

# Accounts and Regulatory Committee

Grand Jury Room, Town Hall  
28 September 2010 at 6.00pm

This committee deals with

items such as the approval of the Council's Statement of Accounts, hearing and determining all appeals by employees relating to dismissal, and makes recommendations to the Council on functions such as Health and Safety and Elections.

# Information for Members of the Public

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You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at [www.colchester.gov.uk](http://www.colchester.gov.uk) or from Democratic Services.

## Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to meetings, with the exception of Standards Committee meetings. If you wish to speak at a meeting or wish to find out more, please pick up the leaflet called "Have Your Say" at Council offices and at [www.colchester.gov.uk](http://www.colchester.gov.uk)

## Private Sessions

Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

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Please ensure that all mobile phones and pagers are turned off before the meeting begins and note that photography or audio recording is not permitted.

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**COLCHESTER BOROUGH COUNCIL**  
**ACCOUNTS AND REGULATORY COMMITTEE**  
**28 September 2010 at 6:00pm**

**Members**

Chairman : Councillor Dennis Willetts.  
Deputy Chairman : Councillor Christopher Arnold.  
Councillors Jon Manning, Kim Naish, Gerard Oxford,  
Nick Cope, Scott Greenhill, Sue Lissimore, Colin Mudie and  
Colin Sykes.

**Substitute Members** : All members of the Council who are not Cabinet members or  
members of this Panel

**Agenda - Part A**

(open to the public including the media)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief.

**Pages**

**1. Welcome and Announcements**

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched off or to silent;
- location of toilets;
- introduction of members of the meeting.

**2. Substitutions**

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

**3. Urgent Items**

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

**4. Declarations of Interest**

The Chairman to invite Councillors to declare individually any personal

interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

## **5. Minutes**

**1 - 2**

To confirm as a correct record the minutes of the meeting held on 27 July 2010.

## **6. Have Your Say!**

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

## **7. Annual Statement of Accounts**

See report from the Head of Resource Management.

**No page numbers**



## **8. Financial Regulations Update**

**132 - 174**

See report from the Head of Resource Management.

## **9. Exclusion of the public**

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).



# ACCOUNTS AND REGULATORY COMMITTEE

## 27 JULY 2010

- Present :-* Councillor Dennis Willetts (Chairman)  
Councillors Nick Cope, Scott Greenhill, Sue Lissimore,  
Jon Manning, Gerard Oxford and Colin Sykes
- Substitute Member :-* Councillor Terry Sutton  
for Councillor Christopher Arnold
- Also in Attendance :-* Councillor Paul Smith

### 7. Minutes

The minutes of the meeting held on 29 June 2010 was confirmed as a correct record.

**Councillor Scott Greenhill (in respect of his membership of Myland Parish Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Colin Sykes (in respect of his membership of Stanway Parish Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

### 8. Draft recommendation Community Governance review - Wivenhoe Town Council

Ms. Sarah Cheek, Electoral Services Manager attended the meeting for this item. Ms. Cheek presented the report on the Draft Recommendation Community Governance Review – Wivenhoe Town Council that required the committee to consider the draft proposal for consultation following the request from Wivenhoe Town Council to combine the two parish wards and create one electoral area and to request that the number of councillors be increased by two from eleven to thirteen.

In response to Councillor C. Sykes, and his concern about the legitimacy of this process, Ms. Cheek said following the Local Government and Public Health Involvement in Health Act 2007 which requires Councils, following a consultation period, to determine whether the existing area of a parish should be altered, that the process and what was been recommended was legal.

*RESOLVED* that the Committee considered and agreed to the draft proposal for consultation following the request from Wivenhoe Town Council to combine the two parish wards and create one electoral area and to request that the number of councillors be increased by two from eleven to thirteen.

**Councillor Scott Greenhill (in respect of his membership of Myland Parish Council)**

**declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Colin Sykes (in respect of his membership of Stanway Parish Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**9. Draft recommendation Community Governance review - Fordham Parish Council**

Ms. Sarah Cheek presented the report on the Draft Recommendation Community Governance Review – Fordham Parish Council that required the committee to consider the draft proposal for consultation following the request from Fordham Parish Council to consider increasing the number of councillors by two from seven to nine.

In response to Councillor C. Sykes, and his doubts to the need for the parish to increase its councillors by two, Councillor G. Oxford said he had no objection to the request given he believed the request was about the work commitments of the current parish councillors and the ability to be able to achieve a quorum at parish meetings. Councillor Willetts believed the Parish Plan Exercise and the work this would create was also a contributing factor.

*RESOLVED* that the Committee considered and agreed to the draft proposal for consultation following the request from Fordham Parish Council to increase the number of councillors by two from seven to nine.

# Annual Governance Report

Colchester Borough Council

Audit 2009/10

September 2010

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Members of the Accounts and Regulatory Committee

## **2009/10 Annual Governance Report**

I am pleased to present my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Head of Resource Management on 2 September 2010 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Debbie Hanson  
District Auditor

# Key messages

This report summarises the findings from my 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

<b>Financial statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements presented for audit free from material error	Yes	7
Adequate internal control environment	Yes	7
<b>Value for money</b>	<b>Results</b>	<b>Page</b>
Adequate arrangements to secure value for money	Yes	11

## Audit opinion

- 1 I propose issuing an unqualified audit opinion prior to the statutory deadline of 30 September 2010.

## Financial statements

- 2 My work on the financial statements is now substantially complete, although there are still some outstanding issues to be resolved. Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Chair of the Accounts and Regulatory Committee.
- 3 The quality of the working papers provided by the Council in support of the entries in the accounts has once again been of a very high standard. The finance team have been very helpful in answering audit queries and I would like to take this opportunity to thank the Council for their help throughout the audit.



## Key messages

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### Value for money

- 4 I have concluded that the Council met the minimum standards during 2009/10 for all of the eight criteria assessed. Hence I propose issuing an unqualified value for money conclusion prior to the statutory deadline of 30 September 2010.
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### Audit fees

- 5 I reported in my 2009/10 Audit Opinion Plan that the revised audit fee for the 2009/10 Audit was £129,870. This was an increase of £4,000 from the previously reported fee, due to the need for additional work on payroll costs as a result of the limited assurance internal audit report. I am satisfied that the revised fee estimate was appropriate and no further adjustment to the fee is required.
- 

### Independence

- 6 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**7** I ask the Accounts and Regulatory Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 10);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

# Financial statements

**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

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## Opinion on the financial statements

- 8** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 

## Errors in the financial statements

- 9** I identified errors in the financial statements (other than those of a trivial nature) and reported these to management. Other than the understatement of the Council Tax bad debt provision noted in Appendix 3, management have corrected for all non-trivial errors identified, details of which are noted in Appendix 2.
- 

## Important weaknesses in internal control

- 10** I have not identified any weaknesses in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 11** I have not provided a comprehensive statement of all weakness which may exist in internal control, nor of all improvements which may be made, but have addressed only those matters which have come to my attention because of audit procedures I have performed.
- 

## Letter of representation

- 12** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.
- 

## Key areas of judgement and audit risk

- 13** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.
-

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
<p>As the economic downturn continues, local authorities anticipate a reduction in overall income received, including grant support from central government. The Council has included this assumption within its financial planning, however a risk still exists in terms of the impact the recession will continue to have on the financial position of the Council which may increase the risk of misreporting.</p>	<p>No issues have been identified during the 2009/10 audit.</p>
<p>Current fluctuations in financial markets may impact on the value of the Council's land and buildings, investments, cash balances and the pension liability.</p> <p>In 2008/09, we raised concerns about the methodology used for calculating impairments on investment properties and the Council did not undertake a full impairment review of all its land and buildings.</p>	<p>No issues have been identified during the 2009/10 audit.</p>
<p>With adoption of IFRS in 2010/11, the transition date for local government is 1 April 2009. Local government bodies will therefore need to restate the closing balance sheet for 2008/09 using IFRS as the starting point for their restatement.</p> <p>As noted in Appendix 4, the provisions for accounting for PFI and similar schemes come into effect for 2009/10 and therefore we will undertake specific review to ensure any such arrangements have been identified and appropriately accounted for.</p>	<p>The Council has taken a proactive approach to preparing for the introduction of IFRS. I will continue to work closely with finance staff to ensure the 2010/11 accounts and restated 2008/09 closing balance sheet are produced in accordance with the new requirements.</p> <p>No PFI or similar schemes have been identified during the 2009/10 audit.</p>
<p>There have been a number of changes made to the CIPFA's Code of Practice on Local Authority Accounting for the United Kingdom 2009, the Statement of Recommended Practice (SORP), which have been summarised at Appendix 4. It is unlikely that any of these changes will impact significantly on our audit work as long as adequate working papers are provided.</p>	<p>The 2009/10 financial statements are SORP compliant</p>
<p>We identified several minor issues as part of our 2008/09 audit which we raised in our Annual Governance Report and/or Accounts memo.</p>	<p>All 2008/09 recommendations have been actioned.</p>

## Financial statements

Issue or risk	Finding
We identified several grants in 2008/09 that were being amortised at a different rate to the asset. Where a grant has been used to purchase an asset the grant should be amortised at the same rate as the asset is being depreciated.	No issues have been identified during the 2009/10 audit.
There is the potential for disputes with the main contractor over the final sums payable under contracts for construction works in 2008/09. A formal legal claim has been received. Although current legal advice suggests this will not be a material issue, the situation needs to be monitored to ensure the correct entries and disclosures are included in the accounts.	The Council has correctly disclosed the contingent liability in 2009/10.
Internal Audit has identified weaknesses in the system of controls for payroll data and as a result has given the system limited assurance. We have therefore been unable to rely fully on the system of control for payroll data and have had to perform additional substantive testing on payroll at the final accounts stage. This included substantively testing a sample of starters, leavers and amendments to payroll standing data. This resulted in an additional fee of £4,000, which was notified to the Council in the 2009/10 Audit Opinion Plan, presented in June 2010.	The additional substantive work performed on payroll did not identify any significant issues which would adversely impact on our opinion.

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**Accounting practice and financial reporting**

- 14** I consider the non-numeric content of your financial reporting and have noted a small number of disclosure and consistency errors within the accounts. All of these have been amended by management.
- 15** In addition, I noted that a full set of accounts, were not formally presented to the Accounts and Regulatory Committee at the 29 June 2010 meeting. Instead, a summary set of statements were presented to members, which did not include the Housing Revenue Account (HRA) and Collection Fund. It should be noted however that a full set of draft accounts was made available for members in the members' room from the Friday prior to the committee meeting.
- 16** In order to be compliant with regulations, members should be formally presented with a full set of accounts including all the key financial statements (ie income and expenditure statement, balance sheet, cash flow statement, HRA, collection fund and group accounts).

**Recommendation**

- R1** Present a full set of accounts containing all the key statements to members for approval in future years.

# Value for money

**I am required to conclude whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.**

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## Value for money conclusion

- 17** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 18** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

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# Glossary

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## Annual governance statement

**19** A statement of internal control prepared by an audited body and published with the financial statements.

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## Audit closure certificate

**20** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

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## Audit opinion

**21** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
  - whether they have been prepared properly, following the relevant accounting rules; and
  - for local probation boards and trusts, on the regularity of their spending and income.
- 

## Qualified

**22** The auditor has some reservations or concerns.

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## Unqualified

**23** The auditor does not have any reservations.

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## Value for money conclusion

**24** The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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# Appendix 1 – Independent auditor’s report to the Members of Colchester Borough Council

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## Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of Colchester Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Colchester Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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## Respective responsibilities of the Head of Resource Management and the auditor

The Head of Resource Management responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice is set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

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

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### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

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## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority’s responsibilities**

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

### **Auditor’s responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Colchester Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

**Certificate**

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

Debbie Hanson  
Officer of the Audit Commission

# Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and officers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

**Table 2**

Description of error	Income and Expenditure Account		Balance sheet	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Capital commitments were overstated in the notes to the accounts by approximately £5,700k. This was due to the Council erroneously including capital contract extensions in their calculations. As the Council had not yet committed to these extensions by the year-end, they should not have been included. This adjustment does not impact the main statements and only affects the capital commitments note.	-	-	-	-
A feasibility study was identified as being capitalised in previous years and impaired to nil in 2009/10. The Council correctly identified that this asset should never have been capitalised and should therefore have been treated as an expense. Although the Council was correct to write out the asset to nil, this should not have been done through the impairment line. As a result the fixed asset impairments were overstated by £540k. The Council has corrected this by disclosing the write out as a separate line in the fixed assets note rather than as an impairment.	-	-	-	-

## Appendix 2 – Amendments to the draft accounts

Description of error	Income and Expenditure Account		Balance sheet	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s
A review of deeds identified that the land for Butt Road Car Park, valued at £1,038k, was incorrectly held on the Council's asset register as the land is actually leased by the Council. The Council has now written out this asset. The £56k impact on the I&E reflects the amount of write out in excess of the balances held within the revaluation reserve for this specific asset. The SORP requires this to be written out to the I&E, and is then reversed through the Statement of Movement in the General Fund Balance.	£56	£56	£1,038	£1,038
The cash figure was initially disclosed as £917k overdrawn. The audit noted that this was the net of both overdrawn and positive balances. The Statement of Recommended Practice (SORP) requires cash figures to be shown gross. The accounts have been amended to show the overdrawn and positive cash balances separately on the balance sheet. The 2008/09 figure has also been adjusted.			£559	£559
The draft cash flow statement comparatives disclose £1,930k worth of revenue expenditure funded from capital under statute (REFFCUS) in a separate line. Per the 2009 SORP, this expenditure should now be classified within the 'revenue activities' section of the cash flow statement. The Council had correctly applied this change in accounting practice to the 2009/10 REFFCUS expenditure but not the 2008/09 comparative figure. The 2008/09 comparative for REFFCUS therefore requires reclassification. This adjustment only affects the cash flow statement and there is no impact on the bottom line cash position.	-	-	-	-

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# Appendix 3 – Unadjusted misstatement in the accounts

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I identified the following non-trivial misstatements during my audit, but management has not adjusted the financial statements. I bring these to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

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**Table 3**

<b>Description of error</b>	<b>Area of accounts affected</b>	<b>Value of error £'000</b>
The provision for Council Tax bad debts included in the Collection Fund was calculated using incomplete information on write offs during the year. As a result the provision is £31k understated.	Doubtful debt provision. Revenue.	£31

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# Appendix 4 – Draft letter of representation

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To: Debbie Hanson  
Appointed Auditor  
Audit Commission  
Atlantic Business Centre  
Lyttleton House  
64 Broomfield Road  
Chelmsford  
Essex  
CM1 1SW

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## Colchester Borough Council – Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Colchester Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010. All representations cover the Council's accounts and Group Accounts included within the financial statements.

### Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

### Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

- reason 1 etc;
- reason 2



## Appendix 4 – Draft letter of representation

### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For financial liabilities and asset assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events [require/do not require] adjustment to the fair value measurement.

### Group entities

The Group Accounts have been properly prepared in accordance with the SORP requirements and adequately disclosed in the financial statements.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 27 to the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

## Appendix 4 – Draft letter of representation

### Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events/events after the reporting period that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Colchester Borough Council

I confirm that the this letter has been discussed and agreed by the Council on  
\*\*\* September 2010.

Signed

Name

Position

Date

## Appendix 5 – Value for money criteria

Key line of enquiry (KLOE)	Met	Theme assessment
<b>Managing finances</b>		
Planning for financial health	Yes	<p>The Council continues to integrate its financial planning with its strategic and service planning processes. This has been demonstrated through shifting resources to meet changing priorities. There is ongoing engagement with stakeholders and evidence of shifting resources to reflect the outcome of consultation.</p> <p>Colchester's understanding of its costs is improving. It continues to use the Fundamental Service Review process to gain an in-depth understanding of costs in reviewed services and the Budget Group monitors budgets across the board. It takes account of learning about costs in its decisions about commissioning. An example of this is its plans to potentially contract out some housing services. The Budget Group identifies the scope for making efficiencies clearly, and these are clearly project planned.</p> <p>Senior management take both individual and collective responsibility for budget planning and monitoring and each service group management team includes a senior service accountant representative to support managers and provide training. There is a scrutiny panel which deals with regular reports on budget monitoring, treasury management, audit and risk management. Overall, the Council performs well in managing its finances to deliver value for money.</p>
Understanding costs and achieving efficiencies	Yes	
Financial reporting	Yes	

## Appendix 5 – Value for money criteria

KLOE	Met	Theme assessment
<b>Governing the business</b>		
Commissioning and procurement	Yes	<p>As in 2008/09, the Council continues to involve local people, partners, staff and suppliers in commissioning services. The Council continues to undertake service redesign to improve the customer experience. It uses Mosaic and touchstone to enhance its knowledge of customers in conjunction with Fundamental Service Reviews. Procurement arrangements are developing from last year. A procurement strategy was published in June 2009 which emphasises partnership and collaboration, local trade, equality and diversity and sustainability. The Council is still a member of the Essex procurement hub.</p> <p>The Council continues to review the competitiveness of services. Through the Fundamental Service Review process, it analyses why and how a service is provided. It identifies the scope for making efficiencies and is on track to achieve them.</p> <p>The Council produces data that is relevant and reliable and uses the COUNT (collect once and use numerous times) principle. Whilst there have been some improvements, the data quality strategies are not yet embedded and several failures were identified as a result of spot check testing.</p> <p>The Council uses a traffic light system to present information, which is reported to the performance management board at least quarterly. Good IT security arrangements are in place and the Council achieved Government connect status in 2009/10. Whilst it is recognised that improvements have been made in partnership working, there are still some significant issues with the Visual Arts Facility (VAF).</p> <p>The Council has an effective risk management system that is embedded within the organisation and has developed a partnership risk register. There is a clear fraud and corruption strategy in place. Sound systems of internal control are in place, with Internal Audit reviewing all major financial systems yearly.</p>
Use of information	Yes	
Good governance	Yes	
Risk management and internal control	Yes	

**Appendix 5 – Value for money criteria**

<b>KLOE</b>	<b>Met</b>	<b>Theme assessment</b>
<b>Managing resources</b>		
Natural resources	Yes	The Council has clearly quantified its CO2 baseline and has an action plan to achieve targets which covers energy, water, renewables, community leadership etc. It has made good progress towards its targets. Since a new procurement strategy was launched in 2009, the Council's approach now covers sustainable procurement.
Strategic asset management	N/A	
Workforce	N/A	

## Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R1 Present a full set of accounts containing all the key statements to members for approval in future years.	2	Finance Manager (Financial Accounting)	Yes	A full set of draft accounts was made available for each member of the Accounts and Regulatory Committee prior to the meeting on 29 June. In future years we will attach a full set of the accounts to the published papers for both the June and September meetings.	29/9/10

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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# COLCHESTER BOROUGH COUNCIL STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

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# SUMMARY OF FINANCIAL STATEMENTS

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

This explains how the figures are calculated.

## **Income and Expenditure Account and Statement of Movement on General Fund Balance (page 19)**

This shows the cost of the major functions for which we are responsible. It compares this with the money raised from charges, from the Collection Fund and from Central Government.

## **Statement of Total Recognised Gains and Losses (page 23)**

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

## **Balance Sheet (page 24)**

This shows the balances and reserves available to the Council and its long-term debts, net current assets and a summary of fixed assets. It does not cover trust funds. This information is essential for understanding our year-end financial position.

## **Cash Flow Statement (page 25)**

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

## **Capital Expenditure and Financing (page 42)**

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

## **Housing Revenue Account (page 64)**

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

## **Collection Fund Accounts (page 71)**

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

## **Port Health Authority Accounts (page 75)**

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

## **Trust Fund Accounts (page 76)**

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

## **Group Accounts (page 83)**

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

# FOREWORD

## Changes for the 2009/10 Accounts

A number of significant technical and presentational changes were required for the 2009/10 Statement of Accounts. These changes are set out in more detail in the accounting policies and in the individual statements and supporting notes.

The revised requirements affect the following areas:-

- Under the 2009 Statement of Recommended Practice (SORP) - the Council is considered to act as an agent, collecting Council Tax on behalf of the major preceptors. Changes have been made to the accounting treatment of Council tax income in the accounts in order to reflect this agency arrangement. See Accounting Policy 20 on page 12 and Note 1 on page 26.
- Under the 2009 SORP - the Council is considered to act as an agent, collecting National Non-Domestic Rates (NNDR) on behalf of Central Government. Changes have been made to the accounting treatment of NNDR income in the accounts in order to reflect this agency arrangement. See Accounting Policy 20 on page 12 and Note 1 on page 26.
- The Accounts and Audit regulations were amended in 2009/10 and these now require the Council's responsible financial officer to certify that the accounts present a 'true and fair' view of the financial position and the income and expenditure of the year then ended. Previously the accounts were certified as 'present fairly'. The Statement of Responsibilities for the Statement of Accounts has been amended to reflect this change in the regulations. See page 14.
- The short term portions (principal and accrued interest) of long term borrowing and investments are now classified within current liabilities and current assets on the Balance Sheet. See Accounting Policies 15 and 16 on page 10 and Note 1 on page 26.
- New disclosures have been included in the accounts regarding the remuneration of senior employees and a change has been made to the disclosure banding multiple for employee numbers – this has been amended from £10,000 to £5,000. See Note 9 on page 32.
- The following notes to the accounts have been removed as they are now longer required to be disclosed under the 2009 SORP - Building Control Account, Section 137 expenditure, Local Authority (Goods and Services) Act 1970 and Expenditure on Publicity.

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

## Results for 2009/10

**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 £24.4 million met by the precept on the Collection Fund and Government grants.

	Original Estimate	Actual
	£m	£m
Total Net Spending for the Year	24.4	24.4
Met by:		
Collection Fund Demand	11.1	11.1
Government Grants	12.8	14.3
Contribution from/(to) Balances	0.5	(1.0)
<b>Total Financing</b>	<b>24.4</b>	<b>24.4</b>

Expenditure on services was £0.5 million less than estimated, and we benefitted from additional grant income, a VAT refund and a number of technical adjustments that resulted in savings. These exceeded the shortfall in the Council's interest earnings.

The Housing & Planning Delivery Grant was significantly more than budgeted, resulting in net additional income of £1.1 million. This grant has been completely withdrawn for 2010/11. The Council also received additional grant income from the Local Authority Business Growth Incentive scheme and through area based grant. The Council achieved a VAT refund of £0.7 million, which relates to challenge made in respect of VAT paid for areas of sport and leisure income in a period from the late 1970's. The shortfall in the Council's interest earnings is due to factors outside our direct control such as the historic low investment rates currently available. Steps have been taken to try to minimise the impact such as through deferral of new borrowing in favour of disinvestment. The position reflects the required treatment in respect of investments with Icelandic institutions. Regular monitoring reports on the revenue position were submitted to the Finance and Audit Scrutiny Panel throughout the year.

General Fund balances now stand at £3.9 million, of which £2.8 million is uncommitted. They are used as a working balance and to support future spending plans.

**Capital spending** is on items which have a value to the Council or the community for more than a year and is generally met from loans, revenue or the proceeds of sale of capital assets. Significant items of expenditure during the year included £4.7 million for regeneration projects (including £2.5 million on the Visual Arts Facility), £3.3 million for improvements to Council Housing, and £1.4 million on sport and recreation projects.

The Council's capital spending was £13 million, £2.5 million less than programmed. This decrease was largely due to timing differences in contract payments on the major projects rather than changes in total cost of projects. Of this total, £0.1 million was funded from Council borrowing, £3.7 million was funded from the application of capital receipts, £5.8 million was funded from external grants and contributions, with the remainder mainly coming from General Fund and HRA revenue funding (including the Major Repairs Reserve).

