



Statement of Accounts

2011/12

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SUMMARY OF FINANCIAL STATEMENTS

Movement in Reserves Statement (page 9)

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 10)

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 11)

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 12)

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 Income and Expenditure Statement (page 78)

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.

Collection Fund Accounts (page 85)

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 89)

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

Trust Fund Accounts (page 90)

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

Group Accounts (page 97)

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

EXPLANATORY FOREWORD

Changes for the 2011/12 Accounts

The 2011/12 CIPFA/LASAAC Code of Practice on Local Authority Accounting requires councils to account for tangible and intangible heritage assets in accordance with FRS 30 - Heritage Assets. Heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. This is considered to be a change in accounting policy for the Council. A new accounting policy has been adopted by the Council for Heritage Assets refer to accounting policy AP17 detailed in Note 1. The Council has recognised its civic regalia collection in its Balance Sheet from 1 April 2011. The Council holds other heritage assets such as collections of works of art and museum artefacts, which have not been recognised in the Council's Balance Sheet as at 1 April 2011. Disclosures regarding all of the Council's heritage assets are included in Note 15.

Results for 2011/12

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 £20.7 million met by the precept on the Collection Fund and Government grants.

	Original Estimate £m	Actual £m
Total Net Spending for the Year	20.0	20.7
Met by:		
Collection Fund Demand	10.6	11.7
Government Grants	9.6	10.5
Contribution from/(to) Balances	(0.2)	(1.5)
Total Financing	20.0	20.7

Expenditure on services was £0.9 million less than estimated. The 2011/12 budget included almost £3.6 million of savings or additional income. The outturn position shows these have either been delivered or other compensating savings or additional income has been achieved.

The contributions made to reserves include the carry forward of budgets to fund ongoing project work, and contributions towards planned redundancy costs, budget risks, and the regeneration reserve.

The shortfall in the Council's interest earnings continues to be due to factors outside our direct control such as the 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 2012/13 budget has been adjusted to take account of the current economic position.

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 £4.9 million, of which £1.9 million is uncommitted or unallocated. 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 £5.7 million for regeneration projects (including £3.9 million on the firstsite facility) and £6.2 million for improvements to Council Housing.

A one-off capital payment of £73.694 million was made in 2011/12 in respect of HRA reform (further details in Treasury Management section below). This was funded from new external borrowing.

Excluding the HRA reform payment, the Council's capital spending was £14.3 million (compared to £19.7 million in 2010/11), but £1.4 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, £0.4 million was funded from Council borrowing, £6.0 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 receipt of anticipated external grants in respect of the firstsite facility meant that net capital receipts of £0.4 million used in lieu of grant funding in previous years were reinstated in the capital receipts account.

The Council utilised its powers to undertake borrowing to fund £0.4 million of the expenditure on the firstsite facility. 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, and sums received in 2011/12 were higher than those received in 2010/11. Sales of Council houses showed an increase on 2010/11, with £1.2 million received in 2011/12. However, regulations require 75% of this to be paid into a Government Pool, so only 25% is available for new investment. Other receipts are fully available and £1.06 million was received in 2011/12. The accumulated balance of £4.5 million is already planned to support capital spending from 2012/13 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 2011/12. These were revised during the year to take into account the borrowing required in order for the Council to make a settlement payment of £73.694 million to DCLG on 28 March 2012 under the new HRA self-financing proposals. 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, with the exception of that required to make the HRA reform payment, 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 £137.2 million.

Funds invested at the year end that were not classed as 'cash equivalents' totalled £2.9 million. This includes the carrying value of investments that were impaired as a result of the Icelandic banks' default in October 2008, which has been reduced as a result of a repayment of part of the investment in February 2012.

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 £84.9 million shortfall at 31 March 2012. 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 £0.4 million 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 26 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 a potential challenge relating to prior years' income. 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 43 for further information regarding these contingent liabilities.

Revaluation losses

Revaluation losses of £19.8 million have been included in the 2011/12 accounts, £12.8 million of this total relates to the revaluation of a number of General Fund properties and the remainder of £7 million relates to revaluation losses made on Housing Revenue Account properties.

Revaluations were performed for a selected portfolio of general fund assets as at 1 April 2011. This revaluation resulted in total revaluation losses of £7.7 million, of which £1.7 million was taken to the Revaluation reserve and £6.0 million was taken to the Comprehensive Income and Expenditure Statement in 2011/12. The revaluation losses taken to the Comprehensive Income and Expenditure Statement have been transferred from the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

In September 2011, the construction of the firstsite building was completed and it was opened for use. The costs of the construction of the building were incorporated in the Assets under Construction category of Property, Plant and Equipment up until its completion. The building was valued as at its opening date by the Council's external valuers. This revaluation has led to a revaluation loss of £5.1 million being accounted for in the 2011/12 accounts. This revaluation loss has been taken to the Cultural and Related Services line in the Comprehensive Income and Expenditure Statement (page 10). This loss has then been transferred from the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

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 2011/12 financial year. This revaluation resulted in a revaluation loss of £0.4 million, which was taken to the HRA Income and Expenditure Statement in 2011/12.

In 2011/12 the Council incurred expenditure of £6.2 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 £0.2 million has been derecognised in the 2011/12 accounts. The remaining balance of the expenditure (£6.0 million) has been treated as a revaluation loss, which has been taken to the HRA Income and Expenditure Statement in 2011/12.

Impairment losses

During 2011/12 the Council has recognised impairment losses totalling £1.1 million in relation to the significant deterioration of the physical condition over the financial year of the St James House building, Roman House building and a number of HRA garages. Refer to Note 18 for further information regarding these impairment losses.

Derecognition of Highways Assets

In preparation for the implementation of the CIPFA Code of Practice on Transport Infrastructure Assets in 2012/13, the Council has reviewed the Infrastructure assets category of Property, Plant and Equipment for highways related assets. It was established that the Council was holding highways assets (totalling £1.8 million at 1 April 2011)

which were originally constructed at the time when the Council had agency responsibilities for the highways function. This function has now been transferred to Essex County Council who are responsible for repairs and maintenance. These assets have been derecognised from the Balance Sheet in 2011/12 and corresponding derecognition charges have been taken to the Highways and Transport Services line in the Comprehensive Income and Expenditure Statement. These charges have been subsequently transferred from the General Fund to the Capital Adjustment Account in accordance with statutory regulations.

Exceptional Items

As part of the national reform of housing finance, the Council made a required one-off payment to Government of £73.694 million in March 2012. This was financed by borrowing with the opportunity taken to ensure a spread of maturing debt over the longer term to provide flexibility. Operating within the 'self financing' regime provides the Council with opportunities to plan for the future demands and investment requirements of the Council's housing stock.

The Income and Expenditure Statement includes the financial effect of an agreement in respect of outstanding issues in relation to the Visual Arts Facility, known as firstsite, together with arrangements with partner organisations as set out in funding agreements, and associated legal costs.

Joint Committees

The Council is a member of the Colchester and Ipswich Museum Service Joint Committee, which was formed with Ipswich Borough Council on 1 April 2007. 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. 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. As both 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 2011/12 will be submitted to the Joint Committees for approval by 30 June 2012.

Housing Revenue Account

The Council is the major provider of rented housing in the Borough and manages approximately 6,250 properties. The Housing Revenue Account Financial Statement for 2011/12 shows a net utilisation of balances for the year of £0.4 million. At the 2011/12 year end the Housing Revenue Account balance is £3.5 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 2011/12 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 2011/12 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 2012/13 budget.

As at 31 March 2012 the Council's General Fund balances stood at £4.9 million, of this £1.9 million is uncommitted or unallocated. 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 had a significant impact on the 2011/12 budget, which as a result included £3.6 million of savings or additional income. During the year we have seen a further impact on our budget with shortfalls in certain budget areas such as car parking and our interest earnings. Prompt and effective management action was taken to reduce spending to deal with these issues, such that the final outturn position remained in balance with the original budget.

The Council has taken some difficult but necessary decisions during its planning for the 2012/13 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 2012/13. The 2012/13 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.

Outlook

The Council's Strategic Plan 2012-2015 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 the Council is still facing significant financial pressures and alongside this there are a number of areas of significant change, which means that there is uncertainty over future funding.

The Comprehensive Spending Review 2011 announcement of Government funding covered the year 2011/12 and 2012/13 in some detail, however beyond this the picture is less clear. 2011/12 saw the introduction of the New Homes Bonus and the Council received £724,000 from this fund, with this increasing to £1.525 million in 2012/13. However, it is recognised that the underlying Government funding is likely to be reduced to compensate on a national scale, so the net impact locally is not yet fully apparent.

The introduction of the Business Rates Retention Scheme is planned for 2013/14. Whilst more details are expected it seems clear that this will provide a change to existing Government grant funding arrangements which will in turn result in both an opportunity for the Council to benefit from this new scheme and also increasing risk associated with the funding methodology.

The Government's Welfare Reform Bill received Royal Assent on 8 March 2012. The Act contains a number of significant changes to the welfare system with an emphasis on creating incentives to work and protecting the most vulnerable. The Council is considering the implications of these changes on residents and how the Council can respond to their needs. One of the changes is the introduction of a Localised Council Tax Support Scheme to replace Council Tax Benefit. In addition to this the Government announced it will reduce expenditure on Council Tax Benefit by 10%. The Council is working with other Essex authorities, including Essex County Council, to design a local scheme that will be implemented in April 2013.

The changes to Government funding mechanisms and the benefit scheme bring a new set of risks for the Council to manage and these are now being reflected in future budget plans.

We expect the financial environment to be very difficult for the foreseeable future with a growing expectation of further reductions in public sector spending. 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.

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 2012-2015** – 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:

Steve Heath, Resource Management, Rowan House, 33 Sheepen Road, Colchester, CO3 3WG

Telephone: Colchester (01206) 282389

E-mail: financial.accounting@colchester.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for preparing the Council'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 2012 and its income and expenditure for the year then ended.

Sean Plummer
Finance Manager
(Section 151 Officer)
25 September 2012

The Council's Responsibilities

The Council 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 Council, 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 25 September 2012.

Signed on behalf of Colchester Borough Council
Councillor D.Willetts
Chair of meeting approving the accounts:
Date: 25 September 2012

MOVEMENT IN RESERVES STATEMENT

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/(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				Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
	£'000 Restated	£'000	£'000	£'000	£'000	£'000	£'000 Restated	£'000 Restated	£'000 Restated
Balance at 1 April 2010	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 10)	11,768	(123,926)	-	-	-	-	(112,158)	-	(112,158)
Other Comprehensive Income and Expenditure (Page 10)	-	-	-	-	-	-	-	9,402	9,402
Total Comprehensive Income and Expenditure	11,768	(123,926)	-	-	-	-	(112,158)	9,402	(102,756)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(13,758)	125,328	-	(1,888)	(959)	287	109,010	(109,010)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,990)	1,402	-	(1,888)	(959)	287	(3,148)	(99,608)	(102,756)
Transfers to/from Earmarked Reserves (Note 10)	1,521	(92)	(1,754)	-	-	-	(325)	325	-
Increase/(Decrease) in 2010/11	(469)	1,310	(1,754)	(1,888)	(959)	287	(3,473)	(99,283)	(102,756)
Balance at 1 April 2011 (Page 11)	3,457	3,919	4,801	2,674	2,258	305	17,414	328,667	346,081
Movement in reserves during 2011/12									
Surplus/(Deficit) on provision of services (Page 10)	(13,186)	(80,880)	-	-	-	-	(94,066)	-	(94,066)
Other Comprehensive Income and Expenditure (Page 10)	-	-	-	-	-	-	-	(22,034)	(22,034)
Total Comprehensive Income and Expenditure	(13,186)	(80,880)	-	-	-	-	(94,066)	(22,034)	(116,100)
Adjustments between accounting basis & funding basis under regulations (Note 9)	16,773	80,521	-	1,846	(1,096)	(302)	97,742	(97,742)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,587	(359)	-	1,846	(1,096)	(302)	3,676	(119,776)	(116,100)
Transfers to/from Earmarked Reserves (Note 10)	(2,126)	(23)	517	-	-	-	(1,632)	1,632	-
Increase/(Decrease) in 2011/12	1,461	(382)	517	1,846	(1,096)	(302)	2,044	(118,144)	(116,100)
Balance at 31 March 2012 (Page 11)	4,918	3,537	5,318	4,520	1,162	3	19,458	210,523	229,981

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.

	2011/12			2010/11		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000 Restated
Central services	14,364	(12,891)	1,473	14,678	(12,875)	1,803
Cultural and related services	27,688	(10,672)	17,016	14,516	(6,817)	7,699
Environmental and regulatory services	12,469	(4,172)	8,297	11,685	(3,818)	7,867
Planning services	6,861	(3,072)	3,789	7,355	(2,545)	4,810
Highways and transport services	7,688	(6,634)	1,054	7,155	(6,354)	801
Local authority housing (HRA) (Note 5)	31,013	(26,176)	4,837	144,147	(25,014)	119,133
Local authority housing (HRA) – Settlement payment to Government for HRA self-financing (Note 5)	73,694	-	73,694	-	-	-
Other housing services	59,045	(54,635)	4,410	56,645	(50,585)	6,060
Adult social care	1,276	(789)	487	1,535	(781)	754
Corporate and democratic core	4,345	(340)	4,005	4,342	(397)	3,945
Non distributed costs	176	(34)	142	47	-	47
Non distributed costs – Past Service Gain for change in inflation factor for retirement benefits (Note 5)	-	-	-	(9,833)	-	(9,833)
Exceptional item (Note 5)	3,519	(6,300)	(2,781)	-	-	-
Cost of Services	242,138	(125,715)	116,423	252,272	(109,186)	143,086
Other operating expenditure (Note 11)			1,416			3,313
Financing and investment income and expenditure (Note 12)			4,109			2,324
Taxation and non-specific grant income (Note 13)			(27,882)			(36,565)
(Surplus)/Deficit on Provision of Services			94,066			112,158
(Surplus)/Deficit on revaluation of non current assets (Note 28)			(2,812)			(6,145)
Actuarial (gains)/losses on pension assets/liabilities (Note 42)			24,846			(3,257)
Other Comprehensive Income and Expenditure			22,034			(9,402)
Total Comprehensive Income and Expenditure			116,100			102,756

BALANCE SHEET

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 includes 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 2012 £'000	31 March 2011 £'000 Restated	1 April 2010 £'000
Long Term Assets				
Property, Plant & Equipment	14	404,068	425,178	538,601
Heritage Assets	15	1,172	-	-
Investment Properties	16	35,887	37,259	35,185
Intangible Assets	17	961	1,183	1,033
Long Term Investments	20	10	10	10
Long Term Debtors	21	743	709	706
Total Long Term Assets		442,841	464,339	575,535
Current Assets				
Short Term Investments	20	2,936	8,636	7,081
Assets Held for Sale	22	2,294	398	309
Inventories		170	205	168
Short Term Debtors	23	8,796	12,396	11,362
Cash and Cash Equivalents	24	19,361	4,207	6,559
Total Current Assets		33,557	25,842	25,479
Current Liabilities				
Bank Overdraft		-	(3,267)	(1,476)
Short Term Borrowing	20	(6,076)	(6,048)	(6,047)
Short Term Creditors	25	(13,941)	(8,556)	(8,186)
Grants Receipts in Advance – Revenue	39	(1,556)	(1,263)	(1,141)
Total Current Liabilities		(21,573)	(19,134)	(16,850)
Total Long Term Liabilities				
Long Term Creditors – Finance Leases	20 & 41	(419)	(265)	(196)
Provisions	26	(401)	(384)	(450)
Long Term Borrowing	20	(131,094)	(57,400)	(57,400)
Pension Scheme Liability	42	(84,952)	(59,840)	(71,028)
Grants Receipts in Advance – Capital	39	(7,978)	(7,077)	(6,253)
Total Long Term Liabilities		(224,844)	(124,966)	(135,327)
Total Net Assets		229,981	346,081	448,837
Represented by:				
Usable Reserves	27	19,458	17,414	20,887
Unusable Reserves	28	210,523	328,667	427,950
Total Reserves		229,981	346,081	448,837

These financial statements replace the unaudited financial statement certified by Sean Plummer, Finance Manager (Section 151 Officer), on 29 June 2012.

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.

		2011/12 £'000	2010/11 £'000 Restated
Net Surplus/(Deficit) on the provision of services	Page 10	(94,066)	(112,158)
Adjustments to net surplus/deficit on the provision of services for non-cash movements		40,007	132,349
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		(1,363)	(10,850)
Net cash flows from Operating Activities	Note 29	(55,422)	9,341
Investing Activities	Note 30	(5,142)	(11,278)
Financing Activities	Note 31	78,985	(2,206)
Net increase/(decrease) in cash and cash equivalents		18,421	(4,143)
Cash and cash equivalents at 1 April	Note 32	940	5,083
Cash and cash equivalents at 31 March	Note 32	19,361	940

NOTES TO THE CORE FINANCIAL STATEMENTS

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The notes for the supplementary statements (Housing Revenue Account, Collection Fund and the Group Accounts) follow immediately after the respective Financial Statements.

1. Accounting Policies

AP1 General Principles

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2011/12 financial year from 1 April 2011 to 31 March 2012, and its position at the financial year end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The financial statements of the Council are intended to provide information on, and present a "True and Fair view" of the Council's financial position, financial performance and cash flows. They show the results of the stewardship and accountability of elected members and management for the resources entrusted to them. The presentation of the information in the financial statements should meet the common needs of, and be useful to, a wide range of users.

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.

The financial statements are prepared on a going concern basis. This means that they are prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

AP2 Accruals of Income and Expenditure

The Statement of Accounts has 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.

AP3 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. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

AP4 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.

AP5 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.

AP6 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.

AP7 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 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.

AP8 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. They 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 the discount rate calculated by the actuary. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at 31st March.
- 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. The total cost 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. Such costs arise from decisions such as awarding added years and other forms of augmentation of benefits. These costs are debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and are included within 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 cost 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 the long-term future expected return for each asset class at the beginning of the year (1st April). This return 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 and are included within 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 gains and losses 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.

AP9 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 as 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).

AP10 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.

AP11 Borrowing Costs

Borrowing costs include interest and other costs that the Council incurs in connection with the borrowing of funds. The Council's policy is to charge borrowing costs as expenses as they are incurred. These costs are included within the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

AP12 Minimum Revenue Provision

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the Council's MRP policy follows the existing practice outlined in former CLG regulations (option 1). This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy is the Asset Life Method (option 3) – MRP will be charged over a period which is reasonably commensurate with the estimated useful life of the assets, using the equal annual instalment method. This provides for a reduction in the borrowing need over the asset's life. Repayments included in finance leases are applied as MRP.

