COLCHESTER BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

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SUMMARY OF FINANCIAL STATEMENTS

Movement in Reserves Statement (page 8)
This is a summary of the movements in the financial year in the different reserves held by the Council. The reserves are analysed into usable reserves and unusable reserves. Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable reserves include reserves set-up to hold unrealised gains/losses and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

Comprehensive Income and Expenditure Account Statement (page 9)
This Statement consolidates all the gains and losses experienced by the Council during the financial year. The Surplus/Deficit on the Provision of Services shows the increase/decrease in net worth of the Council as a result of incurring expenditure on the major functions within the Council and generating income from the Collection Fund and from Central Government. Other Comprehensive Income and Expenditure shows the changes in net worth that have not been reflected in the Surplus/Deficit on the Provision of Services.

Balance Sheet (page 10)
This summarises the Council's financial position at the year end. It shows assets and liabilities that the Council holds or has accrued with other parties. It shows reserves available to the Council, which fall into two categories – usable and unusable. Usable reserves are those which are available to meet future expenditure. Unusable reserves include reserves set-up to hold unrealised gains/losses and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

Cash Flow Statement (page 11)
This summarises the cash flows that have taken place into and out of the Council's bank accounts over the financial year. It separates the flows that have occurred as a result of the Council's operations, those flows arising from investing activities and those flows attributable to financing decisions made by the Council.

Housing Revenue Account (page 70)
By law, we must account separately for our housing provision. This account shows the main areas of housing revenue spending, which are maintenance, management and capital charges and how this spending is paid for from rents, subsidies and other income.

Collection Fund Accounts (page 77)
These show the amounts involved in the collection and distribution of Council Tax and National Non-Domestic Rates. There is no Collection Fund Balance Sheet as the Collection Fund balances are distributed across the Balance Sheets of the Billing authority, Government and Precepting authorities in accordance with the IFRS Code of Practice.

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.

EXPLANATORY FOREWORD

Changes for the 2010/11 Accounts

The Statement of Accounts for 2010/11 has been prepared under the International Financial Reporting Standards (IFRS) using the IFRS Based Code of Practice on Local Authority Accounting.

The Council's accounts for previous years were prepared under UK GAAP accounting standards, using the Statement of Recommended Practice for Local Authority Accounting (SORP). The requirement to adopt IFRS was set out in the 2007 Budget by the Chancellor, who announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made.

The Accounting Policies set out in Note 1 have been updated due to the adoption of the IFRS Based Code of Practice on Local Authority Accounting.

The IFRS Based Code requires retrospective application of the updated accounting policies, which has resulted in the restatement of various balances and transactions. This has led to the Council preparing an updated Balance Sheet as at 1 April 2009 (the date of the Council's transition to IFRS), a restated 2009/10 Balance Sheet and a restated 2009/10 Comprehensive Income and Expenditure Statement.

Refer to Annex 1 on page 116, which discloses the differences between the amounts presented under the 2009 Statement of Recommended Practice and the IFRS-based Code of Practice. Disclosures have been made in respect of the restated Balance Sheet as at 1 April 2009, the restated 2009/10 Balance Sheet and the restated 2009/10 Comprehensive Income and Expenditure Statement.

Results for 2010/11

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 £25.1 million met by the precept on the Collection Fund and Government grants.

	Original Estimate £m	**Actual £m**
Total Net Spending for the Year	26.0	25.1
Met by:		
Collection Fund Demand	11.6	11.6
Government Grants	13.7	13.0
Contribution from/(to) Balances	0.7	0.5
Total Financing	**26.0**	**25.1**

Expenditure on services was £1.1 million less than estimated, and we benefitted from a VAT refund. These exceeded the shortfalls in grant income and interest earnings.

The 2010/11 budget included assumptions regarding Government grants. The Government announced in June 2010 that all funding for Housing and Planning Delivery Grant and some other grants was being removed as part of the deficit reduction plan. This reduction in funding resulted in a cost pressure of £0.7m.

The Council achieved a one-off VAT refund of £0.7m, which relates to challenge made in respect of VAT paid for areas of sport and leisure and cultural services income in a period from the late 1970's.

The shortfall in the Council's interest earnings continues to be due to factors outside our direct control such as the historic low investment rates currently available. Steps continue to be taken to try to minimise the impact such as through deferral of new borrowing in favour of disinvestment. The position reflects the required treatment in respect of investments with Icelandic institutions.

Regular monitoring reports on the revenue position, highlighting the significant risk areas were submitted to the Finance and Audit Scrutiny Panel throughout the year.

General Fund balances now stand at £3.5 million, of which £2.4 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 £10.3 million for regeneration projects (including £5.9 million on the Firstsite Facility) and £5.6 million for improvements to Council Housing.

The Council's capital spending was £19.7 million (compared to £13 million in 2009/10), but £3.0 million less than programmed. This decrease was largely due to timing differences in contract payments on the major projects rather than changes in the total cost of projects. Of this total, £1.5 million was funded from Council borrowing, £2.7 million was funded from the application of capital receipts, £9.2 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), and from the Capital Expenditure Reserve.

The Council utilised its powers to undertake unsupported borrowing to fund £1.5 million of the expenditure on regeneration schemes and on the replacement of the cremators. This comprised 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 2010/11 were much lower than those received in 2009/10. Sale of Council houses showed a reduction on 2009/10, with £696,000 received in 2010/11. 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 £645,000 was received in 2010/11. The accumulated balance of £2.7 million is already planned to support capital spending from 2011/12 onwards.

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 and Treasury Management Strategy as part of the budget process for 2010/11. The borrowing and investment activities undertaken in the year are in accordance with these determinations.

As investment rates were below long-term borrowing rates, value for money considerations indicated that new external borrowing should be avoided and internal cash balances should be used to finance new capital expenditure. This maximised short-term savings and reduced the Council's exposure to interest rate and credit risk. The total loan debt at the year end was £63.4 million.

The total funds invested at the year end were £8.6 million. Investments totalling £4 million are impaired in the accounts as a result of the Icelandic banks' default in October 2008. Capital finance regulations issued in May 2009 allowed the Council to defer the impact until 2010/11, by charging the impairments to the Financial Instruments Adjustment Account. An impairment of £85,000 has been recognised in 2010/11, resulting in a cumulative amount of £872,000 being transferred from the Financial Instruments Adjustment Account to the General Fund in accordance with the regulations.

Pension Liability

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 £59.8 million shortfall at 31 March 2011. Whilst this 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.

Provisions

A provision of £384,000 has been included within the Statement of Accounts to meet the estimated cost to the Council of outstanding insurance claims for which the actual cost of individual claims and the timing of payments are uncertain. Refer to Note 21 page 41 for further information regarding this provision.

Contingent liabilities

At the year end the Council has identified and disclosed contingent liabilities regarding an alleged breach of contract in relation to the sale of land, a potential liability relating to the installation of a foot bridge, a potential conflict regarding the application of charges made by the Council for land searches and the potential cost of legal fees arising from proceedings issued by the Council against third parties. No provisions have been made in the accounts for these potential liabilities but their position continues to be monitored by the Council. Refer to Note 40 page 60 for further information regarding these contingent liabilities.

Revaluation losses

Revaluation losses of £125 million have been included in the 2010/11 accounts, £122 million of this total relates to Housing Revenue Account properties and £3 million relates to the revaluation of a number of General Fund properties.

The Council's Housing Revenue Account properties were revalued as at 1 April 2010 as part of the Council's five year rolling revaluation programme by the Council's external valuers. This revaluation resulted in a revaluation loss of £109.6 million which was taken to the HRA Income and Expenditure Statement in 2010/11.

At the year end the Council dwellings, Homeless properties and Shared equity properties were revalued at the year end using the property indices for the 2010/11 financial year. This revaluation resulted in a revaluation loss of £7.1 million, of which £0.2 million was taken to the Revaluation Reserve and £6.8 million was taken to the HRA Income and Expenditure Statement in 2010/11.

In 2010/11 the Council incurred expenditure of £5.6 million on its dwelling stock which related to the replacement of existing components of buildings in order to maintain the stock at the decent home standard prescribed by the Government. Under the IFRS Code of Practice the original cost of the components at £0.3 million has been derecognised in the 2010/11 accounts. The remaining balance of the expenditure (£5.3 million) has been treated as a revaluation loss, which has been taken to the HRA Income and Expenditure Statement in 2010/11.

Impairment losses

During 2010/11 the Council has recognised impairment losses totalling £333,000 in relation to the significant deterioration of the physical condition over the financial year of the St James House building and Roman House building. Refer to Note 37 page 57 for further information regarding these impairment losses.

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 £1.3 million. At the year end the Housing Revenue Account balance is £3.9 million, a significant part of which is earmarked to support future capital spending.

Colchester Borough Homes Limited

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 Limited 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 stadium is owned by the Council but is managed by a separate organisation, Colchester Community Stadium Limited. Colchester Community Stadium Limited 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.

Group Accounts

We are required to prepare a series of Group Financial Statements which reflect not only the direct financial activities of the Council but also services provided by those bodies over which 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 these statements.

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

Reporting Requirements

Reporting requirements under the Accounts and Audit (England) Regulations 2011 required that the accounts for 2010/11 were to be certified by the responsible financial officer that they present a true and fair view by no later than 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 2010/11 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 review to determine the appropriate level of balances. Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. This review was based on identifying and then evaluating all potential risks. The exercise identified the minimum prudent level of balances required as £1.5 million. It was agreed to set balances at £1.5 million when planning the 2011/12 budget.

As at 31 March 2011 the Council's General Fund balances stood at £3.5 million. It is estimated that £1.1 million of these will be required to fund schemes carried forward from 2010/11 and to support expenditure during 2011/12. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

Impact of the Current Economic Climate on the Council and the Services it provides

Reductions in central Government grants have impacted significantly during the 2010/11 year, with £748,000 being cut, mainly from the cancellation of the Housing and Planning Delivery Grant. However, prompt and effective management action was taken to reduce spending, such that the final outturn position remained in balance with the original budget. In addition, a significant sum of VAT, plus accrued interest, was recovered from HMRC, so that balances were increased at the end of the year. The Council has taken some difficult but necessary decisions during its planning for the 2011/12 Budget and the impact of Fundamental Service Reviews especially, where more efficient ways are being found of delivering improved services, has left the Council well placed to meet the continuing financial difficulties being faced nationally and within local government specifically. Whilst future funding levels remain uncertain, the Council is therefore able to withstand any foreseeable financial pressures during 2011/12. The 2011/12 Budget was achieved without the necessity of any major cuts in public services.

The Council continues to review its asset portfolio and there are a number of planned land and property sales which will generate sufficient capital receipts to fund the anticipated capital programme. There has been no requirement to enter into sales in anything other than a planned manner and the Council's asset base is not under financial pressure.

With the national economic outlook remaining difficult, financial pressures on demand led services such as temporary accommodation and housing benefits will continue, but having recently reviewed these services the Council has the capacity to manage anticipated volumes. The impact of the localism bill is not fully apparent yet and the Council continues to monitor developments.

Data on all expenditure over £500 has been published from November 2010 and work is underway to make available information on the Council's contracts.

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 and an associated Action Plan is monitored throughout the year to ensure delivery of key objectives.

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 whilst the Council is still facing significant financial pressure, the forecast budget gap is smaller than at this stage in previous years. This reflects the tough decisions that have already been taken on improving efficiency in service delivery in order to maintain investment in priority areas set out in the Strategic Plan.

The Comprehensive Spending Review 2011 announcement of Government funding covered the year 2011/12 and 2012/13 in some detail, enabling the Council to plan for the short term impact of reduced funding. However, looking further into the future the picture is uncertain with major new funding streams such as the New Homes Bonus being introduced. For 2011/12 the Council has received £724,000 from this fund but anticipates that the underlying Revenue Support Grant may be reduced to compensate on a national scale, so the net impact locally is not yet fully apparent. We expect the financial environment to be very difficult for the foreseeable future.

Significant efficiency savings have been achieved to date and decisions already taken will continue to deliver an improved financial cost base as changes become embedded. A further programme of Fundamental Service Reviews has been agreed and these are at various stages of implementation. These, together with an increased focus on innovative income generation opportunities will form the main methods of balancing future budgets.

The Government is currently consulting on a major reform of the housing finance system. The Council will assess the proposals in detail as there are major financial implications for us. Initial modelling of the likely outcomes indicates that the Council will be obliged to take on a significantly higher level of debt in return for retaining future council house rents. Over the long term this is likely to benefit the Council and local residents but there will be associated risks relating to debt repayment and the early years of the new financing regime will be crucial to establishing a sound financial base from which to develop.

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. In 2010/11 it was also a member of a separate Joint Committee for Parking Services that was formed with Braintree District Council and Uttlesford District Council with effect from 1 April 2009. As the Joint Committees were established under Sections 101 and 102 of the Local Government Act 1972, they are required to produce accounts annually and have them subjected to a limited assurance audit. The draft accounts for 2010/11 will be submitted to the Joint Committees for approval by 30 June 2011. From 1 April 2011 the Parking Partnership was replaced by a new partnership providing all on-street parking services covering Colchester, Braintree, Uttlesford, Tendring, Harlow and Epping Forest. Off-street services are also provided for all except Tendring and Epping Forest. This new service is being centrally managed from Colchester (with the exception of Epping Forest) with the on-street element being delivered on behalf of Essex County Council.

The Council has adopted International Financial Reporting Standards (IFRSs) with effect from 2010/11. Future changes to guidance and regulations will continue to impact on the resources available and require a considerable amount of work across the Council.

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.

For more information about these accounts, please contact:
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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the chief financial officer.
- 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 27 September 2011.

Signed on behalf of Colchester Borough Council
Councillor S. Lissimore
Chair of meeting approving the accounts
27 September 2011

The Chief Financial Officer's Responsibilities

The Chief Financial Officer 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 Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the accounts set out on pages 1 to 122 give a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year then ended.

These financial statements replace the unaudited financial statements certified by myself on 30 June 2011.

Sean Plummer
Finance Manager
(Section 151 Officer)
27 September 2011

MOVEMENT IN RESERVES STATEMENT – THE YEAR ENDED 31 MARCH 2011

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	Reserves held for Revenue Purposes			**Reserves held for Capital Purposes**					
	General Fund Balance	**Housing Revenue Account**	**Earmarked Reserves**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
Balance at 1 April 2009 - Restated	**2,891**	**1,518**	**8,210**	**4,999**	**1,834**	**926**	**20,378**	**419,639**	**440,017**
Movement in reserves during 2009/10									
Surplus / (Deficit) on provision of services (Page 9)	(7,777)	34,913	-	-	-	-	27,136	-	27,136
Other Comprehensive Income and Expenditure (Page 9)	-	-	-	-	-	-	-	(18,316)	(18,316)
Total Comprehensive Income and Expenditure	**(7,777)**	**34,913**	**-**	**-**	**-**	**-**	**27,136**	**(18,316)**	**8,820**
Adjustments between accounting basis & funding basis under regulations (Note 7, page 29)	7,057	(33,722)	-	(437)	1,383	(908)	(26,627)	26,627	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(720)**	**1,191**	**-**	**(437)**	**1,383**	**(908)**	**509**	**8,311**	**8,820**
Transfers to/from Earmarked Reserves (Note 8, page 30)	1,755	(100)	(1,655)	-	-	-	-	-	-
Increase/(Decrease) in Year	**1,035**	**1,091**	**(1,655)**	**(437)**	**1,383**	**(908)**	**509**	**8,311**	**8,820**
Balance at 31 March 2010 carried forward (Page 10)	**3,926**	**2,609**	**6,555**	**4,562**	**3,217**	**18**	**20,887**	**427,950**	**448,837**
Movement in reserves during 2010/11									
Surplus / (Deficit) on provision of services (Page 9)	9,270	(123,926)	-	-	-	-	(114,656)	-	(114,656)
Other Comprehensive Income and Expenditure (Page 9)	-	-	-	-	-	-	-	9,402	9,402
Total Comprehensive Income and Expenditure	**9,270**	**(123,926)**	**-**	**-**	**-**	**-**	**(114,656)**	**9,402**	**(105,254)**
Adjustments between accounting basis & funding basis under regulations (Note 7, page 28)	(11,260)	125,328	-	(1,888)	(959)	287	111,508	(111,508)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(1,990)**	**1,402**	**-**	**(1,888)**	**(959)**	**287**	**(3,148)**	**(102,106)**	**(105,254)**
Transfers to/from Earmarked Reserves (Note 8, page 30)	1,521	(92)	(1,754)	-	-	-	(325)	325	-
Increase/(Decrease) in Year	**(469)**	**1,310**	**(1,754)**	**(1,888)**	**(959)**	**287**	**(3,473)**	**(101,781)**	**(105,254)**
Balance at 31 March 2011 carried forward (Page 10)	**3,457**	**3,919**	**4,801**	**2,674**	**2,258**	**305**	**17,414**	**326,169**	**343,583**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
THE YEAR ENDED 31 MARCH 2011

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		2010/11			**2009/10**	
	Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Gross Expenditure £'000 Restated**	**Gross Income £'000 Restated**	**Net Expenditure £'000 Restated**
Central services to the public	14,678	(12,875)	1,803	14,516	(12,138)	2,378
Cultural, environmental, regulatory and planning services	33,556	(13,180)	20,376	31,547	(12,444)	19,103
Highways, roads and transport services	7,155	(6,354)	801	6,540	(5,887)	653
Local Authority Housing (HRA) (Note 5)	144,147	(25,014)	119,133	(12,984)	(24,419)	(37,403)
Other housing services	56,645	(50,585)	6,060	52,751	(47,923)	4,828
Adult social care	1,535	(781)	754	1,235	(793)	442
Corporate and democratic core	4,342	(397)	3,945	5,292	(662)	4,630
Non distributed costs	47	-	47	77	-	77
Exceptional item – Past Service Gain (Note 5)	(9,833)	-	(9,833)	-	-	-
Cost of Services	**252,272**	**(109,186)**	**143,086**	**98,974**	**(104,266)**	**(5,292)**
Other operating expenditure (Note 9)			3,313			1,642
Financing and investment income and expenditure (Note 10)			2,324			6,326
Taxation and non-specific grant income (Note 11)			(34,067)			(29,812)
(Surplus) / Deficit on Provision of Services			**114,656**			**(27,136)**
(Surplus) / Deficit on revaluation of Non Current assets			(6,145)			543
Actuarial (gains)/losses on pension assets/liabilities (Note 39)			(3,257)			17,773
Other Comprehensive Income and Expenditure			**(9,402)**			**18,316**
Total Comprehensive Income and Expenditure			**105,254**			**(8,820)**

BALANCE SHEET AS AT 31 MARCH 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Long Term Assets				
Property Plant & Equipment				
Council Dwellings	12	267,011	390,415	360,170
Other Land and Buildings	12	104,191	99,727	105,875
Vehicles, Plant, Furniture and Equipment	12	4,873	5,630	4,953
Infrastructure Assets	12	5,122	3,360	4,038
Community Assets	12	306	288	275
Surplus Assets	12	13,024	13,205	13,265
Assets under Construction	12	28,153	25,976	21,191
Investment Property	13	37,259	35,185	36,446
Intangible Assets	14	1,183	1,033	2,097
Long Term Investments	15	10	10	4,010
Long Term Debtors	16	709	706	682
Total Long Term Assets		**461,841**	**575,535**	**553,002**
Current Assets				
Short Term Investments	15	8,636	7,081	15,499
Inventories		205	168	144
Short Term Debtors	17	12,396	11,362	8,454
Cash and Cash Equivalents	18	4,207	6,559	251
Assets Held for Sale	19	398	309	84
Total Current Assets		**25,842**	**25,479**	**24,432**
Current Liabilities				
Bank Overdraft		(3,267)	(1,476)	(1,510)
Short Term Borrowing	15	(6,048)	(6,047)	(11,978)
Short Term Creditors	20	(9,702)	(9,327)	(8,698)
Total Current Liabilities		**(19,017)**	**(16,850)**	**(22,186)**
Long Term Creditors – Finance Leases	36	(265)	(196)	(665)
Provisions	21	(384)	(450)	(347)
Long Term Borrowing	15	(57,400)	(57,400)	(57,400)
Pension Scheme Liability	39	(59,840)	(71,028)	(51,939)
Capital Grants Receipts in Advance	33	(7,194)	(6,253)	(4,880)
Total Long Term Liabilities		**(125,083)**	**(135,327)**	**(115,231)**
Total Net Assets		**343,583**	**448,837**	**440,017**
Represented by:				
Usable Reserves	22	17,414	20,887	20,378
Unusable Reserves	23	326,169	427,950	419,639
Total Reserves		**343,583**	**448,837**	**440,017**

These financial statements replace the unaudited financial statements certified by Sean Plummer, Finance Manager, on 30 June 2011.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	2010/11	2009/10
	£'000	£'000
Net Surplus / (Deficit) on the provision of services	(114,656)	27,136
Adjustments to net surplus or deficit on the provision of services for non-cash movements	134,847	(3,038)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(10,850)	(20,029)
Net cash flows from Operating Activities (Note 24, page 45)	9,341	4,069
Investing Activities (Note 25, page 46)	(11,278)	9,400
Financing Activities (Note 26, page 46)	(2,206)	(7,127)
Net increase / (decrease) in cash and cash equivalents	**(4,143)**	**6,342**
Cash and cash equivalents at the beginning of the reporting period	5,083	(1,259)
Cash and cash equivalents at the end of the reporting period (Note 27 page 46)	**940**	**5,083**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the financial year end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Prior period adjustments have been made to the comparatives for the financial year of 2009/10 and for the balances reported as at 1st April 2009, as a result of the conversion to International Financial Reporting Standards. Refer to Annex 1 on page 116 for the details of the adjustments made.

ii) Accruals of Income and Expenditure

The Statement of Accounts have been prepared on an accruals basis for both income and expenditure on all revenue and capital transactions. This means that revenue (income) and expenditure (costs) are recognised as they are earned or incurred not as the money is received or paid.

Estimates have been used where actual values are not available. 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.

iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a period of three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. They are held primarily for the purpose of meeting short term cash commitments. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

iv) Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

v) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Material Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off against
- amortisation of intangible assets attributable to the relevant service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render their services to the Council.

