65 | 40 |
| Other Services - National Fraud Initiative | 2 | - | - | 2 | 1 |
| | 204 | 11 | 3 | 218 | 169 |

G7 – Long Term Investments

| | Balance as at 31 March 2009 | | | 31 March 2008 |
|---|-----------------------------|-------------------|--------------|---------------|
| | CBC £'000 | Trust Funds £'000 | Total £'000 | Total £'000 |
| Association of District Councils (ADC) Debenture | - | - | - | 10 |
| Market Value of Marketable Securities at 31 March | 10 | 292 | 302 | 409 |
| Term Deposits | 4,199 | - | 4,199 | 5,274 |
| Total Long Term Investments | 4,209 | 292 | 4,501 | 5,693 |

G8 – Debtors

| | Value as at 31 March 2009 | | | | 31 March 2008 |
|--|---------------------------|--------------|-------------|---------------|----------------|
| | CBC | Subsidiaries | Trust Funds | Total | Total Restated |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sums falling due within One Year: | | | | | |
| Non-domestic Rate Arrears | 1,827 | - | - | 1,827 | 988 |
| Contribution to NNDR Pool | 175 | - | - | 175 | 907 |
| Council Tax Arrears | 4,612 | - | - | 4,612 | 4,419 |
| Government Departments | 2,893 | - | - | 2,893 | 4,067 |
| Council Tenants | 1,259 | - | - | 1,259 | 1,380 |
| Essex County Council | 571 | - | - | 571 | 450 |
| Customs and Excise (VAT) | - | - | - | - | 1,166 |
| General Debtors | 7,381 | 95 | - | 7,476 | 8,336 |
| Total Due within One Year | 18,718 | 95 | - | 18,813 | 21,713 |
| Sums falling due after One Year: | | | | | |
| General Debtors | - | - | - | - | - |
| Total Due after One Year | - | - | - | - | - |
| Gross Debtors | 18,718 | 95 | - | 18,813 | 21,713 |
| Less Provision for Doubtful Debts | (6,420) | - | - | (6,420) | (5,916) |
| Total Debtors | 12,298 | 95 | - | 12,393 | 15,797 |

Figures have been revised to eliminate inter-group balances.

G9 – Creditors

| | Value as at 31 March 2009 | | | | 31 March 2008 |
|--------------------------------|---------------------------|--------------|-------------|---------------|---------------|
| | CBC | Subsidiaries | Trust Funds | Total | Total Rebased |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Non-Domestic Rate Prepayment | 2,526 | - | - | 2,526 | 3,623 |
| Council Tax Prepayment | 2,202 | - | - | 2,202 | 1,885 |
| Government Departments | 896 | - | - | 896 | 1,522 |
| Council Tenants | 369 | - | - | 369 | 234 |
| Contractors' Deposits | 83 | - | - | 83 | 83 |
| Essex County Council | 1,131 | - | - | 1,131 | 1,622 |
| Contractors re Capital Schemes | 738 | - | - | 738 | 8,119 |
| General Creditors | 3,779 | 798 | 30 | 4,607 | 6,174 |
| Total Creditors | 11,724 | 798 | 30 | 12,552 | 23,262 |

Figures have been revised to eliminate inter-group balances.

G10 – Provisions

| Category of Provision | Balance at 1 April 2008 | Contribution from Revenue in the Year £'000 | Payments in the Year £'000 | 31 March 2009 £'000 |
|---|----------------------------|--|----------------------------------|---------------------------|
| Colchester Borough Council (see Note 35, page 56) | 323 | 47 | 23 | 347 |
| Colchester Borough Homes Ltd | 29 | 1 | - | 30 |
| Total Provisions | 352 | 48 | 23 | 377 |

The Colchester Borough Homes Ltd provisions are for building reinstatement and an environmental scheme.

G11 – Capital Adjustment Account

| | 2008/2009 £'000 | 2007/2008 £'000 |
|----------------------------|--------------------|--------------------|
| Colchester Borough Council | 418,520 | 463,787 |
| Trust Funds | 83 | 83 |
| Total at 31 March | 418,603 | 463,870 |

G12 – Subsidiaries Reserves

| | Balance at 1 April 2008 £'000 | Transfer (to)/ from Revenue £'000 | Balance at 31 March 2009 £'000 |
|------------------------------|--|---|---|
| Colchester Borough Homes | 253 | 160 | 413 |
| Colchester Community Stadium | (10) | (12) | (22) |
| Total Reserves | 243 | 148 | 391 |

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

G13 – Trust Funds

| | 2008/2009 £'000 | 2008/2009 £'000 | 2007/2008 £'000 |
|--|--------------------|--------------------|--------------------|
| Balance at 1 April 2008 | | 692 | 712 |
| Add Income for year | 68 | | |
| Less expenditure for year | (70) | (2) | 10 |
| (Decrease)/Increase in Investments value | | (106) | (30) |
| Balance at 31 March | | 584 | 692 |

The total value of the assets and liabilities for the Trust Funds are as follows:

| | 31 March 2009 £'000 | 31 March 2008 £'000 |
|----------------------------|---------------------------|---------------------------|
| Assets | 697 | 808 |
| Liabilities | (30) | (33) |
| Total Net Assets | 667 | 775 |
| Represented by: | | |
| Capital Adjustment Account | 83 | 83 |
| Trust Funds Reserves | 584 | 692 |
| Balance at 31 March | 667 | 775 |

The assets are not the property of the local authority and are subject to charitable trusts. Further details of the nature of the assets and liabilities are provided in the Trust Fund statements (pages 82-88).