The Council utilised its powers to undertake unsupported borrowing to fund £0.1 million of the expenditure on regeneration schemes. 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. Sums received in 2009/10 showed an improvement on the levels received in 2008/09. Sale of Council houses showed an increase on 2008/09, with £1,069,000 received in 2009/10. However, regulations require 75% of this to be paid into a Government Pool so only 25% is available for new investment. Other receipts are fully available and £3 million was received in 2009/10, of which almost £2m was from the sale of Angel Court. The accumulated balance of £4.6 million is already planned to support capital spending from 2010/11 onwards.

### **The Housing Revenue Account**

The Council is the major provider of rented housing in the Borough and manages approximately 6,300 properties. The Housing Revenue Account Financial Statement shows a contribution to balances for the year of £1.09 million. At the year end the Housing Revenue Account balance is £2.6 million, a significant part of which is earmarked to support future capital spending.

### **An Arms Length Management Organisation**

In 2003/04 we set up Colchester Borough Homes Limited as an Arms Length Management Organisation (ALMO).

The ALMO is an alternative way of delivering the Council's housing landlord services, and gives tenants a bigger say in the management of the dwellings. It means that council housing is still owned by the Council, but managed by a separate organisation. Colchester Borough Homes Ltd is the separate organisation – which will not make a profit – and has tenants, Councillors and independent people on its management board.

### **Colchester Community Stadium Limited**

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

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

During 2009, Colchester Community Stadium Limited changed its name to CCSL Newco Limited and the member and the directors decided that the current structure of this company (limited by guarantee) did not achieve the intended objectives of the member. It was decided that the business assets and duties of the company would be transferred to a new company limited by shares (Colchester Community Stadium Limited), and that the member would be the sole shareholder of the new company. This transfer took place on 1 July 2009 and it is intended that the original stadium company CCSL Newco Limited will be dissolved during 2010.

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. The Board of the Stadium Company consists of 9 directors; three directors nominated by the Council, one from Colchester United Football Club, one from Colchester United Community Sports Trust, three independents and the Chief Executive of the Stadium Company.

### **Treasury Management**

The Local Government Act 2003 gave Councils the freedom to determine how much they borrow for investment in new capital projects subject to a regulation that such borrowing complies with the "Prudential Code for Capital Finance in Local Authorities". The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The Council determined the required Prudential Code indicators as part of the budget process for 2009/10. The borrowing and investment activities undertaken in the year are in accordance with these determinations.

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

Investments totalling £4 million are impaired in the accounts as a result of the Icelandic banks' default in October 2008. However, regulations issued in May 2009 allowed the Council to charge the impairments to the Financial Instruments Adjustment Account. The total funds invested at the year end were £13.1 million.

### **Financial Instruments**

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

### **Pension Costs**

The full reporting arrangements for pension costs are included in the Statement of Accounts. There are extensive notes included with the relevant statements. The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long term implications. However the overall amount to be met from Government Grants and local taxation remains unchanged. The Council's share of the assets and liabilities of the pension fund show an estimated £71 million shortfall at 31 March 2010. While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to Colchester Borough Council or indeed local authorities generally. There is a national problem for pension funds both private and public sector.
- The Essex pension fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

## **Group Accounts**

We are required to prepare a series of Group Account Statements under more demanding requirements introduced in 2004/05. These statements reflect not only the direct financial activities of the Council but also services provided by those bodies over 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 the statements.

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

## **Reporting Requirements**

Reporting requirements under the Accounts and Audit regulations 2003 required that the accounts for 2009/10 were to be prepared and reported to Members by 30 June. In order to achieve this deadline, a number of items, which have been closed on estimated outturn, are included in the accounts. The effect of these on the 2009/10 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 2010/11 budget.

As at 31 March 2010 the Council's General Fund balances stood at £3.9 million. It is estimated that £1.1 million of these will be required to fund schemes carried forward from 2009/10 and to support expenditure during 2010/11. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

## **Outlook**

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

The Council prepares a Medium Term Financial Forecast (MTFF) which estimates the Council's spending needs and likely income for the next three years. The forecast shows that the Council is facing significant financial pressure and tough decisions will need to be made to maintain investment in priority areas set out in the Strategic Plan.

The national economic situation continues to impact on the Council's finances and the demand for certain services. Measures to mitigate the reduced income faced by the Council have been put in place and will continue to be monitored to ensure we respond appropriately as the situation changes. The 2010/11 financial year was covered by the Comprehensive Spending Review 2007 announcement of Government funding, but the Council is aware that all areas of public spending are again under review. Funding for subsequent years to this has not been announced, but we expect the financial environment to be very difficult for the foreseeable future.

From 2009/10 onwards the Comprehensive Spending Review 2007 included the target that all public services will deliver at least 3% value for money gains over 2009/10 to 2010/11. Efficiency savings are a key part of the Council's budget strategy and we will build on the significant progress we have made in delivering £2.03 million of savings over the past two years.

The Government is currently consulting on a major reform of the housing finance system. The Council will assess the proposals in detail as there are major financial implications for us.

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. It is also a member of a separate Joint Committee for Parking Services

that was formed with Braintree District Council and Uttlesford District Council with effect from 1 April 2009. As the Joint Committees were established under Sections 101 and 102 of the Local Government Act 1972, they are required to produce accounts annually and have them subjected to external audit. The draft accounts for 2009/10 will be submitted to the Joint Committees for approval by 30 June 2010.

The Council will adopt International Financial Reporting Standards (IFRSs) with effect from 2010/11. This will have significant implications on the future presentation of the accounts, and preparing for this change will require a considerable amount of work across the Council.

## Other Information

This **Statement of Accounts** is one of a number of publications giving information on the Council's finance and other activities.

Other publications include **The Strategic Plan 2009-2012** – this sets a clear direction for the Council, and a focus for service planning and budget setting.

We also produce a wide range of other publications, booklets and leaflets, available free from the Customer Service Centre at Angel Court, from public libraries and the Visitor Information Centre. You can also visit our website at [www.colchester.gov.uk](http://www.colchester.gov.uk).

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

## Our Fairness Policy

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

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

**For more information about these accounts, please contact:**  
**Steve Heath, Resource Management, PO Box 886, Town Hall, High Street, Colchester CO1 1FP**  
**Telephone: Colchester (01206) 282389**  
**E-mail: [financial.accounting@colchester.gov.uk](mailto:financial.accounting@colchester.gov.uk)**

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The accounts have been drawn up in keeping with the revised Code of Practice on Local Authority Accounting in the United Kingdom (2009): A Statement of Recommended Practice. This is recognised by law as representing proper accounting practices under the Local Government Act 2003.

In the 2009/10 Statement of Accounts, the Council has amended the following accounting policies, in accordance with the revised Statement of Recommended Practice:

- Under the 2009 Statement of Recommended Practice (SORP) - the Council is considered to act as an agent, collecting Council Tax on behalf of the major preceptors. Changes have been made to the accounting treatment of Council tax income in the accounts in order to reflect this agency arrangement. See Accounting Policy 20 on page 12 and Note 1 on page 26.
- Under the 2009 SORP - the Council is considered to act as an agent, collecting National Non-Domestic Rates (NNDR) on behalf of Central Government. Changes have been made to the accounting treatment of NNDR income in the accounts in order to reflect this agency arrangement. See Accounting Policy 20 on page 12 and Note 1 on page 26.
- The 2009 Statement of Recommended Practice requires the principal and interest that is accrued on long term loans and long term investments which is due to be paid/received within one year to be included within current liabilities/assets on the Balance Sheet. See Accounting Policies 15 and 16 on page 10.

These changes do not impact on the results for the year or affect our financial standing within the outside world, and our financial position and resources remain unchanged.

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

## 2. Estimation Techniques

There are methods adopted by the Council to arrive at estimates where there is uncertainty over the actual figure. All estimates are the best assessment made on the information available at the time the accounts are closed. When actual figures are determined any difference from the estimate used for closure are accounted for in the year the actual figure is determined. Estimation techniques are applied in particular to the calculation of depreciation, bad debt provision, sums due to contractors and Government grants. The methods used for these items are further explained in the following accounting policies.

## 3. Pension Costs

Following a transitional period the Code requires the full implementation of Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The Local Authorities (Capital Finance/Amendment No. 2) (England) Regulations 2003 (SI 2003/515) provide the legislative framework for this.

We participate in one scheme, the Local Government Pension Scheme which is a defined benefit final salary scheme. The information in this Statement of Accounts has been prepared in accordance with the Regulations and the Code and the accounting policies fully set out therein. The policies applied are summarised below:

- Attributable assets of the scheme have been measured at their fair value at the balance sheet date:
- Quoted securities held as assets in the pension scheme are valued at their current bid price.
- The attributable liabilities have been measured on an actuarial basis using the projected unit method. These have been discounted at the appropriate interest rate for 2009/10 determined to be 5.6%.
- Net liabilities that reflect the legal or constructive obligation of the authority have been disclosed. These are the shortfall of the value of assets in the scheme below the present value of the scheme liabilities.



- Current Service Cost has been based on the most recent actuarial valuation (2007) with the financial assumptions updated to reflect conditions at April 2009. The current service cost has been included in all relevant service areas including the Housing Revenue Account. This is allocated on the basis of the actual employers contributions charged to services.
- Interest Cost has been based on the discount rate and the present value of scheme liabilities at April 2009.
- The Expected Return of Assets is based on long term expectations at the beginning of the period as advised by the actuary.
- When actual events have not been the same as the actuarial assumptions made for the last valuation, or assumptions have been changed, actuarial gains and losses have been calculated to reflect conditions at March 2010.
- Past Service Costs have been disclosed on a straight line basis over the period in which the increases in benefit become unconditional.
- Losses or gains arising on settlements and curtailments have been measured and disclosed in the period when they are determined.

The policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Under statutory provisions the charge we are required to make against council tax is based on the actual contributions payable to the fund. Therefore, in the Note for the Statement of Movement on the General Fund Balance there are transfers to replace the FRS17 charges with the contributions payable to the pension fund.

#### **4. Fixed Assets**

All spending on acquiring, creating or improving fixed assets has been capitalised on an accruals basis, provided that it yields benefits to the council for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Operational assets have been included in the balance sheet at either net current replacement cost or net realisable value in existing use, whichever is lower, net of depreciation where appropriate. Non-operational assets have been included in the balance sheet at either net current replacement cost or net realisable value, whichever is lower, net of depreciation where appropriate.

The asset values used in the accounts are based upon certificates issued by Corporate Members of the Royal Institution of Chartered Surveyors. Council dwellings were revalued as at 1 April 2005 and the value has now been adjusted to 31 March 2010 on the basis of property indices published by the Royal Institution of Chartered Surveyors. All other land and property was revalued as at 1 April 2004. As part of a rolling programme a further proportion of these assets have been revalued in 2009/10. Assets acquired since these dates are included in the accounts at their cost.

Assets are revalued at intervals of not more than five years and the fixed assets figure in the Balance Sheet is adjusted accordingly. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

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

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

## **5. Depreciation**

Assets are depreciated over their useful economic life. Depreciation is provided on all fixed assets other than freehold land and non-operational investment properties. Where we provide for depreciation, assets are being depreciated using the straight line method, over the expected life as estimated by the valuer, appropriate to the nature of the asset and its use, after allowing for the residual value of the asset. Refer to Note 17 on page 41.

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

## **6. Intangible Assets**

Purchased intangible assets for software are capitalised as assets at cost when they will bring benefits to the Council for more than one financial year. These are then written out to service revenue accounts using the straight line method, over an appropriate period relating to the asset life.

## **7. Revenue expenditure funded from capital under statute**

Revenue expenditure funded from capital under statute represents spending which may properly be capitalised but where no tangible fixed asset is created. This type of spending has been written out as expenditure to the relevant service revenue accounts in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

## **8. Reserves and Provisions**

The Council has the power to keep reserves for certain purposes. Contributions to reserves are not charged to service revenue accounts but shown as a transfer in the Note for the Statement of Movement on the General Fund Balance. Relevant expenditure is not charged direct to the reserves but to the appropriate service revenue account when incurred and a matching transfer is made back from the reserve in the Note for the Statement of Movement on the General Fund Balance. Separate reserves are held for Renewal and Repairs, Insurance, Capital Expenditure, Regeneration, Asset Replacement, Heritage, Gosbecks and the Major Repairs Reserve. Details of these are given in Note 39 on page 55.

Certain reserves are kept by the Council to manage the accounting processes for tangible fixed assets (e.g. Revaluation Reserve and Capital Adjustment Account), retirement benefits (e.g. Pensions Reserve) and financial instruments (e.g. Financial Instruments Adjustment Account).

Provisions are set aside for specific liabilities or losses that are likely to be incurred, or will be incurred, but there is uncertainty as to the dates on which they will arise and to the amounts, although a reliable estimate can be made of the amounts. Provisions are charged to the appropriate service revenue account and when spending occurs to which the provision relates, it is charged directly to the provision.

The provisions made in the accounts by the Council are:

- a) A provision for doubtful debts in respect of local taxation, housing rents and other debtors that is estimated taking into account age, stage of recovery and value.
- b) An insurance provision estimated on an assessment of outstanding claims. (See Note 30 on page 51).

## **9. Charges for the Use of Capital Assets**

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement over a period that is reasonably commensurate with the estimated useful life of the asset. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Amounts set aside from revenue:

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

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

## **10. Capital Receipts**

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. The written-off value of disposals is not a charge against council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance. Any revaluation gains, in respect of the asset disposed of, held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income above £10,000 received from disposals is accounted for as a capital receipt (note 37, page 55). Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Receipts are appropriated to the Usable Capital Receipt Reserve from the Statement of Movement on the General Fund Balance.

Capital receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government Act 2003. Under the Act, certain proportions of housing capital receipts must be paid into a Government Pool for redistribution. The main receipts affected are: 75% of Council house sales and 50% of other housing asset sales unless certain conditions are met. The Act allows the balance of capital receipts (usable receipts) to be used either to repay debt, or to finance new capital spending. When mortgage loans are granted to purchasers of council houses, this creates deferred capital receipts. These are reduced annually by the amount of principal repayments from mortgagors and any sums received by way of early repayment.

## **11. Government Grants and Contributions**

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

We act as the accountable body for a number of Government funded partnership projects. All spending and contributions received are included in the appropriate capital or revenue accounts.

Grants and subsidies have been credited to the appropriate revenue and capital accounts, and accruals have been made for balances known to be receivable for the year to 31 March 2010. All major grants included in the accounts are subject to audit of the final claims.

## **12. Provision for Redemption of Debt and Interest Charges**

Under the Local Government Act 2003, provision for debt redemption is made in two ways:

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

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

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

### **13. Treatment of Leases**

We use a variety of assets under operating leases. These transfer some of the benefits of ownership without actually transferring title to the assets. In keeping with current accounting practice, these leased assets are not stated in the Balance Sheet because the Council does not own the assets. Hire purchase contracts that are similar to operating leases are accounted for on the same basis. Rentals are charged to the service revenue accounts on a straight-line basis over the period of the lease. No provision is made for outstanding lease commitments.

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

### **14. Fair Value**

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

### **15. Financial Liabilities**

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

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

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

### **16. Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and receivables**

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

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

Short-term investments are repayable within one year and are only made with the approved organisations listed in the Council's Treasury Management Policy Statement.

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

### **Available-for-sale Assets**

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

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

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

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

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

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

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

## **17. Debtors and Creditors at Year End**

The accounts have been completed on the basis of income and expenditure, taking account of known debtors and creditors as at 31 March 2010. Estimates have been used where actual figures were not available. The most significant estimates are in respect of works under construction contracts that are in progress.

## **18. Stocks and Work in Progress**

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

## **19. Overheads and Support Services**

These expenses have been collected and charged to services through the use of Service Level Agreements. These agreements act like internal contracts between support service providers and their customers. Charges are made according to the agreements using a number of bases including actual staff time spent, unit costs and fixed retainers. There is a full recharge to service accounts in accordance with the Best Value Accounting Code of Practice (BVACOP).

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

## **20. The Collection Fund**

Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) we must have a Collection Fund which records the collection and distribution of Council Tax and National Non-Domestic Rates, and any residual Community Charge.

The law covers transfers which are made between the General Fund and the Collection Fund. The Fund is maintained as far as is practicable on an accruals basis.

### **Accounting for Council Tax income**

The 2009 SORP confirms that the Council acts as an agent in collecting the Council Tax income on behalf of the major preceptors. Changes have been made in 2009/10 to the accounting treatment for the Council Tax income to reflect the agency arrangements. These accounting changes are summarised below -

Up to 2008/09 the Council Tax income included in the Income and Expenditure Account related to the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council. Under the 2009 SORP the Council Tax income required to be included within the Income and Expenditure is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Statement of Movement on the General Fund Balance.

The Council Tax cash collected by the Council belongs proportionately to the Council and its major preceptors under the agency arrangement. Under the 2009 SORP - balances are included in the Balance Sheet for the Council's attributable share of Council Tax debtors (net of an allowance for doubtful debt) and its attributable share of creditors for overpaid Council Tax. Separate debtor/creditor balances between the Council and each major preceptor are included in the Balance Sheet, which represent each preceptor's attributable share of the net Council tax position at the year end.

Under the 2009 SORP only the Council's share of Council Tax net cash collected in the year is required to be included in the Revenue Activities section of the Cash Flow Statement. The major preceptor's share of net cash collected and the amounts paid by the Council to major preceptors are required to be included within in the Management of Liquid Resources section of the Cash Flow Statement.

Prior period adjustments have been made to the 2008/09 comparatives disclosed in the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement, as result of the above changes in the accounting treatment for Council Tax income (See Note 1, Page 26).

### **Accounting for National Non-Domestic Rates (NNDR) income**

The 2009 SORP confirms that the Council acts as an agent in collecting the National Non-Domestic Rates (NNDR) on behalf of Central Government. Changes have been made in 2009/10 to the accounting treatment for the NNDR income to reflect the agency arrangements. These accounting changes are summarised below -

The Council currently excludes all NNDR income from its Income and Expenditure Account, apart from the cost of collection allowance, which is considered to be the Council's own income and not related to Central Government. No changes have been made to the accounting treatment for NNDR income within the Income and Expenditure Account under the 2009 SORP.

Up to 2008/09 the Council included the following balances separately within its balance sheet – NNDR taxpayers debtor/creditor balances, an impairment allowance for doubtful debts and a creditor/debtor with Central Government in respect of the under/over payment to the NNDR national pool. Under the 2009 SORP, these balances are no longer considered to be Balance sheet items of the Council as the Council is acting as an agent of Central Government. These balances have been removed under the 2009 SORP and consolidated into one overall debtor/creditor balance with Central Government.

Up to 2008/09 cash collected by the Council from NNDR tax payers (excluding cash retained for the Cost of collection allowance) and the Council's payment to the NNDR National Pool were previously included within the Revenue Activities section of the Cash Flow Statement. Under the 2009 SORP - the net balance of the income received and payments made are required to be included within the Management of Liquid Resources section of the Cash Flow Statement.

Prior period adjustments have been made to the 2008/09 comparatives disclosed in the Balance Sheet and the Cash Flow Statement, as result of the above changes in the accounting treatment for NNDR income (See Note 1, Page 26).

## **21. Value Added Tax (VAT)**

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue & Customs. The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all the Council's activities. If the amount exceeds the limit then none of the tax may be recovered. HM Revenues and Customs have raised no objection to the Council's method of calculation which shows we are within the limit. This calculation was not required in 2008/2009 as HM Revenue & Customs, pending a review, had implemented a moratorium. However, the calculation was again required to be made from 1 April 2009.

The standard rate of VAT reverted to 17.5% on 1 January 2010. It had temporarily been reduced to 15.0% by the Government from 1 December 2008 to 31 December 2009.

## **22. Group Accounts**

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

The Group Accounts have been prepared on the basis of implementing the 2009 Statement of Recommended Practice's Group Accounts requirements.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

### The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the Head of Resource Management.
- Manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were approved by the Accounts and Regulatory Committee at the meeting held on 29 June 2010.

Signed on behalf of Colchester Borough Council  
Councillor D. Willetts  
Chair of meeting approving the accounts:  
Date: 29 June 2010

## The Head of Resource Management's Responsibilities

The Head of Resource Management is responsible for preparing the authority's Statement of Accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Resource Management has:

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

The Head of Resource Management has also:

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

## Head of Resource Management's Certificate

I certify that the accounts set out on pages 1 to 98 give a true and fair view of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

Charles Warboys  
Head of Resource Management  
29 June 2010



# COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

## Scope of responsibility

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

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

Colchester Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.colchester.gov.uk](http://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(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

### The purpose of the governance framework

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

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

The governance framework has been in place at Colchester Borough Council for the year ended 31 March 2010 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 operation of the Finance and Audit Scrutiny Panel** which undertakes the core functions of an audit committee, as identified in CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities'.
- **The operation of the Strategic Overview and Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council's policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **The operation of a Standards Committee**, that enforces the code of conduct for members.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A members training programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **A partnership strategy** that ensures that the quality of the Council's partnerships are improved and that all partnerships, both current and proposed, add value.
- **Treasury management practices and policies**

## DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

### Review of effectiveness

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

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

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

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 two of the systems that form part of the governance framework - Payroll and IT Security – both received limited assurance levels from internal audit during the year. These have not been included in the action plan as Internal Audit have confirmed that the recommendations made have been implemented.

### **Effectiveness of Other Organisations**

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

During 2009, Colchester Community Stadium Limited changed its name to CCSL Newco Limited. During the year the member and the directors decided that the current structure of this company did not achieve the intended objectives of the member. It was decided that the business assets and duties of the company would be transferred to a new company limited by shares (Colchester Community Stadium Limited), and that the member would be the sole shareholder of the new company. This transfer took place on 1 July 2009 and it is intended that CCSL Newco Limited will be dissolved during 2010.

A review of the management arrangements for Colchester Borough Homes (C.B.H.) was carried out as part of the preparation of this statement. Whilst C.B.H. 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 and that the Council's asset, the housing stock, is adequately protected. During the course of the year an internal audit of the procedures used to appoint contractors raised four high level recommendations. These were all implemented before the end of the year.

A review of the management arrangements for Colchester Community Stadium Limited (C.C.S.L.) was carried out as part of the preparation of this statement. Whilst C.C.S.L. is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. The governance review in 2008/09 highlighted some weaknesses in control arrangements of the stadium. These have been resolved in 2009/10 and whilst there are some controls around reporting that need to be embedded, they do not constitute significant governance issues.

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 governance statement. Therefore it is not intended to include any details relating to this service within this statement.

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

The Council 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. The strategy was adopted by Cabinet in January 2009.