AP13 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 liabilities. 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.

AP14 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 - Council as 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 – Council as 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 – Council as 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 – Council as 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.

AP15 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 Service Reporting Code of Practice (SeRCOP).

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 Comprehensive Income and Expenditure Statement 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 SeRCOP.

AP16 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 deliver 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 the Host structure and Mechanical & Electrical components.

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.

AP17 Heritage Assets

Heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held, maintained and preserved principally for their contribution to knowledge and culture.

The heritage assets which the Council holds are its collections of civic regalia, works of art, museum exhibits and Colchester Castle.

Collection of Civic Regalia

The Council's civic regalia collection has been recognised on the Balance Sheet from 1 April 2011.

The collection is relatively static and acquisitions are rare. Acquisitions are initially recognised at their cost and subsequently revalued in order to be held at their insurance values.

Civic regalia assets are valued as at 1 April and a full revaluation of this collection is carried out every five years to ensure that the asset valuations are kept up to date and remain current. The assets are valued at their insurance valuations. Revaluation gains and losses made on these assets are treated in accordance with the Council's accounting policy on property, plant and equipment (AP16).

Depreciation is not charged on the civic regalia assets as they are considered to have indefinite lives.

At each year end the civic regalia assets are reviewed for any impairment. These impairment reviews are performed to identify any physical damage, deterioration or issues that have arisen which relate to the authenticity of the assets in the collection. Any impairments are recognised and measured in

accordance with the Council's general policy on impairment – refer to the accounting policy on property, plant and equipment (AP16).

Collection of Museum Exhibits and Works of Art

The Council's collections of works of art and museum exhibits held at 1 April 2011 have not been recognised in the Council's Balance Sheet. Information on the cost of these assets in this collection is not available, and the Council has concluded that total cost of obtaining valuation information for these assets outweighs the benefits to the users of the financial statements. Disclosures regarding these heritage assets are included in Note 15.

Acquisitions made from 1 April 2011 onwards are initially recognised at their cost. The Council's capitalisation limit of £10,000 is applied to these assets. Assets which cost less than £10,000 are charged through revenue and are not capitalised as assets on the Council's Balance Sheet.

The assets acquired in these collections from 1 April 2011 are to be valued as at 1 April and a full revaluation of these assets is carried out every five years to ensure the asset valuations are kept up to date and remain current. The assets are valued at their insurance valuations. Revaluation gains and losses made on these assets are treated in accordance with the Council's accounting policy on property, plant and equipment (AP16).

Depreciation is not charged on these assets as they are considered to have indefinite lives.

At each year end the collection items capitalised on the Council's Balance Sheet are reviewed for any impairment. These impairment reviews are performed to identify any physical damage, deterioration or issues that have arisen which relate to the authenticity of the assets in the collection. Any impairments are recognised and measured in accordance with the Council's general policy on impairment – refer to the accounting policy on property, plant and equipment (AP16).

Colchester Castle

Colchester Castle is a building held by the Council principally for its contribution to knowledge and culture. The castle has not been recognised in the Council's Balance Sheet as information on the cost of this building is not available and an appropriate valuation of this heritage asset cannot be obtained due to its unique nature. Disclosures regarding this heritage asset are included in Note 15.

AP18 Investment Properties

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. These 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).

AP19 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.

AP20 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, Investment Properties 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.

AP21 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.

AP22 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.

AP23 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.

AP24 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.

AP25 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 10.

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. Details of these are given in Note 28.

AP26 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.

AP27 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 activities of the operations.

AP28 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 2011/12 IFRS Code of Practice on Local Authority Accounting.

AP29 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 that case and therefore all VAT was recovered in 2010/11. The Council was back within the limit in 2011/12 and so all VAT was recoverable.

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 2012/13 (the Code) has introduced a change in accounting policy in relation to the treatment of financial instruments held by the Council, which will need to be adopted fully by the Council in its 2012/13 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 amendments to IFRS 7 - *Financial Instruments: Disclosures* (transfers of financial assets, issued October 2010), but is not yet required to be adopted by the Council.

The amendments are intended to assist the users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets, including the possible effects of those risks on the Council's financial position. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but the Council is not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Transfers as described by the standard do not occur frequently in local authorities, and no such circumstances are currently in place within the Council. Relevant circumstances would arise where the Council retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

Following a review of the Council's financial assets and liabilities at 31 March 2012 and planned activity, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

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 went into administration in October 2008. The Icelandic Supreme Court has recognised local authority deposits as priority claims in the winding up of the Icelandic banks, and a first distribution was made to creditors in February 2012. The investments were impaired in the accounts in accordance with CIPFA's guidance on the impairment of deposits with Icelandic banks (LAAP bulletin 82), which was issued in May 2011. The impairment has not been reduced in accordance with the subsequent revisions to the guidance issued in May and June 2012 due to ongoing uncertainty over the level and timing of future distributions.

The Council granted a lease of the firstsite building to a third party in the year. This lease was reviewed against the International Accounting Standard 17 (IAS17) criteria to determine whether it was a finance lease or operating lease. From the completion of this review, this lease has been concluded by the Council to be an operating lease and has been accounted for as such in the Council's 2011/12 accounts.

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

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 2012 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	<p>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.</p> <p>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.</p>	<p>If the useful life of the property, plant and equipment assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by £0.6 million if the useful lives of the Council's assets were reduced by 1 year.</p>
Net Pension Liability	<p>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.</p> <p>A firm of consulting actuaries, Barnett Waddingham, is engaged to provide expert advice regarding the assumptions applied in calculating the Council's net pension liability.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured -</p> <p>A 0.1% p.a. increase in the discount rate assumption at 31 March 2012 would result in a decrease in the net pension liability of £3.9 million.</p> <p>A 1 year addition to the life expectancy assumption at 31 March 2012 would result in an increase in the net pension liability of £6.7 million.</p>
Arrears	<p>At 31 March 2012, the Council has included in its accounts a provision for the impairment of doubtful debts of £5.0 million. However, in the current economic climate this allowance may not be sufficient.</p>	<p>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 £0.4 million for the bad debt provision.</p>

5. Exceptional items

As a result of the abolition of the HRA subsidy system under the National Reform of Council Housing Finance, the Council was required to make a one-off "settlement" payment to the Department for Communities and Local Government. The payment of £73.694 million was made on the 28 March 2012, and was financed by new long-term borrowing from the Public Works Loans Board. This payment is considered to be an exceptional item and has been shown separately on the face of the Comprehensive Income and Expenditure Statement.

The Council reached a confidential agreement in respect of outstanding issues in relation to the Visual Arts Facility, known as firstsite. The accounts reflect this agreement, including arrangements with partner organisations as set out in funding agreements, and associated legal costs within the Comprehensive Income and Expenditure Statement.

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 (£9.8 million). This past service gain was 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 42 for further information.

In 2010/11, 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 seen in 2010/11. This revaluation loss is considered to be an exceptional item and has been included within the 2010/11 comparatives (line 'Local Authority Housing (HRA)) in the Comprehensive Income and Expenditure Statement on page 10.

6. Material items of income and expense

In preparation for the implementation of the CIPFA Code of Practice on Transport Infrastructure Assets in 2012/13, the Council has reviewed the Infrastructure assets category of Property, Plant and Equipment for highways related assets. It was established that the Council was holding highways assets (totalling £1.8 million at 1 April 2011) which were originally constructed at the time when the Council had agency responsibilities for the highways function. This function has now been transferred to Essex County Council who are responsible for repairs and maintenance of such assets. These assets have been derecognised in 2011/12 from the Council's Balance Sheet and corresponding derecognition charges have been taken to the 'Highways and transport services' line in the Comprehensive Income and Expenditure Statement. These charges have been subsequently transferred from the General Fund to the Capital Adjustment Account in accordance with statutory regulations.

Revaluations were performed for a selected portfolio of the Council's general fund assets at 1 April 2011. From review of the results of this revaluation exercise it was identified that a material revaluation loss of £3.2 million was incurred the land at Colchester Leisure World. This revaluation loss has been taken to the 'Cultural and related services' line in the Comprehensive Income and Expenditure Statement. This loss has then been transferred from the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

In September 2011, the construction of the firstsite building was completed and it was opened for use by the general public. The costs of the construction of the building were incorporated in the Assets under Construction category of Property, Plant and Equipment up until its completion. The building was valued as at its opening date by the Council's external valuers. This revaluation has led to a revaluation loss of £5.1 million being accounted for in the 2011/12 accounts. This revaluation loss has been taken to the 'Cultural and related services' line in the Comprehensive Income and Expenditure Statement. This loss has then been transferred from the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

In 2011/12 the Council incurred expenditure of £6.2 million on its dwelling stock, which related to the replacement of existing components of the buildings. This expenditure was incurred in order to maintain the housing stock at the decent home standard prescribed by the Government. The original cost of the components estimated at £0.2 million has been derecognised in the 2011/12 accounts. The remaining balance of this expenditure (£6 million) has been treated as a revaluation loss in the year and has been taken to Housing Revenue Account. This loss has then been reversed out in the Movement in Reserves Statement to the Capital Adjustment Account, in accordance with statutory regulations.

7. Prior period adjustments

The 2010/11 Comprehensive Income and Expenditure Statement included a line titled 'Cultural, environmental, regulatory and planning services' with a net expenditure value of £20.4 million. From review of the 2011/12 Service Reporting Code of Practice, the Council is now required to analyse this line down into the following three new categories – 'Cultural and related services', 'Environmental and regulatory services' and 'Planning services'. A reclassification adjustment has been made to the 2010/11 comparatives disclosed in the Comprehensive Income and Expenditure Statement on page 10 to split the net expenditure of £20.4 million across the three new categories - 'Cultural and related services' £7.7 million, 'Environmental and regulatory services' £7.9 million and 'Planning services' £4.8 million.

The comparatives in the 2010/11 Balance Sheet on page 11 have been amended to reclassify the balance of revenue grants received in advance into a new separate disclosure line. Balances of £1.1 million and £0.1 million have been transferred from the following Balance Sheet categories - Short Term Creditors and Grants Receipts in Advance - Capital, respectively, into the new line disclosed within Current Liabilities.

It was identified in 2011/12 that two assets had been donated to the Council in August 2010 by an external party as a result of a planning agreement. These donations were not included in the Council's 2010/11 accounts and as such prior period adjustments have been made to the 2010/11 comparatives to include these asset donations in the financial year in which the donations occurred. The total value of these two assets is £2.5 million as at the date of the donation. No conditions are attached to the donation which relate to the repayment or transfer of the value of the donated assets back to their original owner. The adjustments that have been made to the 2010/11 comparatives are to recognise the new assets in the Balance Sheet and the corresponding donated asset income in the Comprehensive Income and Expenditure Statement (Taxation and Non-specific Grant Income). This income has then been transferred from General Fund to the Capital Adjustment Account in accordance with statutory regulations.

Component accounting was implemented for the first time by the Council in its 2010/11 accounts. During this process revaluation gains and losses were attributed to individual components of assets. Upon further review and consideration of relevant accounting guidance in 2011/12 it has been determined that these revaluation gains and losses should have been attributed to the host structure of assets rather than the individual components. Prior period adjustments have been made to the 2010/11 comparatives to reclassify the revaluation gains/losses from the mechanical & electrical components back to the host structure. These adjustments have been made to the values reported in the Property, Plant and Equipment Note (Note 14), by adjusting the cost/valuation section and accumulated depreciation & impairment sections by £3.446 million for Council Dwellings and by £108,000 for Other Land and Buildings. There is no impact from these changes on the 2010/11 Balance Sheet as the total of revaluation gains and losses recognised in 2010/11 has remained the same.

8. Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on 29 June 2012 (refer to page 8). Events taking place after this date are not reflected in the financial statements or notes.

There are no items which arose after the year end of 31 March 2012 that would materially affect these accounts and as such no adjustments have been made to the figures in the financial statements or notes.

9. 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.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. This balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and /or the financial year in which this can take place.

2011/12	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments 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	3,493	-	-	-	-	(3,493)
Charges for impairment of non-current assets	125	122	-	-	-	(247)
Derecognition of components of non-current assets	4,816	225	-	-	-	(5,041)
Revaluation losses on Property, Plant and Equipment	11,139	6,294	-	-	-	(17,433)
Revaluation losses on Assets held for Sale	15	-	-	-	-	(15)
Reversal of previously recognised revaluation losses	(6)	-	-	-	-	6
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	(34)	(599)	-	-	-	633
Movements in the fair value of investment properties	456	-	-	-	-	(456)
Amortisation of intangible assets	231	108	-	-	-	(339)
Capital grants and contributions applied	(5,721)	-	-	-	-	5,721
Donated asset income	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	1,387	-	-	-	-	(1,387)
HRA Reform settlement payment to Secretary of State	-	73,694	-	-	-	(73,694)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(693)	-	-	-	-	693
Capital expenditure charged against the General Fund and HRA balances	-	(642)	-	-	-	642
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(302)	302

2011/12	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments 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	-	-	2,328	-	-	(2,328)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	373	-	-	(373)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	871	-	(871)	-	-	-
Capital Receipts not linked to disposals of non current assets	(5)	-	5	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	11	-	-	(11)
Adjustment involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	1,892	-	4,608	-	(6,500)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,704)	-	5,704
Adjustment 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	54	(199)	-	-	-	145
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,029	32	-	-	-	(5,061)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,387)	(408)	-	-	-	4,795
Adjustments 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	(14)	-	-	-	-	14
Adjustment 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	17	2	-	-	-	(19)
Total Adjustments	16,773	80,521	1,846	(1,096)	(302)	(97,742)

2010/11

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000 Restated	£'000	£'000	£'000	£'000	£'000 Restated
Adjustments 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)
Reversal of previously recognised revaluation losses	(494)	(186)	-	-	-	680
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)
Movements in the fair 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	(2,538)	-	-	-	-	2,538
Revenue expenditure funded from capital under statute	1,956	-	-	-	-	(1,956)
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 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 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 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

2010/11	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000 Restated	£'000	£'000	£'000	£'000	£'000 Restated
Adjustment 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 involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,022)	94	-	-	-	2,928
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,543)	(460)	-	-	-	5,003
Adjustments 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 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	(13,758)	125,328	(1,888)	(959)	287	(109,010)

10. 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 2011/12.

	Balance at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 1 April 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000
Renewal & Repairs Fund	2,090	(401)	46	1,735	(335)	208	1,608
Insurance Reserve	445	(11)	83	517	(263)	60	314
Capital Expenditure Reserve	2,553	(1,560)	368	1,361	(2,031)	2,052	1,382
Regeneration Reserve	166	(166)	-	-	-	35	35
Asset Replacement Reserve	10	(5)	5	10	(2)	4	12
Heritage Reserve	2	(2)	5	5	(7)	4	2
Gosbecks Reserve	408	(19)	2	391	(37)	3	357
Revenue Grants Unapplied	378	(268)	159	269	(128)	571	712
Building Control	-	-	29	29	-	12	41
Other Reserves	503	(73)	54	484	(147)	518	855
Total	6,555	(2,505)	751	4,801	(2,950)	3,467	5,318

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 26).

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.

11. Other Operating Expenditure

	2011/12	2010/11
	£'000	£'000
Parish Council precepts	1,034	931
Payments to the Government Housing Capital Receipts Pool	871	522
(Gains)/Losses on the disposal of non-current assets	(489)	1,860
Total Other Operating Expenditure	1,416	3,313

12. Financing and Investment Income and Expenditure

	2011/12	2010/11
	£'000	£'000
Interest payable and similar charges	3,766	3,731
Pensions interest cost and expected return on pensions assets	2,015	3,383
Investment impairment charge	3	85
Interest receivable and similar income	(202)	(780)
Income and expenditure in relation to investment properties	(1,804)	(1,678)
Changes in the fair value of investment properties	456	(3,059)
(Gains)/losses on the disposal of investment properties	(125)	642
Total Financing and Investment Income and Expenditure	4,109	2,324

13. Taxation and Non-Specific Grant Income

	2011/12 £'000	2010/11 £'000 Restated
Demand on the Collection Fund – Council Tax income	(11,670)	(11,541)
Contribution from the Non-Domestic Rate Pool	(7,105)	(11,274)
Non-ring fenced government grants	(3,385)	(1,696)
Capital grants and contributions	(5,722)	(9,516)
Donated asset income	-	(2,538)
Total Taxation and Non-Specific Grant Income	(27,882)	(36,565)

14. Property, Plant and Equipment

Movements on Balances

2011/12	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Cost / Valuation								
At 1 April 2011	270,477	110,762	13,796	7,744	306	13,483	28,153	444,721
Additions	6,203	329	607	1,071	-	-	4,235	12,445
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	3,048	42	-	-	(633)	-	2,457
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,293)	(10,732)	-	(5)	-	(120)	(131)	(17,281)
Accumulated Depreciation and Impairment written out on revaluation	(2,725)	(2,119)	-	-	-	-	-	(4,844)
Derecognition – disposals	(373)	-	(1,856)	-	-	-	-	(2,229)
Derecognition – other	(225)	(1,367)	(44)	(4,024)	-	-	(1,626)	(7,286)
Reclassifications within PPE categories	-	27,713	715	1,103	-	-	(29,531)	-
Assets reclassified to Heritage Assets	-	-	-	-	(20)	-	-	(20)
Assets reclassified to Assets Held for Sale	(737)	-	-	-	-	(1,537)	-	(2,274)
At 31 March 2012	266,327	127,634	13,260	5,889	286	11,193	1,100	425,689
Accumulated Depreciation and Impairment								
At 1 April 2011	(3,466)	(4,073)	(8,923)	(2,622)	-	(459)	-	(19,543)
Depreciation charge	(6,195)	(2,306)	(1,164)	(186)	-	(143)	-	(9,994)
Depreciation written out on revaluation to Cost/Valuation	2,725	1,983	-	-	-	-	-	4,708
Impairment written out on revaluation to Cost/Valuation	-	136	-	-	-	-	-	136
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	-	(814)	-	-	-	-	-	(814)
Impairment (Losses)/Reversals recognised in the Surplus/Deficit on the Provision of Services	-	(122)	-	-	-	(125)	-	(247)
Derecognition – disposals	12	-	1,854	-	-	-	-	1,866
Derecognition – other	-	50	13	2,183	-	-	-	2,246
Assets reclassified to Assets Held for Sale	21	-	-	-	-	-	-	21
At 31 March 2012	(6,903)	(5,146)	(8,220)	(625)	-	(727)	-	(21,621)
Net Book Value:								
At 1 April 2011	267,011	106,689	4,873	5,122	306	13,024	28,153	425,178
At 31 March 2012	259,424	122,488	5,040	5,264	286	10,466	1,100	404,068

	Council Dwellings £'000 Restated	Other Land and Buildings £'000 Restated	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000 Restated
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	-	2,498	-	-	-	40	-	2,538
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(38)	6,156	-	-	-	-	-	6,118
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(121,143)	(2,950)	-	-	(22)	175	-	(123,940)
Accumulated Depreciation and Impairment written out on revaluation	(37,641)	(6,755)	-	-	-	-	-	(44,396)
Derecognition – disposals	(206)	(2,329)	(765)	-	-	-	-	(3,300)
Derecognition – other	(314)	(447)	-	-	-	-	(1,341)	(2,102)
Reclassifications within PPE categories	(459)	2,479	273	1,982	-	-	(4,275)	-
Assets reclassified to Investment Properties	-	(242)	-	-	-	-	-	(242)
Assets reclassified to Assets Held for Sale	(412)	-	-	-	-	-	-	(412)
At 31 March 2011	270,477	110,762	13,796	7,744	306	13,483	28,153	444,721
Accumulated Depreciation and Impairment								
At 1 April 2010	(34,662)	(9,329)	(8,235)	(2,340)	-	(63)	-	(54,629)
Depreciation charge	(6,500)	(1,746)	(1,452)	(282)	-	(63)	-	(10,043)
Depreciation written out on revaluation to Cost/Valuation	37,573	1,795	-	-	-	-	-	39,368
Impairment written out on revaluation to Cost/Valuation	68	4,960	-	-	-	-	-	5,028
Impairment (Losses)/Reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	(333)	-	(333)
Derecognition – disposals	10	274	764	-	-	-	-	1,048
Reclassifications within PPE categories	45	(45)	-	-	-	-	-	-
Assets reclassified to Investment Properties	-	18	-	-	-	-	-	18
At 31 March 2011	(3,466)	(4,073)	(8,923)	(2,622)	-	(459)	-	(19,543)
Net Book Value								
At 1 April 2010	390,415	99,727	5,630	3,360	288	13,205	25,976	538,601
At 31 March 2011	267,011	106,689	4,873	5,122	306	13,024	28,153	425,178

Depreciation

Assets are depreciated over their useful economic life. Depreciation is charged on all property, plant and equipment assets other than freehold land and specific community assets. Depreciation is calculated using the straight-line method.