An accrual is made for the cost of holiday entitlements, flexi time and time off in lieu earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus/Deficit on the Provision of Services in the financial year in which the absences are accrued and it is then reversed out through the Movement in Reserves Statement so there is no charge against Council Tax.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Essex County Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond).
- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the Council employees worked.
  - past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. These are debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or the assumptions have been updated by the actuary. These are credited/debited to the Pensions Reserve
  - contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense for the Council.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the financial year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii) Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period (on 31 March) and the date when the Statement of Accounts are authorised for issue.
Two types of post Balance Sheet events can be identified:

- **Adjusting events** are those that provide evidence of conditions that existed at the Balance Sheet Date. Where material, the Statement of Accounts is adjusted to reflect the impact of such events.
- **Non-adjusting events** are those that are indicative of conditions that arose after the Balance Sheet Date. The Statement of Accounts is not adjusted to reflect such events, but where a category of

events would have a material effect, additional disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

ix) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 a fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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 to the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on Revaluation of Available-for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured s any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

x) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the financial year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:
- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

xii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets are held by the Council which meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

An intangible asset is tested for impairment whenever there is an indication that the asset might be impaired, any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii) Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of the subsidiaries and require it to prepare group accounts.

Group Accounts are 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 are prepared on the basis of implementing the 2010/10 IFRS Code of Practice on Local Authority Accounting.

xiv) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value (e.g. sale price). The cost of inventories is assigned using the First in First Out costing formula.

Inventories that have been acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories that are provided at no charge or for a nominal charge are valued at the lower of cost and current replacement cost.

Inventories that are purchased on deferred settlement terms the difference between the purchase price for normal credit terms and the amount paid is recognised as interest over the period of the credit in Surplus / Deficit on the Provision of Services.

xv) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if the asset is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line. Directly operating expenses related to investment properties are debited to the Financing and Investment Income line.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for the sale proceeds).

xvi) Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xvii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Finance Leases - Lessee

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the lower of its fair value measured at the lease's inception and the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance lease payments are apportioned between:
- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life and where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases - Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

Finance Leases - Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value is not considered to be a charge against council tax and as such is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

A gain on disposal, representing the Council's net investment in the lease, is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, matched by a long-term debtor asset in the Balance Sheet. The gain is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Finance lease rentals receivable are apportioned between:
- a charge for the acquisition of the interest in the property which is applied to write down the lease debtor including any premiums received, and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Usable Capital Receipts Reserve.

Operating Leases - Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

xviii) 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.

xix) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to delivery future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.
The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Plant, Vehicles, Furniture and Equipment assets, Infrastructure assets, Community assets and Assets under construction – Depreciated Historical Cost
- Council dwellings – Fair Value which is determined using the basis of Existing Use Value for Social Housing (EUV-SH)

- Other land and buildings and Surplus Assets – Fair Value, determined as the amount that would be paid for the asset in its Existing Use (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of Fair Value.

Where non-property assets (Plant, Vehicles, Furniture and Equipment assets) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for Fair Value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their Fair Value at the financial year end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Assets are assessed at each financial year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over 3-10 years
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

All HRA assets are componentised. The major components identified for HRA building assets are Structure, Roof and Mechanical & Electrical.

All General Fund building assets with a carrying value of £300,000 are componentised. Significant components are defined as those that represent 10% of the total carrying value of the building asset.

When a component of an asset is replaced or restored (i.e. enhancements), the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying 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 historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xx) Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Non Distributed costs line of the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus/Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

xxi) Disposals of Plant, Property and Equipment, Investment Properties and Assets held for Sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 received from the mortgagors and any sums received by way of early repayment.

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 General Fund Balance in the Movement in Reserves Statement.

xxii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiii) Reserves

The Council has the power to keep reserves for certain purposes by setting aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is incurred that is to be financed from a reserve, it is charged to the appropriate service in that year to be included as expenditure in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no charge against Council Tax for the expenditure incurred.

Separate earmarked reserves are held by the Council for Renewal and Repairs, Insurance, Capital Expenditure, Regeneration, Asset Replacement, Heritage and Gosbecks. Details of these are given in Note 8 on page 30.

Certain reserves are kept by the Council to manage the accounting processes for non-current assets (e.g. Revaluation Reserve and Capital Adjustment Account), financial instruments (e.g. Financial Instruments Adjustment Account), retirement benefits (e.g. Pensions Reserve) and employee benefits (e.g. Accumulated Absences Account) and do not represent usable resources for the Council.

xxix) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxx) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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 can normally be recovered.

In 2010-11, for the first time, the Council exceeded the 5% limit as a result of works at the Crematorium required to comply with environmental legislation. However, prior to exceeding the limit, discussions had taken place with H M Revenue & Customs who confirmed that they would waive the breach of the limit in this case. Therefore, all VAT has been recovered in 2010-11. The Council expects to be back within the limit in 2011-12.

The standard rate of VAT was increased by the Government from 17.5% to 20.0% from 4 January 2011.

2. Accounting Standards that have been issued but have not yet been adopted

The IFRS Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in its 2011/12 Statement of Accounts.

The Council is required to disclose information relating to the impact of the accounting change on the Statement of Accounts as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, relating to the recognition of heritage assets.

As set out above, full adoption of the standard will be required for the 2011/12 Statement of Accounts. However, the Council is required to make disclosure of the estimated effect of the new standard in these financial statements for the 2010/11 financial year. The new standard will require a new class of asset, heritage assets, to be disclosed separately on the face of the Council's Balance Sheet in the 2011/12 Statement of Accounts.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The 2011/12 Code requires heritage assets to be measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information).

The heritage assets held by the Council are an historic building, a collection of assets and artefacts either exhibited or stored in the Council's museums, an art collection, a collection of manuscripts and books of remembrance and the Council's civic regalia.

The historic building held by the Council is Colchester castle museum. This asset is currently recognised within the Other Land and Buildings category of Property, Plant and Equipment. The total carrying value of this property at 1 April 2010 was £0.7 million and the depreciation charged on this property in 2010/11 was £11,000. The Council estimates that the value of Colchester Castle museum to be £4.9 million using information from its insurance records as at 1 April 2010. As this asset is already recognised in the Balance Sheet, revaluing this asset will lead to a revaluation gain that will increase the balance in the Revaluation Reserve by £4.2 million.

The collections of assets and artefacts either exhibited or stored in the Council's museums, an art collection, a collection of manuscripts and books of remembrance and the Council's civic regalia held by the Council are not currently recognised in the Council's Statement of Accounts as no information is available on the cost of the assets and artefacts.

The Council estimates that the value of collections of assets and artefacts either exhibited or stored in the Council's museums, an art collection, a collection of manuscripts and books of remembrance and the Council's civic regalia to be £7.0 million using information from its insurance records as at 1 April 2010. As these assets have not yet been recognised in the Balance Sheet, recognising these assets will lead to a revaluation gain that will increase the balance in the Revaluation Reserve by £7.0 million.

It is estimated therefore that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 (under the requirements of the 2011/12 Code) will be £11.9 million. This will result in a total revaluation gain recognised in the Revaluation Reserve of £11.2 million.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. Therefore an adjustment will be required to the depreciation charged in the 2010/11 financial statements in relation to the Colchester castle museum to reduce the total depreciation charge for 2010/11 by £11,000.

In 2011/12 the Council will seek to obtain formal valuations for its heritage assets. However, if it is identified during this process that there is a disproportionate cost of obtaining this information for any of the heritage assets in comparison to the benefits of the users of the Council's Statement of Accounts, these assets will not be recognised on the Balance Sheet. This exemption is permitted by the 2011/12 Code of Practice.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The Council has £4 million deposited with the Icelandic bank Landsbanki, which is in administration. The Icelandic District Court has recognised local authority deposits as priority claims in the winding up of the Icelandic banks. The Landsbanki winding-up board and the general unsecured creditors have now appealed the decision of the District Court. Our legal representatives will be responding to the appeal to seek that the Supreme Court will uphold the decision. The investments have been impaired in the accounts in accordance with CIPFA's guidance on the impairment of deposits with Icelandic banks (LAAP bulletin 82).

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate provides the uncertainty that the Council may not be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of the property, plant and equipment assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £0.7 million if the useful lives of the Council's assets were reduced by 1 year.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Net Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Mercers Limited, is engaged to provide expert advice regarding the assumptions applied in calculating the Council's net pension liability.	The effects on the net pension liability of changes in individual assumptions can be measured - A 0.5% p.a. increase in the discount rate assumption at 31 March 2011 would result in a decrease in the net pension liability of £2.7 million. A 0.5% p.a. increase in the salary inflation assumption at 31 March 2011 would result in an increase in the net pension liability of £0.8 million. A 0.5% p.a. increase in the expected return on equities assumption at 31 March 2011 would not change the net pension liability. A 1 year addition to the life expectancy assumption at 31 March 2011 would result in an increase in the net pension liability of £3.8 million.
Arrears	At 31 March 2011, the Council has included in its accounts a provision for the impairment of doubtful debts of £5.2 million. However, in the current economic climate this allowance may not be sufficient.	If collection rates were to deteriorate, an increase in the impairment for doubtful debts of 10% would require the Council to set aside an additional £376,000 for the bad debt provision.

5. Exceptional items and Material items of income and expense

An exceptional item has been reported on the face of the Comprehensive Income and Expenditure Statement for 2010/11, relating to a past service gain of (£9,833,000). This past service gain has been recognised due to the change made in 2010/11 relating to the up-rating of public service pensions to be in line with Consumer Price Index rather than the Retail Price Index. Refer to Note 39 on page 57 for further information.

The Council's Housing stock was revalued as at 1 April 2010 using the updated Guidance 'Stock Valuation for Resource Accounting' produced by the Department for Communities and Local Government. One of the main changes incorporated in this updated guidance was the introduction of new rates of Social Housing Discount Factors, which are used to reflect that the Council's housing properties are used for social housing purposes. These rates are expressed in percentage terms and the rate applicable to the Council decreased from 46% (2005 valuation) to 39% (2010 valuation). The impact of this reduction in the discount rate is considered to be a major reason for the revaluation loss of £109.6 million resulting from the stock revaluation as at 1 April 2010. This revaluation loss is considered to be an exceptional item and has been included within line 'Local Authority Housing (HRA)' in the Comprehensive Income and Expenditure Statement on page 9.

Material prior period adjustments have been made to the Comprehensive Income and Expenditure Statement for the comparatives reported for the 2009/10 financial year as a result of the conversion to International Financial Reporting Standards (IFRS). Refer to Annex 1, page 116 for further details on the adjustments made during the conversion to IFRS.

At the year end the Council dwellings, Homeless properties and Shared equity properties were revalued at the year end using the property indices for the 2010/11 financial year. This revaluation resulted in a revaluation loss of £7.1 million, of which £0.2 million was taken to the Revaluation Reserve and £6.8 million was taken to the HRA Income and Expenditure Statement in 2010/11.

In 2010/11 the Council incurred expenditure of £5.6 million on its dwelling stock which related to the replacement of existing components of buildings in order to maintain the stock at the decent home standard prescribed by the Government. Under the IFRS Code of Practice – the original cost of the components at £0.3 million has been derecognised in the 2010/11 accounts. The remaining balance of the expenditure of £5.3 million has been treated as a revaluation loss, which has been taken to the HRA Income and Expenditure Statement in 2010/11.

6. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on 30 June 2011 (refer to page 7). Events taking place after this date are not reflected in the financial statements or notes.

There are no items which have arisen after 31 March 2011 that would materially affect these accounts and require adjustments to the figures in the financial statements or further disclosure.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	Usable Reserves					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	3,156	-	-	-	-	(3,156)
Charges for impairment of non-current assets	333	-	-	-	-	(333)
Derecognition of components of non-current assets	1,787	314	-	-	-	(2,101)
Revaluation losses on Property, Plant and Equipment	2,840	121,780	-	-	-	(124,620)
Revaluation losses on Assets held for Sale	14	-	-	-	-	(14)
Movements in the market value of Investment Properties	(3,059)	-	-	-	-	3,059
Amortisation of intangible assets	205	81	-	-	-	(286)
Capital grants and contributions applied	(9,214)	-	-	-	-	9,214
Donated asset income	(40)	-	-	-	-	40
Revenue expenditure funded from capital under statute	1,956	-	-	-	-	(1,956)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	637	1,860	-	-	-	(2,497)
Reversal of previously recognised revaluation losses	(494)	(186)	-	-	-	680
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(1,037)	-	-	-	-	1,037
Capital expenditure charged against the General Fund and HRA balances	-	(361)	-	-	-	361
Adjustments primarily involving the Capital Grants Unapplied Account:						

2010/11	Usable Reserves General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	(303)	-	-	-	303	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(16)	16
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	1,333	-	-	(1,333)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(2,708)	-	-	2,708
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	521	-	(521)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	8	-	-	(8)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,399	-	4,489	-	(6,888)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,448)	-	5,448
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,021)	(200)	-	-	-	1,221
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39 page 57)	(3,022)	94	-	-	-	2,928
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,543)	(460)	-	-	-	5,003
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	31	-	-	-	-	(31)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	7	-	-	-	-
Total Adjustments	**(11,260)**	**125,328**	**(1,888)**	**(959)**	**287**	**(111,508)**

2009/10	Usable Reserves General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	3,246	-	-	-	-	(3,246)
Charges for impairment of non-current assets	-	-	-	-	-	-
Derecognition of components of non-current assets	597	-	-	-	-	(597)
Revaluation losses on Property, Plant and Equipment	2,269	-	-	-	-	(2,269)
Revaluation losses on Assets held for Sale	3	-	-	-	-	(3)
Movements in the market value of Investment Properties	1,125	-	-	-	-	(1,125)
Amortisation of intangible assets	1,607	190	-	-	-	(1,797)
Capital grants and contributions applied	(4,263)	-	-	-	-	4,263
Revenue expenditure funded from capital under statute	896	-	-	-	-	(896)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	335	(429)	-	-	-	94
Reversal of previously recognised revaluation losses	-	(35,073)	-	-	-	35,073
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(903)	-	-	-	-	903
Capital expenditure charged against the General Fund and HRA balances	-	(344)	-	-	-	344
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	(234)	-	-	-	234	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,142)	1,142
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	3,527	-	-	(3,527)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(3,709)	-	-	3,709
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	30	-	-	(30)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	779	-	(779)	-	-	-
Capital receipts not linked to disposals of non-current assets	(475)	-	475	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	19	-	-	(19)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,522	-	4,430	-	(6,952)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(3,047)	-	3,047

2009/10	Usable Reserves General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	239	(200)	-	-	-	(39)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39 page 57)	6,124	80	-	-	-	(6,204)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,415)	(473)	-	-	-	4,888
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	32	-	-	-	-	(32)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	95	5	-	-	-	(100)
Total Adjustments	**7,057**	**(33,722)**	**(437)**	**1,383**	**(908)**	**26,627**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000
General Fund:							
Renewal & Repairs Fund	2,888	(953)	155	2,090	(401)	46	1,735
Insurance Reserve	594	(149)	-	445	(11)	83	517
Capital Expenditure Reserve	3,062	(1,214)	705	2,553	(1,560)	368	1,361
Regeneration Reserve	437	(271)	-	166	(166)	-	-
Asset Replacement Reserve	9	-	1	10	(5)	5	10
Heritage Reserve	-	(4)	6	2	(2)	5	5
Gosbecks Reserve	423	(18)	3	408	(19)	2	391
Revenue grants unapplied	357	(398)	419	378	(268)	159	269
Building Control	-	-	-	-	-	29	29
Other Reserves	440	(62)	125	503	(73)	54	484
Total	**8,210**	**(3,069)**	**1,414**	**6,555**	**(2,505)**	**751**	**4,801**

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 21, page 41).

The **Capital Expenditure Reserve** is maintained to provide finance for future capital schemes.
The **Regeneration Reserve** has been created to finance non-recurring expenditure during the key period that the four regeneration areas are being developed.

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

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

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

The **Revenue Grants Unapplied Reserve** is maintained to hold the revenue grants income which have no conditions attached and are yet to be applied by the Council.

The **Building Control Reserve** is maintained under the requirements set down by the Building Control (Local Authority Charges) Regulations, it holds the surplus/deficit on the chargeable Building Control work performed by Council officers.

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.

9. Other Operating Expenditure

	2010/2011 £'000	2009/10 £'000
Parish Council precepts	931	846
Payments to the Government Housing Capital Receipts Pool	522	779
(Gains)/losses on the disposal of non-current assets	1,860	17
Total	**3,313**	**1,642**

10. Financing and Investment Income and Expenditure

	2010/2011 £'000	2009/10 £'000
Interest payable and similar charges	3,731	3,792
Pensions interest cost and expected return on pensions assets	3,383	4,015
Investment impairment charge	85	449
Interest receivable and similar income	(780)	(944)
Income and expenditure in relation to investment properties	(1,678)	(2,052)
Changes in the fair value of investment properties	(3,059)	1,125
(Gains)/losses on the disposal of non-current assets	642	(59)
Total	**2,324**	**6,326**

11. Taxation and Non–Specific Grant Income

	2010/2011 £'000	2009/10 £'000
Demand on the Collection Fund	(11,541)	(11,040)
Contribution from the Non-Domestic Rate Pool	(11,274)	(10,303)
Non-ring fenced Government Grants	(1,696)	(3,972)
Capital grants and contributions	(9,516)	(4,497)
Donated Asset Income	(40)	-
Total	**(34,067)**	**(29,812)**

12. Property Plant and Equipment

Movements on Balances

2010/11	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation								
At 1 April 2010	425,077	109,056	13,865	5,700	288	13,268	25,976	593,230
Additions	5,613	3,296	423	62	40	-	7,793	17,227
Donations	-	-	-	-	-	40	-	40
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(86)	(201)	-	-	-	-	-	(287)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(162,202)	(3,456)	-	-	(22)	175	-	(165,505)
Derecognition – disposals	(206)	(2,329)	(765)	-	-	-	-	(3,300)
Derecognition – other	(314)	(447)	-	-	-	-	(1,341)	(2,102)
Assets reclassified (to)/from Assets Held for Sale	(412)	-	-	-	-	-	-	(412)
Assets reclassified (to)/from Investment Properties	-	(242)	-	-	-	-	-	(242)
Reclassifications	(459)	2,479	273	1,982	-	-	(4,275)	-
At 31 March 2011	**267,011**	**108,156**	**13,796**	**7,744**	**306**	**13,483**	**28,153**	**438,649**
Accumulated Depreciation								
At 1 April 2010	(34,594)	(4,233)	(8,235)	(2,340)	-	(63)	-	(49,465)
Depreciation charge	(6,500)	(1,746)	(1,452)	(282)	-	(63)	-	(10,043)
Depreciation written out to the Revaluation Reserve	48	1,463	-	-	-	-	-	1,511
Depreciation written out to the Surplus/Deficit on the Provision of Services	40,991	440	-	-	-	-	-	41,431
Derecognition – disposals	10	274	764	-	-	-	-	1,048
Derecognition – other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Properties	-	18	-	-	-	-	-	18
Reclassifications	45	(45)	-	-	-	-	-	-
At 31 March 2011	**-**	**(3,829)**	**(8,923)**	**(2,622)**	**-**	**(126)**	**-**	**(15,500)**
Accumulated Impairment								
At 1 April 2010	(68)	(5,096)	-	-	-	-	-	(5,164)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	4,894	-	-	-	-	-	4,894
Impairment losses/(reversals) recognised in the Surplus/ Deficit on the Provision of Services	68	66	-	-	-	(333)	-	(199)
Derecognition – disposals	-	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
At 31 March 2011	**-**	**(136)**	**-**	**-**	**-**	**(333)**	**-**	**(469)**
Net Book Value at 31 March 2011	**267,011**	**104,191**	**4,873**	**5,122**	**306**	**13,024**	**28,153**	**422,680**
Net Book Value at 31 March 2010	390,415	99,727	5,630	3,360	288	13,205	25,976	538,601

2009/10

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation								
At 1 April 2009	388,385	114,033	11,757	6,124	275	13,265	21,191	555,030
Additions	3,316	464	1,042	39	105	3	5,932	10,901
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	439	-	-	-	-	-	439
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	34,597	(1,983)	-	-	(120)	-	-	32,494
Derecognition – disposals	(909)	(2,650)	(125)	-	-	-	-	(3,684)
Derecognition – other	-	(1,038)	-	(569)	-	-	-	(1,607)
Assets reclassified (to)/from Assets Held for Sale	(343)	-	-	-	-	-	-	(343)
Reclassifications	31	(209)	1,191	106	28	-	(1,147)	-
At 31 March 2010	**425,077**	**109,056**	**13,865**	**5,700**	**288**	**13,268**	**25,976**	**593,230**
Accumulated Depreciation								
At 1 April 2009	(28,147)	(2,878)	(6,804)	(2,086)	-	-	-	(39,915)
Depreciation charge	(6,585)	(1,727)	(1,542)	(282)	-	(63)	-	(10,199)
Depreciation written out to the Revaluation Reserve	-	20	-	-	-	-	-	20
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	290	-	-	1	-	-	291
Derecognition – disposals	108	49	121	-	-	-	-	278
Derecognition – other	-	-	-	28	-	-	-	28
Depreciation on assets reclassified (to)/from Assets held for sale	32	-	-	-	-	-	-	32
Reclassifications	(2)	13	(10)	-	(1)	-	-	-
At 31 March 2010	**(34,594)**	**(4,233)**	**(8,235)**	**(2,340)**	**-**	**(63)**	**-**	**(49,465)**
Accumulated Impairment								
At 1 April 2009	(68)	(5,280)	-	-	-	-	-	(5,348)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition – disposals	-	184	-	-	-	-	-	184
Derecognition – other	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
At 31 March 2010	**(68)**	**(5,096)**	**-**	**-**	**-**	**-**	**-**	**(5,164)**
Net Book Value at 31 March 2010	**390,415**	**99,727**	**5,630**	**3,360**	**288**	**13,205**	**25,976**	**538,601**
Net Book Value at 31 March 2009	360,170	105,875	4,953	4,038	275	13,265	21,191	509,767

Depreciation

Assets are depreciated over their useful economic life. Depreciation is charged on all Property, Plant and Equipment Assets other than freehold land. Depreciation is calculated using the straight-line method. It does not however apply in respect of the first/part year when assets are brought onto the Balance Sheet.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings and Homeless Properties – components:
  - Host structure 50 years
  - Roof 40 years
  - Mechanical and Electrical 15 years
- HRA Non dwellings – components:
  - Host structure 35 - 50 years
  - Roof 10 - 40 years
  - Mechanical and Electrical 10 - 15 years
- Other Land and Buildings: 10 – 50 years

- Vehicles, Plant, Furniture & Equipment: 3 – 10 years
- Infrastructure: 20 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years. The significant commitments are:

Scheme	Total Current Contract Value £'000	Outstanding at 31 March 2011 £'000	Outstanding at 31 March 2010 £'000
Decent Homes and upgrades to Council Stock	15,292	12,831	15,292
Firstsite facility - completion and fitting out (a range of contracts)	6,583	2,659	3,400
Hard Landscaping - St Botolphs	1,200	687	-
Specific Adaptations to Housing Stock	350	350	-
Business Incubator Units	2,100	-	1,400
Supply and installation of two new cremators	670	-	670

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are performed for assets within the Council Dwellings, Other Land and Buildings and Surplus Categories of Property, Plant and Equipment.