### **Internal Audit Opinion**

From the work undertaken in 2009/10, 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 2010 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

### **Significant Governance Issues**

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

No.	Issue	Action
1	<u>Financial Procedure Rules</u> The financial procedure rules, contained in the Constitution, govern all aspects of the Council's financial affairs. These have not been updated since 2004.	The financial procedure rules need to be updated and reissued.
2	<u>Governance Awareness</u> The understanding of Corporate Governance varies across the Authority with some service areas having a greater awareness than others. The Authority has adopted a code of corporate governance, senior officers are aware of their responsibilities and the individual policies that make up the framework are available to all staff. However, general training and guidance given to staff relating to Corporate Governance needs to be improved, including identification of a contact point for staff to seek further information.	A programme of awareness training will be delivered aimed at group management team level. Member training will also be provided, to ensure that they are aware of their role in embedding good governance.
3	<u>Organisational Learning</u> There is no formal process for the organisation to get feedback, and learn from, issues such as customer complaints and service failures. Whilst individual areas are reviewed as necessary by senior management there needs to be a process that allows the whole organisation to benefit from the information.	Further development of existing programme of customer performance management to identify and manage opportunities for organisational learning and improvement.
4	<u>Members on Outside Bodies</u> Members are annually appointed to represent the Council on outside bodies. However there is no formal review or feedback on progress relating to these appointments. Members should report back to the organisation to ensure that their appointment is achieving the intended purpose.	An annual feedback report will be provided by Councillors on outside bodies to Cabinet
5	<u>Booking of Premises</u> During the course of the booking of premises audit it was highlighted that it could not always be proved that invoices were raised for room hires. This could have a significant impact on income and was therefore given a level 1 status.	The use of standard checklists was introduced in July 2009 as per the recommendations for paragraphs 3.9 – 15 of the Final Audit report

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

Anne Turrell  
 Leader of the Council  
 on behalf of Colchester Borough Council  
 Date: June 2010

Adrian Pritchard  
 Chief Executive  
 Date: June 2010

# THE CORE FINANCIAL STATEMENTS

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

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

Expenditure on Services 2009/10 (Notes 1&2)	2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure	2008/09 Net Expenditure Restated
	£'000	£'000	£'000	£'000
<b>CENTRAL SERVICES</b>				
Democratic Representation and Management	3,197	83	3,114	2,336
Corporate Management	2,068	599	1,469	1,381
Non Distributed Costs	2,165	-	2,165	1,694
Central Services to the Public				
Local Taxation (includes Council Tax Benefit)	13,401	11,580	1,821	1,528
Other Central Services	1,089	547	542	725
<b>Total for Central Services</b>	<b>21,920</b>	<b>12,809</b>	<b>9,111</b>	<b>7,664</b>
<b>CULTURAL, ENVIRONMENTAL &amp; PLANNING SERVICES</b>				
Cultural and Related Services				
Culture and Heritage	4,079	1,244	2,835	2,205
Recreation and Sport	6,730	4,578	2,152	2,689
Open Spaces	2,185	335	1,850	1,747
Tourism	512	209	303	441
Environmental Services				
Cemetery, Crematorium and Mortuary Services	1,024	832	192	180
Environmental Health	2,525	562	1,963	2,538
Community Safety	1,196	374	822	871
Street Cleansing (non-highway)	1,738	136	1,602	1,771
Waste Collection	5,914	1,743	4,171	4,545
Planning and Development Services				
Building Control	921	403	518	406
Development Control	12	-	12	(36)
Planning Policy	2,289	872	1,417	1,787
Economic Development	2,270	3,421	(1,151)	(1,503)
Other Planning and Development Services	121	58	63	(130)
<b>Total for Cultural, Environmental &amp; Planning Services</b>	<b>31,516</b>	<b>14,767</b>	<b>16,749</b>	<b>17,511</b>
<b>HIGHWAYS, ROADS AND TRANSPORT SERVICES</b>				
Transport Planning and Strategy	284	166	118	108
Highways, Traffic Management and Road Safety	422	28	394	741
Parking Services	3,249	5,214	(1,965)	(1,411)
Public Transport				
Concessionary Fares	2,516	689	1,827	1,865
Other Public Transport	109	17	92	106
<b>Total for Highways, Roads and Transport Services</b>	<b>6,580</b>	<b>6,114</b>	<b>466</b>	<b>1,409</b>
<b>HOUSING GENERAL FUND</b>				
Private Sector Housing Renewal	1,609	149	1,460	1,692
Homelessness	1,556	876	680	832
Housing Benefits	47,766	47,112	654	814
Other Housing General Fund	1,809	77	1,732	1,382
<b>Total for Housing General Fund</b>	<b>52,740</b>	<b>48,214</b>	<b>4,526</b>	<b>4,720</b>
<b>HOUSING REVENUE ACCOUNT</b>	<b>22,086</b>	<b>24,435</b>	<b>(2,349)</b>	<b>38,643</b>
<b>SOCIAL SERVICES – OLDER PEOPLE</b>	<b>1,055</b>	<b>793</b>	<b>262</b>	<b>145</b>
<b>COST OF SERVICES</b>	<b>135,897</b>	<b>107,132</b>	<b>28,765</b>	<b>70,092</b>

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010 (continued)

	Notes	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure Restated £'000
<b>Cost of Services (net) Brought Forward</b>	1&2	<b>28,765</b>	<b>70,092</b>
(Gain)/Loss on the disposal of fixed assets (net of disposal costs)	3	(27)	18
Precepts paid to Parish Councils		846	801
Deficit/(surplus) on Internal Trading	4	-	-
Contribution of Housing Capital Receipts to Government Pool	5 & 37	779	150
Interest and investment income		(934)	(2,207)
Interest payable and similar charges		3,660	3,900
Investment impairment charge	1	449	938
Pensions interest cost and expected return on pensions assets	6	4,015	2,921
<b>Net Operating Expenditure</b>		<b>37,553</b>	<b>76,613</b>
Demand on the Collection Fund		(11,040)	(10,655)
General Capital Contributions	7	(131)	(229)
General Government Grants	8	(3,972)	(1,636)
Non-Domestic Rates redistribution		(10,303)	(10,871)
<b>Deficit/(Surplus) for the Year</b>		<b>12,107</b>	<b>53,222</b>

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Statement of Movement on the General Fund Balance to the amount established by the relevant statutory provision (see following statement, Page 21).

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

	Notes	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure Restated £'000
<b>Deficit/(Surplus) for the year on the Income and Expenditure Account</b>	Page 20	12,107	53,222
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year	Page 22	(13,142)	(52,766)
<b>(Increase)/Decrease in the General Fund Balance for the Year</b>		<b>(1,035)</b>	<b>456</b>
General Fund Balance Brought Forward		(2,891)	(3,347)
<b>General Fund Balance carried forward</b>		<b>(3,926)</b>	<b>(2,891)</b>

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

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

	Notes	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure Restated £'000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
Intangible fixed assets written down	14	(1,797)	(1,678)
Depreciation and impairment of fixed assets	15 & 17	(6,783)	(44,675)
Write outs of fixed assets	15	(597)	-
Capital Contributions Deferred written down		632	564
General Capital contributions	7	131	229
Write down of revenue expenditure funded from capital under statute		(896)	(454)
Gain/(loss) on sale of fixed assets (excluding disposal costs)	3	75	(11)
Timing differences on interest on soft loans	35	(23)	(138)
Investment impairment charge	35	(449)	(938)
Interest receivable on impaired investments	35	233	133
Difference between the amount credited to the I&E account and amount receivable to be recognised under statutory provisions relating to Council Tax income	36	(32)	(94)
Capital receipts not linked to the disposal of fixed assets		475	15
Net charges made for retirement benefits in accordance with FRS 17	6	(6,204)	(6,163)
		<b>(15,235)</b>	<b>(53,210)</b>
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
Minimum revenue provision for capital financing	13	549	104
Capital expenditure charged in-year to the General Fund Balance		344	455
Premiums and discounts written down		200	200
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	5 & 37	(779)	(150)
Employers contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	6	4,888	4,648
		<b>5,202</b>	<b>5,257</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
Housing Revenue Account balance	Page 65	1,091	20
Net transfer to or (from) Major Repairs reserve	Page 67, Note 5	(2,524)	(3,667)
Net transfer to or (from) other earmarked reserves	39	(1,676)	(1,166)
		<b>(3,109)</b>	<b>(4,813)</b>
<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>(13,142)</b>	<b>(52,766)</b>



## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	Notes	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure Restated £'000
Deficit/(Surplus) for the year on the Income and Expenditure Account	Page 20	12,107	53,222
(Increase)/Decrease arising on the revaluation of fixed assets	33	(38,661)	11,355
Actuarial losses/(gains) on pension fund assets and liabilities	6	17,773	(4,847)
<b>Total recognised (gains)/loss for the year</b>		<b>(8,781)</b>	<b>59,730</b>
Prior period adjustments		-	-
<b>Total recognised (gains)/loss</b>		<b>(8,781)</b>	<b>59,730</b>

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## BALANCE SHEET AS AT 31 MARCH 2010

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

	Notes	31 March 2010 £'000	31 March 2009 Restated £'000
<b>Fixed Assets</b>			
Intangible Fixed Assets	14	1,033	2,097
Tangible Fixed Assets	15 & 16		
Operational Assets			
Council Dwellings		399,920	369,396
Other Land and Buildings		90,648	75,863
Operational Equipment		5,435	4,319
Infrastructure Assets		3,444	4,038
Community Assets		288	275
Non-Operational Assets			
Investment Properties		34,429	51,523
Assets under Construction		25,976	21,191
Surplus Assets held for Disposal		13,787	15,554
<b>Total Fixed Assets</b>		<b>574,960</b>	<b>544,256</b>
Investments (Long Term)	20	10	4,010
Long Term Debtors	21	579	550
<b>Total Long Term Assets</b>		<b>575,549</b>	<b>548,816</b>
<b>Current Assets</b>			
Stock	22	168	144
Debtors	23	11,357	8,449
Investments (short term)		13,081	15,499
Cash and Bank		559	251
<b>Total Current Assets</b>		<b>25,165</b>	<b>24,343</b>
<b>Current Liabilities</b>			
Short Term Borrowing	25	(6,047)	(11,978)
Creditors	24	(8,654)	(8,214)
Cash Overdrawn		(1,476)	(1,510)
<b>Total Current Liabilities</b>		<b>(16,177)</b>	<b>(21,702)</b>
<b>Net Current Assets</b>		<b>8,988</b>	<b>2,641</b>
Long Term Borrowing	25	(57,400)	(57,400)
Provisions	30	(450)	(347)
Capital Contributions deferred	31	(39,130)	(34,023)
Pension Scheme Liability	6	(71,028)	(51,939)
<b>Total Net Assets</b>		<b>416,529</b>	<b>407,748</b>
Represented by:			
Revaluation Reserve	33	62,111	23,976
Capital Adjustment Account	34	406,948	418,520
Financial Instruments Adjustment Account	35	(2,087)	(2,049)
Collection Fund Adjustment Account		23	55
Usable Capital Receipts Reserve	37	4,562	4,999
Deferred Capital Receipts	38	71	90
Pensions Reserve	6	(71,028)	(51,939)
Earmarked Reserves	39	9,394	9,687
Revenue Balances	40	6,535	4,409
<b>Total Net Worth</b>	<b>32 &amp; 41</b>	<b>416,529</b>	<b>407,748</b>

## THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

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

	Notes	2009/2010 £'000	2008/2009 Restated £'000
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	48	<b>(6,010)</b>	<b>(326)</b>
<b>Returns on Investments and Servicing of Finance</b>			
Cash outflows			
Interest Paid		3,630	3,617
Cash inflows			
Interest Received		(1,397)	(2,451)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>2,233</b>	<b>1,166</b>
<b>Capital Activities</b>			
Cash outflows			
Purchase of Fixed Assets		11,036	30,129
Other Capital Cash payments		103	354
Purchase of Long Term Investments		-	4,000
Total Cash outflows		11,139	34,483
Cash inflows			
Sale of Fixed Assets		3,997	797
Proceeds from Long Term Investments matured in year		-	10
Capital Grants Received		5,013	6,533
Other Capital Cash Income		46	735
Total Cash inflows		9,056	8,075
<b>Net Cash Outflow/(Inflow) from Capital Activities</b>		<b>2,083</b>	<b>26,408</b>
<b>Net Cash Outflow/(Inflow) before Financing</b>		<b>(1,694)</b>	<b>27,248</b>
<b>Management of Liquid Resources</b>			
Net (Decrease)/Increase in Short Term Investments	50	<b>(5,500)</b>	<b>(18,450)</b>
Net (Decrease)/Increase in Other Liquid Resources		<b>922</b>	<b>1,354</b>
<b>Financing</b>			
Cash outflows			
Repayments of Amounts Borrowed		5,930	-
PWLB Premium Paid		-	-
Cash inflows			
New Loans Raised		-	(9,930)
Discounts Received		-	-
<b>Net Cash (Inflow)/Outflow from Financing</b>		<b>5,930</b>	<b>(9,930)</b>
<b>Decrease/(Increase) in Cash</b>		<b>(342)</b>	<b>222</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Exceptional items, Extraordinary items and Prior period adjustments

An exceptional item of £449,000 has been included within the Income and Expenditure Account for 2009/10. This relates to an additional impairment charge made for the investments held with Icelandic Banks. Further details regarding the impairment of the investments held by the Council is provided in Note 26 on page 45 and Note 29 on page 47.

An exceptional item of £656,968 has been included within the Income and Expenditure Account for 2009/10. This relates to the recovery of VAT paid to HM Revenue and Customs on certain Leisure activities between January 1990 and March 1994, together with interest thereon. £356,206 appears in the Income and Expenditure Account under the heading Recreation and Sport, and £300,762 appears under the heading Interest and Investment Income. Along with many other local authorities, Colchester Borough Council submitted a claim to recover this VAT on the basis that European law had not been correctly implemented in the UK at that time.

No extraordinary events have occurred in 2009/10.

The accounting treatment for Council Tax income has changed under the 2009 SORP to reflect that the collection of the Council Tax income by the Council is an agent activity on behalf of the major preceptors. The following prior period adjustments have been made to the 2008/09 comparatives in the accounts as result of the changes in accounting treatment (See Accounting Policy 20, Page 12) –

- The 2008/09 comparatives have been amended in the Income and Expenditure Account. The 'Demand on the Collection Fund' has been reduced by £94,000 to adjust the Council Tax income to equal the accrued income for the year. There is no impact on the Council's General Fund Balance for 2008/09 as the 2008/09 comparatives disclosed in the Statement of Movement on the General Fund Balance have been re-stated to include an additional reconciling item in respect of the transfer of £94,000 from the Collection Fund Adjustment Account.
- The 2008/09 comparatives for the Council Tax debtors and creditors and the impairment allowance for doubtful debts have been amended in the Balance sheet to derecognise the part attributable to the major preceptors and to create debtor/creditor balances for each of the major precepting bodies (Total net creditor £81,000 for 2008/09). There is no impact on the Council's Total Net Assets as this adjustment relates to a reclassification of existing balances within the Balance Sheet.
- The 2008/09 comparatives have been amended in the in the Cash Flow Statement to extract the payments made to the major preceptors and the major preceptors' share of net cash received from Council tax debtors from the Revenues Activities section and to include the net amount of these items (£362,000 for 2008/09) within the Management of Liquids Resources section. There is no impact on the Council's overall movement in cash for 2008/09 as this adjustment relates to a reclassification of existing cash flows within the Cash Flow Statement.

The accounting treatment for the National Non-Domestic Rates has changed under the 2009 SORP to reflect that the collection of the National Non-Domestic Rates (NNDR) by the Council is an agent activity on behalf of Central Government. The following prior period adjustments have been made to the 2008/09 comparatives in the accounts as result of the changes in accounting treatment (See Accounting Policy 20, Page 12) -

- The 2008/09 comparatives have been amended in the Balance Sheet by removing all of the following balances – the NNDR taxpayers debtor and creditor balances, the impairment allowance for doubtful debts and the creditor/debtor with Central Government for the under/over payment to the national pool and consolidating them into one overall debtor/creditor with Central Government (£730,000 for 2008/09). There is no impact on the Council's Total Net Assets as this adjustment relates to a reclassification of existing balances within the Balance Sheet.
- The 2008/09 comparatives have been amended in the Cash Flow Statement to extract the cash received from ratepayers and the payments made to the pool from the Revenues Activities section and to include the net amount of these items (£992,000 for 2008/09) within the Management of Liquids Resources section. There is no impact on the Council's overall movement in cash for 2008/09 as this adjustment relates to a reclassification of existing cash flows within the Cash Flow Statement.

The 2009 Statement of Recommended Practice requires the principal and interest that is accrued on long term loans and long term investments which is due to be paid/received within one year to be included within current liabilities/assets on the Balance Sheet. The Council's accounting policies for financial liabilities and financial assets have been updated to reflect this change (See Accounting Policies 15-16 on page 10). Prior period adjustments have been made to the 2008/09 comparatives reported in the Balance Sheet and associated notes, in order to reclassify the interest accruals due to be paid/received within 2009/10. These adjustments have reclassified £1,006,000 from long term borrowing to be included within short term borrowing and reclassified £199,000 from long term investments to be included within short term investments.

## 2. Income and Expenditure Account

The services shown follow groupings, under national Best Value guidance, to help comparison between different Local Authorities, Service expenditure reflects the current service cost of retirement benefits under the full implementation of FRS17 (see Note 6, page 28).

## 3. Gain/Loss on the Disposal of Fixed Assets

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

## 4. Trading Operations

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

**Trade Refuse** - Included within "Waste Collection" in the Income and Expenditure Account (page 19). The deficit for the year was £60,000 on a turnover of £480,000. (2008/09 - £138,000 deficit against turnover of £423,000, restated).

**Colchester Leisure World** – Included within "Recreation and Sport" in the Income and Expenditure Account (page 19).

	2009/10 Income	2009/10 Expenditure	2009/10 Net Expenditure	2008/09 Net Expenditure
	£'000	£'000	£'000	£'000
Leisure World	3,582	4,751	1,169	1,194

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

**Support Services** - We also operate a range of internal trading units which provide support services. These aim to break even and generate income from charges to the services set out in the Income and Expenditure Account. The total turnover for the year for these activities was £16,001,000 (£17,895,000 for 2008/09). These sums have been fully recharged to services.

## 5. Capital Receipt Pooling

We have to pay a proportion of capital receipts into a Government pool for redistribution (see Note 37, page 55).

## 6. Pensions Costs and Benefits

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

### Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance during the year:

	Local Government Pension Scheme			
	2009/10		2008/09	
	£'000	£'000	£'000	£'000
<b>Income and Expenditure Account</b>				
Net Cost of Services:				
Current Service Cost		2,105		3,195
Past Service Cost		-		-
Settlement/Curtailment		84		47
Net Operating Expenditure:				
Interest Cost		8,630		8,817
Expected Return of Assets in the Scheme		(4,615)		(5,896)
Effect of paragraph 41 limit		-		-
<b>Net Charge to the Income and Expenditure Account</b>		<b>6,204</b>		<b>6,163</b>
<b>Statement of Movement on the General Fund Balance</b>				
Reversal of net charges made for retirement benefits in accordance with FRS17	(6,204)		(6,163)	
Employers' Contributions Payable to Scheme	4,888	(1,316)	4,648	(1,515)
<b>Actual Amount Charged against Council Tax for Pensions in the Year</b>		<b>4,888</b>		<b>4,648</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £17,773,000 (2008/09 – actuarial gains of £4,847,000) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains/losses recognised in the Statement of Total Recognised Gains and Losses is £28,512,000 (net actuarial losses).

The actual contributions payable are determined by the Fund's actuary based on triennial actuarial valuations. Rates are set to meet 100% of the overall liabilities of the fund. The Council is also responsible for all pension payments relating to added years benefits it has awarded and the additional costs of early retirements approved in the year. These levels were based on the actuarial valuation as at 31 March 2007. The employer's contributions payable are as follows:

	2009/10	2008/09
	£'000	£'000
Employer's equivalent contribution	2,238	2,134
Added years	407	393
Back funding	2,170	2,074
Strain on early retirements	73	47
	<b>4,888</b>	<b>4,648</b>

We pay contributions to the County fund monthly in arrears so at 31 March 2010 the sum of £401,000 (£382,000 for 2008/09) for the March contributions has been included in the accounts as a creditor.

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

The actuary has advised that the overall funding level of the Pension Fund had increased from 71.4% in 2004 to 79.6% in 2007. The higher than anticipated investment returns and back funding contributions over this period, partially offset by increasing life expectancy, have contributed to this result. The valuation also reflects the introduction of the "new look" LGPS from 1 April 2008 under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and related regulations. The new scheme includes provision for an increase in the contributions made by employees. The valuation has set the employer's contribution rate at 11.9% until 31 March 2011 with the under funding planned to be cleared over a twenty year period. The sum required from this Council for back funding in 2010/11 is £2,269,702. The next revaluation will be as at 31 March 2010 and will be implemented with effect from 1 April 2011.

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

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2009/10 £'000	2008/09 £'000
1 April	122,952	144,914
Current Service Cost	2,105	3,195
Interest Cost	8,630	8,817
Contributions by scheme participants	1,244	1,197
Actuarial (gains)/losses	38,077	(30,071)
Benefits paid	(6,165)	(5,147)
Past Service Costs	-	-
Curtailments	84	47
Settlements	-	-
<b>31 March</b>	<b>166,927</b>	<b>122,952</b>

Reconciliation of fair value of the scheme assets:

	2009/10 £'000	2008/09 £'000
1 April	71,013	89,643
Expected rate of return	4,615	5,896
Actuarial gains/(losses)	20,304	(25,224)
Employer contributions	4,888	4,648
Contributions by scheme participants	1,244	1,197
Benefits paid	(6,165)	(5,147)
Settlements	-	-
<b>31 March</b>	<b>95,899</b>	<b>71,013</b>

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

The actual return on scheme assets in the year was a positive return of £24,919,000 (A negative return of £19,239,000 for 2008/09).

### Scheme History

	2009/10 £'000	2008/09 £'000	2007/06 £'000	2006/05 £'000	2005/06 £'000
Present value of liabilities	166,927	122,952	144,914	135,292	136,318
Fair value of assets	95,899	71,013	89,643	95,697	89,502
Deficit in the scheme	<b>71,028</b>	<b>51,939</b>	<b>55,271</b>	<b>39,595</b>	<b>46,816</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £71,028,000 has a significant impact on the net worth of the Council as recorded in the Balance

Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

The total contributions expected to be made by the Council to the pension scheme for the year to 31 March 2011 is £4,914,000.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary were:

	31 March 2010 %	31 March 2009 %
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5	7.5
Government Bonds	4.5	4.0
Other Bonds	5.2	6.0
Property	6.5	6.5
Cash/liquidity	0.5	0.5
Other assets	N/A	N/A
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1	22.0
Women	25.0	24.9
Longevity at 65 for future pensioners:		
Men	23.1	23.1
Women	25.9	25.9
Rate of inflation	3.3	3.3
Rate of increase in salaries	4.8	4.8
Rate of increase in pensions	3.3	3.3
Rate for discounting scheme liabilities	5.6	7.1
Take up of option to convert annual pension into retirement lump sum	50.0	50.0

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

Proportion of total assets held:	31 March 2010	31 March 2009
	%	%
Equity investments	67.5	74.5
Gilts	7.9	8.7
Other Bonds	10.0	5.3
Property	9.3	9.8
Cash/liquidity	5.3	1.7
Other assets	-	-
	<b>100.0</b>	<b>100.0</b>

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

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



## Actuarial Gains and Losses

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

	2009/10	2008/09	2007/08	2006/07	2005/06
	%	%	%	%	%
Differences between the expected and actual return on assets	21.2	(35.4)	(11.5)	1.1	15.6
Differences between actuarial assumptions about liabilities and actual experience	-	-	2.8	-	1.7

## Pension Reserve

The Pension Reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17. The movements show the actuarial gains and losses and the adjustment required to ensure the sum charged to revenue matches the contribution payable in the year in accordance with pension regulations.

	2009/10	2008/09
	£'000	£'000
Balance at the beginning of the year	(51,939)	(55,271)
Actuarial (Loss)/Gain	(17,773)	4,847
Transfer (to)/from Revenue	(1,316)	(1,515)
<b>Balance at the End of the Year</b>	<b>(71,028)</b>	<b>(51,939)</b>

The change from an estimated net liability of £51,939,000 at 31 March 2009 to an estimated net liability of £71,028,000 at 31 March 2010 is the net result of a number of factors. Investments performed significantly better than previously assumed over the year to 31 March 2010 and provided a significantly higher than expected return. The actuarial assumptions used for the liabilities calculation at 31 March 2010 were much more conservative than those used as at 31 March 2009. This was as a result of the yield on corporate bonds falling substantially and the inflation assumption increasing slightly during the year, which led to a significant increase in the liabilities within the scheme. The impact on estimated liabilities has more than offset the improvements seen in the investment returns during the year. The net result has been an increase in estimated liabilities, which has led to a significant increase in the overall liability.

The £71,028,000 net liability represents the difference between the value of the Council's pension fund assets at 31 March 2010 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 2010 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuary in their full actuarial review of the Pension Fund as at 31 March 2007. Their advice on the shortfall in the funding of the scheme at that time has determined the future level of pension contributions which were implemented from 1 April 2008. The sum required from this Authority for back funding is £2,269,702 for 2010/11. The under funding is planned to be cleared over a twenty year period. The position is reviewed annually and the next full revaluation will be as at 31 March 2010. The results of the 2010 valuation will be implemented with effect from 1 April 2011.