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

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

- Other Land and Buildings - components:
 - Host structure 10 - 50 years
 - Mechanical and Electrical 10 - 15 years
- Vehicles, Plant, Furniture & Equipment: 3 – 10 years
- Infrastructure: 20 years

Effects of the changes of estimates

Roof components were recognised separately for HRA assets in the Council's 2010/11 accounts. In the current financial year of 2011/12 it was decided to combine the roof components back into the host structures of the HRA assets. These adjustments have been made as there are no material impacts on the total depreciation charge of having roofs as a separate component of HRA assets. The 2011/12 depreciation charge has been calculated using the following components - host structure and mechanical & electrical. This change has been accounted for on a prospective basis as depreciation charges are considered to be accounting estimates for which no prior period adjustments are required to be made in the accounts.

Capital Commitments

At 31 March 2012, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. The significant commitments are:

Scheme	Total Current Contract Value	Outstanding at 31 March 2012	Outstanding at 31 March 2011 Restated
	£'000	£'000	£'000
Decent Homes and upgrades to Council Stock	15,292	10,058	12,831
Firstsite facility - completion and fitting out (a range of contracts)	6,583	271	2,659
Hard Landscaping - St Botolphs	1,200	-	687
Specific Adaptations to Housing Stock	1,125	968	1,125

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 2011/12 were:

- the revaluation of a portfolio of General Fund properties as at 1 April 2011
- the reduction of Council dwellings and Homeless properties to their fair value as at 31 March 2012
- the ad-hoc revaluations of other land and buildings through out the 2011/12 financial year

The Council dwellings and other HRA properties were revalued at 1 April 2010 at a gross value of £296 million. The valuation for Council dwellings and Homeless Properties was adjusted to their values at 31 March 2012 using property price indices and this resulted in a revaluation loss of £1.1 million.

Expenditure was incurred in 2011/12 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 at £225,000 and derecognised in the accounts. The remaining expenditure balance (£5.9 million) has been treated as a revaluation loss relating to Council Dwellings at 31 March 2012.

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 performed 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 outgoing 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 (AP16).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	2,149	13,260	5,889	286	-	1,100	22,684
Valued at fair value as at:								
1 April 2007	-	260	-	-	-	-	-	260
1 April 2008	-	28,669	-	-	-	-	-	28,669
1 April 2009	-	21,088	-	-	-	6,085	-	27,173
1 April 2010	-	5,155	-	-	-	-	-	5,155
3 August 2010	-	2,530	-	-	-	-	-	2,530
1 April 2011	-	28,602	-	-	-	-	-	28,602
25 September 2011	-	22,615	-	-	-	-	-	22,615
31 March 2012	266,327	16,566	-	-	-	5,108	-	288,001
Gross Book Value at 31 March 2012	266,327	127,634	13,260	5,889	286	11,193	1,100	425,689

15. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council that are recognised in the Balance Sheet –

2011/12	Civic regalia £'000	Museum Exhibits and Art Collection £'000	Buildings £'000	Total £'000
Valuation				
Balance at 1 April 2011	-	-	-	-
Acquisitions - cost	-	-	128	128
Assets transferred from Property Plant and Equipment	-	20	-	20
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,172	-	-	1,172
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(20)	(128)	(148)
Balance at 31 March 2012	1,172	-	-	1,172

2010/11	Civic regalia £'000	Museum Exhibits and Art Collection £'000	Buildings £'000	Total £'000
Valuation				
Balance at 1 April 2010	-	-	-	-
Acquisitions	-	-	-	-
Assets transferred from Property Plant and Equipment	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Balance at 31 March 2011	-	-	-	-

Civic Regalia Collection

The Council's civic regalia collection includes fine examples of silver gilt and civic gifts and donations. There are 85 individual assets in the collection. Of special interest is a silver model of a sixteenth century warship, designed for use as a vessel for table wine. The oldest item of insignia is the silver borough seal, which dates from about 1413. In the collection is one of the largest maces in the country, which is used as a symbol of authority from the sovereign.

The civic regalia collection is managed by the Council's Town Serjeant, who holds a civic regalia book listing all of the assets held within the Council's collection. An annual audit of the collection is made by the Town Serjeant to confirm that all of the assets are in the possession of the Council and to review their physical condition. At its completion, an internal register is signed off by the Town Serjeant with the out-going and in coming mayors to evidence the review. The collection is held securely in the Town Hall and is only able to be viewed by the public when on organised tours. Specific items of this collection are only taken out of the Town Hall on certain civic and remembrance occasions. Acquisitions into this collection are very rare and none have been made in the last 20 years. The Council does not dispose of any of civic regalia items as it has a policy of maintaining and retaining all of the assets within its collection.

The Council's collection of civic regalia items is reported in the Balance Sheet at insurance valuation which is based on replacing the items on an indemnity basis whereby the items would be replaced in the normal second hand art retail markets with items of comparable age, quality and condition.

The civic regalia items were valued as at 1 April 2011 by the external valuers, Reeman Dansie, who are members of the Royal Institution of Chartered Surveyors.

No prior period adjustments have been made for this change in accounting policy. This is because the total value of the civic regalia items of £1.172 million is not considered to be material to the financial statements.

It has not been practicable to split the carrying value of the civic regalia collection between those purchased by the Council and those acquired by donation due to the age of the collection and the lack of original records.

Collections of museum exhibits and works of art

The collections at Colchester originated with the foundation of the museum in 1847. From the start archaeology, art, local history and natural history objects have been collected.

The Council holds an archaeology collection which is designated in recognition of its international significance. It is arguably the finest and most extensive collection in the world representative of Late Iron Age and Roman Britain. It holds a collection of early manuscripts and printed books which includes the earliest surviving manuscript of Machiavelli's play, *La Clizia*, dated to 1525. The Council's Mason clock collection is of special significance, as it is one of the largest collections of horological items from any provincial town making it an important study collection. The Council's natural history collection is of regional importance. The Council's art collection, although of mostly local interest, does contain significant items including rare early works by John Constable and work by Richard Stone and David Vinckeboons.

The collections of museum exhibits and works of art are managed centrally by the collection management team within the museum service. All items are entered into an accession register when they are received. Further details regarding each item are then added into and held on the museum service's computerised record system. The conservation team is responsible for the preservation of the collections. Environmental conditions are set in the Council's museums and storage facilities. Condition surveys are performed frequently to monitor and identify any issues arising relating to the items held in the collections.

The museum service has a formal acquisition and disposal policy relating to the collections it holds. Acquisitions are made for items which are significant to Colchester and its district. These arise from a number of sources such as outright purchases (some supported by grant funding), donations, gifts and transfers from other museums and similar organisations. Items held within the collections are not expected to be disposed of. Disposals are rare and require Portfolio Holder approval before any item leaves the Council's collections. The main reason for disposals is where the items have been identified to be better suited to be held by another museum or related organisation.

The Council displays some of its collections in its museums and in the Town Hall. These sites are open to the public subject to opening and organised tour times. Certain items are taken out offsite to be shown to the public at external organisations such as local schools and temporary exhibitions. The Council has a reserve collection which is held in storage, access to these items is restricted and prior appointments are required to be made to view these items.

The original cost information is not available for these collections. The insurance valuation for these collections cannot be utilised as the total insurance value represents only a proportion of the items of the collections and is not analysed down individually across the collections which contain over 500,000 individual items.

The Council has applied the exemption allowed within 'Financing Reporting Standards 30 Heritage Assets' to its collections of museum exhibits and works of art. FRS 30 states that 'Where the cost information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the balance sheet and the disclosures required by this standard should be made'. As such the Council has not recognised these collections held at 1 April 2011 within its Balance Sheet.

Acquisitions made from 1 April 2011 onwards are initially recognised at their cost. The Council's capitalisation limit of £10,000 is to be applied to these assets and as such any assets costing less than £10,000 are charged through revenue and are not capitalised as assets on the Council's Balance Sheet.

In 2011/12 assets with a carrying value of £20,000 were transferred from the Community assets category into the Heritage asset category. These assets were then subsequently revalued downwards in line with the Council's new Heritage asset accounting policy for only recognising works of art and museum exhibits as Heritage assets from 1 April 2011 onwards.

Buildings

Colchester Castle is an example of a largely complete Norman Castle and is a Grade I listed building and Scheduled Ancient Monument. Colchester's keep is the largest ever built in Britain and the largest surviving example of its kind in Europe. Building of the castle began between 1069 and 1076 and was completed by around 1100. The castle is built of stone and is built on top of the foundations of the Roman Temple of Claudius. The building has operated as the main museum in the town since 1860.

The castle building is managed by the Colchester and Ipswich Museum Service. The building is preserved through the maintenance performed under the Council's building management and maintenance plan which is led by the Building Services and Facilities Manager. Representatives from the museum service meet frequently with representatives from English Heritage to discuss and review preservation issues linked to the castle due its important status as a scheduled ancient monument.

The Council has not recognised the castle as a heritage asset on its Balance Sheet as there are no records detailing the original cost of this asset. It has not been possible to obtain an appropriate valuation for the castle from a review of insurance records or from liaison with external valuers. The castle is currently insured for certain risk perils, so this valuation is not considered to be appropriate as it would undervalue the castle on the Council's Balance Sheet. The Council requested its external valuers, NPS Property Limited (who are members of the Royal Institution of Chartered Surveyors) to provide a heritage asset valuation for the castle. The valuers advised from their review and opinion it is not possible to arrive at a meaningful valuation for the castle due to its uniqueness and the lack of an open market for such an asset.

In 2011/12 capital expenditure totalling £128,000 was incurred relating to works performed on the castle and town walls. This expenditure has been written off in the year via a revaluation loss as it relates to underlying assets (castle and town walls) which are not capitalised as Heritage assets on the Council's Balance Sheet.

16. 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:

	2011/12 £'000	2010/11 £'000
Rental income from investment properties	(2,093)	(1,883)
Direct operating expenses arising from investment properties	289	205
Net (gain)/loss on Investment Properties	(1,804)	(1,678)

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:

	2011/12 £'000	2010/11 £'000
Balance at 1 April	37,259	35,185
Disposals	(916)	(1,237)
Net gains/(losses) from fair value adjustments	(456)	3,059
Transfers from Property, Plant and Equipment	-	224
Revaluation increases/(decreases) taken to the Revaluation Reserve	-	28
Balance at 31 March – Investment Properties	35,887	37,259

17. 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 are comprised of 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 range between 3 and 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. In 2011/12 amortisation of £339,000 (2010/11: £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 financial year is as follows:

	Software	Software
	2011/12 £'000	2010/11 £'000 Restated
Balance at 1 April		
Gross carrying amount	8,613	8,177
Accumulated amortisation	(7,430)	(7,144)
Net carrying amount at 1 April	1,183	1,033
Additions: Purchases	117	436
Amortisation for the year	(339)	(286)
Net carrying amount at 31 March	961	1,183
Comprising of:		
Gross carrying amount	8,730	8,613
Accumulated amortisation	(7,769)	(7,430)
Balance at 31 March – Intangible Assets	961	1,183

18. Impairment Losses

During 2011/12 the Council has recognised impairment losses totalling £125,000 (2010/11: £333,000) in relation to the significant deterioration of the physical condition of the St James House building (£60,000) and Roman House building (£65,000). These impairment losses were identified from the valuations provided for the Council's external valuers dated 31 March 2012. The recoverable amount of these buildings has been reduced and the impairment losses have been charged to the 'Planning services' line of the Comprehensive Income and Expenditure Statement and then reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

During 2011/12 the Council has recognised impairment losses totalling £936,000 in relation to the significant deterioration of the physical condition of a number of HRA garages. These garages are deemed to be beyond economical repair and cannot be let out in their current state. The total impairment loss was calculated by reducing the value of these garage buildings down to nil as at 31 March 2012. The majority of the total impairment loss (£814,000) has been charged against the Revaluation Reserve to reduce the balance of revaluation gains associated to these assets to nil and then the remainder of the impairment loss (£122,000) has been taken to the Housing Revenue Account and then reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

19. 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.

	2011/12 £'000	2010/11 £'000 Restated
Opening Capital Financing Requirement at 1 April	75,084	74,524
Capital Expenditure		
Property, Plant and Equipment	12,445	17,227
Investment Properties	-	-
Heritage Assets	128	-
Intangible Assets	117	436
Revenue Expenditure Funded from Capital under Statute	1,387	1,957
HRA Reform payment	73,694	-
Long Term Debtors	179	49
	87,950	19,669
Sources of Finance		
Capital Receipts	(373)	2,708
Government Grants and Other Contributions	6,023	9,230
Major Repairs Reserve	5,704	5,448
Capital Expenditure Reserve	1,632	325
Direct Revenue Contributions	642	361
Minimum Revenue Provision	693	1,037
	14,321	19,109
Closing Capital Financing Requirement at 31 March	148,713	75,084
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	74,104	1,502
Assets acquired under finance leases	218	95
Minimum Revenue Provision	(693)	(1,037)
Increase/(Decrease) in Capital Financing Requirement	73,629	560

20. 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 2012 £'000	31 March 2011 £'000	1 April 2010 £'000	31 March 2012 £'000	31 March 2011 £'000 Restated	1 April 2010 £'000
Investments						
Loans and receivables (Principal)	-	-	-	1,000	5,500	4,000
Accrued Interest (S/T)	-	-	-	2	8	101
Loans and receivables at amortised cost (1)	-	-	-	1,002	5,508	4,101
Available-for-sale financial assets	10	10	10	-	-	-
Financial assets at fair value through profit or loss (2)	-	-	-	1,934	3,128	2,980
Total Investments	10	10	10	2,936	8,636	7,081
Debtors						
Financial assets carried at contract amount (excludes Statutory Council Tax and NNDR balances)	743	709	706	8,536	9,874	10,663
Total Debtors	743	709	706	8,536	9,874	10,663
Borrowings						
Financial liabilities (Principal)						
Public Works Loan Board (PWLB)	(101,594)	(27,900)	(27,900)	-	-	-
Money Market	(29,500)	(29,500)	(29,500)	(5,000)	(5,000)	(5,000)
Accrued Interest (S/T)	-	-	-	(1,076)	(1,048)	(1,047)
Total borrowings at amortised cost (1)	(131,094)	(57,400)	(57,400)	(6,076)	(6,048)	(6,047)
Creditors						
Financial liabilities carried at contract amount (excludes Statutory Council Tax and NNDR balances)	-	-	-	(10,203)	(7,957)	(8,251)
Total Creditors	-	-	-	(10,203)	(7,957)	(8,251)
Other Liabilities						
Finance lease liabilities	(419)	(265)	(196)	(58)	(36)	(491)
Total Other Liabilities	(419)	(265)	(196)	(58)	(36)	(491)

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.

Soft Loans made by the Council

The Council has made a number of interest free loans to private sector occupiers for home improvements under the Financial Assistance Policy. These loans are secured against the property and repayable on sale. 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 at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the 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. The detailed soft loans information is as follows:

Soft Loans	31 March 2012	31 March 2011
	£'000	£'000
Opening Balance	485	475
+ New loans granted	179	48
- Fair Value adjustment	(85)	(27)
- Loans repaid	(53)	(39)
- Impairment Losses	-	-
+ Increase in the discounted amount	30	28
+/- Other changes	-	-
Balance carried forward	556	485

The interest rate at which the fair values of these soft loans have been recognised is arrived at by taking the Council's prevailing cost of borrowing for a comparable loan at the date of the advance and adding an allowance for the risk that the loan might not be repaid.

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:

	2011/12					2010/11				
	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	3,766	-	-	-	3,766	3,731	-	-	-	3,731
Impairment losses	-	-	-	3	3	-	-	-	85	85
Total expense in Surplus or Deficit on Provision of Services	3,766	-	-	3	3,769	3,731	-	-	85	3,816
Interest income	-	(209)	-	-	(209)	-	(551)	-	-	(551)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	(233)	-	-	(233)
Total income in Surplus or Deficit on Provision of Services	-	(209)	-	-	(209)	-	(784)	-	-	(784)
Adjusted via Movement in Reserves Statement – premiums/discounts	198	-	-	-	198	200	-	-	-	200
Net gain/(loss) for the year	3,964	(209)	-	3	3,758	3,931	(784)	-	85	3,232

The average interest rate on all financial liabilities – borrowings (including short-term borrowing and finance leases) for 2011/12 was 5.05% (2010/11: 5.08%).