The revaluations performed in 2010/11 were:

- the revaluation of Council dwellings and other HRA properties as at 1 April 2010
- the reduction of Council dwellings and Homeless properties to their value as at 31 March 2011
- the ad-hoc revaluations of other land and buildings as at 31 March 2011

The Council dwellings and other HRA properties were revalued at 1 April 2010 at a gross value of £296 million. The overall impact of the revaluation of the Council dwellings and other HRA properties was a net revaluation loss of £103 million. The valuation for Council dwellings and Homeless Properties was adjusted to their values at 31 March 2011 using property price indices and this resulted in a further revaluation loss of £7 million.

Expenditure was incurred in 2010/11 to maintain the Council's housing stock at the decent homes standard prescribed by the Government. This expenditure does not add additional value as it primarily relates to the replacement of existing components to keep the Council's housing at a decent level. The original cost of the components that were replaced has been estimated and derecognised in the accounts. The remaining expenditure balance (£5 million) has been treated as a revaluation loss relating to Council Dwellings at 31 March 2011.

The valuations were carried out by surveyors within the Council's Estates Department and independent external valuers from NPS Property Consultants Limited, who are members of the Royal Institution of Chartered Surveyors.

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

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.

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 services 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 are excluded.

Where the DRC basis of valuation has been adopted, external works are deemed to include below ground drainage, hardstandings, formal landscaping, site fencing and walls, all services on site, distribution and incoming supplies, and minor buildings as appropriate.

Exclusions from the valuations performers by the surveyors:

- Building and soil surveys have not been carried out, nor have mining subsidence reports been commissioned.
- Parts of the beacon properties which are covered, unexposed or inaccessible have not been inspected.
- Service installations have not been tested.
- No investigation has been carried out to determine the presence of contamination, deleterious or hazardous materials at any of the properties.
- No access audit has been undertaken

The valuations have been made by the surveyors using the following assumptions:

- That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause the surveyors to alter their opinion of value.
- That the land and properties are not contaminated, nor adversely affected by radon.
- That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

The following statement shows the effective dates of the revaluations for the Property, Plant and Equipment assets which are revalued in the Council's rolling programme for the revaluation of Property, Plant and Equipment assets. The basis for the valuations is set out in the Property, Plant and Equipment Accounting Policy detailed in Note 1 on page 12.

	Council Dwellings £'000	**Other Land and Buildings £'000**	**Surplus Assets £'000**	**Total £'000**
Carried at historical cost	-	3,708	-	3,708
Valued at fair value as at:				
1 April 2006	-	28,012	-	28,012
1 April 2007	-	527	-	527
1 April 2008	-	28,799	-	28,799
1 April 2009	-	20,394	11,368	31,762
1 April 2010	-	5,015	-	5,015
31 March 2011	267,011	17,736	1,656	286,403
Net Book Value at 31 March 2011	**267,011**	**104,191**	**13,024**	**384,226**

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/2011 £'000	**2009/10 £'000**
Rental income from Investment Properties	(1,883)	(2,231)
Direct operating expenses arising from Investment Properties	205	179
Net gain / (loss)	**(1,678)**	**(2,052)**

There are no restrictions on the Council's ability to realise the value inherent in its Investment Properties or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct, enhance or develop its investment properties.

The Council holds leases on its investment properties which are either ‘Full Repairing and Insuring’ leases or ‘Internal Repairing’ leases on its investment properties. ‘Full Repairing and Insuring’ leases are those where the tenant is responsible for performing all the repairs and maintenance on the internal and external structure of the leased properties. The Council has an obligation to perform ad-hoc repairs and maintenance on the external structure of its investment properties held under ‘Internal Repairing’ leases.

The following table summarises the movement in the fair value of investment properties over the financial year:

	2010/11 £’000	2009/10 £’000
Balance at 1 April	**35,185**	**36,446**
Additions	-	-
Disposals	(1,237)	(136)
Net gains/losses from fair value adjustments taken to the Comprehensive Income and Expenditure Account	3,059	(1,125)
Transfers from Property, Plant and Equipment	224	-
Revaluation increases / (decreases) on transferred assets taken to the Revaluation Reserve	28	-
Balance at 31 March	**37,259**	**35,185**

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets comprises purchased software licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are between 3 and 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. In 2010/11 amortisation of £286,000 was charged to IT holding accounts and then recharged to individual service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading in the Net Cost of Services section of the Comprehensive Income and Expenditure Statement.

There are no items of capitalised software that are individually material to the financial statements.

The movement on Intangible Asset balances during the year is as follows:

	Software 2010/11 £’000	Software 2009/10 £’000
Balance at 1 April		
Gross carrying amounts	8,177	7,444
Accumulated amortisation	(7,144)	(5,347)
Net carrying amount at start of year	**1,033**	**2,097**
Additions: Purchases	436	733
Amortisation for the year	(286)	(1,797)
Net carrying amount at end of year	**1,183**	**1,033**
Comprising:		
Gross carrying amounts	8,614	8,177
Accumulated amortisation	(7,431)	(7,144)
Balance at 31 March	**1,183**	**1,033**

15. Financial Instruments

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instrument:

	Long-Term			Current		
	31 March 2011 £'000	31 March 2010 £'000 Restated	1 April 2009 £'000 Restated	31 March 2011 £'000	31 March 2010 £'000 Restated	1 April 2009 £'000 Restated
Investments						
Loans and receivables (Principal)	-	-	4,000	5,500	4,000	11,500
Accrued Interest (S/T)	-	-	-	8	101	803
Loans and receivables at amortised cost (1)	**-**	**-**	**4,000**	**5,508**	**4,101**	**12,303**
Available-for-sale financial assets	10	10	10		-	-
Unquoted equity investment at cost	-	-	-		-	-
Financial assets at fair value through profit or loss (2)	-	-	-	3,128	2,980	3,196
Total Investments	**10**	**10**	**4,010**	**8,636**	**7,081**	**15,499**
Debtors						
Loans and receivables	-	-	-	-	-	-
Financial assets carried at contract amount (excludes Statutory Council Tax and NNDR balances)	709	706	682	9,873	10,663	7,795
Total Debtors	**709**	**706**	**682**	**9,873**	**10,663**	**7,795**
Borrowings						
Financial liabilities (Principal)						
Public Works Loan Board (PWLB)	(27,900)	(27,900)	(27,900)	-	-	-
Money Market	(29,500)	(29,500)	(29,500)	(5,000)	(5,000)	(10,930)
Accrued Interest (S/T)	-	-	-	(1,048)	(1,047)	(1,048)
Total borrowings at amortised cost (1)	**(57,400)**	**(57,400)**	**(57,400)**	**(6,048)**	**(6,047)**	**(11,978)**
Creditors						
Financial liabilities at amortised cost	-	-	-	-	-	-
Financial liabilities carried at contract amount (excludes Statutory Council Tax and NNDR balances)	-	-	-	(9,074)	(8,251)	(7,194)
Total Creditors	**-**	**-**	**-**	**(9,074)**	**(8,251)**	**(7,194)**
Other Liabilities						
Finance lease liabilities	(265)	(196)	(665)	(36)	(491)	(359)
Total Other Liabilities	**(265)**	**(196)**	**(665)**	**(36)**	**(491)**	**(359)**

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – The fair value of the Council's impaired Icelandic investments has been measured by estimation using a valuation technique as detailed in CIPFA's guidance on the impairment of deposits with Icelandic Banks (LAAP82). 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 Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Income, Expense, Gains and Losses

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

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	3,731	-	-	-	3,731	3,660	-	-	-	3,660
Impairment losses	-	-	-	85	85	-	-	-	448	448
Total expense in Surplus or Deficit on Provision of Services	**3,731**	**-**	**-**	**85**	**3,816**	**3,660**	**-**	**-**	**448**	**4,108**
Interest income	-	(551)	-	-	(551)	-	(699)	-	-	(699)
Interest income accrued on impaired financial assets	-	(233)	-	-	(233)	-	(233)	-	-	(233)
Total income in Surplus or Deficit on Provision of Services		**(784)**			**(784)**	**-**	**(932)**	**-**	**-**	**(932)**
Adjusted via Movement in Reserves Statement – premiums/discounts	200	-	-	-	200	200				200
Net gain/(loss) for the year	**3,931**	**(784)**	**-**	**85**	**3,232**	**3,860**	**(932)**	**-**	**448**	**3,376**

The average interest rate on all financial liabilities – borrowings (including short-term borrowing and finance leases) for 2010/11 was 5.08% (2009/10 = 4.99%).

All investments were managed internally and the main losses/(gains) were therefore shown under "Loans and Receivables".

The above figures include the investments that have been impaired due to the financial difficulties faced by Icelandic banks.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities, with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(28,171)	(25,286)	(28,171)	(27,684)
Market debt	(35,277)	(43,802)	(35,276)	(43,979)
Long Term Creditors – Finance Leases	(265)	(265)	(196)	(196)
Short Term Creditors (excluding NNDR and CT creditors)	(9,111)	(9,111)	(8,992)	(8,992)
Total Financial Liabilities	**(72,824)**	**(78,464)**	**(72,635)**	**(80,851)**

Where the fair value of the liabilities is lower than the carrying amount it is due to the Council's portfolio of loans including a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current rates. The reverse is true where the fair value is greater than the carrying amount.

	31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	8,636	8,637	7,080	7,113
Long Term Debtors	709	709	706	706
Short Term Debtors (excluding NNDR and CT debtors)	9,873	9,873	10,663	10,663
Total Financial Assets	**19,218**	**19,219**	**18,449**	**18,482**

The differences are attributable to fixed interest instruments receivable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

16. Long Term Debtors

These are debtors which fall due over a period of at least one year. They comprise mortgages held by the Council, sums repayable on sale of the property and finance lease debtors.

Category of Long Term Debtor	Balance at 1 April 2009	Balance at 1 April 2010	Interest adjustment	Advances in the Year	Repayments In the Year	Balance at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Sale of Council Houses	90	71	-	-	(8)	63
Purchase/Improvement of Private Sector Houses	41	34	-	-	6	40
Improvement of Private Sector Houses-interest free	419	474	1	49	(39)	485
Finance lease debtor	132	127	-	-	(6)	121
Total Long Term Debtors	**682**	**706**	**1**	**49**	**(47)**	**709**

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 22, page 41). The interest adjustment for the year reflects:-

- "loss" of interest foregone on advances made in the year – (£27,000)
- one year write back of value of loans outstanding at beginning of year– £28,000

17. Debtors

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Sums falling due within One Year			
Central Government Bodies	5,732	5,694	2,890
Other Local Authorities	2,135	1,528	808
NHS Bodies	-	-	-
Public Corporations and Trading Funds	-	-	-
Other Entities and Individuals	4,529	4,140	4,756
Total Debtors	**12,396**	**11,362**	**8,454**

The above debtor values are presented net of impairments (allowances for non-collection).

18. Cash and Cash Equivalents

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Cash held by the Council	36	35	33
Bank Current Accounts	651	524	218
Short Term Deposits	3,520	6,000	-
Total Cash and Cash Equivalents	**4,207**	**6,559**	**251**

19. Assets Held for Sale

	31 March 2011 £'000	31 March 2010 £'000
Balance at 1 April	**309**	**84**
Assets newly classified as held for sale from:		
Property, Plant & Equipment	412	312
Revaluation losses	(14)	(3)
Disposals	(309)	(84)
Balance at 31 March	**398**	**309**

20. Creditors

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Sums falling due within One Year			
Central Government Bodies	(670)	(1,432)	(1,670)
Other Local Authorities	(1,090)	(1,337)	(1,582)
NHS Bodies	(34)	-	-
Public Corporations and Trading Funds	(56)	(58)	(9)
Other Entities and Individuals	(7,852)	(6,500)	(5,437)
Total Creditors	**(9,702)**	**(9,327)**	**(8,698)**

21. Provisions

	Insurance Provision £'000
Balance at 1 April 2009	**(347)**
Additional provisions	(173)
Amounts used	70
Balance at 31 March 2010	**(450)**
Additional provisions	(17)
Amounts used	83
Balance at 31 March 2011	**(384)**

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 8, page 30)

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.

22. Usable Reserves

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000	Purpose of Reserve
General Fund Balance	3,457	3,926	2,891	Resources available to meet future running costs for Council services.
Housing Revenue Account	3,919	2,609	1,518	Resources available to meet the future running costs relating to council housing.
Earmarked Reserves	4,801	6,555	8,210	Resources set side from the General Fund Balance and HRA Balance for future expenditure plans.
Capital Receipts Reserve	2,674	4,562	1,834	Proceeds from non current asset sales available to meet future capital investment
Major Repairs Reserve	2,258	3,217	4,999	Resources available to meet capital investment in council housing.
Capital Grants Unapplied	305	18	926	Resources relating to grant income available to finance capital expenditure
Total Usable Reserves	**17,414**	**20,887**	**20,378**	

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 8.

23. Unusable Reserves

	31 March 2011	31 March 2010 Restated	1 April 2009 Restated
	£'000	£'000	£'000
Revaluation Reserve	23,349	19,229	19,966
Capital Adjustment Account	364,031	482,302	453,976
Financial Instruments Adjustment Account	(866)	(2,087)	(2,049)
Pensions Reserve	(59,840)	(71,028)	(51,939)
Deferred Capital Receipts Reserve	63	71	90
Collection Fund Adjustment Account	(8)	23	55
Accumulated Absences Account	(560)	(560)	(460)
Total Unusable Reserves	**326,169**	**427,950**	**419,639**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Revaluation Reserve was created. Accumulated gains arising before that date are consolidated into the balance held on the Capital Adjustment Account.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	**19,229**	**19,966**
Upward revaluation of assets	6,394	439
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(249)	-
Accumulated gains on non current assets written out	-	(982)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**6,145**	**(543)**
Difference between fair value depreciation and historical cost depreciation	(350)	(194)
Accumulated gains on assets sold or scrapped	(1,675)	-
Amount written off to the Capital Adjustment Account	**(2,025)**	**(194)**
Balance at 31 March	**23,349**	**19,229**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. This account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). This account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. This account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

This account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The note detailing the adjustments between accounting basis and funding basis under regulations (Note 7, page 27) provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2010/11	2009/2010
	£'000	£'000
Balance at 1 April	**482,302**	**453,976**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(10,044)	(10,199)
Charges for impairment of non-current assets	(333)	-
Revaluation losses on Property, Plant and Equipment	(124,620)	(2,269)
Revaluation losses on Assets held for Sale	(14)	(3)
Amortisation of intangible assets	(286)	(1,797)
Revenue expenditure funded from capital under statute	(1,956)	(896)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,797)	(3,442)
Derecognition of components of Non current assets	(2,101)	(597)
Long Term Debtors	(33)	(20)
Reversal of previously recognised revaluation losses	680	35,073
Adjusting amounts written out of the Revaluation Reserve	2,025	194
Net written out amount of the cost of non-current assets consumed in the year	(140,479)	16,044
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,708	3,709
Use of the Major Repairs Reserve to finance new capital expenditure	5,448	3,047
Use of the Earmarked Reserves to finance new capital expenditure	325	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,214	4,263
Application of grants to capital financing from the Capital Grants Unapplied Account	16	1,142
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,037	903
Capital expenditure charged against the General Fund and HRA balances	361	343
Donated Asset Income	40	-
	19,149	13,407
Movements in the market value of Investment Properties debited / credited to the Comprehensive Income and Expenditure Statement	3,059	(1,125)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	**364,031**	**482,302**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

	2010/11	2009/2010
	£'000	£'000
Balance at 1 April	**(2,087)**	**(2,049)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	200	200
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,021	(238)
Balance at 31 March	**(866)**	**(2,087)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2011 £'000	31 March 2010 £'000
Balance at 1 April	**(71,028)**	**(51,939)**
Actuarial gains or losses on pensions assets and liabilities	3,257	(17,773)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,928	(6,204)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,003	4,888
Balance at 31 March	**(59,840)**	**(71,028)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	31 March 2011 £'000	31 March 2010 £'000
Balance at 1 April	**71**	**90**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(19)
Balance at 31 March	**63**	**71**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2011 £'000	31 March 2010 £'000
Balance at 1 April	**23**	**55**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(31)	(32)
Balance at 31 March	**(8)**	**23**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11		2009/10	
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April		**(560)**		**(460)**
Settlement or cancellation of accrual made at the end of the preceding year	560		460	
Amounts accrued at the end of the current year	(560)		(560)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-		(100)
Balance at 31 March		**(560)**		**(560)**

24. Cash Flow Statement – Net Cash Flows from Operating Activities

	Notes	2010/11	2009/10
		£'000	**£'000**
Net Surplus / (Deficit) on the Provision of Services		**(114,656)**	**27,136**
Adjustments for non cash movements:			
Depreciation		10,377	10,199
Impairment and downward revaluations		124,634	3,869
Amortisation		286	1,797
Impairment losses on Investments		85	448
Increase/(Decrease) in Creditors		(873)	453
(Increase)/Decrease in Interest Debtors		(140)	470
(Increase)/Decrease in Debtors		2,394	(1,694)
(Increase)/Decrease in Inventories		(37)	(24)
Pension Liability		(7,931)	1,316
Contributions to/(from) Provisions		(66)	103
Carrying value of non current assets sold		3,797	3,442
Carrying amount of short term and long term investments sold		4,000	11,500
Movement in Investment Property Values		(3,059)	(475)
Reversal of previous revaluation losses		(680)	(35,073)
De-recognition of non current assets		2,101	597
Donated Assets		(40)	-
Other non cash movements		(1)	34
		134,847	**(3,038)**
Adjustments for items that are investing or financing activities:			
Capital grants credited to the Surplus/Deficit on the Provision of Services		(9,516)	(4,497)
Proceeds from the sale of short and long term investments		-	(11,500)
Proceeds from the sale of non current assets		(1,334)	(4,032)
		(10,850)	**(20,029)**
Net Cash flows from operating activities		**9,341**	**4,069**

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

	Notes	2010/11	2009/10
		£'000	**£'000**
Interest Received		640	1,414
Interest Paid		(3,826)	(3,709)

25. Cash Flow Statement – Investing Activities

	2010/11 £'000	2009/10 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(16,001)	(11,139)
Purchase of short-term and long-term investments	(5,500)	-
Other payments for investing activities	(49)	(90)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,309	3,997
Proceeds from short-term and long-term investments	-	11,500
Other receipts from investing activities	8,963	5,132
Net cash flows from investing activities	**(11,278)**	**9,400**

26. Cash Flow Statement – Financing Activities

	2010/11 £'000	2009/10 £'000
Cash receipts of short and long-term borrowing	-	-
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(373)	(275)
Repayments of short and long-term borrowing	-	(5,930)
Other payments for financing activities	(1,833)	(922)
Net cash flows from financing activities	**(2,206)**	**(7,127)**

27. Cash Flow Statement – Cash and Cash Equivalents

	2010/11 £'000	2009/10 £'000
Cash held by the Council	36	35
Bank Current Accounts	651	524
Short Term Deposits	3,520	6,000
Bank Overdraft	(3,267)	(1,476)
Total Cash and Cash Equivalents - Cash Flow Statement	**940**	**5,083**

28. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*.