## 7. General Capital Contributions

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

## 8. General Government Grants

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

- Under the Local Authority Business Growth Incentive a proportion of the growth in business rates is returned to the authority - £73,458 (2008/09 £99,998).
- In 2009/10 the Council received an Area Based Grant totalling £56,481 (2008/09 £22,500), which has been spent by the Council during the year.
- Housing Planning Delivery Grant (HPDG) is provided to incentivise the delivery of efficient and effective planning procedures and to enable local authorities to respond to local housing pressures. In 2009/2010 the Council received £1,463,610.

## 9. Members and Employees

The total of Members' allowances and expenses paid in the year was £533,198 (£542,358 in 2008/09) and this is included within Democratic Representation and Management in the Income and Expenditure Account (page 19). Details of Members' Allowances are reported annually and a copy of the report can be obtained from Democratic Services, Town Hall, or by telephoning Colchester 282207.

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

	2009/2010	2008/2009
Central services	22	23
Cultural & related services	226	222
Environmental services	258	266
Planning & development services	64	67
Highways, roads & transport	68	50
Housing general fund	91	89
Administration and support services	190	187
	<b>919</b>	<b>904</b>

Within the total number of employees are those whose remuneration, excluding employer's pension contributions but including termination payments, was £50,000 or more. These are shown in bands of £5,000.

Remuneration Band	Number of Employees	
	2009/2010	2008/2009
£50,000 - £54,999	15	7
£55,000 - £59,999	2	3
£60,000 - £64,999	4	4
£65,000 - £69,999	-	3
£70,000 - £74,999	5	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	3	2
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
£160,000 - £169,999	-	1

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

## Remuneration of senior employees

The 2009 Statement of Recommended Practice has introduced a new disclosure requirement to disclose the individual remuneration details for senior staff within local authorities in respect of their employment by the Council. These disclosures constitute a new legal requirement to increase the transparency and accountability in Local Government for reporting remuneration of senior employees.

Senior employees are defined by the regulations as those whose salary is more than £150,000 per year or one whose salary is at least £50,000 per year (calculated on a pro-rated basis for part time employees) and who is:

- the designated head of paid services, a statutory chief officer or a non statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- the head of staff for a relevant body which does not have a designated head of paid service; or
- any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

For senior officers whose salary is £50,000 or more per year but less than £150,000 – these officers are to be identified by their role. Employees with salaries of £150,000 or more per year are required to be identified by name within the accounts. No senior officers receive expense allowance payments.

### 2009/2010

Post holder information	Notes	Salary (including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions 2009/2010 £	Pension contributions £	Total Remuneration including pension contributions 2009/2010 £
<b>Chief Executive</b>		117,101	-	<b>117,101</b>	14,417	<b>131,518</b>
<b>Executive director</b>		93,268	-	<b>93,268</b>	11,083	<b>104,351</b>
<b>Executive director</b>		93,137	-	<b>93,137</b>	11,083	<b>104,220</b>
<b>Executive director</b>		93,169	-	<b>93,169</b>	11,083	<b>104,252</b>
<b>Head of :</b> Strategic Policy and Regeneration		70,080	-	<b>70,080</b>	8,337	<b>78,417</b>
<b>Head of :</b> Life Opportunities		70,058	-	<b>70,058</b>	8,337	<b>78,395</b>
<b>Head of:</b> Environmental and Protective Services	1	55,311	-	<b>55,311</b>	6,453	<b>61,764</b>
<b>Head of :</b> Resource Management		70,222	-	<b>70,222</b>	8,337	<b>78,559</b>
<b>Head of :</b> Street Services		70,058	-	<b>70,058</b>	8,337	<b>78,395</b>
<b>Head of :</b> Corporate Services	2	46,338	-	<b>46,338</b>	5,515	<b>51,853</b>
<b>Head of :</b> Customer Services		61,525	-	<b>61,525</b>	7,382	<b>68,907</b>
<b>Monitoring Officer</b>		62,034	-	<b>62,034</b>	7,382	<b>69,416</b>
<b>Returning Officer</b>		4,079	-	<b>4,079</b>	-	<b>4,079</b>
<b>Total</b>		<b>906,380</b>	-	<b>906,380</b>	107,746	<b>1,014,126</b>

**Note 1:** The Head of Service for Environmental and Protective Services commenced service on 6 April 2009 at an annualised salary of £56,000.

**Note 2:** The Head of Service for Corporate Services commenced on 1 June 2009 at an annualised salary of £55,600.

2008/2009

Post holder information	Notes	Salary (including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions 2008/2009 £	Pension contributions £	Total Remuneration including pension contributions 2008/2009 £
<b>Chief Executive</b>		115,339	-	<b>115,339</b>	14,082	<b>129,421</b>
<b>Executive director</b>		91,892	-	<b>91,892</b>	10,920	<b>102,812</b>
<b>Executive director</b>		90,813	-	<b>90,813</b>	10,807	<b>101,620</b>
<b>Executive director</b>		89,866	-	<b>89,866</b>	10,694	<b>100,560</b>
<b>Executive director</b>	1	94,895	75,438	<b>170,333</b>	10,920	<b>181,253</b>
<b>Head of :</b> Strategic Policy and Regeneration		69,022	-	<b>69,022</b>	8,214	<b>77,236</b>
<b>Head of :</b> Life Opportunities		63,094	-	<b>63,094</b>	7,508	<b>70,602</b>
<b>Head of:</b> Environmental and Protective Services		-	-	-	-	-
<b>Head of :</b> Planning Services	2	43,175	42,651	<b>85,826</b>	4,791	<b>90,617</b>
<b>Head of :</b> Resource Management		69,154	-	<b>69,154</b>	8,214	<b>77,368</b>
<b>Head of :</b> Street Services		63,094	-	<b>63,094</b>	7,508	<b>70,602</b>
<b>Head of :</b> Corporate Services		-	-	-	-	-
<b>Head of :</b> Customer Services		57,492	-	<b>57,492</b>	6,842	<b>64,334</b>
<b>Monitoring Officer</b>		61,117	-	<b>61,117</b>	7,273	<b>68,390</b>
<b>Returning Officer</b>		3,000	-	<b>3,000</b>	-	<b>3,000</b>
<b>Total</b>		<b>911,953</b>	<b>118,089</b>	<b>1,030,042</b>	<b>107,773</b>	<b>1,137,815</b>

**Note 1:** Executive director left Colchester Borough Council on 31 March 2009 on an annualised salary of £94,895.

**Note 2:** Head of Planning Services left Colchester Borough Council on 31 October 2008 on an annualised salary of £74,000 and was replaced in 2009/2010 by the Head of Environmental and Protective Services.

## 10. Audit Costs

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

	2009/2010 £'000	2008/2009 £'000
Core external audit services	141	131
Statutory inspection	9	6
Certification of Grant Claims	46	65
Other Services – National Fraud Initiative	1	2
	<b>197</b>	<b>204</b>

## 11. Related Party Transactions

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

	2009/2010		2008/2009	
	Receipts	Payments	Receipts Restated	Payments
	£'000	£'000	£'000	£'000
<b>Central Government:</b>				
Revenue Grants (see Note 47, page 61)	63,343		53,502	
Non-Domestic Rate Income from National Pool	10,302		10,871	
Capital Grants				
- Department of Communities and Local Government	1,754		1,035	
- English Heritage	23		23	
- Regeneration Budget (EEDA)	693		-	
- Her Majesty's Court Service	-		20	
- Department for Environment and Rural Affairs	-		2	
- Arts Council England	1,008		651	
- Football Foundation	-		578	
- Department of Culture, Media and Sport	-		52	
- Sports Council	272		-	
<b>Essex County Council:</b>				
Precept (see Collection Fund Notes 5 & 7, page 73/74)		63,774		61,716
Supporting People	751		733	
Countywide Concessionary Travel Scheme		2,278		2,212
Trade Waste Disposal		126		132
Contributions to Capital Schemes	1,268		685	
Recycling Credits	863		750	
Joint Use of Sports Centres	18	157	18	150
Other, including County Supplies	303	993	132	1,432
On Street Parking (Decriminalisation)		4		24
Community Projects	24		58	
Second Home Grant	143		125	
Shrub End Transfer Station	64		-	
<b>Essex County Council Pension Fund</b>		4,888		4,648
Employers Contributions (see Note 6, page 28)				
<b>Colchester Borough Homes Limited (see Note 42, Page 57)</b>	447	3,510	446	3,510
We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account.				
<b>Parish Councils</b>		1,110		1,039
The payments are grants and precepts to support services provided by Parish Councils.				
<b>Colchester Primary Care Trust</b>	-		10	
Contributions for joint finance schemes for housing special needs and health promotion.				
<b>Mercury Theatre Company – Grant</b>		298		298
We work with the company and the Eastern Arts Board to support theatre provision in Colchester. The Council is the sole trustee of the Colchester New Theatre Trust (see page 81).				

	2009/2010		2008/2009	
	Receipts	Payments	Receipts	Payments
	£'000	£'000	Restated £'000	£'000
<b>Colchester Community Stadium Limited (see Note 42, Page 57)</b>	-	-	250	-
We have provided a loan for initial working capital to the company and have received advance rent for the Community Stadium.				
<b>Voluntary Organisations – Grants</b>				
Arts Development		281		354
Welfare Organisations		187		142
Village Halls and Community Centres		8		78
Community Partnership Schemes		136		387
Recreation Development		46		61
Housing Groups		54		62
Shopmobility (Joint with CCVS)		24		23
Other		108		77
<b>Economic Development Activities – Grants</b>				
Colchester Town Centre Partnership		-		-
Colchester Business Enterprise Agency		19		21
Other		48		47

## 12. Leasing

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

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

	2009/2010 £'000	2008/2009 £'000
Land & Buildings	527	591
Vehicles & Equipment	824	797
<b>Total</b>	<b>1,351</b>	<b>1,388</b>

The Authority is committed to making payments of £1,163,000 in 2010/2010, comprising the following:

	Land & Buildings £'000	Vehicles & Equipment £'000	Total £'000
Leases expiring in 2010/2011	-	54	54
Leases expiring between 2011/2012 and 2014/2015	111	582	693
Leases expiring after 2014/2015	416	-	416
<b>Total</b>	<b>527</b>	<b>636</b>	<b>1,163</b>

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

The Council leases a number of commercial properties (land and buildings) which are accounted for as operating leases. The rentals receivable in 2009/2010 were £3,428,000 (2008/2009 £2,709,000).

The gross value of land and buildings held by the Council for use in operating leases was £69,139,000 (2008/2009 £69,026,000) and the accumulated depreciation charges for these assets to 31 March 2010 was £488,000 (2008/2009 £307,000).

### 13. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutorily prescribed minimum charge made to the revenue account to provide for the repayment of debt.

	2009/2010 £'000	2008/2009 £'000
Non-Housing Amount	549	104
<b>Minimum Revenue Provision</b>	<b>549</b>	<b>104</b>

The Council has assessed its MRP for 2009/10 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The MRP for 2009/10 includes capital expenditure incurred before 1 April 2008, which will continue to be charged at the uniform rate of 4% of the adjusted Capital Financing Requirement, in accordance with option 1 of the guidance.

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

Under this option, it is intended that MRP should be spread over the estimated useful life of the asset for which the borrowing is undertaken using equal annual instalments commencing from the financial year after that in which the item of capital expenditure becomes fully operational. The charge for 2009/10 therefore reflects the Community Stadium and the purchase of Rowan House.

### 14. Intangible Fixed Assets

	2009/2010 £'000	2008/2009 £'000
<b>Software</b>		
Expenditure to 1 April	7,444	6,713
Expenditure incurred in Year	733	731
Expenditure at the End of the Year	8,177	7,444
Written Out to Revenue to 1 April	(5,347)	(3,669)
Written Out to Revenue in Year	(1,797)	(1,678)
Written Out at the End of the Year	(7,144)	(5,347)
<b>Balance at the End of the Year</b>	<b>1,033</b>	<b>2,097</b>

The Council has invested in software for its major systems over a number of years. The individual project software costs are being written out to revenue over the estimated life (3-10 years).

## 15. Tangible Fixed Assets

Major assets held by the Council are as follows:

	31 March 2010	31 March 2009
<b>Operational Assets</b>		
<b>Council Dwellings</b>		
Council House Stock	6,303	6,318
Council Garages	2,595	2,605
Shared Ownership Properties	10	12
<b>Other Land and Buildings</b>		
Town Hall	1	1
Other Office Locations	1	2
Depots	3	3
Sports Centres (plus 2 jointly used with schools)	1	1
Tennis Centre	1	1
Cemetery	1	1
Crematorium	1	1
Public Conveniences	18	18
Activity Centres for Older People	2	2
Visitor Information Centre	1	1
Highwoods Visitor Centre	1	1
West Mersea Beach Area	1	1
Bus Station	1	1
Car Parks (plus 2 temporary sites)	13	13
Colchester Castle	1	1
Other Museums	3	3
Nurseries	1	1
Sports Pavilions	9	9
<b>Vehicles, Plant and Equipment</b>		
Vehicles and Plant	76	88
CCTV Town Centre Monitoring System	1	1
<b>Community Assets</b>		
Museum Exhibits (including artwork)	Circa 500,000	Circa 500,000
Civic Regalia	78	78
Commons and Greens	13	13
Parks and Open Spaces	1,100 acres	1,100 acres
Sports Grounds	168 acres	168 acres
Woodland	163 acres	163 acres
Children's Play Area	65	65
Balkerne Gate Roman Features	1	1
Gosbecks Archaeological Park	1	1
<b>Non-Operational Assets</b>		
Former Outdoor Swimming Pool	1	1
Industrial Lettings	44	44
Managed Workshop Scheme	2	2
Shopping Centre (site only)	1	1
Office Complex (site only)	1	1
Business Park (site only)	1	1
Shops	30	30
Office Premises	3	3
Doctors Surgeries	3	3
Vacant Industrial Land	2 acres	2 acres
Allotments	56 acres	56 acres
Oyster Fishery on River Colne	1	1
Farmland	292 acres	292 acres
Sites for Advertising	4	4
Football Stadium	3	3



## Tangible Fixed Assets (continued)

The table below shows movements in net fixed assets.

	Council Dwellings, Land & Property £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Non-Operational Assets £'000	TOTAL £'000
<b>Cost or valuation</b>							
Value as at 1 April 2009	403,555	78,099	10,067	6,124	275	88,270	586,390
Additions	3,316	464	1,042	39	105	5,935	10,901
Disposals	(1,038)	(2,445)	(16)	-	-	(136)	(3,635)
Revaluations	35,073	4,655	-	-	-	475	40,203
Impairments	-	(2,061)	-	-	(120)	(2,742)	(4,923)
Assets Transferred	-	16,283	1,191	106	28	(17,608)	-
Assets Written out	-	(1,038)	-	(569)	-	-	(1,607)
<b>Gross Book Value at 31 March 2010</b>	<b>440,906</b>	<b>93,957</b>	<b>12,284</b>	<b>5,700</b>	<b>288</b>	<b>74,194</b>	<b>627,329</b>
<b>Depreciation and impairments</b>							
Value as at 1 April 2009	(34,159)	(2,236)	(5,748)	(2,086)	-	(2)	(44,231)
Depreciation for the Year	(6,954)	(1,434)	(1,098)	(198)	-	-	(9,684)
Depreciation on Assets Sold	127	41	7	-	-	-	175
Depreciation on Assets Revalued	-	28	-	-	-	-	28
Depreciation on Assets Impaired	-	281	-	-	1	-	282
Depreciation on Assets Transferred	-	11	(10)	-	(1)	-	-
Depreciation on Assets Written out	-	-	-	28	-	-	28
<b>Depreciation and impairment balance as at 31 March 2010</b>	<b>(40,986)</b>	<b>(3,309)</b>	<b>(6,849)</b>	<b>(2,256)</b>	<b>-</b>	<b>(2)</b>	<b>(53,402)</b>
<b>Net Book Value at 31 March 2010</b>	<b>399,920</b>	<b>90,648</b>	<b>5,435</b>	<b>3,444</b>	<b>288</b>	<b>74,192</b>	<b>573,927</b>
<b>Net Book Value at 31 March 2009</b>	<b>369,396</b>	<b>75,863</b>	<b>4,319</b>	<b>4,038</b>	<b>275</b>	<b>88,268</b>	<b>542,159</b>
<b>Nature of Asset holding</b>							
Owned	399,920	90,648	5,435	3,444	288	74,192	573,927
Finance lease	-	-	-	-	-	-	-
PFI	-	-	-	-	-	-	-
<b>Total</b>	<b>399,920</b>	<b>90,648</b>	<b>5,435</b>	<b>3,444</b>	<b>288</b>	<b>74,192</b>	<b>573,927</b>

The revaluations take account of:

- the revaluation of non HRA land and buildings and non-operational assets
- the impact of additions during 2009/10

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

Due to the decline in the national economy which has led to the fall in property prices during 2009/10, the Council was required to carry out an impairment review to identify the General Fund and HRA assets affected and to quantify the resulting decline in value. The results of this review have been adjusted for in the values of the fixed assets shown above.

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

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

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

See Statement of Capital Expenditure and Financing (Note 18, page 42) for analysis of “Additions” and sources of finance.

Non-operational assets are analysed in the table below.

	Investment Properties £'000	Surplus Properties £'000	Assets under Construction £'000	TOTAL £'000
<b>Analysis of Non-Operational Assets</b>				
<b>Cost or valuation</b>				
Value as at 1 April 2009	51,525	15,554	21,191	88,270
Additions	-	3	5,932	5,935
Disposals	(136)	-	-	(136)
Revaluations	475	-	-	475
Impairments	(1,600)	(1,142)	-	(2,742)
Assets Transferred	(15,833)	(628)	(1,147)	(17,608)
Gross Book Value at 31 March 2010	34,431	13,787	25,976	74,194
<b>Depreciation and Impairments</b>				
Value as at 1 April 2009	(2)	-	-	(2)
Depreciation for the Year	-	-	-	-
Depreciation on Assets Sold	-	-	-	-
Depreciation on Assets Revalued	-	-	-	-
Depreciation on Assets Impaired	-	-	-	-
Depreciation on Assets Transferred	-	-	-	-
Depreciation and impairment balance as at 31 March 2010	(2)	-	-	(2)
<b>Net Book Value at 31 March 2010</b>	<b>34,429</b>	<b>13,787</b>	<b>25,976</b>	<b>74,192</b>
<b>Net Book Value at 31 March 2009</b>	<b>51,523</b>	<b>15,554</b>	<b>21,191</b>	<b>88,268</b>
<b>Nature of Asset holding</b>				
Owned	34,429	13,787	25,976	74,192
Finance lease	-	-	-	-
PFI	-	-	-	-
<b>Total</b>	<b>34,429</b>	<b>13,787</b>	<b>25,976</b>	<b>74,192</b>

## 16. Valuation of Fixed Assets

All Council dwellings were revalued at 1 April 2005 at a gross value of £357 million. The valuation of dwellings has been adjusted to 31 March 2010 in the 2009/10 accounts and this is reflected in the valuation shown in Note 15 above. All Land and Building assets other than Council dwellings were revalued as at 1 April 2004 at a valuation of £102 million. Assets are now being revalued under a five year rolling programme. The Land and Building assets under this year's programme were valued at £31 million.

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

The valuations assume that the land and properties are unaffected by contamination. Specific inspections and structural or soil surveys have not been carried out and service installations have not been tested.

Plant and machinery which would normally be regarded as an integral part of the buildings on letting or sale has been included in the valuation of the building but all items of loose furnishings and fittings, for example desks, computers, curtains and the like, are excluded.

Operational assets are those held occupied and used in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility. They have been valued on the basis of Existing Use Value (EUV)

where this could be assessed. This assumes that the asset will continue to be owner-occupied, or let pursuant to the delivery of a service, for the existing use for the foreseeable future.

Specialised properties are those which are rarely, if ever, sold on the open market due to their specialised nature, location or use. They have been valued on the basis of Depreciated Replacement Cost (DRC). The DRC basis of valuation requires an estimate of the value of the land in its existing use together with the current gross replacement of the building and its external works, from which appropriate deductions have been made to reflect the age, condition, economic, functional and environmental obsolescence and other locational factors which might result in the existing property being worth less than a new replacement building. The DRC method can only be used in the absence of an active market.

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

Non-operational assets are assets held by the Council but which are not directly occupied or used in the delivery of services. They have been valued on the basis of Market Value (MV). This basis reflects the highest of all potential uses and not simply the existing use.

Fixed assets are updated for additions and disposals in the year.

Due to the decline in the national economy which has led to the fall in property prices during 2009/10, the Council was required to carry out an impairment review to identify the assets affected and to quantify the resulting decline in value. The results of this review have been adjusted for in the values of the fixed assets shown in the accounts (see Note 15).

The valuations and the impairment review in the year were carried out by independent external valuers – NPS Property Consultants Limited, who are members of the Royal Institution of Chartered Surveyors.

## 17. Depreciation

Assets are being depreciated in accordance with the Statement of Accounting Policies outlined in Note 5, page 8. More particularly council dwellings are being depreciated in accordance with the HRA Resource Accounting Regulations which came into effect from 1 April 2001. Asset lives are determined by the Asset Valuation Officer as **Note 16** above. The lives are reviewed as part of each revaluation. The lives being used are:

Council dwellings	-	35 years		
Other buildings	-	Analysed into four life bandings:		
		Short	-	10 years
		Short/Medium	-	20 years
		Medium/Long	-	40 years
		Long	-	50 years
Vehicles, plant and equipment	-	3-10 years		
Infrastructure assets	-	20 years		

## 18. Capital Expenditure and Financing

### Summary of Capital Expenditure

	2009/2010 £'000	2008/2009 £'000
Intangible Fixed Assets	733	731
Operational Assets	4,966	12,476
Non Operational Assets	5,935	9,612
Revenue expenditure funded from capital under statute	1,248	1,930
Long Term Debtors	90	325
<b>Total Capital Expenditure</b>	<b>12,972</b>	<b>25,074</b>

### Analysis of Expenditure and Financing

	2009/2010 £'000	2008/2009 £'000
<b>Fixed Assets:</b>		
Improvements to Council Housing	3,316	2,686
Visual Arts Facility	2,502	2,734
Colchester Regeneration Projects	2,208	758
Sport and Recreation	1,354	903
Office Purchase & Improvements	629	9,370
Investment in Information Technology	269	88
Heritage and Tourism	194	109
Waste Services	116	180
Energy Saving Technology	114	-
Public Conveniences	98	379
CCTV Improvements	38	24
Cemetery Improvements	37	-
Car Park Ticket Machines	15	58
Community Stadium Construction	11	4,745
Community Facilities	-	32
Other	-	22
<b>Total Fixed Assets</b>	<b>10,901</b>	<b>22,088</b>

#### Capital Expenditure not Resulting in Fixed Assets:

Investment in Information Technology – Software	733	731
Renovation Grants	634	785
Grants to Registered Social Landlords	492	-
Loans to Private Sector Housing	90	325
Grants to Parish Councils	63	36
Grants for Community Facilities	55	37
Equipping SOS Bus	4	72
Hythe Station Refurbishment	-	1,000
<b>Total Capital Expenditure not Resulting in Fixed Assets</b>	<b>2,071</b>	<b>2,986</b>
<b>Total Capital Expenditure to be Financed</b>	<b>12,972</b>	<b>25,074</b>

#### Financed by:

Unsupported Borrowing	111	11,332
Application of Capital Receipts	3,709	5,932
Major Repairs Reserve	3,046	2,451
Direct Revenue Funding	344	455
Grants and Contributions	5,762	4,904
<b>Total Financing</b>	<b>12,972</b>	<b>25,074</b>

### Capital Financing Requirement

	2009/2010 £'000	2008/2009 £'000
Opening requirement	74,407	63,179
Unsupported borrowing	111	11,332
Minimum Revenue Provision	(549)	(104)
<b>Closing Requirement</b>	<b>73,969</b>	<b>74,407</b>

## 19. Commitments Under Capital Contracts

### Committed Capital Contracts

The Council has entered into the following significant capital contracts as at 31 March 2010:

Scheme	Committed Contracts as at 31 March 2010 £'000	Notes
Decent Homes and upgrades to Council Housing Stock	15,292	Total Contracts over 4 years
Visual Arts Facility – completion and fitting out	3,400	Range of contracts for specific works
Business Incubator Units	2,100	£700k spent in 2009/10
Supply and installation of two new cremators	670	Decision to be made on whether to purchase or lease

### Approved Capital Schemes

The Council's capital programme includes the following significant schemes for 2010/11 and future years –

- Visual Arts Facility completion and fit out £6.7 million
- Decent Homes and upgrades to Council housing stock £7.9 million
- Business Incubator Units £1.7 million
- A programme of investment in information technology £0.7 million

New growth point funding for regeneration projects is subject to confirmation. Any new funding will be added to the capital programme once confirmed.