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

The above figures include the impact of investments that have been impaired due to the financial difficulties faced by Icelandic banks, as well as the impact of currency fluctuations relating to an element of the settlement from Landsbanki being held in an escrow account in Icelandic Kroner.

Fair Values of Assets and Liabilities carried at Amortised Cost

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, new 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 2012		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(101,893)	(91,433)	(28,171)	(25,286)
Market debt	(35,277)	(43,506)	(35,277)	(43,802)
Long Term Creditors – Finance Leases	(419)	(419)	(265)	(265)
Short Term Creditors (excluding NNDR and Council Tax creditors)	(10,203)	(10,203)	(7,957)	(7,957)
Total Financial Liabilities	(147,792)	(145,561)	(71,670)	(77,310)

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 2012) 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 2012		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	2,936	2,951	8,636	8,637
Long Term Debtors	743	743	709	709
Short Term Debtors (excluding NNDR and Council Tax debtors)	8,536	8,536	9,874	9,874
Total Financial Assets	12,215	12,230	19,219	19,220

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 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.

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. They 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 reported in a mid-year update and at the end of each financial year.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 16 February 2011 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 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 £78 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.

Council approved updated prudential indicators for 2011/12 on 22 February 2012. These included the impact of the HRA reform borrowing on 28 March 2012. The Authorised Limit for 2011/12 was increased to £166 million, and the Operational Boundary was increased to £137 million.

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 these initial criteria are 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 were 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 other market data when making investment decisions. The Council will continue to follow the approach suggested by CIPFA of using the lowest rating from all the agencies (i.e. the lowest common denominator).
- The Council will use the creditworthiness service provided by Sector Treasury. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it also uses the following as overlays:
 - credit watches and credit outlooks from credit rating agencies
 - CDS spreads to give early warning of likely changes in credit ratings
 - sovereign ratings to select counterparties from only the most creditworthy countries
- The Council will only use approved counterparties from countries with the highest credit rating of 'AAA', together with those from the UK.
- The Council will continue to invest with UK institutions that have been nationalised or part-nationalised, or those that are covered by the UK Government's support package.
- The Council will continue to avoid longer term deals while investment rates are at such low levels.

The full Investment Strategy for 2011/12 was approved by Full Council on 16 February 2011 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 £19.05 million 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 2012 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 £1.91 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 21 – long term debtors) 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 2012	31 March 2011
	£'000	£'000
Less than three months	8,146	9,541
Three to six months	102	58
Six months to one year	77	69
More than one year	211	206
Total	8,536	9,874

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	1,430	654
Landsbanki Islands	10/09/2008	10/12/2008	1,000	5.80	477	218
			4,000		1,907	872

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. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below, which is based on recovering 100p in the £.

Date	Repayment
Received to 31 Mar 2012	30.0%
May 2012	12.2%
December 2012	7.0%
December 2013	7.0%
December 2014	7.0%
December 2015	7.0%
December 2016	7.0%
December 2017	7.0%
December 2018	7.0%
December 2019	8.8%

The Council has left the impairment recognised in the 2010/11 accounts unchanged, due to uncertainties over the level and timing of future distributions. Recovery is subject to the following uncertainties and risks:

- 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.

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 the original expected maturity date of the investments.

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 was the cumulative effect of impairment loss calculations and interest receivable. It was 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.

Any significant 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.

All sums owing 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 2012 £'000	Actual 31 March 2012 %	Actual 31 March 2011 £'000	Actual 31 March 2011 %
Less than 1 year	0.0	10.0	6,076	3.7	6,048	8.0
Between 1 and 2 years	0.0	50.0	5,500	4.0	-	-
Between 2 and 5 years	0.0	50.0	4,000	2.9	5,500	8.8
Between 5 and 10 years	0.0	70.0	20,000	14.7	24,000	38.5
More than 10 years	0.0	100.0	101,594	74.7	27,900	44.7
Total			137,170	100.0	63,448	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 was 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 2012 £'000	31 March 2011 £'000
Increase in interest payable on new fixed rate borrowings	8	-
Increase in interest receivable on short term investments made in year	(246)	(240)
Increase in government grant receivable for financing costs	-	-
Impact on Surplus or Deficit on the Provision of Services	(238)	(240)
Share of overall impact credited to the HRA (net)	(30)	(29)
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)	18,645	8,246
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)	16	22

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, excluding the pension fund, 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

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls.

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.

21. 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	Balance at 1 April 2010 £'000	Balance at 1 April 2011 £'000	Interest adjustment £'000	Advances in the Year £'000	Repayments In the Year £'000	Balance at 31 March 2012 £'000
Sale of Council Houses	71	63	-	-	(11)	52
Purchase/Improvement of Private Sector Houses	34	40	-	-	(20)	20
Improvement of Private Sector Houses-interest free	474	485	(54)	179	(53)	557
Finance lease debtor	127	121	-	-	(7)	114
Total	706	709	(54)	179	(91)	743

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 28). The interest adjustment for the year reflects:-

- "loss" of interest foregone on advances made in the year – (£85,000)
- one year write back of value of loans outstanding at beginning of year– £31,000

22. Assets Held for Sale

	31 March 2012 £'000	31 March 2011 £'000
Balance at 1 April	398	309
Assets reclassified as held for sale from Property, Plant & Equipment	2,253	412
Revaluation losses	(15)	(14)
Disposals	(342)	(309)
Balance at 31 March – Assets Held for Sale	2,294	398

23. Short Term Debtors

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Central government bodies	3,275	5,732	5,694
Other Local authorities	1,675	2,135	1,528
NHS bodies	-	-	-
Public corporations and trading funds	-	-	-
Other entities and individuals	3,846	4,529	4,140
Total Short Term Debtors	8,796	12,396	11,362

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

24. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Cash held by the Council	36	36	35
Bank current accounts	1,277	651	524
Short-term deposits	18,048	3,520	6,000
Total Cash and Cash Equivalents	19,361	4,207	6,559

25. Short Term Creditors

	31 March 2012 £'000	31 March 2011 £'000 Restated	1 April 2010 £'000 Restated
Central government bodies	(5,742)	(668)	(1,422)
Other local authorities	(2,961)	(1,082)	(1,226)
NHS bodies	-	-	-
Public corporations and trading funds	(38)	(56)	(58)
Other entities and individuals	(5,200)	(6,750)	(5,480)
Total Short Term Creditors	(13,941)	(8,556)	(8,186)

26. Provisions

	Balance at 31 March 2010	Additional provisions £'000	Amounts used £'000	Balance at 31 March 2011 £'000	Additional provisions £'000	Amounts used £'000	Balance at 31 March 2012 £'000
Insurance Provision	(450)	(17)	83	(384)	(40)	23	(401)

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 (refer to Note 10).

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.

27. Usable Reserves

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 9.

28. Unusable Reserves

	31 March 2012 £'000	31 March 2011 £'000 Restated	1 April 2010 £'000 Restated
Revaluation Reserve	25,583	23,349	19,229
Capital Adjustment Account	271,134	366,529	482,302
Financial Instruments Adjustment Account	(721)	(866)	(2,087)
Pensions Reserve	(84,952)	(59,840)	(71,028)
Deferred Capital Receipts Reserve	52	63	71
Collection Fund Adjustment Account	6	(8)	23
Accumulated Absences Account	(579)	(560)	(560)
Total	210,523	328,667	427,950

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.

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

	2011/12 £'000	2010/11 £'000
Balance at 1 April	23,349	19,229
Upward revaluation of assets	4,492	6,394
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(865)	(249)
Impairment losses not charged to the Surplus/Deficit on the Provision of Services	(815)	-
Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	2,812	6,145
Difference between fair value depreciation and historical cost depreciation	(307)	(350)
Accumulated gains on assets written out	(271)	-
Accumulated gains on assets sold/scrapped	-	(1,675)
Amount written off to the Capital Adjustment Account	(578)	(2,025)
Balance at 31 March	25,583	23,349

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.

Note 9 details the adjustments between accounting basis and funding basis under regulations and provides details of the source of all the transactions posted to this account, apart from those involving the Revaluation Reserve.

	2011/12 £'000	2010/11 £'000 Restated
Balance at 1 April	366,529	482,302
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(9,993)	(10,044)
Charges for impairment of non-current assets	(247)	(333)
Derecognition of components of Non current assets	(5,041)	(2,101)
Revaluation losses on Property, Plant and Equipment	(17,285)	(124,620)
Revaluation losses on Heritage Assets	(148)	-
Revaluation losses on Assets held for Sale	(15)	(14)
Reversal of previously recognised revaluation losses	6	680
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	(1,622)	(3,797)
Amortisation of intangible assets	(339)	(286)
Revenue expenditure funded from capital under statute	(1,387)	(1,956)
Long Term Debtors	(73)	(33)
Adjusting amounts written out of the Revaluation Reserve	578	2,025
Net written out amount of the cost of non-current assets consumed in the year	(35,566)	(140,479)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(373)	2,708
Use of the Major Repairs Reserve to finance new capital expenditure	5,704	5,448
Use of the Earmarked Reserves to finance new capital expenditure	1,632	325
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,721	9,214
Application of grants to capital financing from the Capital Grants Unapplied Account	302	16
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	693	1,037
Capital expenditure charged against the General Fund and HRA balances	642	361
Settlement payment to Government for HRA self-financing	(73,694)	-
	(59,373)	19,109
Movements in the fair value of Investment Properties	(456)	3,059
Donated asset income	-	2,538
Balance at 31 March	271,134	366,529

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.

	2011/12 £'000	2010/11 £'000
Balance at 1 April	(866)	(2,087)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	199	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	(54)	1,021
Balance at 31 March	(721)	(866)

Pensions 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 2012 £'000	31 March 2011 £'000
Balance at 1 April	(59,840)	(71,028)
Actuarial gains or losses on pensions assets and liabilities	(24,846)	3,257
Reversal of items relating to retirement benefits debited or credited to the Surplus /Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,061)	2,928
Employer's pensions contributions and direct payments to pensioners payable in the year	4,795	5,003
Balance at 31 March	(84,952)	(59,840)

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 2012 £'000	31 March 2011 £'000
Balance at 1 April	63	71
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	(11)	(8)
Balance at 31 March	52	63

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 2012 £'000	31 March 2011 £'000
Balance at 1 April	(8)	23
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	14	(31)
Balance at 31 March	6	(8)

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.

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
Balance at 1 April		(560)		(560)
Settlement or cancellation of accrual made at the end of the preceding year	560		560	
Amounts accrued at the end of the current year	(579)		(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		(19)		-
Balance at 31 March		(579)		(560)

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

	2011/12	2010/11
	£'000	£'000
Net Surplus/(Deficit) on the Provision of Services	(94,066)	Restated (112,158)
Adjustments for non cash movements:		
Depreciation	9,993	10,377
Impairment and downward revaluations	17,695	124,634
Amortisation	339	286
Impairment losses on Investments	3	85
Increase/(Decrease) in Creditors	4,463	(873)
(Increase)/Decrease in Interest Debtors	6	(140)
(Increase)/Decrease in Debtors	23	2,394
(Increase)/Decrease in Inventories	35	(37)
Movement in Pension Liability	266	(7,931)
Contributions to/(from) Provisions	17	(66)
Carrying value of non current assets sold	1,622	3,797
Carrying amount of short term & long term investments sold	-	4,000
Movement in Investment Property Values	456	(3,059)
Reversal of previous revaluation losses	(6)	(680)
De-recognition of non current assets	5,041	2,101
Donated asset income	-	(2,538)
Other non cash movements	54	(1)
	40,007	132,349
Adjustments for items that are investing or financing activities:		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(5,721)	(9,516)
Proceeds from the sale of short and long term investments	6,691	-
Proceeds from the sale of non current assets	(2,333)	(1,334)
	(1,363)	(10,850)
Net Cash Flows from Operating Activities	(55,422)	9,341

The cash flows for operating activities within the Cash Flow Statement include the following items:

	2011/12	2010/11
	£'000	£'000
Interest Received	177	640
Interest Paid	(3,750)	(3,826)

30. Cash Flow Statement – Net Cash Flows from Investing Activities

	2011/12	2010/11
	£'000	£'000
Purchase of non current assets	(14,410)	(16,001)
Purchase of short-term and long-term investments	(1,000)	(5,500)
Other payments for investing activities	(193)	(49)
Proceeds from the sale of non current assets	2,266	1,309
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	8,195	8,963
Net Cash Flows from Investing Activities	(5,142)	(11,278)

31. Cash Flow Statement – Net Cash Flows from Financing Activities

	2011/12	2010/11
	£'000	£'000
Cash receipts of short and long-term borrowing	73,694	-
Cash payments for the reduction of the outstanding finance lease liabilities	(30)	(373)
Repayments of short and long-term borrowing	-	-
Other receipts/payments for financing activities	5,321	(1,833)
Net Cash Flows from Financing Activities	78,985	(2,206)

32. Cash Flow Statement – Cash and Cash Equivalents

	2011/12	2010/11
	£'000	£'000
Cash held by the Council	36	36
Bank Current Accounts	1,277	651
Short Term Deposits	18,048	3,520
Bank Overdraft	-	(3,267)
Cash Flow Statement - Total Cash and Cash Equivalents	19,361	940

33. 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 *Service Reporting 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 amortisation are all 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 2011/12	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	-	(182)	(1,030)	(111)	(4,501)	(5,944)	(3,650)	(4,181)	(9,896)	(109,221)	(138,716)
Government grants	-	-	-	-	(1,033)	(99)	(241)	(538)	-	-	(1,911)
Total Income	-	(182)	(1,030)	(111)	(5,534)	(6,043)	(3,891)	(4,719)	(9,896)	(109,221)	(140,627)
Employee expenses	-	781	2,763	1,089	5,663	4,975	2,961	1,473	7,113	272	27,090
Other service expenses	311	128	4,645	59	2,001	5,754	2,168	5,518	5,097	106,229	131,910
Support service recharges	-	-	-	-	-	-	-	-	-	3,102	3,102
Total Expenditure	311	909	7,408	1,148	7,664	10,729	5,129	6,991	12,210	109,603	162,102
Net Expenditure	311	727	6,378	1,037	2,130	4,686	1,238	2,272	2,314	382	21,475

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)	(912)	(133)	(4,190)	(5,541)	(3,463)	(543)	(8,493)	(149,444)	(173,035)
Government grants	-	-	(34)	-	(950)	(314)	(816)	(529)	-	7	(2,636)
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

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 2012	31 March 2011
	£'000	£'000
Net expenditure in the Services Analysis	21,475	Restated 23,908
Net expenditure of services and support services not included in the Analysis	(28,248)	(24,428)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	62,027	32,156
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	61,169	111,450
Cost of Services in Comprehensive Income and Expenditure Statement	116,423	143,086

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.

2011/12							
	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(138,716)	(3,413)	(21,936)	107,346	(56,719)	-	(56,719)
Interest and Investment income	-	-	(2,996)	2,996	-	(202)	(202)
Income in relation to investment properties	-	-	-	-	-	(2,093)	(2,093)
Income from Council Tax	-	-	-	-	-	(11,670)	(11,670)
Movement in fair value of investment properties	-	-	-	-	-	-	-
Government grants and contributions	(1,911)	(64,092)	(3,385)	392	(68,996)	(16,212)	(85,208)
Total Income	(140,627)	(67,505)	(28,317)	110,734	(125,715)	(30,177)	(155,892)
Employee expenses	27,090	19	987	(989)	27,107	-	27,107
Other service expenses	131,910	-	89,357	(1,683)	219,584	-	219,584
Support Service recharges	3,102	39,238	-	(41,883)	457	-	457
Depreciation, amortisation and impairment	-	-	-	(5,010)	(5,010)	-	(5,010)
Interest Payments	-	-	-	-	-	3,769	3,769
Precepts and Levies	-	-	-	-	-	1,034	1,034
Payments to Housing Capital Receipts Pool	-	-	-	-	-	871	871
Expenditure in relation to investment properties	-	-	-	-	-	289	289
Movement in the fair value of investment properties	-	-	-	-	-	456	456
Pension interest cost and expected return on investments	-	-	-	-	-	2,015	2,015
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	(614)	(614)
Total expenditure	162,102	39,257	90,344	(49,565)	242,138	7,820	249,958
Surplus/Deficit on the provision of services	21,475	(28,248)	62,027	61,169	116,423	(22,357)	94,066

	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£'000	£'000 Restated	£'000	£'000 Restated	£'000	£'000 Restated	£'000 Restated
Fees, charges & other service income	(172,719)	(1,073)	(23,405)	150,722	(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)	(22,486)	(85,197)
Donated asset income	-	-	-	-	-	(2,538)	(2,538)
Total Income	(175,671)	(61,472)	(28,621)	156,578	(109,186)	(42,287)	(151,473)
Employee expenses	27,746	-	(8,615)	(1,489)	17,642	-	17,642
Other service expenses	168,859	-	69,392	569	238,820	-	238,820
Support Service recharges	2,974	37,044	-	(39,067)	951	-	951
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	-	-	-	-	-	522	522
Receipts Pool	-	-	-	-	-	-	-
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	37,044	60,777	(45,128)	252,272	11,359	263,631
Surplus/Deficit on the provision of services	23,908	(24,428)	32,156	111,450	143,086	(30,928)	112,158

34. Trading Operations

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

Colchester Leisure World – Included within “Cultural and Related Services” line in the Comprehensive Income and Expenditure Statement (page 10).

	2011/12 Expenditure	2011/12 Income	2011/12 Net Expenditure	2010/11 Expenditure	2010/11 Income	2010/11 Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Leisure World	4,334	(3,845)	489	4,692	(3,716)	976

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

Trade Refuse - Included within “Environmental and Regulatory Services” line in the Comprehensive Income and Expenditure Statement (page 10). The deficit for the year was £13,000 on a turnover of £461,000 (2010/11: £55,000 deficit on a turnover of £463,000).

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 £14.055 million (£15.086 million for 2010/11). These sums have been fully recharged to services.