However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Council's services recorded in the budget reports for the year is as follows:

Service Income and Expenditure 2010/11	Corporate and Democratic Core	Executive Management Team	Corporate Management	Customer Service Centre	Environmental and Protective Services	Life Opportunities	Resource Management	Strategic Policy and Regeneration	Street Services	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-	(316)	(34)	-	(950)	(314)	(816)	(529)	-	7	(2,952)
Government grants	-	-	(912)	(133)	(4,190)	(5,541)	(3,463)	(543)	(8,493)	(149,444)	(172,719)
Total Income	**-**	**(316)**	**(946)**	**(133)**	**(5,140)**	**(5,855)**	**(4,279)**	**(1,072)**	**(8,493)**	**(149,437)**	**(175,671)**
Employee expenses	-	820	2,605	1,137	5,672	5,446	3,328	1,606	6,725	407	27,746
Other service expenses	324	352	4,621	68	1,890	5,886	4,371	2,623	3,978	144,746	168,859
Support service recharges	-	-	-	-	-	-	-	-	-	2,974	2,974
Total Expenditure	**324**	**1,172**	**7,226**	**1,205**	**7,562**	**11,332**	**7,699**	**4,229**	**10,703**	**148,127**	**199,579**
Net Expenditure	**324**	**856**	**6,280**	**1,072**	**2,422**	**5,477**	**3,420**	**3,157**	**2,210**	**(1,310)**	**23,908**

Service Income and Expenditure 2009/10	Corporate and Democratic Core	Executive Management Team	Corporate Management	Customer Service Centre	Environmental and Protective Services	Life Opportunities	Resource Management	Strategic Policy and Regeneration	Street Services	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-	(765)	(915)	(75)	(4,169)	(5,521)	(3,609)	(660)	(8,740)	(27,169)	(51,623)
Government grants	-	-	-	-	(820)	(480)	(823)	(88)	-	(6)	(2,217)
Total Income	**-**	**(765)**	**(915)**	**(75)**	**(4,989)**	**(6,001)**	**(4,432)**	**(748)**	**(8,740)**	**(27,175)**	**(53,840)**
Employee expenses	-	699	2,603	1,082	5,342	5,661	3,413	1,737	6,919	599	28,055
Other service expenses	333	790	4,762	137	1,833	5,975	4,286	2,264	4,526	22,637	47,543
Support service recharges	-	-	-	-	-	-	-	-	-	2,848	2,848
Total Expenditure	**333**	**1,489**	**7,365**	**1,219**	**7,175**	**11,636**	**7,699**	**4,001**	**11,445**	**26,084**	**78,446**
Net Expenditure	**333**	**724**	**6,450**	**1,144**	**2,186**	**5,635**	**3,267**	**3,253**	**2,705**	**(1,091)**	**24,606**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	31 March 2011	31 March 2010
	£'000	£'000
Net expenditure in the Services Analysis	23,908	24,606
Net expenditure of services and support services not included in the Analysis	(4,879)	(57,723)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	32,157	37,107
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	91,900	(9,282)
Cost of Services in Comprehensive Income and Expenditure Statement	143,086	(5,292)

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus / Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(172,719)	(1,073)	(23,405)	112,035	38,687	(46,475)	-	(46,475)
Interest and Investment income	-	-	(3,480)	3,480	-	-	(780)	(780)
Income in relation to investment properties	-	-			-	-	(1,883)	(1,883)
Income from council tax	-	-	-	-	-	-	(11,541)	(11,541)
Movement in fair value of investment properties	-	-	-	-	-	-	(3,059)	(3,059)
Government grants and contributions	(2,952)	(60,399)	(1,736)	2,376	-	(62,711)	(22,526)	(85,237)
Total Income	**(175,671)**	**(61,472)**	**(28,621)**	**117,891**	**38,687**	**(109,186)**	**(39,789)**	**(148,975)**
Employee expenses	27,746	-	(8,615)	(1,489)	-	17,642	-	17,642
Other service expenses	168,859	56,593	69,392	(56,025)	-	238,819	-	238,819
Support Service recharges	2,974	-	-	(39,066)	37,044	952	-	952
Depreciation, amortisation and impairment	-	-	-	(5,141)	-	(5,141)	-	(5,141)
Interest Payments	-	-	-	-	-	-	3,816	3,816
Precepts and Levies	-	-	-	-	-	-	931	931
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	522	522
Expenditure in relation to investment properties	-	-	-	-	-	-	205	205
Pension interest cost and expected return on investments	-	-	-	-	-	-	3,383	3,383
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	-	2,502	2,502
Total expenditure	**199,579**	**56,593**	**60,777**	**(101,721)**	**37,044**	**252,272**	**11,359**	**263,631**
Surplus or deficit on the provision of services	**23,908**	**(4,879)**	**32,156**	**16,170**	**75,731**	**143,086**	**(28,430)**	**114,656**

2009/10

	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(51,623)	(594)	(375)	54,859	(49,661)	(47,394)	-	(47,394)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and Investment income	-	-	-	-	-	-	(944)	(944)
Income in relation to investment properties	-	-	2,400	-	-	2,400	(2,231)	169
Income from council tax	-	-	-	-	-	-	(11,040)	(11,040)
Government grants and contributions	(2,217)	(57,129)	-	244	-	(59,102)	(18,772)	(77,874)
Total Income	**(53,840)**	**(57,723)**	**2,025**	**55,103**	**(49,661)**	**(104,096)**	**(32,987)**	**(137,083)**
Employee expenses	28,055	-	2,138	(1,564)	-	28,629	-	28,629
Other service expenses	47,543	-	57,025	(3,647)	-	100,921	-	100,921
Support Service recharges	2,848	-	-	(50,498)	47,048	(602)	-	(602)
Depreciation, amortisation and impairment	-	-	(23,453)	(6,063)	-	(29,516)	-	(29,516)
Interest Payments	-	-	(280)	-	-	(280)	4,241	3,961
Precepts and Levies	-	-	-	-	-	-	846	846
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	779	779
Expenditure in relation to investment properties	-	-	(348)	-	-	(348)	179	(169)
Movement in fair value of investment properties	-	-	-	-	-	-	1,125	1,125
Pension interest cost and expected return on investments	-	-	-	-	-	-	4,015	4,015
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(42)	(42)
Total expenditure	**78,446**	**-**	**35,082**	**(61,772)**	**47,048**	**98,804**	**11,143**	**109,947**
Surplus or deficit on the provision of services	**24,606**	**(57,723)**	**37,107**	**(6,669)**	**(2,613)**	**(5,292)**	**(21,844)**	**(27,136)**

29. Trading Operations

The significant operations of a trading nature are included in this Statement of Accounts as set out below –

Colchester Leisure World – Included within "Cultural, environmental, regulatory and planning services'' in the Comprehensive Income and Expenditure Statement (page 9).

	2010/11 Income	2010/11 Expenditure	2010/11 Net Expenditure	2009/10 Income	2009/10 Expenditure	2009/10 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Leisure World	3,716	4,692	976	3,582	4,751	1,169

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

Trade Refuse - Included within "Cultural, environmental, regulatory and planning services'' in the Comprehensive Income and Expenditure Statement (page 9). The deficit for the year was £55,000 on a turnover of £463,000. (2009/10: £60,000 deficit on a turnover of £480,000).

Support Services – The Council also operates 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 Comprehensive Income and Expenditure Statement. The total turnover for the year for these activities was £15,086,000 (£16,001,000 for 2009/10). These sums have been fully recharged to services.

30. Members' Allowances

The Council paid the following amounts to members of the Council during the year and these are included within the 'Corporate and democratic core' line in the Comprehensive Income and Expenditure Statement. Details of Members' Allowances are reported annually and a copy of this report can be obtained from Democratic Services, Town Hall, or by telephoning 01206 282207.

	31 March 2011	31 March 2010
	£	£
Allowances	544,575	528,132
Expenses	2,531	5,066
Total	**547,106**	**533,198**

31. Officers' Remuneration

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

	2010/11	2009/10
Central Services	18	22
Cultural & Related Services	218	226
Environmental Services	245	258
Planning & Development Services	66	64
Highways, Roads & Transport	64	68
Housing General Fund	85	91
Administration and Support Services	188	190
Total	**884**	**919**

The remuneration paid to the Council's senior officers is as follows:

Post holder	Note	Financial Year	Salary, Fees and Allowances	Compensation for loss of office	Pension contributions	Total Remuneration
			£	£	£	£
Chief Executive		**2010/11**	**118,372**	**-**	**15,441**	**133,813**
		2009/10	117,101	-	14,417	131,518
Executive Director		**2010/11**	**94,200**	**-**	**11,194**	105,394
		2009/10	93,268	-	11,083	104,351
Executive Director		**2010/11**	**94,232**	**-**	**11,194**	105,426
		2009/10	93,137	-	11,083	104,220
Executive Director		**2010/11**	**94,200**	**-**	**11,194**	**105,394**
		2009/10	93,169	-	11,083	104,252
Head of Strategic Policy and Regeneration		**2010/11**	**70,890**	**-**	**8,420**	**79,310**
		2009/10	70,080	-	8,337	78,417
Head of Life Opportunities		**2010/11**	**70,758**	**-**	**8,420**	**79,178**
		2009/10	70,058	-	8,337	78,395
Head of Environmental and Protective Services		**2010/11**	**58,603**	**-**	**6,974**	**65,577**
		2009/10	55,311	-	6,453	61,764
Head of Resource Management		**2010/11**	**71,022**	**-**	**8,420**	**79,442**
		2009/10	70,222	-	8,337	78,559
Head of Street Services		**2010/11**	**70,780**	**-**	**8,420**	**79,200**
		2009/10	70,058	-	8,337	78,395
Head of Corporate Services		**2010/11**	**62,787**	**-**	**7,456**	**70,243**
		2009/10	46,338	-	5,515	51,853
Customer Services Manager		**2010/11**	**62,787**	**-**	**7,456**	**70,243**
		2009/10	61,525	-	7,382	68,907
Monitoring Officer		**2010/11**	**62,655**	**-**	**7,456**	**70,111**
		2009/10	62,034	-	7,382	69,416
Returning Officer		**2010/11**	**11,514**	**-**	**1,370**	**12,884**
		2009/10	4,079	-	-	4,079

The Council does not pay benefits in kind, expense allowances or bonuses to its senior officers.

The Council's other officers receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees 2010/11	Number of Employees 2009/10 Restated
£50,000 - £54,999	19	16
£55,000 - £59,999	-	1
£60,000 - £64,999	4	2
£65,000 - £69,999	-	-
£70,000 - £74,999	1	1

32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Council's external auditors, the Audit Commission.

	2010/11	2009/10
	£'000	£'000
External Audit Services	131	141
Statutory inspections	-	9
Certification of Grant Claims and Returns	51	46
Other Services - National Fraud Initiative	1	1
Total	**183**	**197**

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement -

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,637	2,378
Housing Planning Delivery Grant	23	1,464
Local Authority Business Growth Incentive	-	74
Area Based Grant	59	56
Capital Grants received from:		
Department of Communities and Local Government	1,865	1,293
English Heritage	72	24
Regeneration Budget (EEDA)	1,443	693
Arts Council England	1,765	1,008
Sports Council	14	272
Section 106 Developer Contributions	917	229
Other Developer Contributions	1,250	-
Essex County Council	2,006	637
Big Lottery Fund	146	98
Friends of Westlands Country Park	-	65
Other	38	178
Total	**11,235**	**8,469**
Credited to Services		
DWP Grants for Benefits		
Rent Allowances	33,513	31,408
Rent Rebates	14,425	13,848
Local Taxation	11,260	10,593
Administration	1,201	1,279
Local Housing Allowance Preparation	6	7
Homelessness	141	192
Concessionary fares Scheme Preparation	566	551
DEFRA Waste Recycling	-	-
Museums, Libraries and Archives	950	821
Other	1,148	844
Total	**63,210**	**59,543**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2010/11 £'000	2009/10 £'000	1st April 2009 £'000
Capital Grants Receipts in Advance			
Section 106 Developer Contributions	(6,876)	(6,249)	(4,880)
Other grants	(318)	(4)	-
Total	**(7,194)**	**(6,253)**	**(4,880)**

34. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council.

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

	2010/11		2009/10	
	Income	Expenditure	Income Restated	Expenditure
	£'000	£'000	£'000	£'000
Central Government:				
Revenue Grants (see Note 33, page 52)	64,870		63,343	
Non-Domestic Rate Income from National Pool	11,274		10,302	
Capital Grants (see Note 33, page 52)				
- Department of Communities and Local Government	1,865		1,293	
- English Heritage	72		24	
- Regeneration Budget (EEDA)	1,443		693	
- Arts Council England	1,765		1,008	
- Sports Council	14		272	
Essex County Council:				
Precept (see Collection Fund Notes 5 & 7, page 79)		65,696		63,774
Supporting People	748		751	
Countywide Concessionary Travel Scheme		2,233		2,278
Trade Waste Disposal		85		126
Capital Grants and Contributions	2,006		637	
Recycling Credits	1,139		863	
Joint Use of Sports Centres	18	179	18	157
Other, including County Supplies	310	1,168	303	993
On Street Parking (Decriminalisation)		3		4
Community Projects	56		24	
Second Home Grant	162		143	
Shrub End Transfer Station	-		64	
Essex County Council Pension Fund		5,003		4,888
Employers Contributions (see Note 39, page 57)				
Colchester Borough Homes Limited (see Note 42, Page 66)	407	3,567	447	3,510
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		1,227		1,110
The payments are grants and precepts to support services provided by Parish Councils.				
Colchester Primary Care Trust			-	
Contributions for joint finance schemes for housing special needs and health promotion.	7			
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 Community Stadium Limited (see Note 42, Page 66)			-	-
Rent paid by Colchester Community Stadium Limited	300		300	
Outstanding balance on loan made to Colchester Community Stadium Limited	28		35	

	2010/11		2009/10	
	Income	Expenditure	Income Restated	Expenditure
	£'000	£'000	£'000	£'000
Voluntary Organisations – Grants				
Arts Development		281		281
Welfare Organisations		155		187
Village Halls and Community Centres		40		8
Community Partnership Schemes		92		136
Recreation Development		19		46
Housing Groups		66		54
Shopmobility (Joint with CCVS)		23		24
Other		50		108
Economic Development Activities – Grants				
Future Jobs Fund		390		
Colchester Business Enterprise Agency		33		19
Other		22		48

The above figures are inclusive of accrued debtors and creditors at the year end.

Members

Councillor Frame is the Chairman of Colne Housing Society. In 2010/11 the Council transferred the freehold of the former garage site at Darwin Close to Colne Housing Society. The transfer was for nil value in return for the Council having nomination rights to two new affordable rented homes which are to be constructed on the site.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11	2009/10 Restated
	£'000	£'000
Capital Expenditure		
Property, Plant and Equipment	17,227	10,901
Investment Properties	-	-
Intangible Assets	436	733
Revenue Expenditure Funded from Capital under Statute	1,957	1,248
Long Term Debtors	49	90
	19,669	**12,972**
Sources of Finance		
Capital Receipts	2,708	3,709
Government Grants and Other Contributions	9,230	5,762
Major Repairs Reserve	5,448	3,046
Capital Expenditure Reserve	325	-
Unsupported Borrowing	1,502	111
Direct Revenue Contributions	361	344
Finance Leases	95	-
	19,669	**12,972**
Opening Capital Financing Requirement at 1 April	**74,524**	**75,316**
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,502	111
Assets acquired under finance leases	95	-
Minimum Revenue Provision	(1,037)	(903)
Closing Capital Financing Requirement at 31 March	**75,084**	**74,524**

36. Leases

Finance Leases – Council as Lessee

The Council has acquired a number of vehicles and a car park under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £'000	31 March 2010 £'000
Other Land and Buildings	886	899
Vehicles, Plant, Furniture and Equipment	287	423
Total	**1,173**	**1,322**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £'000	31 March 2010 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	36	491
Non-current	265	196
Finance costs payable in future years	1,334	1,327
Minimum Lease Payments	**1,635**	**2,014**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	51	491	36	491
Later than one year and not later than five years	176	90	69	-
Later than five years	1,408	1,433	196	196
Total	**1,635**	**2,014**	**301**	**687**

Operating Leases – Council as Lessee

The Council has acquired various assets (land and buildings assets, equipment and vehicles) under operating leases which are used to provide Council services.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	452	405
Later than one year and not later than five years	1,715	1,283
Later than five years	2,776	2,815
Total	**4,943**	**4,503**

The future minimum sub-lease payments from third parties due under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	108	118
Later than one year and not later than five years	391	376
Later than five years	618	705
Total	**1,117**	**1,199**

The items charged the Comprehensive Income and Expenditure Statement during the year in relation to these leases are:

	2010/11 £'000	2009/10 £'000
Minimum lease payments	570	489
Contingent rent payments	21	21
Sub lease minimum lease payments made to the Council	(175)	(102)
Sub lease contingent rent payments made to the Council	(6)	(8)

Finance Leases – Council as Lessor

The Council has leased out a theatre to a third party since 1999 on a finance lease with a lease term of 25 years.

The Council has a gross investment in the lease, made up of the minimum lease payments to be expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2011 £'000	31 March 2010 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	6	5
Non-current	121	127
Unearned finance income	71	81
Unguaranteed residual value of property	17	17
Gross investment in the lease	**215**	**230**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment		Minimum Lease Payments	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	15	15	15	15
Later than one year and not later than five years	61	61	61	61
Later than five years	139	154	122	137
Total	**215**	**230**	**198**	**213**

Operating Leases – Council as Lessor

The Council leases out land and building properties to third parties under operating leases for the following purposes:

- For the provision of community services such as sports facilities and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	1,396	1,280
Later than one year and not later than five years	5,182	4,818
Later than five years	27,835	28,967
Total	**34,413**	**35,065**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into, such as adjustments following rent reviews. In 2010/11 a total of £1,360,000 was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2009/10: £1,298,000).

37. Impairment Losses

During 2010/11 the Council has recognised impairment losses totalling £333,000 in relation to the significant deterioration of the physical condition of the St James House building (£155,000) and Roman House building (£178,000). These impairment losses were identified from the valuations provided for these buildings by the Council's external valuers dated 31 March 2011. The recoverable amount of these buildings has been reduced and the impairment losses have been charged to the Cultural, Environmental, Regulatory and Planning line of the Comprehensive Income and Expenditure Statement and then reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

No impairment losses were incurred to the Council's Property, Plant and Equipment assets, Investment Properties or Assets Held for Sale in 2009/10.

38. Termination Benefits

Colchester Borough Council terminated the contracts of a number of employees in 2010/2011, incurring liabilities of £434,730 (£2,000 in 2009/2010). This was payable to 38 officers from various departments that either took voluntary redundancy or were made redundant following comprehensive service reviews.

39. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post employment 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.

The Council participates 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.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	3,380	2,105
Past Service Gain	(9,833)	-
Settlement and Curtailments	142	84
Financing and Investment Income and Expenditure		
Interest Cost	9,328	8,630
Expected Return of Assets in the Scheme	(5,945)	(4,615)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,928)	6,204
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) / losses	(3,257)	17,773
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(6,185)**	**23,977**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**2,928**	**(6,204)**
Actual amount charged against the General Fund Balance for pensions in the year.		
Employers' contributions payable to the scheme	**5,003**	**4,888**

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure to the 31 March 2011 is a net loss of £25,255,000 (31 March 2010: net actuarial loss of £28,512,000).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	166,927	122,952
Current Service Cost	3,380	2,105
Interest Cost	9,328	8,630
Contributions by scheme participants	1,240	1,244
Actuarial (gains)/losses	(6,842)	38,077
Benefits paid	(5,339)	(6,165)
Past Service Gain	(9,833)	-
Curtailments	142	84
Settlements	-	-
Closing balance at 31 March	**159,003**	**166,927**

Reconciliation of fair value of the scheme assets:

	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	95,899	71,013
Expected rate of return	5,945	4,615
Actuarial gains/(losses)	(3,585)	20,304
Employer contributions	5,003	4,888
Contributions by scheme participants	1,240	1,244
Benefits paid	(5,339)	(6,165)
Settlements	-	-
Closing balance at 31 March	**99,163**	**95,899**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's Pension Scheme liabilities by £9,833,000 and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact of this change on the General Fund or Housing Revenue Account Balances. This past service gain has been classified as an exceptional item on the face of the Comprehensive Income and Expenditure Statement on page 9.

The expected rate of return on scheme assets is the assumed return the asset of the scheme will achieve over the entire life of the related obligation based on market expectations at the beginning of the period. This assumption is used to determine the expected return on assets for the pension expense.

The actual return on scheme assets in the year was a positive return of £9,250,000 (A positive return of £24,919,000 for 2009/10).

Scheme History

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Present value of liabilities	159,003	166,927	122,952	144,914	135,292
Fair value of assets	99,163	95,899	71,013	89,643	95,697
Deficit in the scheme	**59,840**	**71,028**	**51,939**	**55,271**	**39,595**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £59,840,000 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 2012 is £4,747,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 2011 %	31 March 2010 %
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5	7.5
Government Bonds	4.4	4.5
Other Bonds	5.1	5.2
Property	6.5	6.5
Cash/liquidity	0.5	0.5
Other assets	N/A	N/A
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6	22.1
Women	25.2	25.0
Longevity at 65 for future pensioners:		
Men	24.0	23.1

	31 March 2011	31 March 2010
Women	26.8	25.9

	31 March 2011 %	31 March 2010 %
Rate of RPI inflation	3.4	3.3
Rate of CPI inflation	2.9	2.8
Rate of increase in salaries	4.4	4.8
Rate of increase in pensions	2.9	3.3
Rate for discounting scheme liabilities	5.5	5.6
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 2011	31 March 2010
Proportion of total assets held:	%	%
Equity investments	69.5	67.5
Gilts	6.7	7.9
Other Bonds	9.5	10.0
Property	11.2	9.3
Cash/liquidity	3.1	5.3
Other assets	-	-
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Differences between the expected and actual return on assets	3.6	21.2	(35.4)	(11.5)	1.1
Experience gains and losses on liabilities	3.5	-	-	2.8	-

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.

40. Contingent Liabilities

At 31 March 2011, the Council had the following contingent liabilities:

The Council has received correspondence from a third party, which was under contract to purchase land from the Council that alleges the Council has breached the terms of the contract. Accordingly, there is the potential for the third party to seek to claim damages from the Council as a result of the alleged breach. However, no claim has yet been received. The Council's position remains that there has been no breach of the contract by the Council and it is not appropriate to disclose further information at this time because the dispute could be the subject of legal proceedings. No provision has been made in the accounts but the position continues to be monitored.

The Council has received correspondence from a third party that alleges that the Council is liable because it failed to obtain the consent of its tenant in relation to the installation of a footbridge. The tenant has bought an action against the third party alleging that there has been a trespass over its air space. The Council's position is that it was for the third party to obtain any necessary consents directly from the tenant and that it has no liability to the third party in the event that the tenant is successful in claiming that there has been an actual trespass. It is not appropriate to disclose further information at this time because the dispute could be the subject of legal proceedings. No provision has been made in the accounts but the position continues to be monitored.

The Council has now issued proceedings against two parties in relation to Firstsite and there is a risk that if the litigation is unsuccessful the Council could be responsible for not only it own legal costs but also for some of the other sides' legal costs. However, the external legal advice remains that there are good prospects for the recovery of what could be significant sums. It is not appropriate to disclose further information at this time because the dispute is the subject of legal proceedings. No provision has been made in the accounts but the position continues to be monitored.

A third party has a potential claim against the Council in respect of material which is still being considered and if the matter is not resolved in could result in legal proceedings being issued against the Council. It is therefore, not appropriate to release any further information as it could prejudice the Council's position.

There is a potential conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over the application of charges for some information provided as part of the land search. The issue remains currently unresolved and it is not known whether any charges previously levied are required to be refunded and therefore it is not possible to quantify the costs which may arise.

41. Disclosure of nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 17 February 2010 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £86 million. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was expected to be £77 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown under the section on refinancing and maturity risk.

These policies are implemented by the Financial Accounting team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied after this initial criteria is applied.

The Investment Strategy reflects the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features are as follows:

- The Council will only invest with institutions with the highest credit ratings, taking into account the views of all credit rating agencies and always using the lowest common denominator.

- The Council will take into account Sector Treasury's creditworthiness service using credit default swap spreads, and other market data as overlays.

- The Council will only use approved counterparties from countries with the highest credit rating of 'AAA', together with those from the UK.

- UK institutions that have been nationalised or part-nationalised, or those that are covered by the UK Government's support package.

- foreign banks solely on the basis of guarantees and support packages, but will continue to consider the credit ratings and other data.

- The Council will not invest with non-rated building societies based on their size.

- The Council will avoid longer term deals while investment rates are at such low levels.

The full Investment Strategy for 2010/11 was approved by Full Council on 17 February 2010 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £9.01m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

Over the last five years, the only experience of default by local authorities was the Icelandic Banks default in October 2008. Deposits totalling £3.13 million have therefore been excluded from the above figure as they have already suffered a default due to the issuing bank being in administration.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Loans to Customers (see note 16, page 39) are secured against the property and represent only a modest proportion of the total property value.

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.

The Council does not generally allow credit for customers. The total outstanding debt amount can be analysed by age as follows, assuming that all manually accrued items are less than three months old:

	31 March 2011 £'000	31 March 2010 £'000
Less than three months	9,540	8,879
Three to six months	58	8
Six months to one year	69	1,592
More than one year	206	184
Total	**9,873**	**10,663**

Collateral – During the reporting period the council held no collateral as security

Credit risk – impaired investments

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	2,346	1,104
Landsbanki Islands	10/09/2008	10/12/2008	1,000	5.80	782	367
			4,000		**3,128**	**1,471**

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. The current position on estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 94.85p in the £.