## 20. Long Term Investments

	Balance at 31 March 2010 £'000	Balance at 31 March 2009 £'000
Market Value of Marketable Securities at 31 March	10	10
Term Deposits	-	4,000
<b>Total Long Term Investments</b>	<b>10</b>	<b>4,010</b>
Marketable Securities at cost	21	21

## 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 and sums repayable on sale of the property.

Category of Long Term Debtor	Balance at 1 April 2009 £'000	Interest adjustment £'000	Advances in the Year £'000	Repayments In the Year £'000	Balance at 31 March 2010 £'000
Sale of Council Houses	90	-	-	(19)	71
Purchase/Improvement of Private Sector Houses	41	-	-	(7)	34
Improvement of Private Sector Houses-interest free	419	(23)	90	(12)	474
<b>Total Long Term Debtors</b>	<b>550</b>	<b>(23)</b>	<b>90</b>	<b>(38)</b>	<b>579</b>

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 35, page 54). The interest adjustment for the year reflects:-

- "loss" of interest foregone on advances made in the year – (£47,000)
- one year write back of value of loans outstanding at beginning of year – £24,000.

## 22. Stocks and Work in Progress

	Value as at 31 March 2010	Value as at 31 March 2009
	£'000	£'000
Stocks	168	144
Less Provision for Obsolete Stock	-	-
<b>Total Stocks</b>	<b>168</b>	<b>144</b>

### Work in progress

There is no work in progress at the end of 2009/10.

## 23. Debtors

	Value as at 31 March 2010	Value as at 31 March 2009 Restated
	£'000	£'000
<b>Sums falling due within One Year</b>		
Council Tax Arrears	637	620
Government Departments	3,744	2,893
Council Tenants	1,206	1,259
Essex County Council	1,090	571
HM Customs and Revenue (VAT)	1,641	-
General Debtors	7,943	7,521
<b>Total Due within One Year</b>	<b>16,261</b>	<b>12,864</b>
<b>Sums falling due after One Year:</b>		
General Debtors	-	-
<b>Total Due after One Year</b>	<b>-</b>	<b>-</b>
Gross Debtors	16,261	12,864
Less Provision for Doubtful Debts	(4,904)	(4,415)
<b>Total Debtors</b>	<b>11,357</b>	<b>8,449</b>

## 24. Creditors

	Value as at 31 March 2010	Value as at 31 March 2009 Restated
	£'000	£'000
Council Tax Prepayment	296	283
Government Departments	1,357	1,626
Council Tenants	485	369
Contractors' Deposits	83	83
Essex County Council	872	880
Contractors re Capital Schemes	1,407	738
General Creditors	4,154	4,235
<b>Total Creditors</b>	<b>8,654</b>	<b>8,214</b>

## 25. Financial Instruments balances

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

	Long-Term		Current	
	31 March 2010 £'000	31 March 2009 Restated £'000	31 March 2010 £'000	31 March 2009 Restated £'000
Financial liabilities at amortised cost				
- Public Works Loan Board (PWLB)	27,900	27,900	271	271
- Money Market	29,500	29,500	5,776	11,707
<b>Total borrowings</b>	<b>57,400</b>	<b>57,400</b>	<b>6,047</b>	<b>11,978</b>
Loans and receivables - Investments	-	4,000	13,081	15,499
- ADC Debenture	-	-	-	-
Available-for-sale financial assets	10	10	-	-
<b>Total investments</b>	<b>10</b>	<b>4,010</b>	<b>13,081</b>	<b>15,499</b>

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

## 26. Impairment of Investments

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

Bank	Date Invested	Maturity Date	Amount Invested £'000	Interest Rate %	Carrying Amount £'000	Impairment £'000
Landsbanki Islands	02/09/2008	02/12/2008	3,000	5.82	2,235	1,041
Landsbanki Islands	10/09/2008	10/12/2008	1,000	5.80	744	346
			<b>4,000</b>		<b>2,979</b>	<b>1,387</b>

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

Date	£'000
October 2011	919
October 2012	367
October 2013	367
October 2014	368
October 2015	368
October 2016	368
October 2017	368
October 2018	807
	<b>3,932</b>

Interest credited to the Income and Expenditure Account in 2009/10 in respect of these investments is as follows:

Bank	Credited £'000	Received £'000
Landsbanki Islands	233	0

## 27. Financial Instruments gains/losses

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

	2009/10			Total £'000
	Financial Liabilities Measured at amortised cost £'000	Financial Assets		
		Loans and receivables £'000	Available-for- sale assets £'000	
Interest expenses	3,660	-	-	3,660
Losses on derecognition	-	-	-	-
<b>Interest payable and similar charges</b>	<b>3,660</b>	<b>-</b>	<b>-</b>	<b>3,660</b>
Interest income	-	(484)	-	(484)
Gains on derecognition	-	-	-	-
<b>Interest and investment income</b>	<b>-</b>	<b>(484)</b>	<b>-</b>	<b>(484)</b>
<b>Net loss/(gain) for the year</b>	<b>3,660</b>	<b>(484)</b>	<b>-</b>	<b>3,176</b>
Adjusted via SMGFB-premiums/discounts	200	-	-	200
<b>Impact on balances</b>	<b>3,860</b>	<b>(484)</b>	<b>-</b>	<b>3,376</b>
Borne by:-				
General Fund	1,121	(461)	-	660
Housing Revenue Account	2,739	(23)	-	2,716
	<b>3,860</b>	<b>(484)</b>	<b>-</b>	<b>3,376</b>

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

The average interest rate on all financial liabilities - borrowings (including short term borrowing) for 2009/10 was 4.99% (2008/09 = 5.61%).

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

The above figures include the investments that have been impaired due the financial difficulties faced by Icelandic Banks (see note 26, page 45).



## 28. Fair value of assets and liabilities carried at amortised cost

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

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

The fair values calculated are as follows:

	31 March 2010		31 March 2009	
	Carrying amount £'000	Fair value £'000	Carrying amount Restated £'000	Fair value Restated £'000
Total debt	63,447	71,663	69,378	78,990
Creditors	8,654	8,654	8,214	8,214
<b>Total financial liabilities</b>	<b>72,101</b>	<b>80,317</b>	<b>77,592</b>	<b>87,204</b>
Loans and receivables	13,081	13,114	19,499	19,688
Debtors	11,357	11,357	8,449	8,449
<b>Total financial assets</b>	<b>24,438</b>	<b>24,471</b>	<b>27,948</b>	<b>28,137</b>

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

## 29. Disclosure of nature and extent of risks arising from financial instruments

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

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

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

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

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are made with banks and financial institutions with reference to independent credit ratings and other professional advice that is available and by always using the lowest rating available to determine creditworthy counterparties. The Council's approach to managing credit risk is by having limits on individual investments commensurate with the level of credit risk, and only investing with the very highest rated institutions. The Annual Investment Policy included sovereign debt criteria, limits on the total level of investment in certain countries and sectors, as well as limits on the value of the investment and length of maturity.

The 2010/11 investment policy, takes into account the 2009 revised CIPFA Treasury Management in the Public Services Code of Practice, together with other recent guidance, and emphasises the investment priorities of security of capital and liquidity of investments. This continues to be reviewed in the context of emerging guidance.

Loans to Customers (see note 21, page 43) are secured against the property and represent only a modest proportion of the total property value.

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

	Amount at 31 March 2010 £'000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2010 % C	Estimated maximum exposure to default and uncollectability £000 (A x C)
Deposits with banks and financial institutions excl. Icelandic banks	10,101	0	0	0
Customers (see note 21)	579	0	0	0
				0

Over the last five years, the only experience of default by local authorities was the Icelandic Banks default in October 2008. Deposits totalling £2.98 million have therefore been excluded from this table as they have already suffered a default due to the issuing bank being in administration. No credit limits were exceeded during the reporting period and the authority does not expect any further losses from non-performance by any of its counterparties in relation to deposits. There were no defaults by customers on their loans during the reporting period and none are expected.

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

### Credit risk – impaired investments

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

Bank	Date Invested	Maturity Date	Amount Invested £'000	Interest Rate %	Carrying Amount £'000	Impairment £'000
Landsbanki Islands	02/09/2008	02/12/2008	3,000	5.82	2,235	1,041
Landsbanki Islands	10/09/2008	10/12/2008	1,000	5.80	744	346
			<b>4,000</b>		<b>2,979</b>	<b>1,387</b>

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 successor bank (NBI) with the management of the affairs of Landsbanki being placed in the hands of a resolution committee, and administered under Icelandic law.

It was previously assumed that local authority deposits with Icelandic banks had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This view had been expressed by the Landsbanki Winding-Up Board; however, the Winding-Up Board for another Icelandic bank (Glitnir Bank hf) has expressed a contrasting view. Decisions about the priority status will be made by the Icelandic courts, and it is expected that they will come to the same conclusion in both cases. It is unlikely that there will be a settled position on priority status before the second quarter of 2011.

The estimated repayment to Landsbanki's preferential claimants is 95%, including interest to 22 April 2009. The Council has therefore decided to recognise an impairment based on a total repayment of 95%, using this latest estimate. It is also estimated that repayments to depositors will be made annually between October 2011 and October 2018. Further adjustments to the assumptions will be made in future accounts as more information becomes available.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which will have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. It is estimated that if preferential creditor status is not achieved the recoverable amount may only be 38p in the £.

The impairment loss has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. The amount recognised in the Income and Expenditure Account in 2009/10 (£449,000) takes into account adjustments to the assumptions with regards to the recoverable amount, the repayment schedule and the rate of interest payable.

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund until 2010/11, and a sum of £216,000 has been transferred to the Financial Instruments Adjustment Account. The balance of £233,000 relates to interest which has been borne in full by the General Fund.

### Liquidity risk

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

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

	£'000
Less than one year	6,047
Between one and two years	-
Between two and five years	5,500
Between five and ten years	4,000
Over ten years	47,900
	<b>63,447</b>

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

### Market risk

#### Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise

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

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

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

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

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in interest payable on new fixed rate borrowings	-
Increase in interest receivable on short term investments made in year	(214)
Increase in government grant receivable for financing costs	-
<b>Impact on Income and Expenditure Account</b>	<b>(214)</b>
Share of overall impact credited to the HRA (net)	(14)
<b>Decrease in fair value of 'available for sale assets'</b>	<b>-</b>
<b>Impact on STRGL</b>	<b>-</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I&E Account or STRGL)	9,040
Decrease in fair value of investments (loans and receivables) (no impact on I&E account or STRGL)	9

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

### **Price risk**

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

### **Foreign exchange risk**

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

However, most of the banks assets are in currencies other than ISK. The amount of ISK that the banks will recover from their creditors will also vary with exchange rate movements. Movements that reduce the sterling value of authorities' repayments may, therefore, lead to an increased recovery by the banks where the ISK experiences similar movements against other currencies.

These exchange rate risks would normally be taken into account when estimating future cash flows. However, currency restrictions mean that there is no futures market for ISK, and it is therefore impossible to price the ISK exchange rate risk. An analysis of movements to date indicates that the two risks are reasonably equally balanced, and any net increase or decrease in the amount of repayments received by authorities is not currently expected to be material.

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.

### 30. Provisions

Category of Provision	Balance at 1 April 2009	Contribution From Revenue in the Year	Payments In the Year	Balance at 31 March 2010
	£'000	£'000	£'000	£'000
Insurance	347	173	(70)	450

The **Insurance Provision** has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However the actual cost of individual claims and the timing of payments are uncertain. The Insurance Fund has been allocated between the provision and reserve elements. (See Note 39, page 55)

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.

### 31. Capital Contributions Deferred

	Government £'000	2009/2010 Developers £'000	Other £'000	Total £'000	2008/09 Total £'000
As at 1 April:					
Applied Contributions	13,643	2,504	12,063	28,210	25,575
Unapplied Contributions	204	4,879	730	5,813	7,135
<b>Total at 1 April</b>	<b>13,847</b>	<b>7,383</b>	<b>12,793</b>	<b>34,023</b>	<b>32,710</b>
As at 31 March:					
Applied Contributions	15,592	2,616	14,651	32,859	28,210
Unapplied Contributions	19	6,249	3	6,271	5,813
<b>Total at 31 March</b>	<b>15,611</b>	<b>8,865</b>	<b>14,654</b>	<b>39,130</b>	<b>34,023</b>

The account contains the amounts received to support capital projects from Government grants, developers (mainly under Section 106 agreements) and other contributors. The contributions are used to finance capital expenditure as the projects proceed (see Note 18, page 42). Once applied the contributions are written out to revenue against asset depreciation over the life of the assets.

## 32. Summary Introduction to Detail of Movements on Reserves

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

Reserve	Balance 1 April 2009 Restated	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve	Further Detail of Movements - Notes
	£'000	£'000	£'000		
Revaluation Reserve	23,976	38,135	62,111	Gains on revaluation of fixed assets not yet realised through sales	33
Capital Adjustment Account	418,520	(11,572)	406,948	Capital resources set aside to meet past expenditure	34
Financial Instruments Adjustment Account	(2,049)	(38)	(2,087)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	35
Collection Fund Adjustment Account	55	(32)	23	Balancing account to allow for differences in statutory requirements and proper accounting practices for recognising Council Tax income.	Note 36 and Collection Fund Statements pages 71-74
Usable Capital Receipts	4,999	(437)	4,562	Proceeds of fixed asset sales available to meet future capital investment	37
Deferred Capital Receipts	90	(19)	71	Sums due on fixed asset sales not yet received	38
Pensions Reserve	(51,939)	(19,089)	(71,028)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	6
Housing Revenue Account	1,518	1,091	2,609	Resources available to meet future running costs for council houses	HRA Statements, Note 16, page 70
Major Repairs Reserve	1,834	1,383	3,217	Resources available to meet capital investment in council housing	HRA Statements, Note 5, page 67
General Fund	2,891	1,035	3,926	Resources available to meet future running costs for non-housing services	Statement of Movement on the General fund Balance, page 21
Other Reserves	7,853	(1,676)	6,177	Resources earmarked for particular spending plans	39
	<b>407,748</b>	<b>8,781</b>	<b>416,529</b>		

The Revaluation Reserve and Capital Adjustment Account cannot be called upon to support spending as these accounts are only realised on the disposal of assets. The Financial Instruments Adjustment Account cannot be called upon to support spending because it will be required to balance the adjustments over the life of the borrowings and investments. The Collection Fund Adjustment Account cannot be called upon to support spending because it is required to balance the Collection Fund, as it represents the difference between accounting differences in statutory requirements and proper accounting practices for recognising Council Tax within the accounts. The Usable Capital Receipts Reserve can only be used to meet spending for capital purposes. The Pension Reserve is overdrawn reflecting the net pension liability set out in Note 6, page 28. The Revenue Reserves can be used to meet capital and revenue expenditure. Further information on these reserves is provided in the individual notes.

### 33. Revaluation Reserve

	2009/2010 £'000	2008/2009 £'000
Balance at the beginning of the Year	23,976	35,907
Add: Revaluation Increases	40,230	10,778
	64,206	46,685
Less:		
Revaluation Decreases	588	22,133
Revaluation gains relating to Fixed Assets written out	982	-
Transferred to Capital Adjustment Account (Note 34) :-		
Depreciation on revaluation gain element	396	386
Disposal of Fixed assets - revaluation gain element	33	190
Revaluation gains relating to impairments taken directly to the I&E account	96	-
<b>Balance at the end of the Year</b>	<b>62,111</b>	<b>23,976</b>

The Revaluation Reserve shows the amount by which the values of the assets owned by the Council are greater than the "historic cost" value at which they were held at 1 April 2007.

Revaluation increases reflect the effect of the revaluation of Land and Buildings held by the Council. Revaluation decreases represent the impairment loss in the value of the assets which have been written off against previous revaluation gains made for the same assets.

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

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

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

### 34. Capital Adjustment Account

	2009/2010 £'000	2008/2009 £'000
Balance at the beginning of the Year	418,520	463,787
Capital Financing		
Capital Receipts	3,709	5,932
Revenue	343	455
Reserves	3,047	2,451
General Capital Contribution	131	229
Minimum Revenue Provision	549	104
Capital Contribution Deferred Written Down	632	564
Transferred from Revaluation Reserve (Note 33) :-		
Depreciation on revaluation gain element	396	386
Disposal of Fixed assets-revaluation gain element	33	190
Revaluation gains relating to impairments taken directly to the I&E account	96	-
	427,456	474,098
Less: Write Down of:		
Intangible Assets	1,797	1,678
Revenue expenditure funded from capital under statute	896	454
Depreciation (non-housing)	2,730	2,264
Impairments	4,053	42,411
Write outs of Fixed Assets	597	-
HRA Depreciation	6,954	7,952
Disposal of Fixed Assets	3,461	776
Long Term Debtors	20	43
<b>Balance at the End of the Year</b>	<b>406,948</b>	<b>418,520</b>

The credit balance of £384m on the former Fixed Asset Restatement Account at 31 March 2007 was transferred into this reserve, when it was created on 1 April 2007.

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

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

### 35. Financial Instruments Adjustment Account

	2009/2010 £'000	2008/2009 £'000
Balance at the beginning of the Year	2,049	1,306
2009/10 movements:-		
Deferred premiums on early repayment of debt to revenue	(303)	(303)
Deferred discounts on early repayment of debt to revenue	103	103
Soft loans – adjustment for interest at market rate to revenue	(25)	(16)
Soft loans – “loss” for interest foregone on new advances	47	154
Investment impairment charge	449	938
Interest receivable on impaired investments	(233)	(133)
<b>Balance at the End of the Year</b>	<b>2,087</b>	<b>2,049</b>

This account holds the balances required to allow for the differences in statutory requirements and proper accounting practices for borrowings and investments. The balances thus created are written down over the life of the individual financial instruments. (See accounting policies 14-16, pages 10-11).

Premiums and discounts can occur where long term debt is redeemed and these are applied to future years' revenue accounts in line with recommended practice. For 2009/10 the charge, £303,525 (2008/09 £303,525), and the benefit, £103,468 (2008/09 £103,468), have been included under interest charges within the Income and Expenditure Account (page 20).

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing (see note 21, page 43). 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 balances thus created are cleared back through revenue over the life of the loans.

Regulations issued in May 2010 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

Bank	2009/2010 £'000	2008/2009 £'000	Total £'000
Landsbanki Islands	449	938	1,387

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

Bank	Balance on FIAA at 31/03/09 £'000	Transfers during 2009/10 £'000	Transfers during 2010/11 £'000	Balance on FIAA at 31/03/11 £'000
Landsbanki Islands	804	216	(1,020)	0



### 36. Collection Fund Adjustment Account

Notes	2009/2010 £'000	2008/2009 £'000
Balance at the Beginning of the Year	55	149
Movement in the year	(32)	(94)
<b>Balance at the End of the Year</b>	<b>23</b>	<b>55</b>

This reserve has been created as a result of the changes in the requirements laid down under the 2009 SORP, under which the Council is required to accrue fully for its share of the income from local taxes within the Income and Expenditure Account.

The movement in the year represents the adjustment required to allow for the differences in statutory requirements and proper accounting practices for recognising Council Tax income within the accounts.

### 37. Usable Capital Receipts Reserve

Notes	2009/2010 £'000	2008/2009 £'000
Balance at the Beginning of the Year	4,999	10,240
Capital Receipts in the Year:		
Sale of Council Housing	1,069	217
Other Sales and Repayments of Loans	2,982	624
<b>Total Capital Receipts in the Year</b>	<b>4,051</b>	<b>841</b>
Capital Receipts Applied in the Year:		
Financing of Capital Expenditure	3,709	5,932
Transferred to Income and Expenditure Account	779	150
<b>Total Capital Receipts Applied in the Year</b>	<b>4,488</b>	<b>6,082</b>
<b>Balance at the End of the Year</b>	<b>4,562</b>	<b>4,999</b>

We have to pay a proportion of capital receipts into a Government pool for redistribution. (See Note 5, page 27).

### 38. Deferred Capital Receipts

	Balance at 31 March 2010 £'000	Balance at 31 March 2009 £'000
Council House Sales	71	90

### 39. Earmarked Reserves

	Balance at 1 April 2009 £'000	Transfer (to) From Revenue £'000	Capital Financing £'000	Balance at 31 March 2010 £'000
Renewal & Repairs Fund	2,888	(798)	-	2,090
Insurance Reserve	594	(149)	-	445
Capital Expenditure Reserve	3,062	(509)	-	2,553
Regeneration Reserve	437	(271)	-	166
Asset Replacement Reserve	9	1	-	10
Heritage Reserve	-	2	-	2
Gosbecks Reserve	423	(15)	-	408
Other Reserves	440	63	-	503
	<b>7,853</b>	<b>(1,676)</b>	<b>-</b>	<b>6,177</b>
Major Repairs Reserve	1,834	4,430	(3,047)	3,217
<b>Total Reserves</b>	<b>9,687</b>	<b>2,754</b>	<b>(3,047)</b>	<b>9,394</b>

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

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

The **Insurance Reserve** is kept to cover the potential risk of fire and damage to Council houses and other selected properties, as well as certain other risks. The Insurance Fund has been allocated between the provision and reserve elements. (See Note 30, page 51).

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

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

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

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

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

**Other Reserves** includes:

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

#### 40. Revenue Balances

	Balance at 1 April 2009	Additions to Balances	Withdrawal from Balances	Balance at 31 March 2010
	£'000	£'000	£'000	£'000
General Fund	2,891	1,035	-	3,926
Housing Revenue Account	1,518	1,091	-	2,609
<b>Total Revenue Balances</b>	<b>4,409</b>	<b>2,126</b>	<b>-</b>	<b>6,535</b>

#### 41. Analysis of Net Assets Employed

The net assets employed represent the local taxpayers 'equity' in the Authority and are analysed between the main functions in the table below.

	31 March 2010 £'000	31 March 2009 £'000
General Fund	413,920	406,230
Housing Revenue Account	2,609	1,518
<b>Total Net Worth</b>	<b>416,529</b>	<b>407,748</b>

The change in net worth in the Balance sheet matches that shown in the Statement of Total Recognised Gains and Losses (page 23).

## 42. Subsidiary Companies

**Colchester Borough Homes Limited**, the Council's Arms Length Management Organisation, is a limited company wholly owned by the Council. It was established with no share capital and is limited by guarantee. The Council is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

The Council has delegated responsibility for overseeing the management and maintenance of its housing stock to Colchester Borough Homes Limited in accordance with the management agreement effective from 1 August 2003. The Council pay for these services through the Management Fee and this is agreed annually under the review process provided for under the Management Agreement. Colchester Borough Homes aim to breakeven overall.