35. Members' Allowances and Expenses

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 2012	31 March 2011
	£	£
Allowances	545,822	544,575
Expenses	2,339	2,531
Total	548,161	547,106

36. Officers' Remuneration

To provide the services of the Council the following number of full-time and part-time officers were employed as at 31 March:

	2011/12	2010/11
Central Services	18	18
Cultural & Related Services	198	218
Environmental Services	243	245
Planning & Development Services	70	66
Highways, Roads & Transport	72	64
Housing General Fund	69	85
Administration and Support Services	174	188
Total	844	884

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		2011/12	118,372	-	13,952	132,324
		2010/11	118,372	-	15,441	133,813
Executive Director		2011/12	94,200	-	11,100	105,300
		2010/11	94,200	-	11,194	105,394
Executive Director		2011/12	94,200	-	11,100	105,300
		2010/11	94,232	-	11,194	105,426
Executive Director		2011/12	94,200	-	11,100	105,300
		2010/11	94,200	-	11,194	105,394
Head of Strategic Policy and Regeneration		2011/12	70,890	-	8,350	79,240
		2010/11	70,890	-	8,420	79,310
Head of Life Opportunities		2011/12	70,758	-	8,350	79,108
		2010/11	70,758	-	8,420	79,178
Head of Environmental and Protective Services		2011/12	62,655	-	7,393	70,048
		2010/11	58,603	-	6,974	65,577
Head of Resource Management	1	2011/12	15,585	-	1,832	17,417
		2010/11	71,022	-	8,420	79,442
Head of Street Services		2011/12	70,890	-	8,350	79,240
		2010/11	70,780	-	8,420	79,200
Head of Corporate Services		2011/12	66,838	-	7,871	74,709
		2010/11	62,787	-	7,456	70,243
Customer Services Manager		2011/12	62,787	-	7,393	70,180
		2010/11	62,787	-	7,456	70,243
Monitoring Officer		2011/12	62,655	-	7,393	70,048
		2010/11	62,655	-	7,456	70,111
Section 151 Officer	1	2011/12	54,617	-	6,429	61,046
		2010/11	-	-	-	-
Returning Officer		2011/12	8,233	-	971	9,204
		2010/11	11,514	-	1,370	12,884

The following posts are required to be published to meet the requirements of the Government's data transparency code, although they do not meet the accounting standards definition of senior officer.

Post holder	Note	Financial Year	Salary, Fees and Allowances £	Compensation for loss of office £	Pension contributions £	Total Remuneration £
Strategic Change Manager		2011/12	65,809	-	5,095	70,904
		2010/11	65,795	-	5,095	70,890
ICT Manager		2011/12	58,275	-	4,511	62,786
		2010/11	58,288	-	4,511	62,799
Regeneration Programme Manager		2011/12	47,808	-	3,699	51,507
		2010/11	58,030	-	4,500	62,530

Note 1: The Head of Resource Management left during June 2011 at an annualised salary of £70,758. The post has remained vacant, but the duties have been covered by another member of staff taking on the role of Section 151 officer (shown separately above) and sharing the Head of Finance from Ipswich Borough Council 2.5 days per week on a temporary basis.

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	
	2011/12	2010/11 Restated
£50,000 - £54,999	19	19
£55,000 - £59,999	-	-
£60,000 - £64,999	-	2

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

2011/12				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	17	45	62	£487,817
£20,001 - £40,000	-	8	8	£225,201
£40,001 - £60,000	2	-	2	£87,045
Total	19	53	72	£800,063

2010/11				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	10	23	33	£306,301
£20,001 - £40,000	1	4	5	£128,429
Total	11	27	38	£434,730

37. Termination Benefits

Colchester Borough Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £800,000 (2010/11: Terminated 38 contracts incurring liabilities of £434,000). Refer to Note 36 for the number of exit packages and total cost per band. Of this total, no payments were made to senior officers as disclosed in Note 36. The remaining was payable to 72 officers from various departments that either took voluntary redundancy or were made redundant following comprehensive service reviews.

38. 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.

	2011/12 £'000	2010/11 £'000
External audit services	123	131
Statutory inspections	-	-
Certification of grant claims and returns	51	51
Other services - National Fraud Initiative	1	1
Total	175	183

39. Grant Income

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

	2011/12 £'000	2010/11 £'000 Restated
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	2,196	1,637
Area Based Grant	-	59
Council Tax Freeze Grant	267	-
Local Services Support Grant	197	-
New Homes Bonus	724	-
Capital Grants received from:		
Department of Communities and Local Government	892	1,865
English Heritage	-	72
East of England Development Agency	198	1,443
Arts Council England	2,254	1,765
Sports Council	-	14
Section 106 Developer Contributions	531	917
Other Developer Contributions	-	1,250
Essex County Council	1,712	2,006
Lottery	62	146
Other	73	38
Donated Asset Income	-	40
Total – Credited to Taxation and Non Specific Grant Income	9,106	11,252
Credited to Services		
DWP Grants for Benefits		
Rent Allowances	35,923	33,513
Rent Rebates	15,566	14,425
Local Taxation	11,449	11,261
Administration	1,154	1,201
Local Housing Allowance Preparation	-	6
CLG NNDR Admin	241	243
Homelessness	50	141
Concessionary fares Scheme Preparation	-	566
Museums, Libraries and Archives	721	950
Enterprise and Jobs	144	403
CLG Preventing Homelessness	362	40
Other	392	287
Total – Credited to Services	66,002	63,036

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:

Current Liabilities

Grants Receipts in Advance - Revenue

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Commutated sums received from developers	(1,352)	(1,219)	(1,020)
Other grants	(204)	(44)	(121)
Total	(1,556)	(1,263)	(1,141)

Long Term Liabilities

Grants Receipts in Advance - Capital

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
		Restated	
Section 106 Developer Contributions	(7,756)	(6,876)	(6,249)
Other grants	(222)	(201)	(4)
Total	(7,978)	(7,077)	(6,253)

40. 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:

	2011/12		2010/11	
	Income	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000
Central UK Government				
Revenue Grants (see Note 39)	69,386		64,732	
Non-Domestic Rate Income from National Pool	7,105		11,274	
Capital Grants (see Note 39)				
- Department of Communities and Local Government	892		1,865	
- English Heritage	-		72	
- Regeneration Budget (EEDA)	198		1,443	
- Arts Council England	2,254		1,765	
- Sports Council	-		14	
Essex County Council				
Precept (see Collection Fund Note C5)		66,241		65,696
Supporting People	417		748	
Countywide Concessionary Travel Scheme		3		2,233
Trade Waste Disposal		104		84
Capital Grants and Contributions	1,712		2,006	
Recycling Credits	1,037		1,139	
On Street Parking (Decriminalisation)	817			3
Second Homes Grant	149		162	
Other	324		339	
Essex County Council Pension Fund		4,795		5,003
Employers Contributions (see Note 42)				
Colchester Borough Homes Limited (see Note 44)	493	3,429	407	3,567
We have received income, mainly for the provision of support services. This has been paid out of the				

	2011/12		2010/11	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
management fee Colchester Borough Homes Limited received from the Housing Revenue Account.				
Essex Police Authority		8,053		7,987
Precept (see Collection Fund Note C5)				
Essex Fire and Rescue Service		4,049		4,015
Precept (see Collection Fund Note C5)				
Parish Councils		1,164		1,227
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		247		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 95).				
Colchester Community Stadium Limited (see Note 44)				
Rent paid by Colchester Community Stadium Limited	300		300	
Outstanding balance on loans made to Colchester Community Stadium Limited	77		28	

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.

41. 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 assets in the Balance Sheet at the following net carrying amounts:

	31 March 2012 £'000	31 March 2011 £'000
Other Land and Buildings	875	886
Vehicles, Plant, Furniture and Equipment	239	287
Total	1,114	1,173

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 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):			
Current	58	36	491
Non-current	419	265	196
Finance costs payable in future years	1,325	1,334	1,327
Minimum Lease Payments	1,802	1,635	2,014

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
Not later than one year	104	51	58	36
Later than one year and not later than five years	311	176	202	69
Later than five years	1,387	1,408	217	196
Total	1,802	1,635	477	301

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 2012	31 March 2011
	£'000	£'000
Not later than one year	439	452
Later than one year and not later than five years	1,695	1,715
Later than five years	2,366	2,776
Total	4,500	4,943

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

	31 March 2012	31 March 2011
	£'000	£'000
Not later than one year	100	108
Later than one year and not later than five years	384	391
Later than five years	524	618
Total	1,008	1,117

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

	2011/12	2010/11
	£'000	£'000
Minimum lease payments	541	570
Contingent rent payments	21	21
Sub lease minimum lease payments received	(178)	(175)
Sub lease contingent rent payments received	(1)	(6)

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 2012 £'000	31 March 2011 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	6	6
Non-current	114	121
Unearned finance income	62	71
Unguaranteed residual value of property	17	17
Gross investment in the lease	199	215

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 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'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	123	139	106	122
Total	199	215	182	198

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 2012 £'000	31 March 2011 £'000
Not later than one year	1,464	1,396
Later than one year and not later than five years	5,190	5,182
Later than five years	23,273	27,835
Total	29,927	34,413

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 2011/12 a total of £1,351,000 was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2010/11: £1,360,000).

42. 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

The cost of retirement benefits is recognised 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 that is required to be made 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	
	2011/12 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Current Service Cost	2,913	3,380
Past Service Gain	-	(9,833)
Settlement and Curtailments	133	142
<i>Financing and Investment Income and Expenditure</i>		
Interest Cost	8,710	9,328
Expected Return on Assets in the Scheme	(6,695)	(5,945)
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	5,061	(2,928)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial (gains)/losses	24,846	(3,257)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	29,907	(6,185)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,061)	2,928
Actual amount charged against the General Fund Balance for pensions in the year.		
Employers' contributions payable to the scheme	4,795	5,003

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure to the 31 March 2012 is a net loss of £50.101 million (31 March 2011: net actuarial loss of £25.255 million).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of fair value of the scheme assets:

	2011/12 £'000	2010/11 £'000
Balance at 1 April	99,163	95,899
Expected rate of return	6,695	5,945
Actuarial gains/(losses)	(5,586)	(3,585)
Employer contributions	4,795	5,003
Contributions by scheme participants	1,171	1,240
Benefits paid	(5,494)	(5,339)
Settlements	-	-
Balance at 31 March	100,744	99,163

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

	2011/12 £'000	2010/11 £'000
Balance at 1 April	(159,003)	(166,927)
Current Service Cost	(2,913)	(3,380)
Interest Cost	(8,710)	(9,328)
Contributions by scheme participants	(1,171)	(1,240)
Actuarial (gains)/losses	(19,260)	6,842
Benefits paid net of transfers in	5,086	4,938
Unfunded pension payments	408	401
Past Service Gain	-	9,833
Curtailments	(133)	(142)
Settlements	-	-
Balance at 31 March	(185,696)	(159,003)

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 had the effect of reducing the Council's Pension Scheme liabilities by £9.833 million in 2010/11 and this was recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change was 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 in the 2010/11 financial year on the face of the Comprehensive Income and Expenditure Statement on page 10.

The expected rate of return on scheme assets is based on the long-term future expected investment return for each asset class at the beginning of the period at 1 April. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was a positive return of £1.11 million (2010/11: A positive return of £9.25 million).

Scheme History

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Present value of liabilities	(185,696)	(159,003)	(166,927)	(122,952)	(144,914)
Fair value of assets	100,744	99,163	95,899	71,013	89,643
Deficit in the scheme	(84,952)	(59,840)	(71,028)	(51,939)	(55,271)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £84.952 million 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 2013 is £4.33 million.

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 Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary were:

	31 March 2012 %	31 March 2011 %
Long-term expected rate of return on assets in the scheme:		
Equity Investments	6.4	7.5
Government Bonds	3.3	4.4
Other Bonds	4.6	5.1
Property	5.4	6.5
Cash	0.5	0.5
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7	22.6
Women	25.3	25.2
Longevity at 65 for future pensioners (retiring in 20 years):		
Men	24.1	24.0
Women	26.8	26.8
Rate of RPI inflation	3.3	3.4
Rate of CPI inflation	2.5	2.9
Rate of increase in salaries	4.3	4.4
Rate of increase in pensions	2.5	2.9
Rate for discounting scheme liabilities	4.6	5.5
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:

Proportion of total assets held:	31 March 2012		31 March 2011	
	£'000	%	£'000	%
Equity investments	70,521	70	68,919	70
Gilts	4,030	4	6,644	6
Other Bonds	10,074	10	9,420	10
Property	14,104	14	11,106	11
Cash	2,015	2	3,074	3
Total	100,744	100	99,163	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2012:

	2011/12 %	2010/11 % Restated	2009/10 %	2008/09 %	2007/08 %
Differences between the expected and actual return on assets	(5.5)	(3.6)	21.2	(35.4)	(11.5)
Experience gains and losses on liabilities	(0.4)	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.

43. Contingent Liabilities

At 31 March 2012, 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.

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.

The Council is aware of a potential challenge in respect of some income relating mainly to prior years. Counsel's opinion has been sought in order to understand the Council's potential liability, as well as any defences that could be mounted. The issue remains currently unresolved. No provision has been made in the accounts, however consideration to this issue has been made within the assessment of general fund balances.

44. 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 2012. 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 5 September 2012.

The following summarised accounts are based on the draft accounts to be submitted for approval in September 2012 and cover the financial year from 1 April 2011 to 31 March 2012.

Income and Expenditure Account

	2011/12 £'000	2010/11 £'000
Turnover	10,416	10,054
Operating costs	(10,598)	(9,240)
Operating (Deficit)/Surplus	(182)	814
Interest receivable	10	8
FRS17 interest adjustment	39	(132)
(Deficit)/Surplus on ordinary activities before taxation	(133)	690
Tax charge on (Deficit)/Surplus on ordinary activities	(2)	(2)
(Deficit)/Surplus for the Year	(135)	688

Balance Sheet

	31 March 2012 £'000	31 March 2011 £'000
Current Assets		
Debtors	815	379
Cash at bank and in hand	420	1,201
Current Liabilities		
Creditors: Amounts falling due within one year	(686)	(951)
Other Liabilities		
Provisions	(8)	(31)
Pension Fund Liability	(5,530)	(2,188)
Total Net Liabilities	(4,989)	(1,590)
Total Reserves	(4,989)	(1,590)

The following balances with the Council are included above:

	31 March 2012 £'000	31 March 2011 £'000
Debtors	573	281
Creditors	-	-

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2012 the cash at bank of £419,000 (31 March 2011: £1.2 million) was consolidated with the Council's funds for investment purposes.

Further information is provided within the Group Accounts (Pages 97-118).

Net Pensions Liability

Colchester Borough Homes participates in the Local Government Pension Scheme administered by Essex County Council. The fund actuary, Barnett Waddingham, 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 2012 £'000	31 March 2011 £'000
Estimated Liabilities in Scheme	(19,269)	(14,937)
Estimated Assets in Scheme	13,739	12,749
Net Liability	(5,530)	(2,188)

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The latest revaluation was at 31 March 2010 which was 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 2012 in accordance with International Financial Reporting Standards. These accounts were approved by the Board of Colchester Community Stadium Limited on 10 May 2012.

The following summarised accounts are based on the accounts that were approved and cover the year from 1 April 2011 to 31 March 2012.

Income and Expenditure Account

	2011/12 £'000	2010/11 £'000
Turnover	364	363
Operating costs	(341)	(338)
	23	25
Interest receivable	-	-
Interest payable	(5)	(2)
(Deficit)/Surplus on ordinary activities before taxation	18	23
Tax charge on (deficit)/surplus on ordinary activities	(6)	(2)
(Deficit)/Surplus for the Financial Period	12	21

Balance Sheet

	31 March 2012 £'000	31 March 2011 £'000
Non-Current Assets		
Property, Plant and Equipment	110	-
Current Assets		
Debtors	176	190
Cash and cash equivalents	53	28
	229	218
Current Liabilities		
Creditors	(179)	(179)
Short Term Borrowings	(18)	(7)
Tax Payable	(6)	(2)
	(203)	(188)
Net Current Assets	26	30
Non-Current Liabilities		
Long Term Borrowings	(115)	(21)
Total Net Assets	21	9
Total Reserves	21	9

The following balances with the Council are included above:

	31 March 2012 £'000	31 March 2011 £'000
Debtors	70	70
Creditors	(90)	(90)
Short Term Borrowings	(13)	(7)
Long Term Borrowings	(64)	(21)

The accounts were audited by Baker Chapman & Bussey and an unqualified opinion was given. The accounts are published electronically on the Council's website – www.colchester.gov.uk.

45. 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 North Essex Parking Partnership, which was set up on 1 April 2011 for the purposes of civil parking enforcement in the administrative areas of the districts of Braintree, Epping, Harlow, Tendring and Uttlesford and the Borough of Colchester.

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.

46. Trust Funds

The Council acts as a trustee for several trust funds. The funds are not considered to be assets of the Council and so they have not been included within the Council's Balance Sheet on page 11. Refer to pages 90-96 for details of the nature and amount of these Trust Funds.

HRA INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

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. Councils 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	2011/12 £'000	2010/11 £'000
INCOME			
Dwelling Rents	H1 & H2	(22,983)	(21,570)
Non-Dwelling Rents	H3	(736)	(715)
Charges for Services and Facilities	H4	(2,175)	(2,451)
Contributions towards Expenditure		(282)	(278)
Total Income		(26,176)	(25,014)
EXPENDITURE			
Repairs and Maintenance		4,717	4,380
Supervision and Management		8,028	8,060
Rents, Rates, Taxes and Other Charges		109	105
Negative HRA Subsidy Payable (including MRA)	H12	4,655	2,584
HRA Self-Financing Settlement payment to Secretary of State	H14	73,694	-
Depreciation and Impairments of Non Current Assets	H9 & H10	6,622	6,888
Revaluation Losses		6,294	121,780
Derecognition of Non Current Assets		225	314
Amortisation	H11	108	81
Debt Management Costs		121	65
Movement in the provision for Bad Debts		134	76
Reversal of previously recognised revaluation losses		-	(186)
Total Expenditure		104,707	144,147
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		78,531	119,133
HRA services share of Corporate and Democratic Core		385	380
Net Cost for HRA Services		78,916	119,513
HRA share of the Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain)/Loss on sale of HRA Non Current Assets		(599)	1,860
HRA share of the Financing and Investment Income and Expenditure included in the Comprehensive Income and Expenditure Statement			
Interest payable and similar charges	H8	2,598	2,585
Interest and investment income		(22)	(16)
Income and Expenditure in relation to Investment Properties		(13)	(16)
(Surplus)/Deficit for the year on HRA services		80,880	123,926

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 79).