Date	Repayment
Received to date	0.00%
December 2011	22.17%
December 2012	8.87%
December 2013	8.87%
December 2014	8.87%
December 2015	8.87%
December 2016	8.87%
December 2017	8.87%
December 2018	19.46%

Recovery is subject to the following uncertainties and risks:

- Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is currently subject to appeal.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council'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.

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. Based on initial estimates, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

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.

The impairment loss of £85,000 recognised in the Income and Expenditure Account in 2010/11 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.

The expiry of the Capital Finance Regulations issued in May 2009 deferring the impact of the impairment, required the Council to charge the full impairment to the General Fund in 2010/11. This figure of £872,000 is the cumulative effect of impairment loss calculations and interest receivable, and has been transferred from the Financial Instruments Adjustment Account.

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

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

	31 March 2011 £'000	31 March 2010 £'000
Less than one year	6,048	6,047
Between one and two years	-	-
Between two and five years	5,500	5,500
Between five and ten years	24,000	4,000
Over ten years	27,900	47,900
Total	**63,448**	**63,447**

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

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities showing the maximum and minimum limits for fixed interest rates maturing in each period is as follows:

	Approved minimum %	Approved maximum %	Actual 31 March 2011 %	Actual 31 March 2010 %
Less than 1 year	0.0	10.0	8.0	8.0
Between 1 and 2 years	0.0	50.0	-	-
Between 2 and 5 years	0.0	50.0	8.8	8.8
Between 5 and 10 years	0.0	70.0	38.5	6.4
More than 10 years	20.0	100.0	44.7	76.8
Total			**100.0**	**100.0**

Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. 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. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2011 £'000	31 March 2010 £'000
Increase in interest payable on new fixed rate borrowings	-	-
Increase in interest receivable on short term investments made in year	(240)	(214)
Increase in government grant receivable for financing costs	-	-
Impact on Surplus or Deficit on the Provision of Services	(240)	(214)
Share of overall impact credited to the HRA (net)	(29)	(14)
Decrease in fair value of 'available for sale assets'	-	-
Impact on Other Comprehensive Income and Expenditure	-	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	8,246	9,040
Decrease in fair value of investments (loans and receivables) (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	22	9

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk

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

Foreign exchange risk

Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona (ISK) on 22 April 2009. The exchange rate at this date was 190.62 ISK per £. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009.

The Council has no other financial assets (investments) or liabilities (borrowings) denominated in foreign currencies and thus has no further exposure to loss arising from movements in exchange rates.

42. Subsidiary Companies

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 2011. The accounts were prepared in accordance with the Companies Act 2006 and will be submitted for approval to the Board of Colchester Borough Homes on 26 October 2011.

The following summarised accounts are based on the draft accounts to be submitted for approval in October 2011 and cover the period 1 April 2010 to 31 March 2011.

Income and Expenditure Account

	2010/11 £'000	2009/10 £'000
Turnover	10,054	10,680
Operating costs	(9,240)	(10,561)
	814	119
Interest receivable	8	6
FRS17 interest adjustment	(132)	(198)
(Deficit)/Surplus on ordinary activities before taxation	690	(73)
Tax charge on (deficit)/surplus on ordinary activities	(2)	(1)
(Deficit)/Surplus for the Year	**688**	**(74)**

Balance Sheet

	31 March 2011 £'000	31 March 2010 £'000
Current Assets		
Debtors	379	323
Cash at bank and in hand	1,201	1,062
	1,580	1,385
Creditors: Amounts falling due within one year	(951)	(836)
Net Current Assets	629	549
Total Assets Less Current Liabilities	629	549
Provisions	(31)	(30)
Net assets excluding Pension Fund	598	519
Pension Fund Liability	(2,188)	(3,577)
	(1,590)	**(3,058)**
Reserves	**(1,590)**	**(3,058)**

The following balances with the Council are included above:

	31 March 2011 £'000	31 March 2010 £'000
Debtors	281	296
Creditors	-	-

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2011 the cash at bank of £1,200,000 (31 March 2010: £1,061,000) was consolidated with the Council's funds for investment purposes.

Further information is provided within the Group Accounts (Pages 89-111).

Net Pensions 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 2011 £'000	31 March 2010 £'000
Estimated Liabilities in Scheme	14,937	14,848
Estimated Assets in Scheme	12,749	11,271
Net Liability	**2,188**	**3,577**

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The revaluation as at 31 March 2010 will be implemented with effect from 1 April 2011.

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, is an arms length company created by the Council to manage the Community Stadium, it is a limited company wholly owned by the Council (limited by shares). 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 subsidiary company, Colchester Community Stadium Limited (limited by shares) was incorporated on 2 April 2009, started trading on 1 July 2009 and has prepared its accounts for the year to 31 March 2011 in accordance with International Financial Reporting Standards. These accounts were approved by the Board of Colchester Community Stadium Limited on 19 May 2011 and signed on 1 June 2011.

The following summarised accounts are based on the accounts that were approved and cover the period from 1 April 2010 to 31 March 2011.

Income and Expenditure Account

	Year to 31 March 2011 £'000	Period to 31 March 2010 £'000
Turnover	363	267
Operating costs	(338)	(277)
	25	(10)
Interest receivable	-	-
Interest payable	(2)	(2)
(Deficit)/Surplus on ordinary activities before taxation	23	(12)
Tax charge on (deficit)/surplus on ordinary activities	(2)	-
(Deficit)/Surplus for the Financial Period	**21**	**(12)**

Balance Sheet

	31 March 2011 £'000	31 March 2010 £'000
Current Assets		
Debtors	190	177
Cash at bank and in hand	28	23
	218	200
Creditors: Amounts falling due within one year	(188)	(184)
Net Current Assets	30	16
Creditors: Amounts falling due after one year	(21)	(28)
Net liabilities	**9**	**(12)**
Reserves	**9**	**(12)**

The following balances with the Council are included above:

	31 March 2011 £'000	31 March 2010 £'000
Debtors	70	70
Creditors	(118)	(123)

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 Council's subsidiary company - CCSL Newco Limited (limited by guarantee) ceased trading on 30 June 2009. The business assets and duties of this company were transferred into the company Colchester Community Stadium Limited, which is limited by shares. This company was dormant in 2010/11 and was dissolved on 10 May 2011.

43. Jointly Controlled Operations

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.

The Council is a member of the Colchester Braintree and Uttlesford Joint Parking Committee, which was formed with Braintree District Council and Uttlesford District Council on 1 April 2009.

For accounting purposes, these Joint Committees are considered to be Jointly Controlled Operations undertaken by the Council in conjunction with other Councils that involve the use of assets and resources of the participating Councils rather than the establishment of separate entities to run the operations.

44. Trust Funds

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

HRA INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Notes To HRA	2010/11 £'000	2009/10 £'000 Restated
INCOME			
Dwelling Rents	1 & 2	(21,570)	(21,124)
Non-Dwelling Rents	3	(715)	(699)
Charges for Services and Facilities	4	(2,451)	(2,300)
Contributions towards Expenditure		(278)	(296)
Total Income		**(25,014)**	**(24,419)**
EXPENDITURE			
Repairs and Maintenance		4,380	4,346
Supervision and Management		8,060	8,000
Rents, Rates, Taxes and Other Charges		105	102
Negative HRA Subsidy Payable (including MRA)	12	2,584	2,367
Depreciation and Impairments of Non Current Assets	9 & 10	6,888	6,952
Revaluation Losses	14	121,780	-
Derecognition of Non Current Assets		314	-
Amortisation	11	81	190
Debt Management Costs		65	33
Movement in the provision for Bad Debts		76	99
Reversal of previously recognised revaluation losses		(186)	(35,073)
Total Expenditure		**144,147**	**(12,984)**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**119,133**	**(37,403)**
HRA services share of Corporate and Democratic Core		380	420
(Net Income) / Net Cost for HRA Services		**119,513**	**(36,983)**
HRA share of the Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain)/Loss on sale of HRA Non Current Assets		1,860	(429)
HRA share of the Financing and Investment Income and Expenditure included in the Comprehensive Income and Expenditure Statement			
Interest payable and similar charges	8	2,585	2,539
Interest and investment income		(16)	(24)
Income and Expenditure in relation to Investment Properties		(16)	(16)
(Surplus) / Deficit for the year on HRA services		**123,926**	**(34,913)**

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 Income and Expenditure Statement. 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 Movement on the Housing Revenue Account Statement to the amount established by the relevant statutory provision (see following statement, Page 71).

MOVEMENT ON THE HRA STATEMENT

The HRA income and Expenditure Statement shows the Council's actual financial performance for the Housing Revenue Account over the last twelve months. However, the Council 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 HRA Income and Expenditure Statement and the Housing Revenue Account Balance.

	Notes	2010/11 £'000	2009/10 £'000 Restated
Balance on the HRA at 1 April		**2,609**	**1,518**
Surplus / (Deficit) for the year on the HRA Income and Expenditure Statement	Page 70	(123,926)	34,913
Adjustments between accounting basis and funding basis under statute	Page 27	125,328	(33,722)
Net increase / (decrease) before transfers to / from Earmarked Reserves		**1,402**	**1,191**
Transfers (to) / from Earmarked reserves		(92)	(100)
Increase / Decrease in the year on the HRA Balance		**1,310**	**1,091**
Balance on the HRA at 31 March		**3,919**	**2,609**

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 2011 0.97% of lettable properties were vacant (1.17% at 31 March 2010).

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:

	At 31 March 2011	At 31 March 2010
Analysis by Type of Dwelling:		
Houses & Bungalows	3,090	3,099
Flats & Maisonettes	3,183	3,204
Total Dwellings	**6,273**	**6,303**
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,563	2,578
2 Bedrooms	1,832	1,842
3 Bedrooms	1,784	1,789
4 or more Bedrooms	94	94
Total Dwellings	**6,273**	**6,303**
The change in stock can be summarised as follows:		
Stock at the beginning of the Year	6,303	6,318
Add: Conversions etc.	1	1
	6,304	6,319
Deduct: Sales, Demolitions, Conversions, etc.	31	16
Stock at the End of the Year	**6,273**	**6,303**

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2010. The valuation of dwellings has been reduced using an indexation percentage to 31 March 2011 in the 2010/11 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets	**At 31 March 2011 £'000**	**At 1 April 2010 £'000**
Council Dwellings	267,010	280,904
Other Land and Buildings	12,671	15,414
Vehicles, Plant, Furniture and Equipment	20	26
Surplus Properties	38	38
Investment Properties	120	120
Assets Held for Sale	398	309
Total	**280,257**	**296,811**

2. Vacant Possession

The Vacant Possession Value is the Council'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 2011 £'000**	**At 1 April 2010 £'000**
Council Dwellings	684,642	720,266
Other Land and Buildings (Homeless Properties)	7,656	10,172

3. Non Dwelling Rents

These total £715,000 and are made up as follows:

Non Dwelling Rents	2010/11 £'000	2009/10 £'000 Restated
Garages and Other Charges	651	639
Land and Other Buildings	64	60
Total	**715**	**699**

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 £763,000 from Supporting People charges in 2010/11 (2009/10 £766,000) is shown under Charges for Services and Facilities. This includes a figure of £715,000 (2008/09 £718,000) which is a grant receivable under the Supporting People Programme.

5. Major Repairs Reserve

Major Repairs Reserve	2010/11 £'000	2009/10 £'000 Restated
Balance as at 1 April	3,217	1,834
Transfers in – depreciation (Note 9)	6,888	6,952
Transfers out to the HRA	(2,399)	(2,522)
Capital Spending on Dwelling Stock met from Reserve	(5,448)	(3,047)
Balance as at 31 March	**2,258**	**3,217**

6. Pension Reserve

Under the full implementation of IAS 19 (see Note 39, page 57) 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	2010/11 £'000	2009/10 £'000
HRA Capital Expenditure		
Dwelling Stock	5,561	3,178
Non Dwelling Works	52	138
Investment in Information Technology	195	75
Total	**5,808**	**3,391**
Financed by:		
Supported Borrowing	-	-
Revenue Contributions	360	344
Major Repairs Reserve	5,448	3,047
Total	**5,808**	**3,391**

Summary of HRA Capital Receipts	2010/2011 £'000	2009/10 £'000
Sale of Council Houses – Direct	688	1,050
Sale of Council Houses – Deferred	8	18
Other (including shared ownership)	-	100
Total	**696**	**1,168**

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 8 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 14 in 2009/10.

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 £0.696m, £0.522m was paid to the Secretary of State under the pooling arrangements. The retained balance of £0.174m can be used to finance capital expenditure (see Note 35, page 54).

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	**2010/11 £'000**	**2009/10 £'000**
HRA Interest Charge	2,585	2,539

9. Depreciation

Depreciation	**2010/11 £'000**	**2009/10 £'000 Restated**
Council Dwellings	6,500	6,585
Other Land and Buildings	381	367
Vehicles, Plant, Furniture and Equipment	7	-
Surplus Properties	-	-
Investment Properties	-	-
Assets Held for Sale	-	-
Total	**6,888**	**6,952**

10. Impairment Charges

Impairment	**2010/11 £'000**	**2009/10 £'000**
Council Dwellings	-	-
Other Land and Buildings	-	-
Surplus Properties	-	-
Investment Properties	-	-
Assets Held for Sale	-	-
Total	-	-

11. Intangible Assets

	2010/11 £'000	**2009/10 £'000**
Housing Integrated Computer System	81	190

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

12. Housing Subsidy

Housing Subsidy	2010/11 £'000	2009/10 £'000
Allowance for Management	3,354	3,237
Allowance for Maintenance	6,760	6,534
Allowance for Major Repairs	4,488	4,429
ALMO Allowance	2,857	2,857
Charges for Capital	1,784	1,792
Rent	(21,829)	(21,213)
Interest on Receipts	(5)	(7)
Housing Subsidy (Payable)/ Receivable	**(2,591)**	**(2,371)**

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

13. Rent Arrears

The arrears at 31 March 2011 totalled £1.110 million. This excludes prepayments of £0.472 million, and may be analysed as follows:

Arrears	2010/11		2009/10	
	£'000	£'000	£'000	£'000
Due from Current Tenants	398		494	
Due from Former Tenants	712	1,110	712	1,206
Prepayments		(472)		(462)
Net Arrears		**638**		**744**

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 2011 the provision totalled £0.869 million (2009/10 £0.918 million).

14. Exceptional items and Prior period adjustments

The Council's Housing stock was revalued as at 1 April 2010 using the updated Guidance 'Stock Valuation for Resource Accounting' produced by the Department for Communities and Local Government. One of the main changes incorporated in this updated guidance was the introduction of new rates of Social Housing Discount Factors, which are used to reflect that the Council's housing properties are used for social housing purposes. These rates are expressed in percentage terms and the rate applicable to the Council decreased from 46% (2005 valuation) to 39% (2010 valuation). The impact of this reduction in the discount rate is considered to be a major reason for the revaluation loss of £109.6 million resulting from the stock revaluation as at 1 April 2010. This revaluation loss is considered to be an exceptional item and has been included within line 'Revaluation losses' in the HRA Income and Expenditure Statement on page 70.

Prior period adjustments have been made to the 2009/10 comparatives for the Housing Revenue Account Income and Expenditure Statement and the notes associated to this supplementary statement as a result of the conversion to International Financial Reporting Standards. Refer to Annex 1 for the details of the amendments made in the conversion to International Financial Reporting Standards

15. Revenue Balances

Out of the revenue balance of £3.9 million a sum of £1.6 million has already been committed for future use.

Revenue Balances	2010/11	2009/10
	£'000	£'000
Revenue Balance at the beginning of the Year	2,609	1,518
Add: Housing Revenue Account Surplus	1,310	1,091
Less: Housing Revenue Account statutory deficit	-	-

Less:	Use of Accumulated Balance for capital spending	-	-
Revenue Balance at the End of the Year		**3,919**	**2,609**
Less:	Committed Sum		
	Investment in Housing Stock 2011/12 and Future Years	(1,478)	(1,107)
	Estimate Balance Carried Forward	(114)	(145)
Uncommitted Balance		**2,327**	**1,357**

16. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£1.478 million) will be used to support spending in future years.

Further Information

Arms Length Management Organisation (ALMO) - see Note 42 on page 66.

The Council is required to provide tenants with information on its effectiveness in housing management services.

COLLECTION FUND ACCOUNTS 2010/11

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Notes To Collection Fund	2010/11 £'000	2009/10 £'000
INCOME			
Council Tax	1 - 3	(89,727)	(87,158)
Non-Domestic Rates	4	(52,753)	(57,099)
Total Income		**(142,480)**	**(144,257)**
EXPENDITURE			
Precepts	5	89,221	86,379
Non-Domestic Rates:			
Payment to National Pool	4	52,510	56,852
Cost of Collection Allowance	4	243	247
Bad and Doubtful Debts:			
Write off of Council Tax		-	-
Provision for Council Tax Bad Debts	6	373	1,025
Total Expenditure		**142,347**	**144,503**
(Surplus)/Deficit for the Year – Council Tax	7	(133)	246
Distribution/(Collection) of Previous Estimated Surplus/Deficit	7	380	4
(Surplus)/Deficit for the Year		**247**	**250**
Collection Fund Balance			
Balance at the Beginning of the Year		(182)	(432)
(Surplus)/Deficit for the Year		247	250
Balance at the End of the Year	7	**65**	**(182)**

NOTES TO THE COLLECTION FUND ACCOUNTS

1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,475.91 with an estimated tax base of 60,452 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2010/11 £'000	2009/10 £'000
Council Tax Income		
Tax Payers	78,586	76,700
Council Tax Benefits transferred from General Fund	11,141	10,458
	89,727	**87,158**

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	8,841	6,651	6/9	4,434
B	20,005	16,807	7/9	13,072
C	18,837	16,337	8/9	14,522
D	12,746	11,392	9/9	11,392
E	7,434	6,847	11/9	8,368
F	3,595	3,385	13/9	4,889
G	2,204	2,016	15/9	3,360
H	146	119	18/9	237
Contributions in lieu for Ministry of Defence Properties				788
Total Band D				**61,062**
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				(610)
Council Tax Base				**60,452**

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	**177,100**	**175.23**
Basildon	174,100	253.44
Chelmsford	167,800	163.29
Tendring	148,000	149.88
Braintree	142,700	162.81
Epping Forest	124,000	148.77
Castle Point	89,200	229.59
Rochford	83,100	201.15
Harlow	80,600	251.55
Uttlesford	75,600	147.42
Brentwood	73,800	174.37
Maldon	62,900	169.66

4. National Non-Domestic Rate (NNDR) Income

Non-domestic rates are organised on a national basis. The Government specifies an amount (40.7p in 2010/11, 48.1p in 2009/10) and subject to the effects of transitionary 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.

	2010/11 £'000	2009/10 £'000
NNDR Income		
Bills Issued	57,130	61,503
Mandatory Reliefs	(4,006)	(3,756)
Discretionary Reliefs	(152)	(159)
Provision for Bad Debts	(309)	(580)
Net Income	**52,663**	**57,008**
General Fund contribution to Discretionary Reliefs	90	91
NNDR Income to Income & Expenditure Account	**52,753**	**57,099**
Cost of Collection Allowance	(243)	(247)
Amount Payable to NNDR Pool	**52,510**	**56,852**

The total non-domestic rateable value at 31 March 2011 was £154,321,287; the multiplier for the year was 40.7p. The product of this is £62,809,000. 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, mandatory 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.

	2010/11 £'000	2009/10 £'000
Essex County Council	65,696	63,774
Colchester Borough Council	11,523	11,072
Essex Police Authority	7,987	7,669
Essex Fire Authority	4,015	3,864
Total Precepts	**89,221**	**86,379**

6. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. During 2010/11 £340,000 of irrecoverable debts were written off (2009/10 £393,000).

7. Council Tax Surplus/Deficit

Any surplus or deficit on the Fund is shared between the Authorities in proportion to their precept on the Fund and will impact directly on the Council Tax of following years.

Any previous year's cumulative surplus on Council Tax is distributed to Essex County Council, Essex Police Authority, Essex Fire Authority and this Council in proportion to the value of the respective precepts made by the four Councils on the Collection Fund in the related year. The anticipated surplus of £380,000 was shared as shown below.

	2010/11 £'000	2009/10 £'000
Essex County Council	280	3
Colchester Borough Council	49	1
Essex Police Authority	34	-
Essex Fire Authority	17	-
Total Surplus	**380**	**4**

The cumulative deficit at the end of March 2011 is not required to be collected until the following financial years. The surplus will be distributed in proportion to the value of the respective precepts as shown below.

	2010/11 £'000	2009/10 £'000
Essex County Council	48	(135)
Colchester Borough Council	8	(23)
Essex Police Authority	6	(16)
Essex Fire Authority	3	(8)
Total Deficit/(Surplus)	**65**	**(182)**

This future distribution is anticipated in the presentation in the Balance Sheet (page 10).