Colchester Borough Homes Limited was incorporated on 24 July 2003 and has prepared its accounts for the year to 31 March 2010. 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 20 July 2010.

The following summarised accounts are based on the draft accounts to be submitted for approval and cover the period 1 April 2008 to 31 March 2010. The company has adopted Financial Reporting Standard 17, Retirement Benefits (FRS17), in full.

### Income and Expenditure Account

	2009/2010 £'000	2008/2009 £'000
Turnover	10,680	8,365
Operating costs	(10,561)	(8,399)
	119	(34)
Interest receivable	6	43
FRS17 interest adjustment	(198)	(70)
(Deficit)/Surplus on ordinary activities before taxation	(73)	(61)
Tax charge on (deficit)/surplus on ordinary activities	(1)	(9)
<b>(Deficit)/Surplus for the Financial Period</b>	<b>(74)</b>	<b>(70)</b>

### Balance Sheet

	31 March 2010 £'000	31 March 2009 £'000
<b>Current Assets</b>		
Debtors	323	513
Cash at bank and in hand	1,062	724
	1,385	1,237
Creditors: Amounts falling due within one year	(836)	(794)
Net Current Assets	549	443
<b>Total Assets Less Current Liabilities</b>	<b>549</b>	<b>443</b>
<b>Provision for Liabilities and Charges</b>		
Other Provisions	(30)	(30)
<b>Net assets excluding Pension Fund</b>	<b>519</b>	<b>413</b>
Pension Fund Liability	(3,577)	(2,184)
	<b>(3,058)</b>	<b>(1,771)</b>
<b>Reserves</b>	<b>(3,058)</b>	<b>(1,771)</b>

The following balances with the Council are included above:

	£'000	£'000
Debtors	296	403
Creditors	-	-

The accounts were audited by Scrutton Bland and an unqualified opinion was given. A copy of the Accounts may be obtained from the Company Secretary at the Registered Office, 6<sup>th</sup> Floor, Wellington House, 90-92 Butt Road, Colchester, Essex CO3 3DA. The accounts are also published electronically on the company's website – [www.colchesterboroughhomes.co.uk](http://www.colchesterboroughhomes.co.uk).

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2010 the cash at bank of £1,062,000 was consolidated with the Council's funds for investment purposes.

Further information is provided within the Group Accounts (Pages 83-98).

### Net Pensions Liability

Colchester Borough Homes participates in the Local Government Pension Scheme administered by Essex County Council. The fund actuary, Mercer Human Resource Consulting Limited, produced an assessment of the pension liability position which was included in the accounts as set out above. The position may be summarised as follows:

	31 March 2010 £'000	31 March 2009 £'000
Estimated Liabilities in Scheme	14,848	10,149
Estimated Assets in Scheme	11,271	7,965
<b>Net Liability</b>	<b>3,577</b>	<b>2,184</b>

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

These figures have been provided by the actuary to the Essex Pension Scheme using information provided by the scheme and assumptions determined by Colchester Borough Homes in conjunction with the actuary.

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

**Colchester Community Stadium Limited**, created by the Council as an arms length company to manage the Community Stadium, is a limited company wholly owned by the Council. The Council is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

During 2009/10 the members and directors of Colchester Community Stadium Limited (limited by guarantee) decided that the current structure of the company did not achieve the intended objectives of the member. This company ceased trading on 30 June 2009 and its name was changed to CCSL Newco Limited. The business assets and duties of this company were transferred into a new company limited by shares, entitled Colchester Community Stadium Limited.

The following summarised accounts are taken from the accounts prepared for the year ended 30 June 2009 for CCSL Newco Limited. These accounts were prepared in accordance with the Companies Act 2006 and were approved by the Board of CCSL Newco Limited on 10 February 2010. The accounts were audited by Baker Chapman & Bussey and an unqualified opinion was given. A copy of the Accounts may be obtained from the company at the following address – PO Box 5215, Town Hall, High Street, Colchester, Essex, CO1 1GG. The accounts are also published electronically on the Council's website – [www.colchester.gov.uk](http://www.colchester.gov.uk).

The results for this subsidiary company have been brought into the Group accounts as at 31 March 2010 (Pages 83 to 98) on the basis of interim financial statements at this date.

### Income and Expenditure Account

	Year to 30 June 2009 £'000	Period to 30 June 2008 £'000
Turnover	49	-
Operating costs	(43)	(22)
	6	(22)
Other operating income	18	-
Interest receivable	-	1
Interest payable	(2)	(1)
(Deficit)/Surplus on ordinary activities before taxation	22	(22)
Tax charge on (deficit)/surplus on ordinary activities	-	-
<b>(Deficit)/Surplus for the Financial Period</b>	<b>22</b>	<b>(22)</b>

## Balance Sheet

	Year to 30 June 2009 £'000	Period to 30 June 2008 £'000
<b>Current Assets</b>		
Debtors	19	45
Cash at bank and in hand	22	312
	41	357
Creditors: Amounts falling due within one year	(41)	(344)
Net Current Assets	-	13
Creditors: Amounts falling due after one year	-	(35)
<b>Net liabilities</b>	-	<b>(22)</b>
<b>Reserves</b>	-	<b>(22)</b>

The following balances with the Council are included above:

	£'000	£'000
Debtors	-	-
Creditors	35	373

The new 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 period to 31 March 2010. These accounts were approved by the Board of Colchester Community Stadium Limited on 27 May 2010.

The following summarised accounts are based on the accounts that were approved and cover the period from 2 April 2009 to 31 March 2010.

## Income and Expenditure Account

	Period to 31 March 2010 £'000
Turnover	267
Operating costs	(277)
	(10)
Interest receivable	-
Interest payable	(2)
(Deficit)/Surplus on ordinary activities before taxation	(12)
Tax charge on (deficit)/surplus on ordinary activities	-
<b>(Deficit)/Surplus for the Financial Period</b>	<b>(12)</b>

## Balance Sheet

	Period to 31 March 2010 £'000
<b>Current Assets</b>	
Debtors	177
Cash at bank and in hand	23
	200
Creditors: Amounts falling due within one year	(184)
Net Current Assets	16
Creditors: Amounts falling due after one year	(28)
<b>Net liabilities</b>	<b>(12)</b>
<b>Reserves</b>	<b>(12)</b>

The following balances with the Council are included above:

	£'000
Debtors	70
Creditors	(123)

The accounts were audited by Baker Chapman & Bussey and an unqualified opinion was given. A copy of the Accounts may be obtained from the Company at the following address - PO Box 5215, Town Hall, High Street, Colchester, Essex, CO1 1GG. The accounts are also published electronically on the Council's website – [www.colchester.gov.uk](http://www.colchester.gov.uk).

#### **43. 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.

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

For accounting purposes, these Joint Committees are considered to be joint arrangements which are not entities (JANes). The Council has followed the accounting treatment prescribed for JANes within the 2009 Statement of Recommended Practice for these Joint Committees.

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

#### **44. Trust Funds**

Details of the nature and amount of Trust funds are provided on pages 76 to 82.

#### **45. Post Balance Sheet Events**

These accounts were authorised for issue on 29 June 2010 by the Accounts and Regulatory Committee and the Head of Resource Management (Page 14). This is the date to which events after the Balance Sheet date have been considered.

In the budget statement made on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. As a result, future pension increases under the Essex Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated by the actuary of the Essex Pension Fund to reduce the FRS17/IAS19 benefit obligations by between 5% and 8%, which equates to between £8 million and £13 million in respect of the FRS17/IAS19 benefit obligation of £167 million for 2009/10. This change is concluded to be a non adjusting Post Balance Sheet event for 2009/10. The financial effect of this change will be applied to the FRS17/IAS19 values included in the accounts for the year ending 31 March 2011.

There are no other items which have arisen after the closure of the 2009/10 accounts which would materially affect these accounts.

#### **46. Contingent Liabilities**

There is a dispute with the main contractor over the final sums payable under contracts for construction works in 2009/2010 and "making good" any unsatisfactory items. We have fully provided in the accounts for all the sums that have been assessed as due under the terms of the contracts. A formal legal claim for further sums has been issued by the contractor (now in administration). We do not believe the legal claim is justified as from the legal advice we have received no further sums are considered to be due or payable and the Council has lodged a counter claim to recover losses it believes it is owed. This is supported by an Adjudication that has been successfully concluded in the Council's favour. It is not appropriate to disclose the details or the individual sums at this stage because the matters are the subject of litigation.

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 has received correspondence from a third party, which was under contract to purchase land from the Council, that the Council has repudiated 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 repudiation of the contract; however, no claim has yet been received. The Council's position remains that there has been no repudiation 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.

#### 47. Analysis of Government Grants

	2009/2010		2008/2009
	£'000	£'000	£'000
Revenue Support Grant		2,378	1,513
DWP Grants for Benefits			
Rent Allowances	31,835		25,426
Rent Rebates	13,848		13,136
Local Taxation	10,593		9,502
Administration	1,273		1,202
Local Housing Allowance preparation	7		-
		57,556	49,266
Homelessness		193	175
Concessionary Fares scheme preparation		551	538
Local Authority Business Growth Incentive		-	389
DEFRA Waste Recycling		-	-
Housing and Planning Delivery Grant		1,464	490
Museums, Libraries and Archives		471	808
Other		730	323
<b>Total Government Grants</b>		<b>63,343</b>	<b>53,502</b>

#### 48. Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

		2009/2010		2008/2009
	Notes	£'000		Restated £'000
(Surplus)/Deficit per the Income and Expenditure Account	Page 20	12,107		53,222
Non-Cash Transactions				
Depreciation and Impairments		(15,534)		(54,305)
Write outs of Fixed Assets		(597)		
Deferred grants amortised in year		632		564
Grants funding Revenue Expenditure Funded from Capital under Statute amortised in year		11		1,015
Grants funding Revenue Expenditure Funded from Capital under Statute credited directly to the Income and Expenditure Account in year		340		462
Pension Fund adjustments	Note 6	(1,316)		(1,515)
Other Non-Cash transactions		94		102
Interest and investment income	Page 20	927		2,207
Interest payable and similar charges	Page 20	(3,660)		(3,900)
Investment impairment charge	Page 20	(448)		(938)
Gain/(Loss) on disposal of fixed assets		77		(1)
Items on an Accruals Basis:				
Increase/(Decrease) in Stock and Work in Progress		24		(49)
Increase/(Decrease) in Debtors		1,694		(4,104)
(Increase)/Decrease in Creditors		(361)		6,914
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		<b>(6,010)</b>		<b>(326)</b>

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

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

	2009/2010	
	£'000	£'000
Increase in Cash in the Period	342	
Cash Outflow from loans repaid	5,930	
Cash Inflow from management of Liquid Resources	(5,382)	
Cash Outflow from deferred liabilities	1,048	
Change in Net Debt resulting from cash flows		1,938
Other Non Cash changes		2,839
Net Debt at 1 April 2009		(55,951)
<b>Net Cash Flow</b>		<b>(51,174)</b>



## 50. Analysis of Net Debt

	Balance 31 March 2009 Restated £'000	Interest Accrual Movement £'000	Cash Flow Movement £'000	Other Non Cash changes £'000	Balance 31 March 2010 £'000
Cash Overdrawn	(1,259)	-	342	-	(917)
Amounts relating to major preceptors (Council Tax) and NNDR	(813)	-	922	-	109
Loans due within one year	(11,978)	1,048	5,930	(1,047)	(6,047)
Loans due after more than one year	(57,400)	-	-	-	(57,400)
Short Term Investments	15,499	(804)	(5,500)	3,886	13,081
<b>Net Cash Flow</b>	<b>(55,951)</b>	<b>244</b>	<b>1,694</b>	<b>2,839</b>	<b>(51,174)</b>

There has been a decrease in the level of net debt which is reflected in the net cash outflow in financing activities.

## 51. Liquid Resources

	Balance 31 March 2010 £'000	Balance 31 March 2009 Restated £,000	Change in Year £'000
Short Term investments	13,081	15,499	(2,418)
Amounts relating to major preceptors (Council Tax) and NNDR	109	(813)	922
Cash overdrawn	(917)	(1,259)	342
<b>Increase/(Decrease) in year</b>	<b>12,273</b>	<b>13,427</b>	<b>(1,154)</b>

## HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and sales of the Council houses and flats. The account has to be self-financing and the total cost is met by income from rents, charges and Government subsidies. Contributions to or from Council Taxpayers, other than for strictly defined purposes, are not permitted under the Local Government and Housing Act 1989.

The Act also prescribes the items of expenditure and income to be included within the account and the accounting treatment of capital charges.

	Notes To HRA	2009/2010 £'000	2008/2009 £'000
<b>INCOME</b>			
Gross Rent from Council Dwellings	1 & 2	21,124	20,522
Non-Dwelling Rents	3	715	706
Charges for Services and Facilities	4	2,300	2,273
Contributions towards Expenditure		296	251
HRA Subsidy Receivable (including MRA)	13	-	-
<b>Total Income</b>		<b>24,435</b>	<b>23,752</b>
<b>EXPENDITURE</b>			
Repairs and Maintenance		4,346	4,503
Supervision and Management		7,995	8,231
Rents, Rates and Taxes		102	103
Negative HRA Subsidy Payable (including MRA)	13	2,367	2,312
Depreciation and Impairments of Fixed Assets	9 & 10	6,954	46,993
Intangible Assets and Revenue expenditure funded from Capital under statute written down	11	190	185
Debt Management Costs		33	30
Increased provision for Bad or Doubtful Debts	14	99	38
<b>Total Expenditure</b>		<b>22,086</b>	<b>62,395</b>
<b>Net Cost of HRA Services per Income and Expenditure Account</b>		<b>(2,349)</b>	<b>38,643</b>
HRA services share of Corporate and Democratic Core		420	391
<b>Net Cost of HRA Services</b>		<b>(1,929)</b>	<b>39,034</b>
(Gain)/Loss on sale of HRA fixed assets		(414)	(59)
Interest payable and similar charges	8	2,539	2,855
Interest and investment income		(24)	(35)
<b>(Surplus)/ Deficit for the Year</b>		<b>172</b>	<b>41,795</b>

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that councils need to take into the Housing Revenue Account. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Statement of Movement on the Housing Revenue Account Balance to the amount established by the relevant statutory provision (see following statement, Page 65).

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

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

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

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

	2009/2010 £'000	2008/2009 £'000
<b>(Surplus)/ Deficit for the year on the HRA Income and Expenditure Account</b>	<b>172</b>	<b>41,795</b>
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(1,263)	(41,815)
<b>(Increase)/Decrease in the Housing Revenue Account Balance</b>	<b>(1,091)</b>	<b>(20)</b>
Housing Revenue Account balance brought forward	(1,518)	(1,498)
<b>Housing Revenue Account balance carried forward</b>	<b>(2,609)</b>	<b>(1,518)</b>

## NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

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

	Notes	2009/2010 £'000	2008/2009 Restated £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year</b>			
Intangible fixed assets written down	11	(190)	(185)
Impairment of Fixed Assets	10	-	(39,041)
Gain/(loss) on sale of HRA fixed assets		414	59
Net charges made for retirement benefits in accordance with FRS 17	6	(80)	(116)
		<b>144</b>	<b>(39,283)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year.</b>			
Transfer to/(from) Major Repairs Reserve	5	(2,524)	(3,667)
Employers contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners	6	473	448
Contribution to Insurance Fund		100	32
Premiums and discounts written down	12	200	200
Capital expenditure funded by the HRA	17	344	455
		<b>(1,407)</b>	<b>(2,532)</b>
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>		<b>(1,263)</b>	<b>(41,815)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2010 1.17% of lettable properties were vacant.

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

	31 March 2010	1 April 2009
<b>Analysis by Type of Dwelling:</b>		
Houses & Bungalows	3,099	3,108
Flats & Maisonettes	3,204	3,210
<b>Total Dwellings</b>	<b>6,303</b>	<b>6,318</b>
<b>Analysis by Number of Bedrooms:</b>		
Bedsitters/1 Bedroom	2,578	2,581
2 Bedrooms	1,842	1,847
3 Bedrooms	1,789	1,796
4 or more Bedrooms	94	94
<b>Total Dwellings</b>	<b>6,303</b>	<b>6,318</b>
The change in stock can be summarised as follows:		
Stock at the beginning of the Year	6,318	6,320
Add: Conversions	1	1
	6,319	6,321
Deduct: Sales, Demolitions, Conversions, etc.	16	3
<b>Stock at the End of the Year</b>	<b>6,303</b>	<b>6,318</b>

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2005. The valuation of dwellings has been uplifted to 31 March 2010 in the 2009/10 accounts and this is reflected in the valuation shown below:

	At 31 March 2010 £'000	At 1 April 2009 £'000
<b>Balance Sheet Valuation of HRA Assets</b>		
Operational Assets – Land, Houses and Other Property	399,919	369,396
Non Operational Assets	78	78

### 2. Vacant Possession

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

	At 31 March 2010 £'000	At 1 April 2009 £'000
<b>Vacant Possession Value</b>		
HRA Dwellings	767,654	884,565

### 3. Non Dwelling Rents

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

Non Dwelling Rents	2009/2010 £'000	2008/2009 £'000
Garages and other Charges	639	620
Land and Other Buildings	76	86
<b>Total</b>	<b>715</b>	<b>706</b>

### 4. Charges for Services and Facilities

From 2003/04 the Government's Supporting People Programme was introduced. The effect of this is the support element of the rentals that are charged for council houses are now shown separately in the accounts. Income totalling £766,000 from Supporting People charges in 2009/10 (2008/09 £762,000) is shown under Charges for Services and Facilities. This includes a figure of £718,000 (2008/09 £701,000) which is a grant receivable under the Supporting People Programme.

### 5. Major Repairs Reserve

Major Repairs Reserve	2009/2010 £'000	2008/2009 £'000
Balance as at 1 April 2009	1,834	-
Transfers in – depreciation (Note 9)	6,954	7,952
Transfers out to the HRA	(2,524)	(3,667)
Capital Spending on Dwelling Stock met from Reserve	(3,047)	(2,451)
<b>Balance as at 31 March 2010</b>	<b>3,217</b>	<b>1,834</b>

### 6. Pension Reserve

Under the full implementation of FRS17 (see Note 6, page 28) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

### 7. HRA Capital Financing

Capital Financing	2009/2010 £'000	2008/2009 £'000
<b>HRA Capital Expenditure</b>		
Dwelling Stock	3,178	2,540
Non Dwelling Works	138	146
Investment in Information Technology	75	220
	<b>3,391</b>	<b>2,906</b>
<b>Financed by:</b>		
Supported Borrowing	-	-
Revenue Contributions	344	455
Major Repairs Reserve	3,047	2,451
<b>Total</b>	<b>3,391</b>	<b>2,906</b>

Summary of HRA Capital Receipts	2009/2010 £'000	2008/2009 £'000
Sale of Council Houses – Direct	1,050	198
Sale of Council Houses – Deferred	18	19
Other (including shared ownership)	100	75
<b>Total</b>	<b>1,168</b>	<b>292</b>

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

Receipts from the sale of Council houses have increased as 14 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 3 in 2008/09.

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 £1.168m, £0.779m was paid to the Secretary of State under the pooling arrangements. The retained balance of £0.389m can be used to finance capital expenditure (see Note 18, page 42 and Note 37, page 55).

## 8. Interest Payable

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

HRA Interest Charge	2009/2010 £'000	2008/2009 £'000
HRA Interest Charge	2,539	2,855

## 9. Depreciation

Depreciation	2009/2010 £'000	2008/2009 £'000
Land	-	-
Dwellings	6,674	7,672
Other Property	280	280
<b>Total</b>	<b>6,954</b>	<b>7,952</b>

Depreciation	2009/2010 £'000	2008/2009 £'000
Operational Assets	6,954	7,952
Non Operational Assets	-	-
<b>Total</b>	<b>6,954</b>	<b>7,952</b>

## 10. Impairment Charges

Impairment	2009/2010 £'000	2008/2009 £'000
Dwellings	-	38,248
Temporary Accommodation Units	-	793
Non-Operational Assets	-	-
<b>Total</b>	<b>-</b>	<b>39,041</b>

The values of each category of assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where due to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any previous revaluation gains on the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Under the revised requirements of the SORP 2007 (See accounting policy 4, page 7) the Revaluation Reserve only holds revaluation gains accumulated since 1 April 2007. In earlier years general reductions in value were netted off against increases through the former Fixed Asset Restatement Account rather than through the service revenue account.

Under the statutory provisions for the Housing Revenue Account assets are accounted for as they are financed, rather than when consumed. Therefore, the impairment does not impact on the HRA balance (see the Statement of Movement on the HRA Balance, page 65).

### 11. Intangible Fixed Assets

	2009/2010 £'000	2008/2009 £'000
Housing Integrated Computer System	190	185

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

### 12. Premiums and Discounts

Under the requirements of the 2008 Statement of Recommended Practice, the amortisation of HRA premiums and discounts are no longer shown as part of the HRA surplus/deficit for the year, but are now included within the Statement of Movement on the HRA Balance.

### 13. Housing Subsidy

Housing Subsidy	2009/2010 £'000	2008/2009 £'000
Allowance for Management	3,237	3,226
Allowance for Maintenance	6,534	6,388
Allowance for Major Repairs	4,429	4,285
ALMO Allowance	2,857	2,857
Charges for Capital	1,792	1,982
Rent	(21,213)	(21,037)
Interest on Receipts	(7)	(7)
<b>Housing Subsidy (Payable)/ Receivable</b>	<b>(2,371)</b>	<b>(2,306)</b>

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

### 14. Rent Arrears

The arrears at 31 March 2010 totalled £1.206 million. This excludes prepayments of £0.462 million, and may be analysed as follows:

Arrears	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
Due from Current Tenants	494		589	
Due from Former Tenants	712	1,206	670	1,259
Prepayments		(462)		(318)
<b>Net Arrears</b>		<b>744</b>		<b>941</b>

These arrears include all charges due from tenants i.e. rent, rates, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31 March 2010 the provision totalled £0.918 million.

### 15. Exceptional items, Extraordinary items and Prior period adjustments

No exceptional or extraordinary events have occurred in 2009/10.

No prior period adjustments have been made to the 2008/09 comparatives for the Housing Revenue Account Income and Expenditure Account and the notes associated to this supplementary statement.

## 16. Revenue Balances

Out of the revenue balance of £2.6 million a sum of £1.3 million has already been committed for future use.

<b>Revenue Balances</b>	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Revenue Balance at the beginning of the Year	1,518	1,498
Add: Housing Revenue Account Surplus	1,091	20
Less: Housing Revenue Account statutory deficit	-	-
Less: Use of Accumulated Balance for capital spending	-	-
<b>Revenue Balance at the End of the Year</b>	<b>2,609</b>	<b>1,518</b>
Less: Committed Sum		
Investment in Housing Stock 2010/11 and Future Years	(1,107)	(988)
Estimate Balance Carried Forward	(145)	(71)
<b>Uncommitted Balance</b>	<b>1,357</b>	<b>459</b>

## 17. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£1.107 million) will be used to support spending in future years.

### Further Information

Arms Length Management Organisation (ALMO) - see Note 42 on page 57.

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



## COLLECTION FUND ACCOUNTS 2009/2010

The Collection Fund accounts independently for income relating to the Council Tax and non-domestic rates on behalf of those bodies (including this Council) for whom the income has been raised.