MOVEMENT ON THE HOUSING REVENUE ACCOUNT 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	2011/12 £'000	2010/11 £'000
Balance on the HRA at 1 April		3,919	2,609
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	Page 78	(80,880)	(123,926)
Adjustments between accounting basis and funding basis under statute	Note 9	80,521	125,328
Net increase/(decrease) before transfers to / from Earmarked Reserves		(359)	1,402
Transfers (to)/from Earmarked reserves		(23)	(92)
Increase/Decrease in the year on the HRA Balance		(382)	1,310
Balance on the HRA at 31 March		3,537	3,919

NOTES TO THE HOUSING REVENUE ACCOUNT

H1. 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 2012, 1.12% of lettable properties were vacant (0.97% at 31 March 2011).

The Council was responsible for the management of approximately 6,250 properties during the year. The stock at the beginning and end of the year was made up as follows:

	At 31 March 2012	At 31 March 2011
Analysis by Type of Dwelling:		
Houses & Bungalows	3,080	3,090
Flats & Maisonettes	3,177	3,183
Total Dwellings	6,257	6,273
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,560	2,563
2 Bedrooms	1,828	1,832
3 Bedrooms	1,775	1,784
4 or more Bedrooms	94	94
Total Dwellings	6,257	6,273
The change in stock can be summarised as follows:		
Stock at the beginning of the Year	6,273	6,303
Add: Conversions etc.	-	1
	6,273	6,304
Deduct: Sales, Demolitions, Conversions, etc.	(16)	(31)
Stock at the end of the Year	6,257	6,273

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 2012 in the 2011/12 accounts and this is reflected in the valuation shown below:

Balance Sheet Valuation of HRA Assets	At 31 March 2012	At 1 April 2011
	£'000	£'000
Council Dwellings	259,424	267,010
Other Land and Buildings	11,431	12,671
Vehicles, Plant, Furniture and Equipment	115	20
Surplus Properties	38	38
Investment Properties	120	120
Assets Held for Sale	765	398
Total	271,893	280,257

H2. 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 2012	At 1 April 2011
	£'000	£'000
Council Dwellings	665,190	684,642
Other Land and Buildings (Homeless Properties)	7,462	7,656

H3. Non Dwelling Rents

These total £736,000 for 2011/12 and are made up as follows:

Non Dwelling Rents	2011/12 £'000	2010/11 £'000
Garages and Other Charges	(674)	(651)
Land and Other Buildings	(62)	(64)
Total	(736)	(715)

H4. 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 £386,000 from Supporting People charges in 2011/12 (2010/11 £763,000) is shown under Charges for Services and Facilities. This includes a figure of £386,000 (2010/11 £715,000) which is a grant receivable under the Supporting People Programme.

H5. Major Repairs Reserve

	2011/12 £'000	2010/11 £'000
Balance as at 1 April	2,258	3,217
Transfers in – depreciation (Note H9)	6,500	6,888
Transfers out to the HRA	(1,892)	(2,399)
Capital Spending on Dwelling Stock met from Reserve	(5,704)	(5,448)
Balance as at 31 March	1,162	2,258

H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 42) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

H7. HRA Capital Financing

Capital Financing	2011/12 £'000	2010/11 £'000
HRA Capital Expenditure		
Dwelling Stock	6,126	5,561
Non Dwelling Works	92	52
Investment in Information Technology	128	195
Total	6,346	5,808
Financed by:		
Supported Borrowing	-	-
Revenue Contributions	642	360
Major Repairs Reserve	5,704	5,448
Total	6,346	5,808
Summary of HRA Capital Receipts		
	2011/12 £'000	2010/11 £'000
Sale of Council Houses – Direct	1,162	688
Sale of Council Houses – Deferred	11	8
Other (including shared ownership)	124	-
Total	1,297	696

Receipts from the sale of Council houses have increased as 16 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 8 in 2010/11.

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 £1.297 million, £0.871 million was paid to the Secretary of State under the pooling arrangements. The retained balance of £0.426 million can be used to finance capital expenditure (see Note 19).

H8. Interest Payable

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 on its historic debt at a "consolidated interest rate" derived by a formula specified by the Department of Communities and Local Government. The exception to this is the new loans taken out on the 28 March 2012 relating to the abolition of the subsidy system following HRA Reform, which have been charged at the actual borrowing rate.

HRA Interest Charge	2011/12 £'000	2010/11 £'000
HRA Interest Charge	2,598	2,585

H9. Depreciation

Depreciation	2011/12 £'000	2010/11 £'000
Council Dwellings	6,195	6,500
Other Land and Buildings	293	381
Vehicles, Plant, Furniture and Equipment	12	7
Surplus Properties	-	-
Investment Properties	-	-
Assets Held for Sale	-	-
Total Depreciation	6,500	6,888

H10. Impairment Charges

Impairment	2011/12 £'000	2010/11 £'000
Council Dwellings	-	-
Other Land and Buildings	122	-
Surplus Properties	-	-
Investment Properties	-	-
Assets Held for Sale	-	-
Total Impairment Charges	122	-

During 2011/12 the Council has recognised impairment losses totalling £936,000 in relation to the significant deterioration of the physical condition of a number of HRA garages. These garages are deemed to be beyond economical repair and cannot be let out in their current state. The total impairment loss was calculated by reducing the value of these garage buildings down to nil as at 31 March 2012. The majority of the total impairment loss (£814,000) has been charged against the Revaluation Reserve to reduce the balance of revaluation gains associated to these assets to nil and then the remainder of the impairment loss (£122,000) has been taken to the Housing Revenue Account and then reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

H11. Intangible Assets

	2011/12 £'000	2010/11 £'000
Housing Integrated Computer System	108	81

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).

H12. Housing Subsidy

Housing Subsidy	2011/12 £'000	2010/11 £'000
Allowance for Management	3,553	3,354
Allowance for Maintenance	6,944	6,760
Allowance for Major Repairs	4,608	4,488
ALMO Allowance	-	2,857
Charges for Capital	3,599	1,784
Rent	(23,365)	(21,829)
Interest on Receipts	(4)	(5)
Housing Subsidy (Payable)/Receivable	(4,665)	(2,591)

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.

H13. Rent Arrears

The arrears at 31 March 2012 totalled £0.996 million. This excludes prepayments of £0.494 million, and may be analysed as follows:

Arrears	2011/12 £'000	2010/11 £'000
Due from Current Tenants	400	398
Due from Former Tenants	596	712
	996	1,110
Prepayments	(494)	(472)
Net Arrears	502	638

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 2012 the provision totalled £0.754 million (2010/11 £0.869 million).

H14. Exceptional items and Prior period adjustments

As a result of implementing the National Reform of Council Housing Finance by the Government, the Council was required to make a one-off "settlement" payment to the Department for Communities and Local Government, as part of the abolition of the HRA subsidy system. The payment of £73.694 million was made on the 28 March 2012. This payment is considered to be an exceptional item and has been shown separately on the face of the Housing Revenue Account Income and Expenditure Statement. It is subsequently transferred from the HRA to the Capital Adjustment Account in accordance with statutory regulations. Refer to the Movement on the HRA Statement on page 79.

H15. Revenue Balances

Out of the revenue balance of £3.5 million a sum of £0.6 million has already been committed for future use.

Revenue Balances	2011/12	2010/11
	£'000	£'000
Revenue Balance at the beginning of the Year	3,919	2,609
Add: Housing Revenue Account Surplus	-	1,310
Less: Housing Revenue Account statutory deficit	(290)	-
Less: Use of Accumulated Balance for capital spending	(92)	-
Revenue Balance at the End of the Year	3,537	3,919
Less: Committed Sum		
Investment in Housing Stock 2011/12 and Future Years	(493)	(1,478)
Estimate Balance Carried Forward	(80)	(114)
Uncommitted Balance	2,964	2,327

H16. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£0.493 million) will be used to support spending in future years.

Further Information

Arms Length Management Organisation (ALMO) - see Note 44.

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

COLLECTION FUND ACCOUNTS 2011/12

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 2012

	Notes To Collection Fund	2011/12 £'000	2010/11 £'000
INCOME			
Council Tax	C1 - C3	(90,362)	(89,727)
Non-Domestic Rates	C4	(57,031)	(52,753)
Total Income		(147,393)	(142,480)
EXPENDITURE			
Precepts	C5	90,058	89,221
National Non-Domestic Rates:			
Payment to National Pool	C4	56,790	52,510
Cost of Collection Allowance	C4	241	243
Bad and Doubtful Debts:			
Write off of Council Tax		-	-
Provision for Council Tax Bad Debts	C6	647	373
Total Expenditure		147,736	142,347
(Surplus)/Deficit for the Year – Council Tax	C7	343	(133)
Distribution/(Collection) of Previous Estimated Surplus/Deficit	C7	(451)	380
(Surplus)/Deficit for the Year		(108)	247
Collection Fund Balance			
Balance at the Beginning of the Year		65	(182)
(Surplus)/Deficit for the Year		(108)	247
Balance at the End of the Year	C7	(43)	65

NOTES TO THE COLLECTION FUND ACCOUNTS

C1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,477.48 with an estimated tax base of 60,954 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2011/12 £'000	2010/11 £'000
Council Tax Income		
Tax Payers	(79,026)	(78,586)
Council Tax Benefits transferred from General Fund	(11,336)	(11,141)
Total	(90,362)	(89,727)

C2. 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	8,015	6,715	6/9	4,477
B	19,041	17,023	7/9	13,240
C	17,867	16,428	8/9	14,603
D	12,373	11,462	9/9	11,462
E	7,307	6,914	11/9	8,451
F	3,557	3,405	13/9	4,919
G	2,140	2,032	15/9	3,387
H	139	120	18/9	240
Contributions in lieu for Ministry of Defence Properties				790
Total Band D				61,569
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				(616)
Council Tax Base				60,953

C3. Band D Council Tax

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

Authority	Population	Band D Council Tax
Colchester	181,000	175.23
Basildon	175,200	252.81
Chelmsford	169,500	163.29
Tendring	148,500	149.88
Braintree	144,000	162.81
Epping Forest	124,700	148.77
Castle Point	89,400	229.59
Rochford	83,400	201.15
Harlow	81,700	251.55
Uttlesford	77,500	147.42
Brentwood	74,800	174.37
Maldon	63,200	169.66

C4. National Non-Domestic Rate (NNDR) Income

Non-Domestic Rates are organised on a national basis. The Government specifies an amount (42.6p in 2011/12, 40.7p in 2010/11) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value assigned to the property that they occupy by that amount. The Council is responsible for collecting rates due from business ratepayers in its area but pays the proceeds into a National pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities on the basis of a fixed amount per head of population.

	2011/12 £'000	2010/11 £'000
NNDR Income		
Bills Issued	(62,380)	(57,130)
Mandatory Reliefs	5,162	4,006
Discretionary Reliefs	170	152
Provision for Bad Debts	121	309
Net Income	(56,927)	(52,663)
General Fund contribution to Discretionary Reliefs	(104)	(90)
NNDR Income to Income & Expenditure Account	(57,031)	(52,753)
Cost of Collection Allowance	241	243
Amount Payable to NNDR Pool	(56,790)	(52,510)

The total Non-Domestic Rateable value at 31 March 2012 was £154,254,459; the multiplier for the year was 42.6p. The product of this is £65,721,400. 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.

C5. Precepts

These are cash sums demanded from the Collection Fund by the Authorities named below in order to finance their activities.

	2011/12 £'000	2010/11 £'000
Essex County Council	66,241	65,696
Colchester Borough Council	11,715	11,523
Essex Police Authority	8,053	7,987
Essex Fire Authority	4,049	4,015
Total Precepts	90,058	89,221

C6. Provision for Council Tax Bad Debts

Contributions of £647,000 were made to a provision for bad debts in 2011/12 (2010/11: £373,000). During 2011/12 £238,906 of irrecoverable debts were written off (2010/11: £340,000) against this provision, this does not appear in the revenue account.

C7. 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 deficit of £451,000 was shared as shown below.

	2011/12	2010/11
	£'000	£'000
Essex County Council	(332)	280
Colchester Borough Council	(58)	49
Essex Police Authority	(41)	34
Essex Fire Authority	(20)	17
Total (Deficit)/Surplus	(451)	380

The cumulative surplus at the end of March 2012 is not required to be distributed until the following financial years. The surplus will be distributed in proportion to the value of the respective precepts as shown below.

	2011/12	2010/11
	£'000	£'000
Essex County Council	(31)	48
Colchester Borough Council	(6)	8
Essex Police Authority	(4)	6
Essex Fire Authority	(2)	3
Total Deficit/(Surplus)	(43)	65

This future distribution is anticipated in the presentation in the Balance Sheet (page 11).

C8. 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.

C9. Contribution from Colchester Borough Council

No contribution was required from the Council to cover historical adjustments to Community Charge Income (Note C8).

PORT HEALTH AUTHORITY ACCOUNTS 2011/12

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 2012

	2011/12 £	2010/11 £
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	-	-
Gross Expenditure	-	-
Net Expenditure	(1)	(1)

BALANCE SHEET AS AT 31 MARCH 2012

	2011/12 £	2010/11 £
Current Assets:		
Cash at Bank	2,547	2,546
Cash in transit	-	-
	2,547	2,546
Current Liabilities:		
Colchester Borough Council	(1,874)	(1,873)
Tendring District Council	(673)	(673)
	(2,547)	(2,546)
Net Current Assets	-	-

TRUST FUND ACCOUNTS

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

1. The Resident Freeman's Fund

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

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2010/11 £	2009/10 £
Balance as at 1 October	461	501
Add: Interest on Investments	288	288
Bank Interest	-	2
Other Income	30	30
	779	821
Less: Administration and Distribution Expenses	(20)	(45)
Subscription	(30)	(30)
Distribution to Freeman	(240)	(285)
Balance as at 30 September	489	461

BALANCE SHEET AS AT 30 SEPTEMBER 2011

	2010/11 £	2009/10 £
Assets:		
Investments	7,246	6,764
Debtors	30	-
Cash at Bank	749	461
Liabilities:		
Creditors	(290)	-
Represented by Accumulated Fund	7,735	7,225

Please note: Investments are stated at market value as at 30 September 2011. These investments are Bank of England 2½% Consolidated Stock with a nominal value of £11,511.46 (2009/10: £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 Colchester Museums. The market value of the investments as at 31 March 2012 was £389,832 (31 March 2011: £392,807). A further sum of £24,760 was held on deposit pending transfer to the Colchester museums in future years (31 March 2011: £47,074).

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2012

	2011/12 £	2010/11 £
Balance as at 1 April	50,078	49,464
Add: Interest on Investments	15,097	15,001
Interest on Balance	52	56
	65,227	64,521
Less: Bank Charges	-	-
Distributions	(40,000)	(14,443)
Balance as at 31 March	25,227	50,078

BALANCE SHEET AS AT 31 MARCH 2012

	2011/12 £	2010/11 £
Assets:		
Investments	389,832	392,807
Debtors	467	3,003
Cash at Bank	24,760	47,074
	415,059	442,884
Liabilities:		
Creditors	-	-
Represented by Accumulated Fund	415,059	442,884

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 Freeman 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 2012

	2011/12	2010/11
	£	£
Balance as at 1 April	6,180	5,908
Add: Interest Received	3	3
Dividends	312	299
	6,495	6,210
Less: Expenses	(30)	(30)
Balance as at 31 March	6,465	6,180

BALANCE SHEET AS AT 31 MARCH 2012

	2011/12	2010/11
	£	£
Assets:		
Investments	8,104	8,185
Cash at Bank	6,465	6,180
Represented by Accumulated Fund	14,569	14,365

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

4. Old British School Trustees

This charity assists the promotion of the education of young people under 25 years of age resident in the Borough, or to assist their entry into a profession. Two grants were paid out in 2011/12.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	2011/12	2010/11
	£	£
Balance as at 1 April	9,112	8,781
Add: Interest received	7	8
Dividends	325	323
Less: Grants paid	(290)	-
Balance as at 31 March	9,154	9,112

BALANCE SHEET AS AT 31 MARCH 2012

	2011/12	2010/11
	£	£
Assets:		
Investments	7,357	7,423
Cash at Bank	8,124	8,083
Represented by Accumulated Fund	15,481	15,506

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 2011/12 (19 grants paid in 2010/11).

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	2011/12	2010/11
	£	£
Balance as at 1 April	1,286	3,631
Add: Interest received	1	4
Dividends	718	801
Profit on disposal	1,502	-
Less: Grants Paid	(2,774)	(3,150)
Balance as at 31 March	733	1,286

BALANCE SHEET AS AT 31 MARCH 2012

	2011/12	2010/11
	£	£
Assets:		
Investments	15,768	18,383
Debtors	-	4
Cash at Bank	733	283
Represented by Accumulated Fund	16,501	18,670

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

6. Colchester New Theatre Trust

The Colchester New Theatre Trust was established by Trust Deed on 5 April 1969 for the purpose of raising funds by public subscription in order to finance the building of a new theatre for Colchester and from then on to be responsible for the maintenance and upkeep of the building.

The Council became the sole Corporate Trustee of this charity from 9 October 1998.

The Trust is responsible for Mercury House together with the Mercury Theatre buildings.

FINANCIAL ACTIVITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2010/11	2009/10
	£	£
Fund Balances as at 1 October	246,575	246,920
Add: Investment Income	84	84
	246,659	247,004
Less: Management/Admin Expenses	(429)	(429)
Balance as at 30 September	246,230	246,575

BALANCE SHEET AS AT 30 SEPTEMBER 2011

	2010/11	2009/10
	£	£
Fixed Asset:		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	117,923	117,840
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	251,319	251,236
Current Liabilities:		
Sundry Creditors	(4,999)	(4,661)
Total Net Assets	246,320	246,575
Represented by:		
Unrestricted Funds		
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	82,936	83,191
	246,320	246,575

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 2012

	2011/12	2010/11
	£	£
Income from functions	-	200
Less: Function related expenses	-	-
Net Income	-	200
Payments to Mayor's Charities	-	(7,467)
Net Surplus/(Deficit)	-	(7,267)

BALANCE SHEET AS AT 31 MAY 2012

	2011/12	2010/11
	£	£
Current Assets		
Sundry Debtors	-	-
Cash at Bank	-	-
	-	-
Current Liabilities		
Sundry Creditors	-	-
Cash Overdrawn	-	-
Net Current Assets	-	-

In 2010/11 the administration of the Mayor's charity was transferred from the Council to the Grassroots charity. The 2011/12 accounts were compiled by the Mayor.

GROUP ACCOUNTS

1. Introduction

The group accounts have been prepared under the International Financial Reporting Standards (IFRS) using the IFRS Based Code of Practice on Local Authority Accounting.

The IFRS based Code of Practice on 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 and Colchester Community Stadium Limited (see Note 44) 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 90-96) 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 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 2012 on the basis of interim financial statements at this date.