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 2010/11

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 2011

	2010/11 £	2009/10 £
Income:		
Recovered from Riparian Authorities		
Colchester Borough Council	-	-
Tendring District Council	-	-
Bank Interest	(1)	(1)
Total Income	**(1)**	**(1)**
Expenditure:		
Paid to Riparian Authorities		
Colchester Borough Council	-	-
Tendring District Council	-	-
Other expenditure	-	87
Gross Expenditure	**-**	**87**
Net Expenditure	**(1)**	**86**

BALANCE SHEET AS AT 31 MARCH 2011

	2010/11 £	2009/10 £
Current Assets:		
Cash at Bank	2,546	2,544
Cash in transit	-	-
	2,546	2,544
Current Liabilities:		-
Colchester Borough Council	(1,873)	(1,872)
Tendring District Council	(673)	(672)
Net Current Assets	**-**	**-**

TRUST FUND ACCOUNTS

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

1. The Resident Freemen's Fund

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

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2010

		2009/10	2008/09
		£	£
Balance as at 1 October		501	602
Add:	Interest on Investments	288	288
	Bank Interest	2	17
	Other Income	30	30
		821	937
Less:	Administration and Distribution Expenses	45	40
	Subscription	30	30
	Distribution to Freemen	285	366
Balance as at 30 September		**461**	**501**

BALANCE SHEET AS AT 30 SEPTEMBER 2010

		2009/10	2008/09
		£	£
Assets:			
	Investments	6,764	6,628
	Cash at Bank	461	501
Represented by Accumulated Fund		**7,225**	**7,129**

Please note: Investments are stated at market value as at 30 September 2010. These investments are Bank of England 2½% Consolidated Stock with a nominal value of £11,511.46 (2008/09 - £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 2011 was £392,807 (31 March 2010 - £386,289). A further sum of £47,074 was held on deposit pending transfer to the Tymperleys' account. (31 March 2010 - £50,175)

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2011

		2010/11	2009/10
		£	£
Balance as at 1 April		49,464	52,508
Add:	Interest on Investments	15,001	14,572
	Interest on Balance	56	56
		64,521	67,136
Less:	Bank Charges	-	20
	Distribution to Tymperleys	14,443	17,652
Balance as at 31 March		**50,078**	**49,464**

BALANCE SHEET AS AT 31 MARCH 2011

		2010/11	2009/10
		£	£
Assets:			
	Investments	392,807	386,289
	Debtors	3,003	56
	Cash at Bank	47,074	50,175
		442,884	436,520
Liabilities:			
	Creditors	-	766
Represented by Accumulated Fund		**442,884**	**435,754**

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 2011

		2010/11	2009/10
		£	£
Balance as at 1 April		5,908	5,619
Add:	Interest Received	3	3
	Dividends	299	316
		6,210	5,938
Less:	Expenses	30	30
Balance as at 31 March		**6,180**	**5,908**

BALANCE SHEET AS AT 31 MARCH 2011

		2010/11	2009/10
		£	£
Assets:			
	Investments	8,185	7,881
	Cash at Bank	6,180	5,908
Represented by Accumulated Fund		**14,365**	**13,789**

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 2011

		2010/11	2009/10
		£	£
Balance as at 1 April		8,781	8,459
Add:	Interest received	8	8
	Dividends	323	314
Balance as at 31 March		**9,112**	**8,781**

BALANCE SHEET AS AT 31 MARCH 2011

		2010/11	2009/10
		£	£
Assets:			
	Investments	7,423	7,279
	Cash at Bank	8,083	7,751
Represented by Accumulated Fund		**15,506**	**15,030**

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

5. Colchester Lying-in-Charity

This charity enables one-off grants to be paid to unmarried mothers for such items as prams, cots, etc. Payments have not usually exceeded £250. 19 grants were paid in 2010/11 (16 grants in 2009/10).

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

		2010/11	2009/10
		£	£
Balance as at 1 April		3,631	5,181
Add:	Interest received	4	7
	Dividends	801	778
		4,436	5,966
Less:	Grants Paid	3,150	2,335
Balance as at 31 March		**1,286**	**3,631**

BALANCE SHEET AS AT 31 MARCH 2011

		2010/11	2009/10
		£	£
Assets:			
	Investments	18,383	18,966
	Debtors	4	6
	Cash at Bank	283	1,685
Represented by Accumulated Fund		**18,670**	**20,657**

Please note: The investments are in the Charities Official Investment Fund and with Colchester Borough Council.

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 2010

		2009/10	2008/09
		£	£
Fund Balances as at 1 October		246,920	246,269
Add:	Investment Income	84	1,080
		247,004	247,349
Less:	Management/Admin Expenses	429	429
Balance as at 30 September		**246,575**	**246,920**

BALANCE SHEET AS AT 30 SEPTEMBER 2010

	2009/10	2008/09
	£	£
Fixed Asset:		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	117,840	117,755
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	251,236	251,151
Current Liabilities:		
Sundry Creditors	4,661	4,231
Total Net Assets	**246,575**	**246,920**
Represented by:		
Unrestricted Funds		
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	83,191	83,536
	246,575	**246,920**

7. Mayor of Colchester Charities Appeal Fund

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

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MAY 2011

	2010/11	2009/10
	£	£
Income from functions	200	46,469
Less: Function related expenses	-	10,152
Net Income	**200**	**36,317**
Payments to Mayor's Charities	7,467	29,050
Net Surplus/(Deficit)	**(7,267)**	**7,267**

BALANCE SHEET AS AT 31 MAY 2011

	2010/11	2009/10
	£	£
Current Assets		
Sundry Debtors	-	-
Cash at Bank	-	7,267
	-	7,267
Current Liabilities		
Sundry Creditors	-	-
Cash Overdrawn	-	-
Net Current Assets	**-**	**7,267**

In 2010/11 the Mayor's charity was administered by the Grassroots charity and not by Colchester Borough Council as in previous financial years.

GROUP ACCOUNTS

1. Introduction

The IFRS based Code of Practice for Local Authority Accounting 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 Limited, CCSL Newco Limited and Colchester Community Stadium Limited (see Note 42, page 66) as wholly owned subsidiaries and prepare Group Accounts. For completeness the opportunity has been taken to include the Port Health organisation and the Trust Funds (see pages 81-88) in the Group statements that follow.

The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes Limited, CCSL Newco Limited and Colchester Community Stadium Limited) 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. Inter group balances and transactions have been eliminated during the consolidation of the Group Accounts. Where group entities have a different year end to the Council they have been brought into the Group Accounts as at 31 March 2011 on the basis of interim financial statements at this date.

During 2010/11 Colchester Borough Homes Limited 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 Group 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

The Group Accounts for 2010/11 have been prepared under the International Financial Reporting Standards (IFRS) using the IFRS Based Code of Practice on Local Authority Accounting. The Group's accounts for previous years were prepared under UK GAAP Accounting Standards, using the Statement of Recommended Practice for Local Authority Accounting (SORP). The requirement to adopt IFRS was set out in the 2007 Budget by the Chancellor, who announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made.

The IFRS Based Code requires retrospective application of the updated accounting policies has resulted in the restatement of various balances and transactions. This has led to the Council to preparing an updated Group Balance Sheet as at 1 April 2009 (the date of the Council's transition to IFRS), a restated 2009/10 Group Balance Sheet and a restated 2009/10 Group Comprehensive Income and Expenditure Statement.

Refer to Annex 1 on page 116, which discloses the differences between the amounts presented under the 2009 Statement of Recommended Practice and the IFRS-based Code of Practice. Disclosures have been made in respect of the restated Group Balance Sheet as at 1 April 2009, the restated 2009/10 Group Balance Sheet and the restated 2009/10 Group Comprehensive Income and Expenditure Statement.

2. Accounting Policies

G1 The accounting policies for the Council are set out on in Note 1 on pages 12-24 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 MOVEMENT IN RESERVES STATEMENT – THE YEAR ENDED 31 MARCH 2011

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	Reserves held for Revenue Purposes			**Reserves held for Capital Purposes**						
	General Fund Balance	**Housing Revenue Account**	**Earmarked Reserves**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Subsidiary & Trust Fund Reserves**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
Balance at 1 April 2009 - Restated	**2,807**	**1,518**	**8,210**	**4,999**	**1,834**	**926**	**975**	**21,269**	**417,448**	**438,717**
Movement in reserves during 2009/10										
Surplus / (Deficit) on provision of services (Page 91)	(7,693)	34,913	-	-	-	-	(43)	27,177	-	27,177
Other Comprehensive Income and Expenditure (Page 91)	-	-	-	-	-	-	78	78	(19,529)	(19,451)
Total Comprehensive Income and Expenditure	**(7,693)**	**34,913**	-	-	-	-	**35**	**27,255**	**(19,529)**	**7,726**
Adjustments between accounting basis & funding basis under regulations (Note G5)	7,057	(33,722)	-	(437)	1,383	(908)	163	(26,464)	26,464	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(636)**	**1,191**	**-**	**(437)**	**1,383**	**(908)**	**198**	**791**	**6,935**	**7,726**
Transfers to/from Earmarked Reserves (Note 8)	1,755	(100)	(1,655)	-	-	-	-	-	-	**-**
Increase/(Decrease) in Year	**1,119**	**1,091**	**(1,655)**	**(437)**	**1,383**	**(908)**	**198**	**791**	**6,935**	**7,726**
Balance at 31 March 2010 carried forward (Page 92)	**3,926**	**2,609**	**6,555**	**4,562**	**3,217**	**18**	**1,173**	**22,060**	**424,383**	**446,443**
Movement in reserves during 2010/11										
Surplus / (Deficit) on provision of services (Page 91)	9,270	(123,926)	-	-	-	-	662	(113,994)	-	(113,994)
Other Comprehensive Income and Expenditure (Page 91)	-	-	-	-	-	-	5	5	10,187	10,192
Total Comprehensive Income and Expenditure	**9,270**	**(123,926)**	**-**	**-**	**-**	**-**	**667**	**(113,989)**	**10,187**	**(103,802)**
Adjustments between accounting basis & funding basis under regulations (Note G5)	(11,260)	125,328	-	(1,888)	(959)	287	(571)	110,937	(110,937)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(1,990)**	**1,402**	**-**	**(1,888)**	**(959)**	**287**	**96**	**(3,052)**	**(100,750)**	**(103,802)**
Transfers to/from Earmarked Reserves (Note 8)	1,521	(92)	(1,754)	-	-	-	-	(325)	325	-
Increase/(Decrease) in Year	**(469)**	**1,310**	**(1,754)**	**(1,888)**	**(959)**	**287**	**96**	**(3,377)**	**(100,425)**	**(103,802)**
Balance at 31 March 2011 carried forward (Page 92)	**3,457**	**3,919**	**4,801**	**2,674**	**2,258**	**305**	**1,269**	**18,683**	**323,958**	**342,641**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000	2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000
Central services to the public	14,681	(12,875)	1,806	14,519	(12,138)	2,381
Cultural, environmental, regulatory and planning services	33,594	(13,243)	20,351	31,628	(12,537)	19,091
Highways, roads and transport services	7,155	(6,354)	801	6,540	(5,887)	653
Local Authority Housing (HRA)	144,285	(25,014)	119,271	(13,122)	(24,500)	(37,622)
Other housing services	56,645	(50,585)	6,060	52,751	(47,923)	4,828
Adult social care	1,518	(764)	754	1,198	(756)	442
Corporate and democratic core	4,374	(407)	3,967	5,343	(704)	4,639
Non distributed costs	47	-	47	77	-	77
Exceptional item - Past Service Gain (Note G24)	(10,746)	-	(10,746)	-	-	-
Cost of Services	**251,553**	**(109,242)**	**142,311**	**98,934**	**(104,445)**	**(5,511)**
Other operating expenditure (Note G6, page 98)			3,313			1,642
Financing and investment income and expenditure (Note G7, page 98)			2,434			6,503
Taxation and non-specific grant income (Note G8, page 99)			(34,064)			(29,811)
(Surplus) / Deficit on Provision of Services			**113,994**			**(27,177)**
(Surplus) / Deficit on revaluation of non current assets			(6,151)			543
Surplus/Deficit on the revaluation of Trust Fund investments			(5)			(78)
Actuarial (gains)/losses on pension assets and liabilities			(4,036)			18,986
Other Comprehensive Income and Expenditure			**(10,192)**			**19,451**
Total Comprehensive Income and Expenditure			**103,802**			**(7,726)**

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Long Term Assets				
Property Plant & Equipment				
Council Dwellings	12	267,011	390,415	360,170
Other Land and Buildings		104,274	99,809	105,958
Vehicles, Plant, Furniture and Equipment	12	4,873	5,630	4,953
Infrastructure Assets	12	5,122	3,360	4,038
Community Assets	12	306	288	275
Surplus Assets	12	13,024	13,205	13,265
Assets under Construction	12	28,153	25,976	21,191
Investment Property	13	37,259	35,186	36,446
Intangible Assets	14	1,183	1,033	2,097
Long Term Investments	G9	386	353	4,302
Long Term Debtors	16	709	706	682
Total Long Term Assets		**462,300**	**575,961**	**553,377**
Current Assets				
Short Term Investments	15	8,636	7,106	15,501
Inventories		205	168	144
Short Term Debtors	G10	11,630	11,307	8,409
Cash and Cash Equivalents	G11	5,669	7,917	1,272
Assets Held for Sale	19	398	309	84
Total Current Assets		**26,538**	**26,807**	**25,410**
Current Liabilities				
Bank Overdraft		(3,267)	(1,476)	(1,510)
Short Term Borrowing	15	(6,048)	(6,047)	(11,978)
Short Term Creditors	G12	(9,580)	(9,868)	(9,137)
Total Current Liabilities		**(18,895)**	**(17,391)**	**(22,625)**
Long Term Creditors – Finance Leases	36	(265)	(196)	(665)
Provisions	G13	(415)	(480)	(377)
Long Term Borrowing	15	(57,400)	(57,400)	(57,400)
Pension Scheme Liability	G24	(62,028)	(74,605)	(54,123)
Capital Grants Receipts in Advance	33	(7,194)	(6,253)	(4,880)
Total Long Term Liabilities		**(127,302)**	**(138,934)**	**(117,445)**
Total Net Assets		**342,641**	**446,443**	**438,717**
Represented by:				
Usable Reserves	G14	18,683	22,060	21,269
Unusable Reserves	G15	323,958	424,383	417,448
Total Reserves		**342,641**	**446,443**	**438,717**

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

	2010/11 £'000	2009/10 £'000
Net Surplus / (Deficit) on the provision of services	(113,994)	27,177
Adjustments to net surplus or deficit on the provision of services for non-cash movements	134,295	(2,742)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(10,850)	(20,029)
Net cash flows from Operating Activities (Note G16, page 102)	9,451	4,406
Investing Activities (Note G17, page 102)	(11,284)	9,400
Financing Activities (Note G18, page 103)	(2,206)	(7,127)
Net increase / (decrease) in cash and cash equivalents	**(4,039)**	**6,679**
Cash and cash equivalents at the beginning of the reporting period	6,441	(238)
Cash and cash equivalents at the end of the reporting period (Note G19, page 103)	**2,402**	**6,441**

NOTES TO THE GROUP FINANCIAL STATEMENTS

G1. Specific notes for the Group Statements are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Statements are set out on pages 12-69 and the group statements are cross referenced to them where relevant.

G2. Subsidiary Companies

Colchester Borough Homes Limited (CBH) CCSL Newco Limited and Colchester Community Stadium Limited (CCS) are wholly owned subsidiaries of the Council (See Note 42, page 66).

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

The Council has 33% voting right on the Board of CCSL Newco Limited. This company ceased trading on 30 June 2009. The business assets and duties of this company were transferred on 1 July 2009 into a new company limited by shares, entitled Colchester Community Stadium Limited. This company was dissolved on 10 May 2011.

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

G3. The operating income and expenditure of Colchester Borough Homes Limited has been included within the Local Authority Housing (HRA) line in the Group Comprehensive Income and Expenditure Statement. The operating income and expenditure of CCSL Newco Limited and Colchester Community Stadium Limited have been included within Cultural, environmental, regulatory and planning services line in the Group Comprehensive Income and Expenditure Statement.

G4. Events after the Balance Sheet date

The accounts were authorised for issue on 30 June 2011 by the Chief Financial Officer (Refer to Page 7). This is the date to which events after the Balance Sheet date have been considered.

There are no items which have arisen after the closure of the 2010/11 accounts which would materially affect these group accounts.

G5. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

2010/11	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary and Trust Funds Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation of non-current assets	3,156	-	-	-	-	-	(3,156)
Charges for impairment of non-current assets	333	-	-	-	-	-	(333)
Write outs of non-current assets	1,787	314	-	-	-	-	(2,101)
Revaluation losses on Property, Plant and Equipment	2,840	121,780	-	-	-	-	(124,620)
Revaluation losses on Assets held for Sale	14	-	-	-	-	-	(14)
Movements in the market value of Investment Properties	(3,059)	-	-	-	-	-	3,059
Amortisation of intangible assets	205	81	-	-	-	-	(286)
Capital grants and contributions applied	(9,214)	-	-	-	-	-	9,214
Donated asset income	(40)	-	-	-	-	-	40
Revenue expenditure funded from capital under statute	1,956	-	-	-	-	-	(1,956)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	637	1,860	-	-	-	-	(2,497)
Reversal of previously recognised revaluation losses	(494)	(186)	-	-	-	-	680
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(1,037)	-	-	-	-	-	1,037
Capital expenditure charged against the General Fund and HRA balances	-	(361)	-	-	-	-	361
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	(303)	-	-	-	303	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(16)	-	16
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	1,333	-	-	-	(1,333)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(2,708)	-	-	-	2,708
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	521	-	(521)	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	8	-	-	-	(8)

2010/11	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary and Trust Funds Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	2,399	-	4,489	-	-	(6,888)
Use of the Major Repairs Reserve to finance new capital expenditure	-		-	(5,448)	-	-	5,448
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,021)	(200)	-	-	-	-	1,221
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,022)	94	-	-	-	(138)	3,066
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,543)	(460)	-	-	-	(470)	5,473
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	31	-	-	-	-	-	(31)
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	7	-	-	-	37	(37)
Total Adjustments	**(11,260)**	**125,328**	**(1,888)**	**(959)**	**287**	**(571)**	**(110,937)**

2009/10	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary and Trust Fund Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation of non-current assets	3,246	-	-	-	-	-	(3,246)
Write outs of non-current assets	597	-	-	-	-	-	(597)
Revaluation losses on Property, Plant and Equipment	2,269	-	-	-	-	-	(2,269)
Revaluation losses on Assets held for Sale	3	-	-	-	-	-	(3)
Movements in the market value of Investment Properties	1,125	-	-	-	-	-	(1,125)
Amortisation of intangible assets	1,607	190	-	-	-	-	(1,797)
Capital grants and contributions applied	(4,263)	-	-	-	-	-	4,263
Revenue expenditure funded from capital under statute	896	-	-	-	-	-	(896)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	335	(429)	-	-	-	-	94
Reversal of previously recognised revaluation losses	-	(35,073)	-	-	-	-	35,073
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(903)	-	-	-	-	-	903
Capital expenditure charged against the General Fund and HRA balances	-	(344)	-	-	-		344
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	(234)	-	-	-	234	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,142)	-	1,142
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	3,527	-	-	-	(3,527)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(3,709)	-	-	-	3,709
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	30	-	-	-	(30)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	779	-	(779)	-	-	--	-
Capital receipts not linked to disposals of non-current assets	(475)	-	475	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	19	-	-	-	(19)
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	2,522	-	4,430	-	-	(6,952)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(3,047)	-	-	3,047

2009/10	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary and Trust Fund Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	239	(200)	-	-	-		(39)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	6,124	80	-	-	-	640	(6,844)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,415)	(473)	-	-	-	(460)	5,348
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	32	-	-	-	-	-	(32)
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	95	5	-	-	-	20	(120)
Adjustments for other group movements	-	-	-	-	-	(37)	37
Total Adjustments	**7,057**	**(33,722)**	**(437)**	**1,383**	**(908)**	**163**	**26,464**

G6. Other Operating Expenditure

	2010/2011	2009/10
	£'000	£'000
Parish Council precepts	931	846
Payments to the Government Housing Capital Receipts Pool	522	779
(Gains)/losses on the disposal of non-current assets	1,860	17
Total	**3,313**	**1,642**

G7. Financing and Investment Income and Expenditure

	2010/2011	2009/10
	£'000	£'000
Interest payable and similar charges	3,723	3,785
Pensions interest cost and expected return on pensions assets	3,515	4,213
Investment impairment charge	85	449
Interest receivable and similar income	(794)	(958)
Income and expenditure in relation to investment properties	(1,678)	(2,052)
Changes in the fair value of investment properties	(3,059)	1,125
(Gains)/losses on the disposal of investment properties	642	(59)
Total	**2,434**	**6,503**

G8. Taxation and Non Specific Grant Income

	2010/11 £'000	2009/10 £'000
Demand on the Collection Fund	(11,541)	(11,040)
Contribution from the Non-Domestic Rate Pool	(11,274)	(10,303)
Non-ring fenced Government Grants	(1,696)	(3,972)
Capital grants and contributions	(9,516)	(4,497)
Donated asset income	(40)	-
Taxation of Group Entities	3	1
Total	**(34,064)**	**(29,811)**

G9. Long Term Investments

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Market Value of Marketable Securities	386	353	302
Term Deposits	-	-	4,000
Total Long Term Investments	**386**	**353**	**4,302**

G10. Debtors

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Sums falling due within One Year			
Central Government Bodies	5,732	5,694	2,922
Other Local Authorities	2,135	1,528	808
NHS Bodies	-	-	-
Public Corporations and Trading Funds	-	-	-
Other Entities and Individuals	3,763	4,085	4,679
Total Debtors	**11,630**	**11,307**	**8,409**

The above debtor values are presented net of impairments (allowances for non-collection) and have been revised to eliminate inter-group balances.

G11. Cash and Cash Equivalents

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Cash in hand held by the Group	37	36	34
Bank Current Accounts	2,112	1,881	1,238
Short Term Deposits	3,520	6,000	-
Total Cash and Cash Equivalents	**5,669**	**7,917**	**1,272**

G12. Creditors

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Sums falling due within One Year			
Central Government Bodies	(1,094)	(1,547)	(1,772)
Other Local Authorities	(1,036)	(1,402)	(1,636)
NHS Bodies	(34)	-	-
Public Corporations and Trading Funds	(56)	(59)	(9)
Other Entities and Individuals	(7,360)	(6,860)	(5,720)
Total Creditors	**(9,580)**	**(9,868)**	**(9,137)**

The above creditor values have been revised to eliminate inter-group balances.

G13. Provisions

	CBC (see Note 21) £'000	CBH £'000	Total £'000
Balance at 1 April 2009	**347**	**30**	**377**
Additional provisions	173	-	173
Amounts used	(70)	-	(70)
Balance at 31 March 2010	**450**	**30**	**480**
Additional provisions	17	1	**18**
Amounts used	(83)	-	**(83)**
Balance at 31 March 2011	**384**	**31**	**415**

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

G14. Usable Reserves

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000	Purpose of Reserve
General Fund Balance	3,457	3,926	2,807	Resources available to meet future running costs for Council services.
Housing Revenue Account	3,919	2,609	1,518	Resources available to meet the future running costs relating to council housing
Earmarked Reserves	4,801	6,555	8,210	Resources set side from the General Fund Balance and HRA Balance for future expenditure plans.
Capital Receipts Reserve	2,674	4,562	4,999	Proceeds from non current asset sales available to meet future capital investment
Major Repairs Reserve	2,258	3,217	1,834	Resources available to meet capital investment in council housing.
Capital Grants Unapplied	305	18	926	Resources relating to grant income available to finance capital expenditure
Subsidiaries Reserves	607	507	391	Resources available to meet future running costs for services provided by the subsidiary companies.
Trust Fund Reserves	662	666	584	Resources available to meet future running costs for services provided by the trust funds.
Total Usable Reserves	**18,683**	**22,060**	**21,269**	

Subsidiaries Reserves

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Colchester Borough Homes Limited	598	519	413
CCSL Newco Limited	-	-	(22)
Colchester Community Stadium Limited	9	(12)	-
Total Reserves	**607**	**507**	**391**

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

Trust Fund Reserves

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Balance at 1 April	666	584	692
Add Income for year	1	77	68
Less expenditure for year	(10)	(73)	(70)
(Decrease)/Increase in Investments value	5	78	(106)
Balance at 31 March	**662**	**666**	**584**

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

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Assets	750	780	697
Liabilities	(5)	(31)	(30)
Total Net Assets	**745**	**749**	**667**
Represented by:-			
Capital Adjustment Account	83	83	83
Trust Funds Reserves	662	666	584
Balance at 31 March	**745**	**749**	**667**

The assets are not the property of the Council 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).