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes To Collection Fund	2009/2010 £'000	2008/2009 £'000
<b>INCOME</b>			
Council Tax	1 - 3	87,158	84,064
Non-Domestic Rates	4	57,099	52,990
<b>Total Income</b>		<b>144,257</b>	<b>137,054</b>
<b>EXPENDITURE</b>			
Precepts	5	86,379	83,210
Non-Domestic Rates:			
Payment to National Pool	4	56,852	52,746
Cost of Collection Allowance	4	247	244
Bad and Doubtful Debts:			
Write off of Council Tax		-	-
Provision for Council Tax Bad Debts	6	1,025	531
<b>Total Expenditure</b>		<b>144,503</b>	<b>136,731</b>
(Surplus)/Deficit for the Year – Council Tax	7	246	(323)
Distribution/(Collection) of Previous Estimated Surplus/Deficit	7	4	1,050
<b>(Surplus)/Deficit for the Year</b>		<b>250</b>	<b>727</b>
<b>Collection Fund Balance</b>			
Balance at the Beginning of the Year		(432)	(1,159)
(Surplus)/Deficit for the Year		250	727
<b>Balance at the End of the Year</b>		<b>(182)</b>	<b>(432)</b>

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,444.52 with an estimated tax base of 59,798 Band D equivalent properties. The Council Tax income can be analysed as follows:

	2009/2010 £'000	2008/2009 £'000
<b>Council Tax Income</b>		
Tax Payers	76,700	74,670
Council Tax Benefits transferred from General Fund	10,458	9,394
	<b>87,158</b>	<b>84,064</b>

### 2. Council Tax Base

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

Band	Chargeable Dwellings	Estimated Properties After Discounts – Exemptions etc.	Ratio to Band D	Band D Equivalent Dwellings
A	8,727	6,563	6/9	4,375
B	19,676	16,408	7/9	12,762
C	18,738	16,274	8/9	14,466
D	12,581	11,258	9/9	11,258
E	7,338	6,752	11/9	8,253
F	3,571	3,370	13/9	4,868
G	2,007	1,997	15/9	3,329
H	107	107	18/9	215
Contributions in lieu for Ministry of Defence Properties				876
<b>Total Band D</b>				<b>60,402</b>
Less: Adjustment for collection rate and for anticipated changes during the year for successful appeals against banding, new properties, demolitions, disabled relief and exempt properties				(604)
<b>Council Tax Base</b>				<b>59,798</b>

### 3. Band D Council Tax

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

Authority	Population	Band D Council Tax
<b>Colchester</b>	<b>181,000</b>	<b>171</b>
Basildon	172,600	251
Chelmsford	167,100	159
Tendring	147,600	150
Braintree	142,100	159
Epping Forest	123,900	147
Castle Point	89,800	223
Rochford	83,200	197
Harlow	79,000	252
Uttlesford	73,700	143
Brentwood	73,200	169
Maldon	63,100	166

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

Non-domestic rates are organised on a national basis. The Government specifies an amount (48.1p in 2009/10) 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.

	2009/2010 £'000	2008/2009 £'000
<b>NNDR Income</b>		
Bills Issued	61,503	56,193
Mandatory Reliefs	(3,756)	(2,923)
Discretionary Reliefs	(159)	(138)
Provision for Bad Debts	(580)	(220)
<b>Net Income</b>	<b>57,008</b>	<b>52,912</b>
General Fund contribution to Discretionary Reliefs	91	78
<b>NNDR Income to Income &amp; Expenditure Account</b>	<b>57,099</b>	<b>52,990</b>
Cost of Collection Allowance	(247)	(244)
<b>Amount Payable to NNDR Pool</b>	<b>56,852</b>	<b>52,746</b>

The total non-domestic rateable value at 31 March 2010 was £134,867,954; the multiplier for the year was 48.1p. The product of this is £64,871,000. This represents potential income at a point in time, the year end, and thus differs from bills issued during the year due to relief for empty properties, transitional relief, partial relief, small business rate reliefs, changes in rateable value and movements in the property base.

#### 5. Precepts

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

	2009/2010 £'000	2008/2009 £'000
Essex County Council	63,774	61,716
Colchester Borough Council	11,072	10,614
Essex Police Authority	7,669	7,207
Essex Fire Authority	3,864	3,673
<b>Total Precepts</b>	<b>86,379</b>	<b>83,210</b>

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

Contributions are made to a provision for bad debts. During 2009/10 £393,000 of irrecoverable debts were written off (2008/09 £351,000).

## 7. Council Tax Surplus/Deficit

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

Any previous year's cumulative surplus on Council Tax is distributed to Essex County Council, Essex Police Authority, Essex Fire Authority and this Council in proportion to the value of the respective precepts made by the four Councils on the Collection Fund in the related year. The anticipated surplus of £4,000 was shared as shown below.

	2009/2010 £'000	2008/2009 £'000
Essex County Council	3	778
Colchester Borough Council	1	135
Essex Police Authority	-	90
Essex Fire Authority	-	47
<b>Total Surplus</b>	<b>4</b>	<b>1,050</b>

The cumulative surplus at the end of March 2010 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.

	2009/2010 £'000	2008/2009 £'000
Essex County Council	135	321
Colchester Borough Council	23	55
Essex Police Authority	16	37
Essex Fire Authority	8	19
<b>Total Surplus</b>	<b>182</b>	<b>432</b>

This future distribution is anticipated in the presentation in the Balance Sheet (page 24).

## 8. Community Charge

Community Charge was replaced by the Council Tax from 1 April 1993. However, the Council continues to collect and account for Community Charges raised in earlier years.

## 9. Contribution from Colchester Borough Council

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

## PORT HEALTH AUTHORITY ACCOUNTS 2009/2010

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 2010

	2009/2010 £	2008/2009 £
<b>Income:</b>		
Recovered from Riparian Authorities		
Colchester Borough Council	-	-
Tendring District Council	-	-
Bank Interest	(1)	(17)
<b>Total Income</b>	<b>(1)</b>	<b>(17)</b>
<b>Expenditure:</b>		
Paid to Riparian Authorities		
Colchester Borough Council	-	-
Tendring District Council	-	-
Other expenditure	87	-
<b>Gross Expenditure</b>	<b>87</b>	<b>-</b>
<b>Net Expenditure</b>	<b>86</b>	<b>(17)</b>

### BALANCE SHEET AS AT 31 MARCH 2010

	2009/2010 £	2008/2009 £
<b>Current Assets:</b>		
Cash at Bank	2,544	2,543
Cash in transit	-	-
	2,544	2,543
<b>Current Liabilities:</b>		
Colchester Borough Council	(1,872)	(1,860)
Tendring District Council	(672)	(683)
<b>Net Current Assets</b>	<b>-</b>	<b>-</b>

## TRUST FUND ACCOUNTS

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

### 1. The Resident Freemen's Fund

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

#### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2009

	2008/2009	2007/2008
	£	£
Balance as at 1 October	602	632
Add: - Interest on Investments	288	287
- Bank Interest	17	24
- Other Income	30	20
	937	963
Less: - Administration and Distribution Expenses	40	46
- Subscription	30	15
- Distribution to Freemen	366	300
<b>Balance as at 30 September</b>	<b>501</b>	<b>602</b>

#### BALANCE SHEET AS AT 30 SEPTEMBER 2009

	2008/2009	2007/2008
	£	£
Assets:		
Investments	6,628	6,179
Cash at Bank	501	602
<b>Represented by Accumulated Fund</b>	<b>7,129</b>	<b>6,781</b>

Please note: Investments are stated at market value as at 30 September 2009. These investments are Bank of England 2½% Consolidated Stock with a nominal value of £11,511.46 (2007/2008 - £11,511.46).

## 2. Albert Museum and Art Gallery

The proceeds from the sale of this building, left in trust to the Council, have been invested; the interest is currently used to support the running costs of Tymperleys. The market value of the investments as at 31 March 2010 was £386,289. A further sum of £50,175 was held on deposit pending transfer to the Tymperleys' account.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2010

	2009/2010 £	2008/2009 £
Balance as at 1 April	52,508	57,898
Add: - Interest on Investments	14,572	15,967
- Interest on Balance	56	1,289
	67,136	75,154
Less: - Bank Charges	20	-
- Distribution to Tymperleys	17,652	22,646
<b>Balance as at 31 March</b>	<b>49,464</b>	<b>52,508</b>

### BALANCE SHEET AS AT 31 MARCH 2010

	2009/2010 £	2008/2009 £
<b>Assets:</b>		
Investments	386,289	316,883
Debtors	56	1,852
Cash at Bank	50,175	50,657
	436,520	369,392
<b>Liabilities:</b>		
Creditors	766	-
<b>Represented by Accumulated Fund</b>	<b>435,754</b>	<b>369,392</b>

Please Note: The investments are in the Charities Official Investment Fund (COIF) and with Colchester Borough Council.

### 3. Sir Thomas White's Charity

This charity was originally set up to make interest-free loans to the Freemen of Colchester to assist them in setting themselves up in business. The Council has obtained custody of the fund, which has been dormant for a number of years.

#### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2009/2010	2008/2009
	£	£
Balance as at 1 April	5,619	5,290
Add: - Interest Received	3	48
- Dividends	316	301
	5,938	5,639
Less: - Expenses	30	20
<b>Balance as at 31 March</b>	<b>5,908</b>	<b>5,619</b>

#### BALANCE SHEET AS AT 31 MARCH 2010

	2009/2010	2008/2009
	£	£
Assets:		
Investments	7,881	6,261
Cash at Bank	5,908	5,619
<b>Represented by Accumulated Fund</b>	<b>13,789</b>	<b>11,880</b>

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



#### 4. Old British School Trustees

This charity was originally set up to promote the education of boys and young men under 25 years of age resident in the Borough, or to assist their entry into a profession.

#### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2009/2010	2008/2009
	£	£
Balance as at 1 April	8,459	8,144
Add: - Interest received	8	11
- Dividends	314	304
<b>Balance as at 31 March</b>	<b>8,781</b>	<b>8,459</b>

#### BALANCE SHEET AS AT 31 MARCH 2010

	2009/2010	2008/2009
	£	£
Assets:		
Investments	7,279	5,742
Cash at Bank	7,751	7,430
<b>Represented by Accumulated Fund</b>	<b>15,030</b>	<b>13,172</b>

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

## 5. Colchester Lying-in-Charity

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

### RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2009/2010	2008/2009
	£	£
Balance as at 1 April	5,181	5,679
Add: - Interest received	7	68
- Dividends	778	780
- Profit on disposal	-	540
	5,966	7,067
Less: - Grants Paid	2,335	1,886
<b>Balance as at 31 March</b>	<b>3,631</b>	<b>5,181</b>

### BALANCE SHEET AS AT 31 MARCH 2010

	2009/2010	2008/2009
	£	£
Assets:		
Investments	18,966	15,161
Debtors	6	20
Cash at Bank	1,685	3,221
<b>Represented by Accumulated Fund</b>	<b>20,657</b>	<b>18,402</b>

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

## 6. Colchester New Theatre Trust

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

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

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

### FINANCIAL ACTIVITIES STATEMENT YEAR ENDED 30 SEPTEMBER 2009

	2008/2009	2007/2008
	£	£
Fund Balances as at 1 October	246,269	240,802
Add: - Investment Income	1,080	5,896
	247,349	246,698
Less: - Management/Admin Expenses	429	429
<b>Balance as at 30 September</b>	<b>246,920</b>	<b>246,269</b>

### BALANCE SHEET AS AT 30 SEPTEMBER 2009

	2008/2009	2007/2008
	£	£
Fixed Asset:		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	117,755	116,675
Deposit – Colchester Mercury Theatre	50,000	50,000
Income Tax Recoverable	12	12
	251,151	250,071
Current Liabilities:		
Sundry Creditors	4,231	3,802
<b>Total Net Assets</b>	<b>246,920</b>	<b>246,269</b>
Represented by:		
<b>Unrestricted Funds</b>		
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	83,536	82,885
	<b>246,920</b>	<b>246,269</b>

## 7. Mayor of Colchester Charities Appeal Fund

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

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MAY 2010

	2009/2010	2008/2009
	£	£
Income from functions	46,469	54,516
Less: Function related expenses	10,152	15,026
<b>Net Income</b>	<b>36,317</b>	<b>39,490</b>
Payments to Mayor's Charities	29,050	39,490
<b>Net Surplus/(Deficit)</b>	<b>7,267</b>	<b>-</b>

### BALANCE SHEET AS AT 31 MAY 2010

	2009/2010	2008/2009
	£	£
<b>Current Assets</b>		
Sundry Debtors	-	-
Cash at Bank	7,267	-
	7,267	-
<b>Current Liabilities</b>		
Sundry Creditors	-	-
Cash Overdrawn	-	-
<b>Net Current Assets</b>	<b>7,267</b>	<b>-</b>

# GROUP ACCOUNTS

## 1. Introduction

The 2009 Statement of Recommended Practice (SORP) sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. A review has been undertaken of the Council's relationship with other bodies and it is clear that we should account for interests in Colchester Borough Homes Ltd, CCSL Newco Limited and Colchester Community Stadium Ltd. (see Note 42, page 57) as wholly owned subsidiaries and prepare Group Accounts. For completeness the opportunity has been taken to include Port Health and the Trust Funds (see pages 76-82) in the statements that follow.

The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes, CCSL Newco Limited and Colchester Community Stadium) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line by line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the balance sheet.

Where entities have a different year end to the Council they have been brought into the Group Accounts as at 31 March 2010 on the basis of interim financial statements at this date.

During 2009/10 Colchester Borough Homes Ltd worked solely for the council so the bringing together of income and expenditure has had only a limited effect on the service revenue account.

On the balance sheet the most significant impacts have been:

- The increase in investments from the introduction of the Trust funds
- The bringing together of the overall pension scheme liability
- The additional reserves

## 2. Accounting Policies

**G1** The accounting policies for the Council are set out on pages 6-13 and these have been followed in preparing the group statements except for the variations noted below.

### **G2 Fixed Assets**

The fixed assets for the Colchester New Theatre Trust are included at cost for Mercury House and at a nominal value for the Mercury Theatre.

### **G3 Investments**

The investments for Trust Funds are shown at valuation.

## GROUP INCOME AND EXPENDITURE ACCOUNT - YEAR ENDED 31 MARCH 2010

	Notes	2009/2010 Gross Expenditure	2009/2010 Gross Income	2009/2010 Net Expenditure	2008/2009 Net Expenditure Restated
	1 & 2	£'000	£'000	£'000	£'000
<b>Expenditure on Services</b>					
Corporate and Democratic Core		5,316	(724)	4,592	3,741
Non Distributed Costs		2,165	-	2,165	1,694
Central Services to the Public	G3	14,493	(12,127)	2,366	2,255
Cultural and Related Services		13,587	(6,759)	6,828	6,657
Environmental Services		12,397	(3,647)	8,750	9,905
Planning and Development Services		5,613	(4,454)	1,159	960
Highways, Roads and Transport Services		6,580	(6,114)	466	1,409
Housing General Fund		52,740	(48,214)	4,526	4,720
Housing Revenue Account	G3	21,968	(24,516)	(2,548)	38,761
Social Services – Older People		1,018	(756)	262	145
<b>Cost of Services</b>		<b>135,877</b>	<b>(107,311)</b>	<b>28,566</b>	<b>70,247</b>
<b>Net Cost of Services</b>				<b>28,566</b>	<b>70,247</b>

	Notes	2009/2010	2008/2009
		£'000	Restated £'000
(Gain)/Loss on the disposal of fixed assets	3	(27)	18
Precepts paid to Parish Councils		846	801
Deficit/(Surplus) on Internal Trading	4	-	-
Contribution of Housing Capital Receipts to Government Pool	5 & 37	779	150
Interest and Investment Income		(948)	(2,227)
Interest Payable		3,653	3,855
Investment impairment charge	1	449	938
Pensions Interest Cost and Expected Return on Pension Assets	6/G4	4,213	2,990
Taxation of Group Entities		1	9
<b>Net Expenditure</b>		<b>37,532</b>	<b>76,781</b>
Demand on the Collection Fund		(11,040)	(10,655)
General Capital Contributions	7	(131)	(229)
General Government Grants	8	(3,972)	(1,636)
Contribution from Non-Domestic Rate Pool		(10,303)	(10,871)
<b>(Surplus)/Deficit for the Year</b>		<b>12,086</b>	<b>53,390</b>

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

	2009/2010	2008/2009
	£'000	Restated £'000
Deficit/(Surplus) for the year on the Authority Income and Expenditure Account (adjusted for intra-group transactions)	12,026	53,306
(Surplus)/Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions):		
• Subsidiaries (Note 42, page 57)	64	82
• Trust Funds (Note G13, page 96)	(4)	2
<b>Deficit/(Surplus) for the year on the Group Income and Expenditure Account</b>	<b>12,086</b>	<b>53,390</b>

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the figure from the Authority Income and Expenditure Account needs to be reconciled in the Statement of Movement on the General Fund Balance to the amount established by the relevant statutory provision (see statement, Page 21).

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	Notes	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure Restated £'000
Deficit/(Surplus) for the year on the Income and Expenditure Account	Page 84	12,086	53,390
(Increase)/Decrease arising on the revaluation of fixed assets	33	(38,661)	11,355
Decrease/(Increase) arising on the revaluation of Trust Fund investments	G13	(78)	106
Actuarial losses/(gains) on pension fund assets and liabilities	G4	18,986	(4,786)
<b>Total recognised (gains)/loss for the year</b>		<b>(7,667)</b>	<b>60,065</b>
Prior Period Adjustments		-	-
<b>Total recognised (gains)/loss</b>		<b>(7,667)</b>	<b>60,065</b>

## GROUP BALANCE SHEET AS AT 31 MARCH 2010

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

	Notes	31 March 2010 £'000	31 March 2009 Restated £'000
<b>Fixed Assets</b>			
Intangible Fixed Assets	14	1,033	2,097
Tangible Fixed Assets	15 & 16		
Operational Assets			
Council Dwellings		399,920	369,396
Other Land and Buildings		90,731	75,946
Operational Equipment		5,435	4,319
Infrastructure Assets		3,444	4,038
Community Assets		288	275
Non-Operational Assets			
Investment Properties		34,430	51,523
Assets under Construction		25,976	21,191
Surplus Assets held for Disposal		13,786	15,554
<b>Total Fixed Assets</b>		<b>575,043</b>	<b>544,339</b>
Investments (Long Term)	G7	353	4,302
Long Term Debtors	21	579	550
<b>Total Long Term Assets</b>		<b>575,975</b>	<b>549,191</b>
<b>Current Assets</b>			
Stock	22	168	144
Debtors	G8	11,302	8,404
Investments (Short Term)		13,106	15,501
Cash and Bank		1,917	1,272
<b>Total Current Assets</b>		<b>26,493</b>	<b>25,321</b>
<b>Current Liabilities</b>			
Short Term Borrowing		(6,047)	(11,978)
Creditors	G9	(9,125)	(8,563)
Cash Overdrawn		(1,476)	(1,510)
<b>Total Current Liabilities</b>		<b>(16,648)</b>	<b>(22,051)</b>
<b>Net Current Assets</b>		<b>9,845</b>	<b>3,270</b>
Long Term Borrowing	25	(57,400)	(57,400)
Provisions	30/G10	(480)	(377)
Capital contributions – Deferred	31	(39,130)	(34,023)
Pension Scheme Liability	G4	(74,605)	(54,123)
<b>Total Net Assets</b>		<b>414,205</b>	<b>406,538</b>
Represented by:			
Revaluation Reserve	33	62,111	23,976
Capital Adjustment Account	G11	407,031	418,603
Financial Instruments Adjustment Account	35	(2,087)	(2,049)
Collection Fund Adjustment Account	36	23	55
Usable Capital Receipts Reserve	37	4,562	4,999
Deferred Capital Receipts	38	71	90
Pensions Reserve	G4	(74,605)	(54,123)
Earmarked Reserves	39	9,394	9,687
Revenue Balances		6,532	4,325
Subsidiaries Reserves	G12	507	391
Trust Funds Reserves	G13	666	584
<b>Total Equity</b>	<b>G14</b>	<b>414,205</b>	<b>406,538</b>



## THE GROUP CASH FLOW STATEMENT - YEAR ENDED 31 MARCH 2010

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

	Notes	2009/2010 £'000	2008/2009 Restated £'000
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	G16	<b>(6,324)</b>	<b>(707)</b>
<b>Returns on Investments and Servicing of Finance</b>			
Payments			
Interest Paid		3,623	3,562
Receipts			
Interest Received		(1,414)	(2,464)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>2,209</b>	<b>1,098</b>
<b>Taxation</b>		<b>1</b>	<b>9</b>
<b>Capital Activities</b>			
Payments			
Purchase of Fixed Assets		11,036	30,129
Other Capital Cash Payments		103	354
Purchase of Long Term Investments		-	4,000
<b>Total Payments</b>		<b>11,139</b>	<b>34,483</b>
Receipts			
Sale of Fixed Assets		3,997	797
Proceeds from Long Term Investments matured in year		-	10
Capital Grants Received		5,013	6,533
Other Capital Cash Income		46	735
<b>Total Receipts</b>		<b>9,056</b>	<b>8,075</b>
<b>Net Cash Outflow/(Inflow) from Capital Activities</b>		<b>2,083</b>	<b>26,408</b>
<b>Net Cash Outflow/(Inflow) before Financing</b>		<b>(2,031)</b>	<b>26,808</b>
<b>Management of Liquid Resources</b>			
Net (Decrease)/Increase in Short Term Deposits	G18	<b>(5,500)</b>	<b>(18,474)</b>
Net (Decrease)/Increase in Other Liquid Resources		<b>922</b>	<b>1,354</b>
<b>Financing</b>			
Payments			
Repayments of Amounts Borrowed		5,930	-
PWLB Premium Paid		-	-
Receipts			
New Loans Raised		-	(9,930)
Discounts Received		-	-
<b>Net Cash (Inflow)/Outflow from Financing</b>		<b>5,930</b>	<b>(9,930)</b>
<b>Decrease/(Increase) in Cash</b>		<b>(679)</b>	<b>(242)</b>

## 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 26-63 and the group statements cross reference to them where relevant.

### **G2 Subsidiary Companies**

Colchester Borough Homes Limited (CBH) CCSL Newco Limited and Colchester Community Stadium Limited (CCS) are wholly owned subsidiaries of the Council (See Note 42, page 57).

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

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

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

**G3** The operating income and expenditure of Colchester Borough Homes Limited has been included within the Housing Revenue Account. The operating income and expenditure of CCSL Newco Limited and Colchester Community Stadium Limited have been included within Cultural and Related Services.

### **G4. Pensions Costs and Benefits**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council (CBC) and Colchester Borough Homes Ltd (CBH) offer retirement benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

#### **Transactions Relating to Retirement Benefits**

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Group Income and Expenditure Account during the year:

	Local Government Pension Scheme			2008/09 Total £'000
	CBC £'000	CBH £'000	2009/10 Total £'000	
Net Cost of Services:				
Current Service Cost	2,105	442	2,547	3,751
Past Service Cost	-	-	-	-
Settlement/Curtailment	84	-	84	47
Net Operating Expenditure:				
Interest Cost	8,630	735	9,365	9,535
Expected Return of Assets in the Scheme	(4,615)	(537)	(5,152)	(6,544)
Effect of Paragraph 41 Limit	-	-	-	-
	<b>6,204</b>	<b>640</b>	<b>6,844</b>	<b>6,789</b>

In addition to the recognised gains and losses included in the Group Income and Expenditure Account, actuarial losses of £18,986,000 (actuarial gains of £4,786,000 for 2008/09) are included in the Group Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains/losses recognised in the Group Statement of Total Recognised Gains and Losses is £30,190,000 (net actuarial losses).

The actual contributions payable are determined by the Fund's actuary based on triennial actuarial valuations. Rates are set to meet 100% of the overall liabilities of the fund. The employer's basic contributions for the period was £4,888,000 for the Council (£4,648,000 for 2008/09) and £460,000 for Colchester Borough Homes Ltd (£396,000 for 2008/09).

We pay contributions to the County fund monthly in arrears so at 31 March 2010 the sum of £440,000 (£417,000 for 2008/09) for the March contributions has been included in the accounts as a creditor.

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

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

- Council – The basic employer's contribution is 11.9% of pensionable pay. The sum required for back funding for 2010/11 is £2,269,702.
- Colchester Borough Homes - The basic employer's contribution is 13.7% of pensionable pay. The sum required for back funding for 2010/11 is £2,964.