During 2011/12 Colchester Borough Homes Limited worked substantially all for the Council so the bringing together of income and expenditure has had only a limited effect on the service revenue account. Other works performed by CBH included the management of two housing properties on behalf of an external private company.

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

2. Accounting Policies

G1 The accounting policies for the Council are set out on in Note 1 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 2012

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 Restated	£'000	£'000	£'000	£'000	£'000	£'000 Restated	£'000 Restated	£'000 Restated	£'000 Restated
Balance at 1 April 2010	3,926	2,609	6,555	4,562	3,217	18	1,103	21,990	424,453	446,443
Movement in reserves during 2010/11										
Surplus/(Deficit) on provision of services (Page 99)	11,768	(123,926)	-	-	-	-	662	(111,496)	-	(111,496)
Other Comprehensive Income and Expenditure (Page 99)	-	-	-	-	-	-	5	5	10,187	10,192
Total Comprehensive Income and Expenditure	11,768	(123,926)	-	-	-	-	667	(111,491)	10,187	(101,304)
Adjustments between accounting basis & funding basis under regulations (Note G5)	(13,758)	125,328	-	(1,888)	(959)	287	(608)	108,402	(108,402)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,990)	1,402	-	(1,888)	(959)	287	59	(3,089)	(98,215)	(101,304)
Transfers to/from Earmarked Reserves (Note 10)	1,521	(92)	(1,754)	-	-	-	-	(325)	325	-
Increase/(Decrease) in Year	(469)	1,310	(1,754)	(1,888)	(959)	287	59	(3,414)	(97,890)	(101,304)
Balance at 1 April 2011 (Page 100)	3,457	3,919	4,801	2,674	2,258	305	1,162	18,576	326,563	345,139
Movement in reserves during 2011/12										
Surplus/(Deficit) on provision of services (Page 99)	(13,186)	(80,880)	-	-	-	-	(132)	(94,198)	-	(94,198)
Other Comprehensive Income and Expenditure (Page 99)	-	-	-	-	-	-	(2)	(2)	(25,298)	(25,300)
Total Comprehensive Income and Expenditure	(13,186)	(80,880)	-	-	-	-	(134)	(94,200)	(25,298)	(119,498)
Adjustments between accounting basis & funding basis under regulations (Note G5)	16,773	80,521	-	1,846	(1,096)	(302)	78	97,820	(97,820)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,587	(359)	-	1,846	(1,096)	(302)	(56)	3,620	(123,118)	(119,498)
Transfers to/from Earmarked Reserves (Note 10)	(2,126)	(23)	517	-	-	-	-	(1,632)	1,632	-
Increase/(Decrease) in Year	1,461	(382)	517	1,846	(1,096)	(302)	(56)	1,988	(121,486)	(119,498)
Balance at 31 March 2012 (Page 100)	4,918	3,537	5,318	4,520	1,162	3	1,106	20,564	205,077	225,641

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.

	2011/12			2010/11		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000 Restated
Central services to the public	14,367	(12,891)	1,476	14,681	(12,875)	1,806
Cultural and related services	27,730	(10,735)	16,995	14,554	(6,880)	7,674
Environmental and regulatory services	12,469	(4,172)	8,297	11,685	(3,818)	7,867
Planning services	6,861	(3,072)	3,789	7,355	(2,545)	4,810
Highways, roads and transport services	7,688	(6,634)	1,054	7,155	(6,354)	801
Local Authority Housing (HRA)	31,185	(26,186)	4,999	144,285	(25,014)	119,271
Local Authority Housing (HRA) – Settlement payment to Government for HRA self-financing (Note 5)	73,694	-	73,694	-	-	-
Other housing services	59,045	(54,635)	4,410	56,645	(50,585)	6,060
Adult social care	1,259	(772)	487	1,518	(764)	754
Corporate and democratic core	4,344	(298)	4,046	4,374	(407)	3,967
Non distributed costs	176	(34)	142	47	-	47
Exceptional item - Past Service Gain (Note G23)	-	-	-	(10,746)	-	(10,746)
Exceptional item (Note 5)	3,519	(6,300)	(2,781)	-	-	-
Cost of Services	242,337	(125,729)	116,608	251,553	(109,242)	142,311
Other operating expenditure (Note G6)			1,416			3,313
Financing and investment income and expenditure (Note G7)			4,048			2,434
Taxation and non-specific grant income (Note G8)			(27,874)			(36,562)
(Surplus)/Deficit on Provision of Services			94,198			111,496
(Surplus)/Deficit on revaluation of non current assets (Note 28)			(2,812)			(6,151)
Actuarial (gains)/losses on pension assets and liabilities (Note G23)			28,110			(4,036)
Surplus/Deficit on the revaluation of Trust Fund investments (Note G14)			2			(5)
Other Comprehensive Income and Expenditure			25,300			(10,192)
Total Comprehensive Income and Expenditure			119,498			101,304

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 Group (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 2012 £'000	31 March 2011 £'000 Restated	1 April 2010 £'000
Long Term Assets				
Property Plant & Equipment	-	404,261	425,261	538,683
Heritage Assets	15	1,172	-	-
Investment Properties	16	35,887	37,259	35,186
Intangible Assets	17	961	1,183	1,033
Long Term Investments	G9	380	386	353
Long Term Debtors	21	743	709	706
Total Long Term Assets		443,404	464,798	575,961
Current Assets				
Short Term Investments	20	2,936	8,636	7,106
Assets Held for Sale	22	2,294	398	309
Inventories		170	205	168
Short Term Debtors	G10	8,100	11,630	11,307
Cash and Cash Equivalents	G11	20,046	5,669	7,917
Total Current Assets		33,546	26,538	26,807
Current Liabilities				
Bank Overdraft		-	(3,267)	(1,476)
Short Term Borrowing	-	(6,081)	(6,048)	(6,047)
Short Term Creditors	G12	(13,239)	(8,434)	(8,727)
Grants Receipts in Advance - Revenue	39	(1,556)	(1,263)	(1,141)
Total Current Liabilities		(20,876)	(19,012)	(17,391)
Long Term Liabilities				
Long Term Creditors – Finance Leases	20 & 41	(419)	(265)	(196)
Provisions	G13	(409)	(415)	(480)
Long Term Borrowing	-	(131,145)	(57,400)	(57,400)
Pension Scheme Liability	G23	(90,482)	(62,028)	(74,605)
Grants Receipts in Advance - Capital	39	(7,978)	(7,077)	(6,253)
Total Long Term Liabilities		(230,433)	(127,185)	(138,934)
Total Net Assets		225,641	345,139	446,443
Represented by:				
Usable Reserves	G14	20,564	18,576	22,060
Unusable Reserves	G15	205,077	326,563	424,383
Total Reserves		225,641	345,139	446,443

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.

		2011/12 £'000	2010/11 £'000 Restated
Net Surplus/(Deficit) on the provision of services	Page 99	(94,198)	(111,496)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		39,366	131,797
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,363)	(10,850)
Net cash flows from Operating Activities	Note G16	(56,195)	9,451
Investing Activities	Note G17	(5,146)	(11,284)
Financing Activities	Note 31	78,985	(2,206)
Net increase/(decrease) in cash and cash equivalents		17,644	(4,039)
Cash and cash equivalents at the beginning of the reporting period	Note G18	2,402	6,441
Cash and cash equivalents at the end of the reporting period	Note G18	20,046	2,402

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 13-77 and the group statements are cross referenced to them where relevant.

G2. Subsidiary Companies

Colchester Borough Homes Limited (CBH) and Colchester Community Stadium Limited (CCS) are wholly owned subsidiaries of the Council (See Note 44).

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 Colchester Community Stadium Limited and the Council as well as the Board agrees the annual delivery plan.

G3. Consolidation of Operating Income and Expenditure

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 Colchester Community Stadium Limited has been included within the 'Cultural and related services' line in the Group Comprehensive Income and Expenditure Statement.

G4. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on 29 June 2012 (refer to page 8). Events taking place after this date are not reflected in the financial statements or notes.

There are no items which arose after the year end of 31 March 2012 that would materially affect these accounts and as such no adjustments have been made to the figures in the financial statements or notes.

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.

2011/12	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Subsidiary and Trust Fund Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments 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	3,493	-	-	-	-	-	(3,493)
Charges for impairment of non-current assets	125	122	-	-	-	-	(247)
Derecognition of components of non-current assets	4,816	225	-	-	-	-	(5,041)
Revaluation losses on Property, Plant and Equipment	11,139	6,294	-	-	-	-	(17,433)
Revaluation losses on Assets held for Sale	15	-	-	-	-	-	(15)

2011/12	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Subsidiary and Trust Fund Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of previously recognised revaluation losses	(6)	-	-	-	-	-	6
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	(34)	(599)	-	-	-	-	633
Movements in the fair value of investment properties	456	-	-	-	-	-	(456)
Amortisation of intangible assets	231	108	-	-	-	-	(339)
Capital grants and contributions applied	(5,721)	-	-	-	-	-	5,721
Donated asset income	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	1,387	-	-	-	-	-	(1,387)
HRA Reform settlement payment to Secretary of State	-	73,694	-	-	-	-	(73,694)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(693)	-	-	-	-	-	693
Capital expenditure charged against the General Fund and HRA balances	-	(642)	-	-	-	-	642
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(302)	-	302
Adjustments 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	-	-	2,328	-	-	-	(2,328)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	373	-	-	-	(373)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	871	-	(871)	-	-	-	-
Capital receipts not linked to disposal of non current assets	(5)	-	5	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	11	-	-	-	(11)
Adjustment involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	1,892	-	4,608	-	-	(6,500)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,704)	-	-	5,704
Adjustment 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	54	(199)	-	-	-	-	145
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the	5,029	32	-	-	-	546	(5,607)

2011/12	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Subsidiary and Trust Fund Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	(4,387)	(408)	-	-	-	(468)	5,263
Adjustments 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	(14)	-	-	-	-	-	14
Adjustment 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	17	2	-	-	-	-	(19)
Total Adjustments	16,773	80,521	1,846	(1,096)	(302)	78	(97,820)

2010/11	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Subsidiary and Trust Fund Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments 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)
Reversal of previously recognised revaluation losses	(494)	(186)	-	-	-	-	680
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)
Movements in the fair 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	(2,538)	-	-	-	-	-	2,538
Revenue expenditure funded from capital under statute	1,956	-	-	-	-	-	(1,956)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							

2010/11

Usable Reserves

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Subsidiary and Trust Fund Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 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 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 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 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 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 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 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	(13,758)	125,328	(1,888)	(959)	287	(608)	(108,402)

G6. Other Operating Expenditure

	2011/12	2010/11
	£'000	£'000
Parish Council precepts	1,034	931
Payments to the Government Housing Capital Receipts Pool	871	522
(Gains)/losses on the disposal of non-current assets	(489)	1,860
Total Other Operating Expenditure	1,416	3,313

G7. Financing and Investment Income and Expenditure

	2011/12	2010/11
	£'000	£'000
Interest payable and similar charges	3,760	3,723
Pensions interest cost and expected return on pensions assets	1,976	3,515
Investment impairment charge	3	85
Interest receivable and similar income	(218)	(794)
Income and expenditure in relation to investment properties	(1,804)	(1,678)
Changes in the fair value of investment properties	456	(3,059)
(Gains)/losses on the disposal of investment properties	(125)	642
Total Financing and Investment Income and Expenditure	4,048	2,434

G8. Taxation and Non Specific Grant Income

	2011/12	2010/11
	£'000	£'000
		Restated
Demand on the Collection Fund	(11,670)	(11,541)
Contribution from the Non-Domestic Rate Pool	(7,105)	(11,274)
Non-ring fenced Government Grants	(3,385)	(1,696)
Capital grants and contributions	(5,722)	(9,516)
Donated asset income	-	(2,538)
Taxation of Group Entities	8	3
Total Taxation and Non Specific Grant Income	(27,874)	(36,562)

G9. Long Term Investments

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Market Value of Marketable Securities	380	386	353
Term Deposits	-	-	-
Total Long Term Investments	380	386	353

G10. Short Term Debtors

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
		Restated	
Central Government Bodies	3,275	5,732	5,694
Other Local Authorities	1,707	2,135	1,528
NHS Bodies	-	-	-
Public Corporations and Trading Funds	-	-	-
Other Entities and Individuals	3,118	3,763	4,085
Total Short Term Debtors	8,100	11,630	11,307

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 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
Cash in hand held by the Group	37	37	36
Bank Current Accounts	1,960	2,112	1,881
Short Term Deposits	18,049	3,520	6,000
Total Cash and Cash Equivalents	20,046	5,669	7,917

G12. Short Term Creditors

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
		Restated	Restated
Central Government Bodies	(6,055)	(1,092)	(1,537)
Other Local Authorities	(3,023)	(1,028)	(1,292)
NHS Bodies	-	-	-
Public Corporations and Trading Funds	(38)	(56)	(58)
Other Entities and Individuals	(4,123)	(6,258)	(5,840)
Total Short Term Creditors	(13,239)	(8,434)	(8,727)

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

G13. Provisions

	Balance at 31 March 2010 £'000	Additional provisions £'000	Amounts used £'000	Balance at 1 April 2011 £'000	Additional provisions £'000	Amounts used £'000	Balance at 31 March 2012 £'000
CBC Provisions (Note 26)	(450)	(17)	83	(384)	(40)	23	(401)
CBH Provisions	(30)	(1)	-	(31)	-	23	(8)
Total Provisions	(480)	(18)	83	(415)	(40)	46	(409)

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

G14. Usable Reserves

The movements in the Group's usable reserves are detailed in the Movement in Reserves Statement on page 98.

Subsidiaries Reserves

	31 March 2012	31 March 2011	1 April 2010
	£'000	£'000	£'000
		Restated	Restated
Colchester Borough Homes Limited	453	491	449
Colchester Community Stadium Limited	21	9	(12)
Total Reserves	474	500	437

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

Trust Fund Reserves

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Balance at 1 April	662	666	584
Add Income for year	17	1	77
Less expenditure for year	(45)	(10)	(73)
(Decrease)/Increase in Investments value	(2)	5	78
Balance at 31 March	632	662	666

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

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
Assets	720	750	780
Liabilities	(5)	(5)	(31)
Total Net Assets	715	745	749
Represented by:-			
Capital Adjustment Account	83	83	83
Trust Funds Reserves	632	662	666
Balance at 31 March	715	745	749

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 90-96).

G15. Unusable Reserves

	Note	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
			Restated	Restated
Revaluation Reserve	28	25,583	23,349	19,229
Capital Adjustment Account	See below	271,218	366,613	482,382
Financial Instruments Adjustment Account	28	(721)	(866)	(2,087)
Pensions Reserve	G23	(90,482)	(62,028)	(74,605)
Deferred Capital Receipts Reserve	28	52	63	71
Collection Fund Adjustment Account	28	6	(8)	23
Accumulated Absences Account	28	(579)	(560)	(560)
Total Unusable Reserves		205,077	326,563	424,453

Capital Adjustment Account

	31 March 2012 £'000	31 March 2011 £'000	1 April 2010 £'000
		Restated	
Colchester Borough Council	271,135	366,530	482,299
Trust Funds	83	83	83
Total at 31 March	271,218	366,613	482,382

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

	2011/12 £'000	2010/11 £'000 Restated
Net Surplus/(Deficit) on the Provision of Services	(94,198)	(111,496)
Adjustments for non cash movements:		
Depreciation	9,993	10,377
Impairments and downward revaluations	17,695	124,634
Amortisation	339	286
Impairment losses on investments	3	85
Increase/(Decrease) in creditors	4,199	(614)
(Increase)/Decrease in interest debtors	6	(140)
(Increase)/Decrease in debtors	(392)	2,324
(Increase)/Decrease in inventories	35	(37)
Movement in pension liability	383	(8,673)
Contributions to/(from) provisions	(6)	(65)
Carrying value of non current assets sold	1,622	3,797
Carrying amount of short term and long term investments sold	2	4,000
Movement in fair value of investment properties	456	(3,059)
Reversal of previous revaluation losses	(6)	(680)
Write outs of non current assets	5,041	2,101
Donated asset income	-	(2,538)
Other non cash movements	(4)	(1)
	39,366	131,797
Adjustments for items that are investing or financing activities:		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(5,721)	(9,516)
Proceeds from the sale of short and long term investments	6,691	-
Proceeds from the sale of non current assets	(2,333)	(1,334)
	(1,363)	(10,850)
Net Cash flows from Operating Activities	(56,195)	9,451

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

	2011/12 £'000	2010/11 £'000
Interest Received	162	646
Interest Paid	(3,756)	(3,809)
Taxation	(4)	(3)

G17. Cash Flow Statement – Net Cash Flows from Investing Activities

	2011/12 £'000	2010/11 £'000
Purchase of non current assets	(14,410)	(16,001)
Purchase of short-term and long-term investments	(1,000)	(5,500)
Other payments for investing activities	(193)	(49)
Proceeds from the sale of non current assets	2,266	1,309
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	8,191	8,963
Net cash flows from Investing Activities	(5,146)	(11,278)

G18. Cash Flow Statement – Cash and Cash Equivalents

	2011/12	2010/11
	£'000	£'000
Cash in hand held by the Council	37	37
Bank Current Accounts	1,960	2,112
Short Term Deposits	18,049	3,520
Bank Overdraft	-	(3,267)
Cash Flow Statement - Total Cash and Cash Equivalents	20,046	2,402

G19. 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 *Service Reporting 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 amortisation are all 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 detailed in Note 33.

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

	31 March 2012	31 March 2011
	£'000	£'000
Net expenditure in the Services Analysis (Note 33)	21,475	23,908
Net expenditure of services and support services not included in the Analysis	(28,248)	(24,428)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	62,212	31,381
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	61,169	111,450
Cost of Services in Comprehensive Income and Expenditure Statement	116,608	142,311

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure (refer to Note 33) relate to a subjective analysis of the Surplus/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.