G15. Unusable Reserves

	Note	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Revaluation Reserve	23	23,349	19,229	19,966
Capital Adjustment Account	See below	364,114	482,382	454,059
Financial Instruments Adjustment Account	23	(866)	(2,087)	(2,049)
Pensions Reserve	G24	(62,028)	(74,605)	(54,123)
Deferred Capital Receipts Reserve	23	63	71	90
Collection Fund Adjustment Account	23	(8)	23	55
Accumulated Absences Account	See below	(666)	(630)	(550)
Total Unusable Reserves		**323,958**	**424,383**	**417,448**

Capital Adjustment Account

	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Colchester Borough Council	364,031	482,299	453,976
Trust Funds	83	83	83
Total at 31 March	**364,114**	**482,382**	**454,059**

Accumulated Absences Account

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Colchester Borough Council	(560)	(560)	(460)
Colchester Borough Homes Limited	(106)	(70)	(90)
Total at 31 March	**(666)**	**(630)**	**(550)**

G16. Cash Flow Statement – Net Cash Flows from Operating Activities

	Notes	2010/11 £'000	2009/10 £'000
Net Surplus / (Deficit) on the Provision of Services		**(113,994)**	**27,177**
Adjustments for non cash movements:			
Depreciation		10,377	10,199
Impairments and downward revaluations		124,634	3,869
Amortisation		286	1,797
Impairment losses on Investments		85	448
Increase/(Decrease) in Creditors		(614)	668
(Increase)/Decrease in Interest Debtors		(140)	470
(Increase)/Decrease in Debtors		2,324	(1,695)
(Increase)/Decrease in Inventories		(37)	(24)
Pension Liability		(8,673)	1,316
Contributions to/(from) Provisions		(65)	103
Carrying value of non current assets sold		3,797	3,442
Carrying amount of short term and long term investments sold		4,000	11,500
Movement in Investment Property Values		(3,059)	(475)
Reversal of previous revaluation losses		(680)	(35,073)
Write outs of non current assets		2,101	597
Donated asset income		(40)	-
Other non cash movements		(1)	116
		134,295	**(2,742)**
Adjustments for items that are investing or financing activities:			
Capital grants credited to the Surplus/Deficit on the Provision of Services		(9,516)	(4,497)
Proceeds from the sale of short and long term investments		-	(11,500)
Proceeds from the sale of non current assets		(1,334)	(4,032)
		(10,850)	**(20,029)**
Net Cash flows from operating activities		**9,451**	**4,406**

Operating activities within the Cash Flow Statement include the following cash flows relating to interest and taxation:

	Notes	2010/11 £'000	2009/10 £'000
Interest Received		646	1,438
Interest Paid		(3,809)	(3,711)
Taxation		(3)	(1)

G17. Cash Flow Statement – Investing Activities

	2010/11 £'000	2009/10 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(15,958)	(11,139)
Purchase of short-term and long-term investments	(5,500)	-
Other payments for investing activities	(55)	(90)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,309	3,997
Proceeds from short-term and long-term investments	-	11,500
Other receipts from investing activities	8,920	5,132
Net cash flows from investing activities	**(11,284)**	**9,400**

G18. Cash Flow Statement – Financing Activities

	2010/11 £'000	2009/10 £'000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(373)	(275)
Repayments of short and long-term borrowing	-	(5,930)
Other payments for financing activities	(1,833)	(922)
Net cash flows from financing activities	**(2,206)**	**(7,127)**

G19. Cash Flow Statement – Cash and Cash Equivalents

	2010/11 £'000	2009/10 £'000
Cash in hand held by the Council	37	35
Bank Current Accounts	2,112	1,882
Short Term Deposits	3,520	6,000
Bank Overdraft	(3,267)	(1,476)
Total Cash and Cash Equivalents on the Cash Flow Statement	**2,402**	**6,441**

G20. Amounts reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure (refer to Note 28, page 46) relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Group Comprehensive Income and Expenditure Statement. Adjustments have been made to the values reported for the Council and the Group entities to eliminate intergroup transactions.

2010/11	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Group entities	Total Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(172,385)	(1,073)	(23,405)	112,035	38,687	(390)	(46,531)	-	(46,531)
Interest and Investment income	-	-	(3,480)	3,480	-	-	-	(794)	(794)
Income in relation to investment properties	-	-	-	-	-	-	-	(1,883)	(1,883)
Income from council tax	-	-	-	-	-	-	-	(11,541)	(11,541)
Movement in the fair value of investment Properties	-	-	-	-	-	-	-	(3,059)	(3,059)
Government grants and contributions	(2,952)	(60,399)	(1,736)	2,376	-	-	(62,711)	(22,526)	(85,237)
Total Income	**(175,337)**	**(61,472)**	**(28,621)**	**117,891**	**38,687**	**(390)**	**(109,242)**	**(39,803)**	**(149,045)**
Employee expenses	27,746	-	(8,615)	(1,489)	-	4,249	21,891	-	21,891
Other service expenses	158,805	56,593	69,392	(56,025)	-	5,086	233,851	-	233,851
Support Service recharges	2,974	-	-	(39,066)	37,044	-	952	-	952
Depreciation, amortisation and impairment	-	-	-	(5,141)	-	-	(5,141)	-	(5,141)
Interest Payments and similar charges	-	-	-	-	-	-	-	3,808	3,808
Taxation	-	-	-	-	-	-	-	3	3
Precepts and Levies	-	-	-	-	-	-	-	931	931
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	522	522
Expenditure in relation to investment properties	-	-	-	-	-	-	-	205	205
Pensions interest cost and expected return on investments	-	-	-	-	-	-	-	3,515	3,515
Gain / Loss on Disposal of Fixed Assets	-	-	-	-	-	-	-	2,502	2,502
Total expenditure	**189,525**	**56,593**	**60,777**	**(101,721)**	**37,044**	**9,335**	**251,553**	**11,486**	**263,039**
Surplus or deficit on the provision of services	**14,188**	**(4,879)**	**32,156**	**16,170**	**75,731**	**8,945**	**142,311**	**(28,317)**	**113,994**

2009/10

	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Group entities	Total Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(51,349)	(594)	(375)	54,859	(49,661)	(454)	(47,574)	-	(47,574)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-	-
Interest and Investment income	-	-	-	-	-	-	-	(958)	(958)
Income in relation to investment properties	-	-	2,400	-	-	-	2,400	(2,231)	289
Income from council tax	-	-	-	-	-	-	-	(11,040)	(11,040)
Government grants and contributions	(2,217)	(57,129)	-	244	-	-	(59,102)	(18,772)	(77,874)
Total Income	**(53,566)**	**(57,723)**	**2,025**	**55,103**	**(49,661)**	**(454)**	**(104,276)**	**(33,001)**	**(137,277)**
Employee expenses	28,055	-	2,138	(1,564)	-	5,052	33,681	-	33,681
Other service expenses	36,863	-	57,025	(3,647)	-	5,589	95,830	-	95,830
Support Service recharges	2,848	-	-	(50,498)	47,048	-	(602)	-	(602)
Depreciation, amortisation and impairment	-	-	(23,453)	(6,063)	-	-	(29,516)	-	(29,516)
Interest Payments and similar charges	-	-	(280)	-	-	-	(280)	4,234	3,954
Taxation	-	-	-	-	-	-	-	1	1
Precepts and Levies	-	-	-	-	-	-	-	846	846
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	779	779
Expenditure in relation to investment properties	-	-	(348)	-	-	-	(348)	179	(169)
Movement in the fair value of investment Properties	-	-	-	-	-	-	-	1,125	1,125
Pensions interest cost and expected return on investments	-	-	-	-	-	-	-	4,213	4,213
Gain / Loss on Disposal of Fixed Assets	-	-	-	-	-	-	-	(42)	(42)
Total expenditure	**67,766**	**-**	**35,082**	**(61,772)**	**47,048**	**10,641**	**98,765**	**11,335**	**110,100**
Surplus or deficit on the provision of services	**14,200**	**(57,723)**	**37,107**	**(6,669)**	**(2,613)**	**10,187**	**(5,511)**	**(21,666)**	**(27,177)**

G21. Officers' Remuneration

The remuneration paid to the Group's senior officers is as follows:

Post holder	Notes	Financial Year	Salary, Fees and Allowances £	Compensation for loss of office £	Pension contributions £	Total Remuneration £
Colchester Borough Council:						
Chief Executive		**2010/11**	**118,372**	**-**	**15,441**	**133,813**
		2009/10	117,101	-	14,417	131,518
Executive director		**2010/11**	**94,200**	**-**	**11,194**	105,394
		2009/10	93,268	-	11,083	104,351
Executive director		**2010/11**	**94,232**	**-**	**11,194**	105,426
		2009/10	93,137	-	11,083	104,220
Executive director		**2010/11**	**94,200**	**-**	**11,194**	**105,394**
		2009/10	93,169	-	11,083	104,252
Head of Strategic Policy and Regeneration		**2010/11**	**70,890**	**-**	**8,420**	**79,310**
		2009/10	70,080	-	8,337	78,417
Head of Life Opportunities		**2010/11**	**70,758**	**-**	**8,420**	**79,178**
		2009/10	70,058	-	8,337	78,395
Head of Environmental and Protective Services		**2010/11**	**58,603**	**-**	**6,974**	**65,577**
		2009/10	55,311	-	6,453	61,764
Head of Resource Management		**2010/11**	**71,022**	**-**	**8,420**	**79,442**
		2009/10	70,222	-	8,337	78,559
Head of Street Services		**2010/11**	**70,780**	**-**	**8,420**	**79,200**
		2009/10	70,058	-	8,337	78,395
Head of Corporate Services		**2010/11**	**62,787**	**-**	**7,456**	**70,243**
		2009/10	46,338	-	5,515	51,853
Customer Services Manager		**2010/11**	**62,787**	**-**	**7,456**	**70,243**
		2009/10	61,525	-	7,382	68,907
Monitoring Officer		**2010/11**	**62,655**	**-**	**7,456**	**70,111**
		2009/10	62,034	-	7,382	69,416
Returning Officer		**2010/11**	**11,514**	**-**	**1,370**	**12,884**
		2009/10	4,079	-	-	4,079

Post holder	Notes	Financial Year	Salary, Fees and Allowances £	Compensation for loss of office £	Pension contributions £	Total Remuneration £
Colchester Borough Homes Limited:						
Chief Executive		**2010/11**	**94,068**	**-**	**12,887**	**106,955**
		2009/10	93,137	-	12,760	105,897
Director of Finance and Corporate Services	1	**2010/11**	**45,993**	**65,777**	**6,301**	**118,071**
		2009/10	66,046	-	9,048	75,094
Director of Housing		**2010/11**	**70,758**	**-**	**9,694**	**80,452**
		2009/10	66,046	-	9,048	75,094
Director of Property Services	2	**2010/11**	**69,776**	**-**	**9,559**	**79,335**
		2009/10	40,564	-	3,217	43,781

Note 1: The Director of Finance and Corporate Services left Colchester Borough Homes on 24 November 2011 on an annualised salary of £70,833.

Note 2: In 2009/10 the previous Director of Property Services left Colchester Borough Homes on 8 November 2009 on an annualised salary of £66,046. A new Director of Property Services was appointed by Colchester Borough Homes on 6 April 2010.

The Group does not pay benefits in kind, expense allowances or bonuses to its senior officers.

The Group's other officers receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees 2010/11	2009/10 Restated
£50,000 - £54,999	20	16
£55,000 - £59,999	-	1
£60,000 - £64,999	4	2
£65,000 - £69,999	-	1
£70,000 - £74,999	1	1

G22. External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Council's and the Group's external auditors.

	CBC (Audit Commission)	CBH (Scrutton Bland)	CCSL (Baker Chapman & Bussey)	2010/11 Total	2009/10 Total
	£'000	£'000	£'000	£'000	£'000
External Audit Services	126	11	2	139	154
Statutory inspections	9	-	-	9	9
Certification of Grant Claims and Returns	51	-	-	51	46
Other Services - National Fraud Initiative	1	-	-	1	1
Total	**187**	**11**	**2**	**200**	**210**

G23. Termination Benefits

Colchester Borough Council terminated the contracts of a number of employees in 2010/2011, incurring liabilities of £434,730 (£2,000 in 2009/2010). This was payable to 38 officers from various departments that either took voluntary redundancy or were made redundant following comprehensive service reviews.

Colchester Borough Homes terminated the contracts of 2 employees in 2010/2011, incurring liabilities of £71,660 (£nil in 2009/2010).

G24. Defined Benefit Pension Scheme

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) make contributions towards the cost of post employment benefit. Although these benefits will not actually be payable until employees retire, there is a commitment for CBC and CBH to make the payments that need to be disclosed at the time that employees earn their future entitlement.

CBC and CBH 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 intended to balance the pensions' liabilities with investment assets.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the reported 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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme			
			2010/11	2009/10
	CBC	CBH	Total	Total
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	3,380	641	4,021	2,547
Past Service Gain	(9,833)	(913)	(10,746)	-
Settlement and Curtailments	142	-	142	84
Financing and Investment Income and Expenditure				
Interest Cost	9,328	846	10,174	9,365
Expected Return of Assets in the Scheme	(5,945)	(714)	(6,659)	(5,152)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,928)	(140)	(3,068)	6,844
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and losses	(3,257)	(779)	(4,036)	18,986
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(6,185)**	**(919)**	**(7,104)**	**25,830**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,928	140	3,068	(6,844)
Actual amount charged against the General Fund Balance for pensions in the year.				
Employers' contributions payable to the scheme	5,003	470	5,473	5,348

The cumulative amount of actuarial gains and losses recognised in the Group Other Comprehensive Income and Expenditure to the 31 March 2011 is a net actuarial loss of £26,154,000 (31 March 2010: net actuarial loss of £30,190,000).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	CBC	CBH	2010/11 Total	2009/10 Total
	£'000	£'000	£'000	£'000
1 April	166,927	14,848	181,775	133,101
Current Service Cost	3,380	641	4,021	2,547
Interest Cost	9,328	846	10,174	9,365
Contributions by scheme participants	1,240	228	1,468	1,465
Actuarial (gains)/losses	(6,842)	(365)	(7,207)	41,629
Benefits paid	(5,339)	(348)	(5,687)	(6,416)
Past Service Gain	(9,833)	(913)	(10,746)	-
Curtailments	142	-	142	84
Settlements	-	-	-	-
31 March	**159,003**	**14,937**	**173,940**	**181,775**

Reconciliation of fair value of the scheme assets:

	CBC £'000	CBH £'000	2010/11 Total £'000	2009/10 Total £'000
1 April	95,899	11,271	107,170	78,978
Expected rate of return	5,945	714	6,659	5,152
Actuarial gains/(losses)	(3,585)	414	(3,171)	22,643
Employer contributions	5,003	470	5,473	5,348
Contributions by scheme participants	1,240	228	1,468	1,465
Benefits paid	(5,339)	(348)	(5,687)	(6,416)
Settlements	-	-	-	-
31 March	**99,163**	**12,749**	**111,912**	**107,170**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's Pension Scheme liabilities by £10,746,000 and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact of this change on the General Fund or Housing Revenue Account Balances. This past service gain has been classified as an exceptional item on the face of the Group Comprehensive Income and Expenditure Statement on page 91.

The expected rate of return on scheme assets is the assumed return the asset of the scheme will achieve over the entire life of the related obligation based on market expectations at the beginning of the period. This assumption is used to determine the expected return on assets for the pension expense.

The actual return on scheme assets in the year was a positive return of £10,357,000 (A positive return of £27,795,000 for 2009/10).

Scheme History

	CBC £'000	CBH £'000	2010/11 Total £'000	2009/10 Total £'000	2008/09 Total £'000	2007/08 Total £'000	2006/07 Total £'000
Present value of liabilities	159,003	14,937	173,940	181,775	133,101	156,327	145,357
Fair value of assets	99,163	12,749	111,912	107,170	78,978	99,163	105,484
Deficit in the scheme	**59,840**	**2,188**	**62,028**	**74,605**	**54,123**	**57,164**	**39,873**

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £62,028,000 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 2012 is £5,224,000.

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 2011 %	31 March 2010 %
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5	7.5
Government Bonds	4.4	4.5
Other Bonds	5.1	5.2
Property	6.5	6.5
Cash/liquidity	0.5	0.5
Other assets	N/A	N/A
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6	22.1
Women	25.2	25.0
Longevity at 65 for future pensioners:		
Men	24.0	23.1
Women	26.8	25.9
Rate of RPI inflation	3.4	3.3
Rate of CPI inflation	2.9	2.8
Rate of increase in salaries	4.4	4.8
Rate of increase in pensions	2.9	3.3
Rate for discounting scheme liabilities	5.5	5.6
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:

	31 March 2011	31 March 2010
Proportion of total assets held:	**%**	**%**
Equity investments	69.5	67.5
Gilts	6.7	7.9
Other Bonds	9.5	10.0
Property	11.2	9.3
Cash/liquidity	3.1	5.3
Other assets	-	-
Total	**100.0**	**100.0**

History of Experience 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 2011:

			2010/11	2009/10	2008/09	2007/08	2006/07
	CBC	**CBH**	**Total**	**Total**	**Total**	**Total**	**Total**
	%	**%**	**%**	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	3.6	3.2	3.6	21.1	(35.3)	11.4	1.1
Differences between actuarial assumptions about liabilities and actual experience	3.5	1.3	3.3	-	-	2.7	-

Pension Reserve

The movements on the Pension Reserve 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	CBH	2010/11 Total	2009/10 Total
	£'000	£'000	£'000	£'000
Balance at 1 April	(71,028)	(3,577)	(74,605)	(54,123)
Actuarial (Loss)/Gain	3,257	779	4,036	(18,986)
Transfer (to)/from Revenue	7,931	610	8,541	(1,496)
Balance at 31 March	**(59,840)**	**(2,188)**	**(62,028)**	**(74,605)**

The £62,028,000 net liability represents the difference between the value of the Group's pension fund assets at 31 March 2011 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 2011 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 as at 31 March 2010. The results of the 2010 valuation 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.

GLOSSARY

Accruals Concept
Income and expenditure is recognised where it is earned or incurred, not when the money is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, actuarial gains and losses are the changes in the actuarial surplus and deficits which arise because either events have not coincided with previous actuarial assumptions or where actuarial assumptions have changed.

Appropriations
The transfer of resources between revenue/capital accounts and the reserves held by the Council.

Best Value Accounting Code of Practice (BVACOP)
This guidance is produced by CIPFA and sets out the proper accounting practices for local authorities in respect of the contact and presentation of the costs and income of services.

Billing Authority
This refers to Colchester Borough Council as the authority responsible for invoicing and collecting the Council Tax form all residential properties within the borough. This is undertaken on behalf of Colchester Borough Council, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish and Town Councils. Colchester Borough Council is also the authority responsible for invoicing and collecting the National Non-Domestic Rates on behalf of central government.

Capital Expenditure
Expenditure incurred relating to the acquisition or enhancements of Property, Plant & Equipment Assets and Investment Property.

Budget Requirement
This represents net budgeted expenditure for the year adjusted for transfers to and from reserves, but allowing for sums required by Parish and Town Councils. It is used to determine the amount of Council Tax to be precepted on the Collection Fund after allowing for income from Revenue Support Grant, redistribution of National Non-Domestic Rates and any surplus/deficit on the Collection Fund.

Capital Financing Requirement
The statutory measure of a local authority's underlying need to borrow for capital purposes.

Capital Programme
The council's budget for capital expenditure and resources over the current and future years.

Capital Receipts
Income generated from the sale of capital assets and the repayment of grants/loans given for capital purposes. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be used for finance capital expenditure.

Carry Forwards
Budget provision for specific items that are committed or planned for a year where the specific goods or services are not received by 31 March and for which there is no provision in the following year. Such budgets may be formally 'carried forward' to the following year to match the committed or planned expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)
The Chartered Institute of Public Finance and Accountancy is the professional body is the leading professional accountancy body for public services. CIPFA issues the Code of Practice on Local Authority Accounting, which sets down in detail how the accounting standards are to be applied to the preparation of statement of accounts for local authorities.

Collection Fund
All receipts of Council Tax and Non-Domestic Rates are paid into this Fund. The Council uses this to pay its precepts to Essex County Council, Essex Fire authority and Essex Police Authority and the demand by the Council's General Fund, which finance the Council's day to day expenditure. Any surplus or deficit is shared between the various authorities (excluding Parish and Town Councils) in proportion to the precepted amounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Corporate and Democratic Core (CDC)
This incorporates the following subdivisions, the activities of which cannot be recharged to service under the Best Value Accounting Code of Practice (BVACOP):

- Democratic Representation and Management Costs – these include all aspects of the activities of Council members, such as policy making and general governance.
- Corporate Management Costs – these relate to activities which provide the infrastructure of the Council which allows services to be provided.

Council Tax
A local tax charged to the occupiers of residential properties used to finance the budget requirement of the local authority for the year.

Creditors
Amounts owed by the Council for goods, services and works that have been received by the Council for which no payments have not been made by the Council at the Balance Sheet date.

Current Asset
Asset held which will be realised, sold or consumed within the next financial year.

Current Liability
Amount which will be settled or could be called in within the next financial year.

Debtors
Amounts owed to the Council for goods, services and works that have been provided by the Council for which payments have not been received by the Council at the Balance Sheet date.

Depreciation
The measure of the loss in the value of an asset during the period due to age, wear and tear, deterioration or obsolescence. This charge is spread over the useful life of the asset.

Earmarked Reserves
Amounts set aside for future commitments or potential liabilities.

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instruments
These are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments held by the Council include borrowings, investments, creditors and debtors.

Financial Year
The period of twelve months covered by the accounts, which commences on 1st April.

General Fund
The main revenue fund of the Council, which summarises the cost of all services (except those relating to Council Housing) provided by the Council.

Gross Book Value
This represents the original price paid for an asset adjusted for subsequent revaluations, acquisitions, enhancements and disposals.

Housing Revenue Account (HRA)
The statutory account which records the revenue expenditure and income relating to the provision of council housing. It shows the major elements of the housing revenue expenditure and how this is met through the receipt of rents, subsidy and other income.