G14 – 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 2009 £'000 | 31 March 2008 £'000 |
|-------------------------|---------------------------|---------------------------|
| General Fund | 403,940 | 464,077 |
| Housing Revenue Account | 1,931 | 1,751 |
| Trust Funds | 667 | 775 |
| Total Net Worth | 406,538 | 466,603 |

The change in net worth in the Group Balance Sheet matches that shown in the Group Statement of Total Recognised Gains and Losses (Page 91).

G15 – Post Balance Sheet Events

The accounts were authorised for issue on 30 June 2009 by the Accounts and Regulatory Committee and the Head of Resource Management (Page 14).

There are no items which have arisen after the closure of the 2008/09 accounts which would materially affect these accounts.

G16 – Reconciliation of Group Income and Expenditure Account to Revenue Activities Cash Flow

| | Notes | 2008/2009 £'000 |
|--|---------|--------------------|
| (Surplus)/Deficit per the Income and Expenditure Account | Page 21 | 53,128 |
| (Surplus)/Deficit per Collection Fund | Page 77 | 727 |
| (Surplus)/Deficit per Subsidiaries | G12 | (148) |
| Net (Surplus)/Deficit | | 53,707 |
| Non-Cash Transactions | | |
| Depreciation and Impairments | | (54,305) |
| Deferred grants amortised in year | | 564 |
| Grants funding Revenue Expenditure Funded from Capital under Statute amortised in year | | 1,015 |
| Grants funding Revenue Expenditure Funded from Capital under Statute credited directly to the Income and Expenditure Account in year | | 462 |
| Pension Fund adjustments | Note 6 | (1,515) |
| Other Non-Cash transactions | | 102 |
| Taxation | | (9) |
| Interest and investment income | Page 21 | 2,274 |
| Interest payable and similar charges | Page 21 | (3,900) |
| Investment impairment charge | Page 21 | (938) |
| Revenue Expenditure Funded from Capital under Statute | | (1,930) |
| Gain/(Loss) on disposal of fixed assets | | (1) |
| Contributions to Reserves | | 5 |
| Contributions to Provisions | | (1) |
| Items on an Accruals Basis: | | |
| Increase/(Decrease) in Stock and Work in Progress | | (49) |
| Increase/(Decrease) in Debtors | | 157 |
| (Increase)/Decrease in Creditors | | 3,079 |
| Net Cash (Inflow)/Outflow from Revenue Activities | | (1,283) |

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. For 2008/09 the cash flow calculations have been based on the indirect calculation method. In 2007/08 the direct method of calculation was used and therefore direct comparators for this reconciliation are not available.

G17 – Reconciliation of the Net Cash Flow to the Movement in Net Debt

| | 2008/2009 | |
|---|-----------|-----------------|
| | £'000 | £'000 |
| Increase in Cash in the Period | 242 | |
| Cash Inflow from new loans raised | (9,930) | |
| Cash Inflow from management of Liquid Resources | (19,381) | |
| Cash Outflow from deferred liabilities | 978 | |
| Change in Net Debt resulting from cash flows | | (28,091) |
| Other Non Cash changes | | 3,752 |
| Net Debt at 1 April 2008 | | (29,975) |
| Net Cash Flow | | (54,314) |

G18 – Analysis of Net Debt

| | Balance 31 March 2008 £'000 | Interest Accrual Movement £'000 | Cashflow Movement £'000 | Other Non Cash changes £'000 | Balance 31 March 2009 £'000 |
|------------------------------------|--------------------------------------|--|-------------------------------|------------------------------------|--------------------------------------|
| Cash Overdrawn | (480) | - | 242 | - | (238) |
| Loans due within one year | - | 978 | (10,901) | (1,049) | (10,972) |
| Loans due after more than one year | (59,377) | - | 971 | - | (58,406) |
| Short Term Investments | 29,882 | (907) | (18,474) | 4,801 | 15,302 |
| Net Cash Flow | (29,975) | 71 | (28,162) | 3,752 | (54,314) |

G19 – Liquid Resources

These are short term investments of surplus cash and include those made by external cash fund managers in 2007/08. All these investments are repayable within twelve months and are with approved organisations listed in the Council's Treasury Policy Statement.

| | Balance 31 March 2009 £'000 | Balance 31 March 2008 £,000 | Change in Year £'000 |
|------------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| Short Term investments | 15,302 | 29,882 | (14,580) |
| Cash overdrawn | (238) | (480) | 242 |
| Increase/(Decrease) in year | 15,064 | 29,402 | (14,338) |

Independent Auditor's Report to the Members of Colchester Borough Council

Opinion on the Financial Statements

I have audited the Authority and Group accounting statements and related notes of Colchester Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Colchester Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Resource Management and auditor

The Head of Resource Management's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I 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 Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, 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 Authority and Group accounting statements and related notes 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 Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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 regularly to review the adequacy and effectiveness of these arrangements.

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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, 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 2009.

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 (Officer of the Audit Commission)

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