2011/12							
	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Total Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(138,716)	(3,413)	(21,950)	107,346	(56,733)	-	(56,733)
Interest and Investment income	-	-	(2,996)	2,996	-	(218)	(218)
Income in relation to investment properties	-	-	-	-	-	(2,093)	(2,093)
Income from Council Tax	-	-	-	-	-	(11,670)	(11,670)
Movement in the fair value of investment Properties	-	-	-	-	-	-	-
Government grants and contributions	(1,911)	(64,092)	(3,385)	392	(68,996)	(16,212)	(85,208)
Total Income	(140,627)	(67,505)	(28,331)	110,734	(125,729)	(30,193)	(155,922)
Employee expenses	27,090	19	987	(989)	27,107	-	27,107
Other service expenses	131,910	-	89,556	(1,683)	219,783	-	219,783
Support Service recharges	3,102	39,238	-	(41,883)	457	-	457
Depreciation, amortisation and impairment	-	-	-	(5,010)	(5,010)	-	(5,010)
Interest Payments and similar charges	-	-	-	-	-	3,763	3,763
Taxation	-	-	-	-	-	8	8
Precepts and Levies	-	-	-	-	-	1,034	1,034
Payments to Housing Capital Receipts Pool	-	-	-	-	-	871	871
Expenditure in relation to investment properties	-	-	-	-	-	289	289
Movement in the fair value of investment Properties	-	-	-	-	-	456	456
Pensions interest cost and expected return on investments	-	-	-	-	-	1,976	1,976
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	(614)	(614)
Total Expenditure	162,102	39,257	90,543	(49,565)	242,337	7,783	250,120
Surplus/Deficit on the provision of services	21,475	(28,248)	62,212	61,169	116,608	(22,410)	94,198

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	Total Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Restated	Restated	Restated			Restated	Restated
Fees, charges & other service income	(172,719)	(1,073)	(23,461)	150,722	(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)	(22,486)	(85,197)
Donated asset income	-	-	-	-	-	(2,538)	(2,538)
Total Income	(175,671)	(61,472)	(28,677)	156,578	(109,242)	(42,301)	(151,543)
Employee expenses	27,746	-	(4,366)	(1,489)	21,891	-	21,891
Other service expenses	168,859	-	64,424	569	233,852	-	233,852
Support Service recharges	2,974	37,044	-	(39,067)	951	-	951
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	199,579	37,044	60,058	(45,128)	251,553	11,486	263,039
Surplus/Deficit on the provision of services	23,908	(24,428)	31,381	111,450	142,311	(30,815)	111,496

G20. 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		2011/12	118,372	-	13,952	132,324
		2010/11	118,372	-	15,441	133,813
Executive Director		2011/12	94,200	-	11,100	105,300
		2010/11	94,200	-	11,194	105,394
Executive Director		2011/12	94,200	-	11,100	105,300
		2010/11	94,232	-	11,194	105,426
Executive Director		2011/12	94,200	-	11,100	105,300
		2010/11	94,200	-	11,194	105,394
Head of Strategic Policy and Regeneration		2011/12	70,890	-	8,350	79,240
		2010/11	70,890	-	8,420	79,310
Head of Life Opportunities		2011/12	70,758	-	8,350	79,108
		2010/11	70,758	-	8,420	79,178
Head of Environmental and Protective Services		2011/12	62,655	-	7,393	70,048
		2010/11	58,603	-	6,974	65,577

Head of Resource Management	1	2011/12	15,585	-	1,832	17,417
		2010/11	71,022	-	8,420	79,442
Head of Street Services		2011/12	70,890	-	8,350	79,240
		2010/11	70,780	-	8,420	79,200
Head of Corporate Services		2011/12	66,838	-	7,871	74,709
		2010/11	62,787	-	7,456	70,243
Customer Services Manager		2011/12	62,787	-	7,393	70,180
		2010/11	62,787	-	7,456	70,243
Monitoring Officer		2011/12	62,655	-	7,393	70,048
		2010/11	62,655	-	7,456	70,111
Section 151 Officer	1	2011/12	54,617	-	6,429	61,046
		2010/11	-	-	-	-
Returning Officer		2011/12	8,233	-	971	9,204
		2010/11	11,514	-	1,370	12,884

Colchester Borough Homes Limited:

Chief Executive		2011/12	94,075	-	11,100	105,175
		2010/11	94,068	-	12,887	106,955
Director of Finance and Corporate Services	2	2011/12	-	-	-	-
		2010/11	45,993	65,777	6,301	118,071
Director of Housing		2011/12	72,259	-	8,526	80,785
		2010/11	70,758	-	9,694	80,452
Director of Property Services		2011/12	72,259	-	8,526	80,785
		2010/11	69,776	-	9,559	79,335

Note 1: The Head of Resource Management left during June 2011 at an annualised salary of £70,758. The post has remained vacant, but the duties have been covered by another member of staff taking on the role of Section 151 officer (shown separately above) and sharing the Head of Finance from Ipswich Borough Council 2.5 days per week on a temporary basis.

Note 2: The former Director of Finance and Corporate Services left Colchester Borough Homes on 24 November 2010 on an annualised salary of £70,833. In order to fulfil this role, Colchester Borough Homes took on an interim consultant during 2011/12.

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	
	2011/12	2010/11 Restated
£50,000 - £54,999	22	20
£55,000 - £59,999	-	-
£60,000 - £64,999	-	2

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below:

2011/12				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	19	51	70	£569,751
£20,001 - £40,000	-	9	9	£250,468
£40,001 - £60,000	2	-	2	£87,045
Total	21	60	81	£907,264

2010/11

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	10	24	34	£312,184
£20,001 - £40,000	1	4	5	£128,429
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	1	1	£65,777
Total	11	29	40	£506,390

G21. Termination Benefits

Colchester Borough Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £800,000 (2010/11: Terminated 38 contracts incurring liabilities of £434,000). Refer to Note 36 for the number of exit packages and total cost per band. Of this total, no payments were made to senior officers as disclosed in Note 36. The remaining was payable to 72 officers from various departments that either took voluntary redundancy or were made redundant following comprehensive service reviews.

Colchester Borough Homes terminated the contracts of 9 employees in 2011/12, incurring liabilities of £107,000 (2010/11: Terminated 2 contracts incurring liabilities of £72,000).

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)	CCS (Baker Chapman & Bussey)	2011/12 Total	2010/11 Total
	£'000	£'000	£'000	£'000	£'000
External Audit Services	123	14	2	139	139
Statutory inspections	-	-	-	-	9
Certification of Grant Claims and Returns	51	-	-	51	51
Other Services - National Fraud Initiative	1	-	-	1	1
Total	175	14	2	191	200

G23. 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

The cost of retirement benefits is recognised 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 that is required to be made 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			
	CBC	CBH	2011/12	2010/11
	£'000	£'000	Total	Total
			£'000	£'000
				Restated
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	2,913	550	3,463	4,021
Past Service Gain	-	-	-	(10,746)
Settlement and Curtailments	133	35	168	142
Financing and Investment Income and Expenditure				
Interest Cost	8,710	848	9,558	10,174
Expected Return on Assets in the Scheme	(6,695)	(887)	(7,582)	(6,659)
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	5,061	546	5,607	(3,068)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial (gains) and losses	24,846	3,264	28,110	(4,036)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	29,907	3,810	33,717	(7,104)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,061)	(546)	(5,607)	3,066
Actual amount charged against the General Fund Balance for pensions in the year.				
Employers' contributions payable to the scheme	4,795	468	5,263	5,473

The cumulative amount of actuarial gains and losses recognised in the Group Other Comprehensive Income and Expenditure to the 31 March 2012 is a net actuarial loss of £54.264 million (31 March 2011: net actuarial loss of £26.154 million).

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of fair value of the scheme assets:

	CBC £'000	CBH £'000	2011/12 Total £'000	2010/11 Total £'000
1 April	99,163	12,749	111,912	107,170
Expected rate of return	6,695	887	7,582	6,659
Actuarial gains/(losses)	(5,586)	(739)	(6,325)	(3,171)
Employer contributions	4,795	468	5,263	5,473
Contributions by scheme participants	1,171	210	1,381	1,468
Benefits paid	(5,494)	164	(5,330)	(5,687)
31 March	100,744	13,739	114,483	111,912

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

	CBC £'000	CBH £'000	2011/12 Total £'000	2010/11 Total £'000
1 April	(159,003)	(14,937)	(173,940)	(181,775)
Current Service Cost	(2,913)	(550)	(3,463)	(4,021)
Interest Cost	(8,710)	(848)	(9,558)	(10,174)
Contributions by scheme participants	(1,171)	(210)	(1,381)	(1,468)
Actuarial (gains)/losses	(19,260)	(2,525)	(21,785)	7,207
Benefits paid net of transfers in	5,086	(164)	4,922	5,286
Unfunded pension payments	408	-	408	401
Past Service Gain	-	-	-	10,746
(Losses)/Gains on Curtailments	(133)	(35)	(168)	(142)
31 March	(185,696)	(19,269)	(204,965)	(173,940)

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 had the effect of reducing the Council's Pension Scheme liabilities by £10.746 million in 2010/11 and this was recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change was 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 in the 2010/11 financial year on the face of the Group Comprehensive Income and Expenditure Statement on page 99.

The expected rate of return on scheme assets is based on the long-term future expected investment return for each asset class at the beginning of the period at 1 April. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was a positive return of £1.257 million (2010/11: A positive return of £10.357 million).

Scheme History

	CBC £'000	CBH £'000	2011/12 Total £'000	2010/11 Total £'000	2009/10 Total £'000	2008/09 Total £'000	2007/08 Total £'000
Present value of liabilities	(185,696)	(19,269)	(204,965)	(173,940)	(181,775)	(133,101)	(156,327)
Fair value of assets	100,744	13,739	114,483	111,912	107,170	78,978	99,163
Deficit in the scheme	(84,952)	(5,530)	(90,482)	(62,028)	(74,605)	(54,123)	(57,164)

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £90.482 million has a significant impact on the net worth of the Group as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making 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 2013 is £4.783 million.

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 Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary were:

	31 March 2012	31 March 2011
	%	%
Long-term expected rate of return on assets in the scheme:		
Equity Investments	6.4	7.5
Government Bonds	3.3	4.4
Other Bonds	4.6	5.1
Property	5.4	6.5
Cash	0.5	0.5
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7	22.6
Women	25.3	25.2
Longevity at 65 for future pensioners (retiring in 20 years):		
Men	24.1	24.0
Women	26.8	26.8
Rate of RPI inflation	3.3	3.4
Rate of CPI inflation	2.5	2.9
Rate of increase in salaries	4.3	4.4
Rate of increase in pensions	2.5	2.9
Rate for discounting scheme liabilities	4.6	5.5
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 2012		31 March 2011	
Proportion of total assets held:	£'000	%	£'000	%
Equity investments	80,138	70	77,780	70
Gilts	4,580	4	7,498	6
Other Bonds	11,448	10	10,631	10
Property	16,027	14	12,534	11
Cash	2,290	2	3,469	3
Total	114,483	100	111,912	100

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 2012:

	CBC	CBH	2011/12 Total	2010/11 Total Restated	2009/10 Total	2008/09 Total	2007/08 Total
	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	(5.5)	(5.4)	(5.5)	(3.6)	21.1	(35.3)	11.4
Differences between actuarial assumptions about liabilities and actual experience	(0.4)	-	(0.4)	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	2011/12	2010/11
	£'000	£'000	Total	Total
	£'000	£'000	£'000	£'000
Deficit Balance at 1 April	(59,840)	(2,188)	(62,028)	(74,605)
Actuarial (Loss)/Gain	(24,846)	(3,264)	(28,110)	4,036
Transfer (to)/from Revenue	(266)	(78)	(344)	8,541
Deficit Balance at 31 March	(84,952)	(5,530)	(90,482)	(62,028)

The £90.482 million net liability represents the difference between the value of the Group's pension fund assets at 31 March 2012 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 2012 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 2010. 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 2011. 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 2013. The results of the 2013 valuation will be implemented with effect from 1 April 2014.

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.

Billing Authority

This refers to Colchester Borough Council as the authority responsible for invoicing and collecting the Council Tax from 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.

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 Expenditure

Expenditure incurred relating to the acquisition or enhancements of Property, Plant & Equipment assets, Heritage assets and Investment properties.

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 for public services. CIPFA issues the Code of Practice on Local Authority Accounting (the Code), 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 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 are 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 Service Reporting Code of Practice (SeRCOP):

- 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 Council 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)

This statutory account 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.

IFRS (International Financial Reporting Standards)

The collective name for the set of accounting standards which define the accounting treatments used by Central and Local Government in the UK, listed companies in the UK and the European Union.

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.

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.

Provisions

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 Non current 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.

Service Reporting Code of Practice (SeRCOP)

This guidance is produced by CIPFA and sets out the proper accounting practices for local authorities in respect of the content and presentation of the costs and income of services.

Useful Life

The period over which benefits will be derived by the Council from the use of a Non current asset.

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

Opinion on the financial statements

I have audited the financial statements of Colchester Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial 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 Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial 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 financial statements sufficient to give reasonable assurance that the financial 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 Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Colchester Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

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 2011, 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 2012.

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 2011, 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 ended 31 March 2012.

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.

Debbie Hanson
Officer of the Audit Commission

3rd Floor
Eastbrook
Shaftesbury Road
Cambridge
CB2 8BF

26 September 2012

COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Scope of responsibility

Colchester Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Colchester Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Colchester Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Council is also responsible for ensuring that any companies owned by the Council, and any jointly operated services, also have proper arrangements in place for the governance of their affairs.

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

This statement explains how Colchester Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Colchester Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Colchester Borough Council for the year ended 31 March 2012 and up to the date of approval of the annual accounts.

Elements of the Framework

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

- **The Strategic Plan** – which identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the strategic plan and indentifies the implications for the Council's governance arrangements.
- **The Constitution** - This is the fundamental basis of the authority's governance arrangements and includes:
 - Defining and documenting the roles and responsibilities of the executive, nonexecutive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
 - Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.
 - The Policy Framework which includes the documents relating to Corporate Governance including:

- The Local Code of Corporate Governance.
 - A risk management strategy detailing processes and controls required to manage risks.
 - The Anti-Fraud and Corruption Policy
- The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
 - A code of conduct which defines the standards of behaviour for all members.
 - Planning procedures Code of Practice
 - Protocol on Members/officer Relations
 - Media Protocol
 - Operational Protocol relating to Administration Arrangements
 - Monitoring Officer Protocol
 - Chief Finance Officer Protocol
 - Resources Protocol
 - A whistle blowing policy for receiving and investigating complaints from the public and staff.
 - Gifts and Hospitality Guidance
- **The Chief Finance Officer Protocol** sets out the responsibilities to conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010)
- **The operation of the Finance and Audit Scrutiny Panel** which undertakes the core functions of an audit committee, as identified in CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities'.
- **The operation of the Strategic Overview and Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council's policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **The operation of a Standards Committee**, that enforces the code of conduct for members.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A members training programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **A partnership strategy** that ensures that the quality of the Council's partnerships are improved and that all partnerships, both current and proposed, add value.
- **Treasury management practices and policies**

During 2011/12 there was an interim Head of Resource Management which was a shared post with a neighbouring authority. The Finance Manager (Management Accounting) was formally appointed as the Section 151 Officer for Colchester Borough Council during this period. The arrangements in place ensured that Colchester Borough Council's financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

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

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

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes the requirement to report to the Finance and Audit Scrutiny Panel at least every quarter.
- **A comprehensive risk management process** that ensures the key risks across the authority, both operational and strategic, are captured and reported to senior officers and members.
- **The reports of the Chief Financial Officer** to members and the senior management team including financial assessments of key projects and decisions.

- **The operation of an independent Standards Committee** that is fully briefed to review the conduct of members.
- **Reporting of key performance issues** to the Strategic Overview and Scrutiny Panel.
- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A partnership register** that records the details of all of the partnerships that the Council is involved in.

The significant control issues found during the course of the review are highlighted in the table at the end of the statement. However it should be noted that none of the key financial systems received limited or no assurance levels from internal audit during the year.

Effectiveness of Other Organisations

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

Whilst CBH is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants that the Council's asset, the housing stock, is adequately protected. Whilst it has not been possible to finalise the governance audit of CBH prior to the completion of this report there have been no significant control weaknesses identified during the year either through this review process or through the audit programme.

A review of the management arrangements for CCSL was carried out as part of the preparation of this statement. Whilst CCSL is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. Previous governance reviews had highlighted some weaknesses in control arrangements of the stadium which have been resolved.

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

The North Essex Parking Partnership was created on 1 April 2011 with Colchester Borough Council as the lead partner. The partnership is required to produce its own annual return which includes an assessment of internal control. Therefore it is not intended to include any details relating to the service within this statement.

The Council has a comprehensive partnership strategy and maintains a detailed register of the partnerships that it participates in. The strategy defines what a partnership is and details the governance arrangements that should be in place for all partnerships, both present and new. It also provides a mechanism for improving the effectiveness of the partnerships.

Internal Audit Opinion

From the work undertaken in 2011/12, Internal Audit has provided satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2012 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Significant Governance Issues

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

No.	Issue	Action
1.	Vehicle Workshop An external audit review of assets carried out in 2011/12 found that a recorded vehicle could not be located. This led to a further internal audit review of the systems in place at the vehicle workshop. This review found that there were insufficient controls in place and a no assurance report was issued. During the review concerns were raised over the income being received for Ministry of Transport (MOT) testing. Further work on this area was carried out and a member of staff was dismissed as a result.	The management of the workshop and fleet was outsourced on 01 April 2012. However it is recognised that the failures in control could occur in other service areas, therefore a formal process has been put in place to review the control weaknesses and ensure that all functions operate correctly.
2.	Contract Register A contracts register has been compiled and is maintained by Resource Management. However it was found that in some cases it is not being updated by service areas. It was also found that procurement processes were not always being complied with. This issue was also highlighted in 2010/11.	A guide to letting contracts should be agreed and issued as soon as possible. Followed up by specific training for key staff.
3.	Parking Services An internal audit of Parking Services income was carried out in December 2011. This produced 11 level 2 recommendations relating to policies and procedures, health and safety processes, security, authorisation processes and reporting performance to members. An audit of the partnership arrangements, carried out in March 2012, has flagged two priority 1 recommendations. The recommendations related to preparation of budgets and monthly reconciliations.	Management have agreed the recommendations in the report and these include: •Updating policies •Reviewing risk assessments •Reviewing vehicles and processes used for cash collection •Carrying out reconciliations •Updating authorisation processes •Regularly reporting to the Portfolio Holder Many of the recommendations have already been implemented. This service only began on 1 April 2011 and the audit was a useful check on new policies and procedures.
4.	Corporate Debt An internal audit of corporate debt highlighted issues surrounding debt write-offs and appointment of bailiffs. The audit showed that not all services were following the corporate debt management policy and there is not a corporate approach to appointing bailiffs.	A formal procedure for processing write offs for parking services is to be included in the corporate debt policy. A formal tender exercise is to be carried out to appoint bailiffs.

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

Signed:

.....
Councillor Anne Turrell
Leader of the Council

.....
Adrian Pritchard
Chief Executive

on behalf of Colchester Borough Council