Impairment
A reduction in the value of a non current asset caused by a specific event occurring to the asset.

Intangible Assets
Assets which do not have a physical substance but are identifiable and are controlled by the Council through custody or legal rights. Examples of such asset are software licences.

Investment Property
Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

Leases
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
An operating lease is a lease other than a finance lease.

Major Repairs Allowance (MRA)
An amount paid as part of the HRA subsidy for the investment to improve the Council's HRA assets.

Major Repairs Reserve (MRR)
A capital reserve held for investment in the replacement of structures and components of the Council's Housing stock. This reserve is funded from the HRA via a depreciation charged equal to the MRA element of the Housing Subsidy and sums are transferred out to meet the cost of capital expenditure. Any balance on the reserve is carried forward to be utilised in future years. Interest earned on the MRR balance is credited directly to the HRA.

Minimum Revenue Provision (MRP)
Local authorities must make prudent provision for the repayment of its debt. MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council. There is no MRP for HRA debt. Authorities are free to make additional voluntary provisions from the General Fund, HRA or from capital resources.

Non Distributed Costs
These are overhead costs which provide no benefits to services and are therefore not distributed to services. These include pensions arising from discretionary added years service.

National Non-Domestic Rates (NNDR)
This is a levy paid by the occupiers of non residential properties within the Council's borough. This levy contributes to the cost of provide local authority services. It is charged on the rateable value of the each non residential property multiplied by a uniform amount set annually by central government. NNDR income collected by the Council is paid into a national pool, which is then divided by central government between authorities in proportion to their population.

Net Book Value (NBV)
The Net Book Value of an asset is equivalent to its gross book value, less cumulative depreciation and impairment charges. Assets are included in the Balance Sheet at their net book value.

Precept
This is the amount that local authorities providing services within the Colchester borough require to be paid from the Collection fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all the precepts levied on the Billing Authority. For the Colchester borough – precepts are raised by Colchester Borough Council, Essex County Council, Essex Police Authority, Essex Fire Authority and Town and Parish Councils.

Principal Amount
The original amount of debt or investment on which interest is calculated.

Property, Plant and Equipment (PPE)
Assets held by the Council, which are directly used or occupied by the Council in the delivery of the Council's services. These are tangible assets (e.g. land, buildings, vehicles etc.) which yield benefit to the Council for a period of more than a year.

Provision
Amounts set aside where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Prudential Code
This Code is developed by CIPFA and sets out the system of capital financing and capital controls for local authorities. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so. The Code seeks to ensure that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

Public Works Loan Board (PWLB)
A central government agency that offers long term loans to local authorities at interest rates marginally above the government's own cost of borrowing.

Revaluation
Revaluation is a technique used to adjust the value of certain classes of Property, Plant and Equipment assets to their fair value.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

Revenue Support Grant (RSG)
Central government provides financial support towards the general expenditure of local authorities. The entitlement of each local authority is determined by a prescribed methodology.

Statement of Recommended Practice (SORP)
The Statement of Recommended Practice was the Accounting Code followed by the Council in its preparation of its accounts up to the financial year of 2009/10. This Code was based on UK Generally Accepted Accounting Policies and has been superseded by the IFRS Code of Practice for Local Authority Accounting which was adopted by the Council in the preparation of the Statement of Accounts for 2010/11.

Useful Life
The period over which benefits will be derived from the use of Property, Plant and equipment asset.

Annex 1 – Transition to the IFRS Based Code of Practice for Local Authority Accounting

The Council's Statement of Accounts for 2010/11 is the first to be prepared using International Financial Reporting Standards (IFRS).

Adoption of IFRS based accounting policies on a retrospective basis has resulted in the restatement of various balances and transactions relating to previous financial years (1 April 2009 and 2009/10).

The following information explains the differences between the amounts previously presented in the 2008/09 and 2009/10 financial statements (prepared under the SORP) and the updated equivalent amounts presented in the 2010/11 financial statements (prepared under the IFRS Code).

Balance Sheet as at 1 April 2009:

	Notes	1 April 2009 £
Total Net Assets under the SORP Code		**407,748**
Employee Benefits Accrual	A	(460)
Capital Grants and Contributions	B	29,146
Revenue Grants and Contributions	C	357
Assets reclassified as Held for Sale	D	(15)
Recognition of Finance Leases	E	(275)
Revaluation of assets transferred into the Other Land and Buildings category of PPE	F	4,954
Revaluation of assets transferred into the Surplus category of PPE	G	(1,245)
Other		(193)
Net total of adjustments		**32,269**
Total Net Assets under the IFRS Code	Page 10	**440,017**

Balance Sheet as at 31 March 2010:

	Notes	31 March 2010 £
Total Net Assets under the SORP Code		**416,529**
Adjustments made to the 1 April 2009 Balance Sheet	See above	32,269
Employee Benefits Accrual	A	(100)
Capital Grants and Contributions	B	3,734
Revenue Grants and Contributions	C	21
Assets reclassified as Held for Sale	D	12
Recognition of Finance Leases	E	143
Reversal of 2009/10 SORP asset revaluations	H	(3,535)
Additional Depreciation Charges	**I**	(241)
Other		5
Net total of adjustments		**32,308**
Total Net Assets under the IFRS Code	Page 10	**448,837**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010:

	Notes	31 March 2010 £
Total Comprehensive Income and Expenditure under the SORP Code		**(8,781)**
(Surplus) / Deficit on the Provision of Services		
Employee Benefits Accrual	A	100
Capital Grants and Contributions	B	(3,734)
Revenue Grants and Contributions	C	(21)
Assets reclassified as Held for Sale	D	(12)
Recognition of Finance Leases	E	(143)
Reversal of 2009/10 SORP asset revaluations	H	(25)
Additional Depreciation Charges	I	241
Reclassification of Investment Property revaluation	J	(475)
Reversal of previous HRA losses	K	(35,073)
Other		(101)
Other Comprehensive Income		
Reversal of 2009/10 SORP asset revaluations	H	3,560
Reclassification of Investment Property revaluation	J	475
Reversal of previous HRA losses	K	35,073
Other		96
Net total of adjustments		**(39)**
Total Comprehensive Income and Expenditure under the IFRS Code	Page 9	**(8,820)**

Notes to Annex 1

A. Employee Benefits Accrual

Short-term accumulating compensated absences are benefits which employees receive as part of their contract of employment and the entitlement to which is built up as the employees provide services to the Council.

Employees build up entitlement to paid holiday, flexi time and time off in lieu as they work for the Council. Under the IFRS Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their future entitlement to future compensated absences. As a result the Council is required to accrue for any annual leave, flexi time leave and time off in lieu which has been earned but not yet taken at 31 March each year. Under the previous accounting requirements of the SORP no such year end accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. The accrued amount is transferred to the Accumulated Absences Account until the benefits are used by the employees.

The Employee Benefits accrual included in the Council's restated Balance Sheet at 1 April 2009 was £460,000, this accrual increased by £100,000 to be £560,000 in the restated Balance Sheet at 31 March 2010. The accrual movement of £100,000 has been adjusted for in the restated 2009/10 Comprehensive Income and Expenditure Statement.

B. Government Grants and Contributions

Under the IFRS Code, capital grants and contributions are required to be recognised as income when they become receivable. Under the previous accounting requirements of the SORP, these grants and contributions were held in a Grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of retrospectively adopting this accounting policy, the financial statements have been amended as follows –

- The balance on the Government Grants Deferred (applied) account of £28,217,000 at 31 March 2009 has been transferred to the Capital Adjustment Account in the restated Balance Sheet at 1 April 2009.

- Unapplied grants that were identified to have outstanding conditions at the year end have been transferred from the Government Grants Deferred (unapplied) account into the new Capital Grants Received in Advance account included within Long term liabilities. These adjustments total £4,880,000 in the restated Balance Sheet at 1 April 2009 and £6,253,000 in the Balance Sheet at 31 March 2010.

- Unapplied grants totalling £926,000 were taken to Capital Grants Unapplied Account in the restated Balance Sheet at 1 April 2009 and no new unapplied balances were taken to this account in the restated Balance Sheet at 31 March 2010. In the restated Balance Sheet at 31 March 2010, £908,000 of this total was applied by the Council and this amount was transferred from the Capital grants unapplied reserve to the Capital Adjustment Account.

- Portions of government grants deferred (applied) were previously recognised as income in 2009/10 (totalling £632,000). This income amount has been removed from the restated 2009/10 Comprehensive Income and Expenditure Statement.

- Capital Grants and Contributions totalling £4,366,000 have been taken as income in the 2009/10 financial year within the Taxation and Non Specific Grant Income line of the restated 2009/10 Comprehensive Income and Expenditure Statement. For grants and contributions where expenditure has been incurred – the income is transferred to out of the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement. Where the expenditure has not yet been incurred – this income has been transferred into the Capital Grants Unapplied Account in the Movement in Reserves Statement.

C. Revenue Grants and Contributions

Under the IFRS Code, revenue grants and contributions are required to be recognised as income when they become receivable. Under the previous accounting requirements of the SORP revenue grants were held as receipts in advance and only recognised as income when the expenditure was incurred by the Council for which they were used to fund.

As a consequence of retrospectively adopting this accounting policy, the financial statements have been amended for revenue grants and contributions that were identified to have no outstanding conditions. These grants/contributions have been adjusted out from Short Term Creditors and have been taken as income in the Cost of Services section of the Comprehensive Income and Expenditure Account. This income is then transferred to the 'Revenue Grants Unapplied' earmarked reserve in the Movement in Reserves Statement. This income is held in the earmarked reserves until it is spent by the Council.

Revenue grants and contributions that were identified to have outstanding conditions at the year end have not been adjusted for and these remain in Short Term Creditors.

The restated Balance Sheet at 1 April 2009 has been amended to reclassify £357,000 of revenue grants from Short Term Creditors to be within Earmarked Reserves. In 2009/10 there was a net movement of £21,000 relating to revenue grants and contributions and this net movement has been adjusted for in the restated 2009/10 Comprehensive Income and Expenditure account and in the restated Balance Sheet at 31 March 2010.

D. Assets reclassified as Held for Sale

Under the IFRS accounting requirements there is a new category in the Balance Sheet, Assets Held for Sale, which is for assets that are being held for sale by the Council and not for their continuing use.

In the restated Balance Sheet at 1 April 2009 two properties were being held for sale under the Right to Buy scheme, with a net book value of £99,000. These assets were transferred from the Council Dwellings category to be included within Assets Held for Sale. Upon reclassification these assets were revalued to the lower of carrying value and fair value less costs to sell, which resulted in a revaluation loss of £15,000 that has been adjusted for in the restated Balance Sheet at 1 April 2009.

In the restated Balance Sheet at 31 March 2010 five properties were being held for sale under the Right to Buy scheme, with a net book value of £312,000. These assets were transferred from the Council Dwellings category to be included within Assets Held for Sale. Upon reclassification these assets were revalued to the lower of carrying value and fair value less costs to sell, which resulted in a revaluation loss of £3,000, that has been adjusted for in the restated 2009/10 Comprehensive Income and Expenditure Statement.

In the restated Balance Sheet at 31 March 2010 the two properties classified as held for sale at 1 April 2009 were sold and the profit/loss on disposal value in the restated 2009/10 Comprehensive Income and Expenditure Statement has been adjusted by £15,000, which relates to the revaluation loss accounted for at 1 April 2009.

E. Recognition of Finance Leases

The accounting requirements of the IFRS Code in respect of lease classification are different to those of the SORP, which was previously adopted by the Council.

Where a lease is a lease of property, the land and buildings elements are considered separately for the purpose of lease classification under the IFRS Code. Under the SORP, both elements would have been considered together. The likely effect of this requirement is that for some property leases classified as finance leases under the SORP, the land element will be reclassified as an operating lease; and for some property leases classified as operating leases under the SORP, the buildings element will be reclassified as a finance lease.

A finance lease is defined as one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The IFRS Code does not include any guidance regarding the meaning of 'substantially all of the fair value'; the '90% test' that was present in the SORP no longer applies. As a result, a greater degree of professional judgement will be required when assessing whether a lease is a finance lease or an operating lease.

The Council has three leases where their accounting treatment has changed following the adoption of the IFRS Code.

Council as a Lessee

The Council leases in refuse vehicles from a third party on a lease term of seven years from April 2004. This lease was previously classified as an operating lease, but under the IFRS Code this lease has been reclassified as a finance lease.

The Council leases an area of a car park from a third party on a lease term of 99 years from July 1980. This lease was previously classified as an operating lease, but under the Code the buildings element of this lease has been reclassified as a finance lease.

As a consequence of reclassifying these leases as finance leases, the financial statements have been amended as follows –

- The Council recognised assets totalling £634,000 and finance lease liabilities £1,046,000 in its restated Balance Sheet at 1 April 2009.

- The operating lease charges within the Net Cost of Services have been reduced by £491,000, which is the amount that relates to the building elements and vehicle elements of the lease payments in the restated 2009/10 Comprehensive Income and Expenditure Statement.

- The interest payable and receivable charges in the restated 2009/10 Comprehensive Income and Expenditure Statement have been increased by £132,000 and £10,000, respectively, which relates to the interest charges/income relating to the finance leases.

- A depreciation charge of £211,000 has been included within the Net Cost of Services in the restated 2009/10 Comprehensive Income and Expenditure Statement. This depreciation charge has been transferred from the General Fund to the Capital Adjustment Account in the restated Balance Sheet at 31 March 2010.

- The General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account) totalling £359,000 in the restated 2009/10 financial statements.

Council as a Lessor

The Council leases out a theatre to a third party on a lease term of 25 years from April 1990. This lease was previously classified as an operating lease, but under the IFRS Code the buildings element of this lease has been reclassified as a finance lease.

As a consequence of reclassifying this lease the financial statements have been amended as follows –

- The Council recognised finance lease assets of £137,000 in its restated Balance Sheet at 1 April 2009.
- The operating lease income within the Cultural, Environmental, Regulatory and Planning Services line in Net Cost of Services for 2009/10 has been reduced by £15,000 which is the amount that relates to the building elements of the lease income.
- The General Fund has been adjusted with the Minimum Revenue Provision (with the corresponding adjustment being made to the Capital Adjustment Account).

F. Revaluation of assets transferred into the Other Land and Buildings category of Property, Plant and Equipment.

Under the IFRS Code, Investment properties are those that are used solely to rental income and/or capital appreciation. The definition of an Investment Property is not met if the asset is used in any way to facilitate the delivery of services or production of goods of if the asset is held for sale.

During the restatement of the Council's Balance Sheet at 1 April 2009, assets with a carrying value of £16,121,000 were reclassified from Investment Property into the Other Land and Buildings category of Property, Plant and Equipment. As a result of this transfer the assets were then revalued using the Existing Use Value (EUV) / Depreciated Replacement Cost (DRC) valuation basis specified by the IFRS Code. A revaluation gain of £4,954,000 was adjusted for in the restated Balance Sheet at 1 April 2009, by debiting the value of the PPE assets and crediting the Revaluation Reserve.

G. Revaluation of assets transferred into the Surplus category of Property, Plant and Equipment.

Under the IFRS Code the fair value for Surplus properties is considered to be the Existing Use Value, whereas under the SORP the fair value for surplus assets was considered to be Market Value. As a result of this change in valuation method – the surplus assets were revalued as at 1st April 2009 using the Existing Use Value basis and a resulting net loss of £1,245,000 was adjusted for in the restated Balance Sheet at 1 April 2009.

H. Reversal of 2009/10 SORP asset revaluations

As a result of restating the 1 April 2009 Balance Sheet under the IFRS Code, adjustments have been made in the restated 2009/10 accounts to reverse out some of the SORP asset revaluations as these revaluations have been adjusted for in the restated 1 April 2009 Balance Sheet.

The net impact of these reversals is to reduce the values of assets and reserves in the restated Balance Sheet at 31 March 2010 by £3,535,000. This reversal has been adjusted for in the restated 2009/10 Comprehensive Income and Expenditure Statement and reversed out in the Movement in Reserves Statement to the Capital Adjustment Account (credit of £1,079,000) and Revaluation Reserve (debit of £4,614,000).

I. Additional Depreciation Charges

The Council has upgraded its fixed asset register as a result of the more complex accounting requirements for fixed assets under IFRS. During the upgrade process, the new system calculated additional depreciation charges of £241,000 for the 2009/10 financial year. These additional charges have reduced the value of the assets in the restated Balance Sheet at 31 March 2010 by £241,000 and have increased expenditure in the restated 2009/10 Comprehensive Income and Expenditure Statement by this amount. These additional charges have been reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

J. Reclassification of Investment Property revaluation

Under the IFRS Code any changes in the fair value of Investment Properties are required to be included within the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. Previously under the SORP these revaluation movements were taken to the Revaluation Reserve and included in the Statement of Total Recognised Gains and Losses. A reclassification adjustment has been made in the restated 2009/10 Comprehensive Income and Expenditure Statement to reclassify the gain of £475,000 from Other Comprehensive Income to be included within the Financing and Investment Income and Expenditure section. In the restated Balance Sheet at 31 March 2010 this gain has been reclassified from the Revaluation Reserve to be included within the Capital Adjustment Account.

K. Reversal of previous HRA losses

Under the IFRS Code, revaluation gains realised on assets that have had revaluation losses previously recognised are required to reverse these previous losses. Under the SORP these gains were taken to the Revaluation Reserve instead of reversing previously recognised revaluation losses in the Comprehensive Income and Expenditure Statement.

In the 2009/10 SORP accounts, revaluation gains of £35,073,000 relating to HRA properties were recognised in the Revaluation Reserve. In the 2009/10 restated IFRS accounts these gains have been adjusted to reverse out losses in the Comprehensive Income and Expenditure Statement by being reclassified from Other Comprehensive Income and Expenditure to be included within the Local Authority Housing (HRA) line in Net Cost of Services.

This reversal has no impact on the General Fund balance as the reversed amount of £35,073,000 is transferred to the Capital Adjustment Account in the Movement in Reserves Statement. The net effect of this adjustment in the restated Balance Sheet at 31 March 2010 is to reclassify the gains of £35,073,000 from the Revaluation Reserve to the Capital Adjustment Account.

L. Reclassification Adjustments

The following reclassifications adjustments have been made as a result of adopting the IFRS Code. These adjustments are confined to the restated Balance sheet / Comprehensive Income and Expenditure Statement and do not have an impact on the total reserves or the total Comprehensive Income and Expenditure values reported in the accounts.

Balance Sheet at 1 April 2009

Under the IFRS Code changes in the fair value of Investment Property are required to be taken to the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account. Previously under the SORP Investment Property revaluations were taken in the first instance to the Revaluation Reserve and then to the Comprehensive Income and Expenditure Statement. As at 1 April 2009 there were gains totalling £8,187,000 in the Revaluation Reserve relating to Investment Properties. A reclassification adjustment was made in the restated Balance Sheet at 1 April 2009, in order to reclassify these gains from the Revaluation Reserve into the Capital Adjustment Account.

Assets with a value of £1,044,000 were reclassified from the SORP Surplus category into Investment property. No revaluations were required as these assets were already held at Market Value, which is the measurement basis for Investment Properties under the IFRS Code. These assets had gains totalling £227,000 in the Revaluation Reserve which have been transferred to the Capital Adjustment Account.

Previously under the SORP the Council included its homeless properties, garages and HRA non dwelling properties within the Council dwellings category of fixed assets. In the restated Balance Sheet at 1 April 2009 - these assets (totalling £8,588,000) have been transferred from the Council Dwellings category to the Other Land and Buildings category. This reclassification was performed as the valuation basis for the Council Dwellings under the IFRS Code is Existing Use Value for Social Housing (EUV-SH) and the properties that have been transferred are valued using Existing Use Value (EUV) basis.

Balance Sheet at 31 March 2010

Under the IFRS Code the category of Cash and Cash Equivalents has been created to encompass cash held at hand, cash held in current accounts and cash held in short term deposits (refer to the Cash and Cash Equivalents accounting policy detailed in Note 1, page 12). From review of the Short term Investments held at 31 March 2010, two investments totalling £6,000,000 fulfilled the Cash and Cash Equivalents criteria. These investments have been reclassified from Short term Investments into Cash and Cash Equivalents in the restated Balance Sheet at 31 March 2010.

A reclassification adjustment totalling £16,121,000 has been made between Investment Property and Other land and Buildings category. This was made to reverse a transfer adjustment made in the 2009/10 SORP accounts as this transfer was adjusted for the restated Balance Sheet at 1 April 2009 (refer to Note F above).

The implementation of the Council's new fixed asset register led to an adjustment to reduce the transfer of excess depreciation from the Revaluation Reserve to the Capital Adjustment Account by £261,000.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2010

Under the IFRS Code the income and expenditure relating to Investment Properties is required to be disclosed within the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. Previously under the SORP this income and expenditure was included within the Net Cost of Services section of the Comprehensive Income and Expenditure Statement. A reclassification adjustment has been made to reclassify income of £2,231,000 and expenditure £179,000 from Net Cost of Services into the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

Under the IFRS Code changes in the fair value of Investment Properties are required to be disclosed in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. Previously under the SORP a loss of £1,600,000 was included within the Net Cost of Services within the 2009/10 Comprehensive Income and Expenditure Statement. This loss has been reclassified from Net Cost of Services to be included within the Financing and Investment Income and Expenditure section of the restated 2009/10 Comprehensive Income and Expenditure Statement.

M. Adjustments made to the Group Accounts

A review was performed on the Group Accounts prepared under the SORP for the 2008/09 and 2009/10 financial years in order to identify any adjustments required for converting the Group Accounts to follow IFRS.

It was identified that an adjustment was required to account for an employee benefits accrual in the Group Accounts in respect of the Council's subsidiary Colchester Borough Homes Limited (CBH). This accrual represents the value of outstanding annual leave, flexi time and time off in lieu that had been accrued by CBH employees during the financial year but which had not been taken at the year end. A similar accrual was made for Council employees, refer to Note A above.

An adjustment of £90,000 has been made in the restated Group Balance Sheet at 1 April 2009 to recognise the employee benefits accrual. This adjustment increased Short term Creditors and reduced the reserves by debiting the Accumulated Absences Account. In the 2009/10 financial year it was identified that the accrual was required to be reduced by £20,000 to be £70,000. This decrease has been adjusted for in the restated 2009/10 Comprehensive Income and Expenditure Statement, with the amount being transferred in the Movement in Reserves Statement to the Accumulated Absences Account. The net impact on the restated Group Balance sheet at 31 March 2010 was to reduce short term creditors by £20,000 and to the increase the reserves by crediting the Accumulated Absences Account.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Colchester Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Colchester Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Colchester Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

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30 September 2011