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

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

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	<b>CBC £'000</b>	<b>CBH £'000</b>	<b>2009/10 Total £'000</b>	<b>2008/09 Total £'000</b>
1 April	122,952	10,149	133,101	156,327
Current Service Cost	2,105	442	2,547	3,751
Interest Cost	8,630	735	9,365	9,535
Contributions by scheme participants	1,244	221	1,465	1,382
Actuarial (gains)/losses	38,077	3,552	41,629	(32,755)
Benefits paid	(6,165)	(251)	(6,416)	(5,186)
Past Service Costs	-	-	-	-
Curtailments	84	-	84	47
Settlements	-	-	-	-
<b>31 March</b>	<b>166,927</b>	<b>14,848</b>	<b>181,775</b>	<b>133,101</b>

Reconciliation of fair value of the scheme assets:

	<b>CBC £'000</b>	<b>CBH £'000</b>	<b>2009/10 Total £'000</b>	<b>2008/09 Total £'000</b>
1 April	71,013	7,965	78,978	99,163
Expected rate of return	4,615	537	5,152	6,544
Actuarial gains/(losses)	20,304	2,339	22,643	(27,969)
Employer contributions	4,888	460	5,348	5,044
Contributions by scheme participants	1,244	221	1,465	1,382
Benefits paid	(6,165)	(251)	(6,416)	(5,186)
Settlements	-	-	-	-
<b>31 March</b>	<b>95,899</b>	<b>11,271</b>	<b>107,170</b>	<b>78,978</b>

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

The actual return on scheme assets in the year was a positive return of £27,795,000 (A negative return of £21,326,000 for 2008/09).

## Scheme History

	CBC	CBH	2009/10	2008/09	2007/08	2006/07	2005/06
	£'000	£'000	Total	Total	Total	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	166,927	14,848	181,775	133,101	156,327	145,357	145,814
Fair value of assets	95,899	11,271	107,170	78,978	99,163	105,484	98,187
<b>Deficit in the scheme</b>	<b>71,028</b>	<b>3,577</b>	<b>74,605</b>	<b>54,123</b>	<b>57,164</b>	<b>39,873</b>	<b>47,627</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £74,605,000 has a significant impact on the net worth of the Group as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

The total contributions expected to be made by the Group to the pension scheme for the year to 31 March 2011 is £5,374,000.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary were:

	31 March 2010	31 March 2009
	%	%
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5	7.5
Government Bonds	4.5	4.0
Other Bonds	5.2	6.0
Property	6.5	6.5
Cash/liquidity	0.5	0.5
Other assets	N/A	N/A
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1	22.0
Women	25.0	24.9
Longevity at 65 for future pensioners:		
Men	23.1	23.1
Women	25.9	25.9
Rate of inflation	3.3	3.3
Rate of increase in salaries	4.8	4.8
Rate of increase in pensions	3.3	3.3
Rate for discounting scheme liabilities	5.6	7.1
Take up of option to convert annual pension into retirement lump sum	50.0	50.0

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

Proportion of total assets held:	31 March 2010	31 March 2009
	%	%
Equity investments	67.5	74.5
Gilts	7.9	8.7
Other Bonds	10.0	5.3
Property	9.3	9.8
Cash/liquidity	5.3	1.7
Other assets	-	-
	<b>100.0</b>	<b>100.0</b>

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

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

### Actuarial Gains and Losses

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

	2009/10		2008/09	2007/08	2006/07	2005/06
	CBC %	CBH %	Total %	Total %	Total %	Total %
Differences between the expected and actual return on assets	21.2	20.8	21.1	(35.3)	11.4	13.0
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	2.7	1.9

### Pension Reserve

The Pension Reserve was introduced under the accounting arrangements for retirement benefits following the full implementation of FRS17. The movements show the actuarial gains and losses and the adjustment required to ensure the sum charged to revenue matches the contribution payable in the year in accordance with pension regulations.

	2009/10			2008/09
	CBC £'000	CBH £'000	Total £'000	Total £'000
Balance at the beginning of the year	(51,939)	(2,184)	(54,123)	(57,164)
Actuarial (Loss)/Gain	(17,773)	(1,213)	(18,986)	4,786
Transfer (to)/from Revenue	(1,316)	(180)	(1,496)	(1,745)
<b>Balance at the End of the Year</b>	<b>(71,028)</b>	<b>(3,577)</b>	<b>(74,605)</b>	<b>(54,123)</b>

The change from an estimated net liability of £54,123,000 at 31 March 2009 to an estimated net liability of £74,605,000 at 31 March 2010 is the net result of a number of factors. Investments performed significantly better than previously assumed over the year to 31 March 2010 and provided a significantly higher than expected return. The actuarial assumptions used for the liabilities calculation at 31 March 2010 were much more conservative than those used as at 31 March 2009. This was as a result of the yield on corporate bonds falling substantially and the inflation assumption increasing slightly during the year, which has led to a significant increase in the liabilities within the scheme. The impact on estimated liabilities has more than offset the improvements seen in the investment returns during the year. The net result has been an increase in estimated liabilities, which has led to a significant increase in the overall liability.

The £74,605,000 net liability represents the difference between the value of the Group's pension fund assets at 31 March 2010 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 2010 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuary in their full actuarial review of the Pension Fund as at 31 March 2007. Their advice on the shortfall in the funding of the scheme at that time has determined the future level of pension contributions which were implemented from 1 April 2008. The under funding is planned to be cleared over a twenty year period. The position is reviewed annually and the next full revaluation will be as at 31 March 2010. The results of the 2010 valuation will be implemented with effect from 1 April 2011.

## G5 Employees Remuneration

The total number of employees whose remuneration, excluding employer's pension contributions but including termination payments, was £50,000 or more is shown in bands of £5,000.

Remuneration Band	Number of Employees	
	2009/2010	2008/2009
£50,000 - £54,999	15	7
£55,000 - £59,999	2	4
£60,000 - £64,999	4	6
£65,000 - £69,999	2	3
£70,000 - £74,999	5	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	4	3
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
£160,000 - £169,999	-	1

### Remuneration of senior employees

The 2009 Statement of Recommended Practice has introduced a new disclosure requirement to disclose the individual remuneration details for senior staff within local authorities in respect of their employment by the Council. These disclosures constitute a new legal requirement to increase the transparency and accountability in Local Government for reporting remuneration of senior employees.

Senior employees are defined by the regulations as those whose salary is more than £150,000 per year or one whose salary is at least £50,000 per year (calculated on a pro-rated basis for part time employees) and who is:

- d.) the designated head of paid services, a statutory chief officer or a non statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- e.) the head of staff for a relevant body which does not have a designated head of paid service; or
- f.) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

For senior officers whose salary is £50,000 or more per year but less than £150,000 – these officers are to be identified by their role. Employees with salaries of £150,000 or more per year are required to be identified by name within the accounts. No senior officers receive expense allowance payments.

Post holder information	Notes	Salary (including fees & allowances) £	Compensati on for loss of office £	Total Remuneration excluding pension contributions 2009/2010 £	Pension contributions £	Total Remuneration including pension contributions 2009/2010 £
<b>Colchester Borough Council:</b>						
Chief Executive		117,101	-	<b>117,101</b>	14,417	<b>131,518</b>
Executive director		93,268	-	<b>93,268</b>	11,083	<b>104,351</b>
Executive director		93,137	-	<b>93,137</b>	11,083	<b>104,220</b>
Executive director		93,169	-	<b>93,169</b>	11,083	<b>104,252</b>
Head of : Strategic Policy and Regeneration		70,080	-	<b>70,080</b>	8,337	<b>78,417</b>
Head of : Life Opportunities		70,058	-	<b>70,058</b>	8,337	<b>78,395</b>
Head of: Environmental and Protective Services	1	55,311	-	<b>55,311</b>	6,453	<b>61,764</b>
Head of : Resource Management		70,222	-	<b>70,222</b>	8,337	<b>78,559</b>
Head of : Street Services		70,058	-	<b>70,058</b>	8,337	<b>78,395</b>
Head of : Corporate Services	2	46,338	-	<b>46,338</b>	5,515	<b>51,853</b>
Head of : Customer Services		61,525	-	<b>61,525</b>	7,382	<b>68,907</b>
Monitoring Officer		62,034	-	<b>62,034</b>	7,382	<b>69,416</b>
Returning Officer		4,079	-	<b>4,079</b>	-	<b>4,079</b>
<b>Colchester Borough Homes:</b>						
Chief Executive		93,137	-	<b>93,137</b>	12,760	<b>105,897</b>
Director of Finance and Corporate Services		66,046	-	<b>66,046</b>	9,048	<b>75,094</b>
Director of Housing		66,046	-	<b>66,046</b>	9,048	<b>75,094</b>
Director of Property Services	3	40,564	-	<b>40,564</b>	3,217	<b>43,781</b>
<b>Total</b>		<b>1,172,173</b>	<b>-</b>	<b>1,172,173</b>	<b>141,819</b>	<b>1,313,992</b>

**Note 1:** The Head of Service for Environmental and Protective Services commenced service on 6 April 2009 at an annualised salary of £56,000.

**Note 2:** The Head of Service for Corporate Services commenced on 1 June 2009 at an annualised salary of £55,600.

**Note 3:** The Director of Property Services left Colchester Borough Homes on 8 November 2009 on an annualised salary of £66,046.

Post holder information	Notes	Salary (including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions 2008/2009 £	Pension contributions £	Total Remuneration including pension contributions 2008/2009 £
<b>Chief Executive</b>		115,339	-	<b>115,339</b>	14,082	<b>129,421</b>
<b>Executive director</b>		91,892	-	<b>91,892</b>	10,920	<b>102,812</b>
<b>Executive director</b>		90,813	-	<b>90,813</b>	10,807	<b>101,620</b>
<b>Executive director</b>		89,866	-	<b>89,866</b>	10,694	<b>100,560</b>
<b>Executive director</b>	1	94,895	75,438	<b>170,333</b>	10,920	<b>181,253</b>
<b>Head of :</b> Strategic Policy and Regeneration		69,022	-	<b>69,022</b>	8,214	<b>77,236</b>
<b>Head of :</b> Life Opportunities		63,094	-	<b>63,094</b>	7,508	<b>70,602</b>
<b>Head of:</b> Environmental and Protective Services		-	-	-	-	-
<b>Head of :</b> Planning Services	2	43,175	42,651	<b>85,826</b>	4,791	<b>90,617</b>
<b>Head of :</b> Resource Management		69,154	-	<b>69,154</b>	8,214	<b>77,368</b>
<b>Head of :</b> Street Services		63,094	-	<b>63,094</b>	7,508	<b>70,602</b>
<b>Head of :</b> Corporate Services		-	-	-	-	-
<b>Head of :</b> Customer Services		57,492	-	<b>57,492</b>	6,842	<b>64,334</b>
<b>Monitoring Officer</b>		61,117	-	<b>61,117</b>	7,273	<b>68,390</b>
<b>Returning Officer</b>		3,000	-	<b>3,000</b>	-	<b>3,000</b>
<b>Colchester Borough Homes:</b>						
<b>Chief Executive</b>		91,761	-	<b>91,761</b>	12,571	<b>104,332</b>
<b>Director of Finance and Corporate Services</b>		61,117	-	<b>61,117</b>	8,373	<b>69,490</b>
<b>Director of Housing</b>		59,240	-	<b>59,240</b>	8,116	<b>67,356</b>
<b>Director of Property Services</b>		61,643	-	<b>61,643</b>	-	<b>61,643</b>
<b>Total</b>		<b>1,185,714</b>	<b>118,089</b>	<b>1,303,803</b>	<b>136,833</b>	<b>1,440,636</b>

**Note 1:** Executive director left Colchester Borough Council on 31 March 2009 on an annualised salary of £94,895.

**Note 2:** Head of Planning Services left Colchester Borough Council on 31 October 2008 on an annualised salary of £74,000 and was replaced in 2009/2010 by the Head of Environmental and Protective Services.

## G6 Audit Costs

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

	CBC (Audit Commission)	CBH (Scrutton Bland)	CCSL (Baker Chapman & Bussey)	2009/2010 Total	2008/2009 Total
	£'000	£'000	£'000	£'000	£'000
Core External Audit Services	141	11	2	154	145
Statutory Inspection	9	-	-	9	6
Certification of Grant Claims	46	-	-	46	65
Other Services - National Fraud Initiative	1	-	-	1	2
	<b>197</b>	<b>11</b>	<b>2</b>	<b>210</b>	<b>218</b>



## G7 Long Term Investments

	Balance as at 31 March 2010			31 March 2009
	CBC	Trust Funds	Total	Total Restated
	£'000	£'000	£'000	£'000
Market Value of Marketable Securities at 31 March	10	343	353	302
Term Deposits	-	-	-	4,000
<b>Total Long Term Investments</b>	<b>10</b>	<b>343</b>	<b>353</b>	<b>4,302</b>

## G8 Debtors

	Value as at 31 March 2010				31 March 2009
	CBC	Subsidiaries	Trust Funds	Total	Total Restated
	£'000	£'000	£'000	£'000	£'000
<b>Sums falling due within One Year:</b>					
Council Tax Arrears	637	-	-	637	620
Government Departments	3,744	-	-	3,744	2,893
Council Tenants	1,206	-	-	1,206	1,259
Essex County Council	1,090	-	-	1,090	571
HM Customs and Excise (VAT)	1,641	-	-	1,641	-
General Debtors	7,752	136	-	7,888	7,476
<b>Total Due within One Year</b>	<b>16,070</b>	<b>136</b>	<b>-</b>	<b>16,206</b>	<b>12,819</b>
<b>Sums falling due after One Year:</b>					
General Debtors	-	-	-	-	-
<b>Total Due after One Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gross Debtors	16,070	136	-	16,206	12,819
Less Provision for Doubtful Debts	(4,904)	-	-	(4,904)	(4,415)
<b>Total Debtors</b>	<b>11,166</b>	<b>136</b>	<b>-</b>	<b>11,302</b>	<b>8,404</b>

Figures have been revised to eliminate inter-group balances.

## G9 Creditors

	Value as at 31 March 2010				31 March 2009
	CBC	Subsidiaries	Trust Funds	Total	Total Restated
	£'000	£'000	£'000	£'000	£'000
Council Tax Prepayment	296	-	-	296	283
Government Departments	1,357	116	-	1,473	1,626
Council Tenants	485	-	-	485	369
Contractors' Deposits	83	-	-	83	83
Essex County Council	872	-	-	872	880
Contractors re Capital Schemes	1,407	-	-	1,407	738
General Creditors	3,667	810	32	4,509	4,584
<b>Total Creditors</b>	<b>8,167</b>	<b>926</b>	<b>32</b>	<b>9,125</b>	<b>8,563</b>

Figures have been revised to eliminate inter-group balances.

## G10 Provisions

Category of Provision	Balance at 1 April 2009	Contribution From Revenue in the Year	Payments In the Year	Balance at 31 March 2010
	£'000	£'000	£'000	£'000
Colchester Borough Council (see Note 30, page 51)	347	173	(70)	450
Colchester Borough Homes Ltd	30	-	-	30
<b>Total Provisions</b>	<b>377</b>	<b>173</b>	<b>(70)</b>	<b>480</b>

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

### G11 Capital Adjustment Account

	2009/2010 £'000	2008/2009 £'000
Colchester Borough Council	406,948	418,520
Trust Funds	83	83
<b>Total at 31 March</b>	<b>407,031</b>	<b>418,603</b>

### G12 Subsidiaries Reserves

	Balance at 1 April 2009 £'000	Transfer (to)/ from Revenue £'000	Balance at 31 March 2010 £'000
Colchester Borough Homes	413	106	519
CCSL Newco Limited	(22)	22	-
Colchester Community Stadium	-	(12)	(12)
<b>Total Reserves</b>	<b>391</b>	<b>116</b>	<b>507</b>

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

### G13 Trust Funds

	2009/2010 £'000	2009/2010 £'000	2008/2009 £'000
Balance at 1 April 2008		584	692
Add Income for year	77		
Less expenditure for year	(73)	4	(2)
(Decrease)/Increase in Investments value		78	(106)
<b>Balance at 31 March 2009</b>		<b>666</b>	<b>584</b>

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

	31 March 2010 £'000	31 March 2009 £'000
Assets	780	697
Liabilities	(31)	(30)
<b>Total Net Assets</b>	<b>749</b>	<b>667</b>
Represented by:-		
Capital Adjustment Account	83	83
Trust Funds Reserves	666	584
<b>Balance at 31 March 2009</b>	<b>749</b>	<b>667</b>

The assets are not the property of the local authority and are subject to charitable trusts. Further details of the nature of the assets and liabilities are provided in the Trust Fund statements (pages 76-82).

### G14 Analysis of Net Assets Employed

The net assets employed represent the 'equity' in the Group and are analysed between the main functions in the table below:

	31 March 2010 £'000	31 March 2009 £'000
General Fund	410,328	403,940
Housing Revenue Account	3,128	1,931
Trust Funds	749	667
<b>Total Net Worth</b>	<b>414,205</b>	<b>406,538</b>

The change in net worth in the Group Balance Sheet matches that shown in the Group Statement of Total Recognised Gains and Losses (Page 85).

### G15 Post Balance Sheet Events

The accounts were authorised for issue on 29 June 2010 by the Accounts and Regulatory Committee and the Head of Resource Management (Page 14). This is the date to which events after the Balance Sheet date have been considered.

In the budget statement made on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. As a result, future pension increases under the Essex Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated by the actuary of the Essex Pension Fund to reduce the FRS17/IAS19 benefit obligations by between 5% and 8%, which equates to between £9 million and £15 million in respect of the Group FRS17/IAS19 benefit obligation of £182 million for 2009/10. This change is concluded to be a non adjusting Post Balance Sheet event for 2009/10. The financial effect of this change will be applied to the FRS17/IAS19 values included in the accounts for the year ending 31 March 2011.

There are no other items which have arisen after the closure of the 2009/10 accounts which would materially affect these accounts.

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

	Notes	2009/2010 £'000	2008/09 Restated £'000
(Surplus)/Deficit per the Income and Expenditure Account	Page 20	12,107	53,222
(Surplus)/Deficit per Subsidiaries	G12	(116)	(148)
(Surplus)/Deficit per Trust Funds		(6)	-
<b>Net (Surplus)/Deficit</b>		<b>11,985</b>	<b>53,074</b>
<b>Non-Cash Transactions</b>			
Depreciation and Impairments		(15,534)	(54,305)
Write outs of Fixed Assets		(597)	-
Deferred grants amortised in year		632	564
Grants funding Revenue Expenditure Funded from Capital under Statute amortised in year		11	1,015
Grants funding Revenue Expenditure Funded from Capital under Statute credited directly to the Income and Expenditure Account in year		340	462
Pension Fund adjustments	Note 6	(1,316)	(1,515)
Other Non-Cash transactions		94	102
Taxation		(1)	(9)
Interest and investment income		951	2,274
Interest payable and similar charges		(3,661)	(3,900)
Investment impairment charge	Page 20	(449)	(938)
Gain/(Loss) on disposal of fixed assets		77	(1)
Contributions to Reserves		-	5
Contributions to Provisions		-	(1)
<b>Items on an Accruals Basis:</b>			
Increase/(Decrease) in Stock and Work in Progress		24	(49)
Increase/(Decrease) in Debtors		1,696	(3,832)
(Increase)/Decrease in Creditors		(576)	6,347
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		<b>(6,324)</b>	<b>(707)</b>

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

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

	2009/2010	
	£'000	£'000
Increase in Cash in the Period	679	
Cash Outflow from loans repaid	5,930	
Cash Inflow from management of Liquid Resources	(5,382)	
Cash Outflow from deferred liabilities	1,048	
Change in Net Debt resulting from cash flows		2,275
Other Non Cash changes		2,862
Net Debt at 1 April 2009		(54,928)
<b>Net Cash Flow</b>		<b>(49,791)</b>

## G18 Analysis of Net Debt

	Balance 31 March 2009 £'000	Interest Accrual Movement £'000	Cash Flow Movement £'000	Other Non Cash changes £'000	Balance 31 March 2010 £'000
Cash Overdrawn	(238)	-	679	-	441
Amounts relating to major preceptors (Council Tax) and NNDR	(813)	-	922	-	109
Loans due within one year	(11,978)	1,048	5,930	(1,047)	(6,047)
Loans due after more than one year	(57,400)	-	-	-	(57,400)
Short Term Investments	15,501	(804)	(5,500)	3,909	13,106
<b>Net Cash Flow</b>	<b>(54,928)</b>	<b>244</b>	<b>2,031</b>	<b>2,862</b>	<b>(49,791)</b>

## G19 Liquid Resources

	Balance 31 March 2010 £'000	Balance 31 March 2009 Restated £'000	Change in Year £'000
Short Term investments	13,106	15,501	(2,395)
Amounts relating to major preceptors (Council Tax) and NNDR	109	(813)	922
Cash (overdrawn)/Cash and Bank	441	(238)	679
<b>Increase/(Decrease) in year</b>	<b>13,656</b>	<b>14,450</b>	<b>(794)</b>

**REPORT OF AUDITORS**

DRAFT



## Accounts & Regulatory Committee

Item  
**8**

28 September 2010

<b>Report of</b>	<b>Head of Resource Management</b>	<b>Author</b>	<b>Elfreda Walker</b>
<b>Title</b>	<b>Financial Regulations Update</b>		<b>☎ 282461</b>
<b>Wards affected</b>	Not applicable		

**This report concerns the revision of the Council's Financial Regulations**

### 1. Decision(s) Required

- 1.1 To approve the revised Financial Regulations attached at Appendix 1.
- 1.2 To recommend to Full Council the adoption of the revised Financial Regulations.

### 2. Reasons for Decision(s)

- 2.1 Financial Regulations provide the framework for managing the authority's financial affairs and form part of the Council's Constitution. They apply to every Member and Officer of the authority and anyone acting on its behalf. They were last updated in July 2004.
- 2.2 The amendment of the Financial Regulations requires the approval of the Full Council.

### 3. Alternative Options

- 3.1 None.

### 4. Supporting Information

- 4.1 The Financial Regulations identify the financial responsibilities of the full Council, Executive, Members, the Head of Paid Service, the Monitoring Officer, the Responsible Finance Officer and Heads of Service.
- 4.2 All Members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provide value for money and achieve best value.
- 4.3 The Responsible Finance Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full council for approval. He is also responsible for reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Cabinet.
- 4.4 The Financial Regulations were out of date in respect of terminology because of the changes in the Council's management structure over the last 6 years. There have also been some revisions in accounting practices and policies. The main changes to the regulations are:
  - In risk management and control, insurance, internal control and money laundering has been added.
  - A new section on Property & Resources has been added.

- Ordering & paying for goods and services has been expanded to include purchase cards and imprest & petty cash.
- The External Arrangements section has been changed to Projects, Partnerships and External Funding and expanded to include external funding and work by 3<sup>rd</sup> parties.

4.5 The revised Financial Regulations seek to clarify and strengthen the financial management arrangements and control environment of the Council.

4.5 Heads of Service are responsible for ensuring that all staff in their service areas are aware of the existence and content of the Council's Financial Regulations.

4.6 The Responsible Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations.

## **5. Proposals**

5.1 That the Committee approve the revised Financial Regulations attached at Appendix 1.

5.2 That the Committee recommend to Full Council the adoption of the revised Financial Regulations.

## **6. Standard References**

6.1 There are no particular references to the Strategic Plan; publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety or risk management implications, but adherence to the Council's Financial Regulations will assist in providing a controlled environment and minimising financial risks.

## **Background Papers**

There are no background papers.

**COLCHESTER BOROUGH COUNCIL**  
**FINANCIAL REGULATIONS**  
**SEPTEMBER 2010**



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# **1 INTRODUCTION**

## **1.1 Background**

- 1.1.1 The Council is required by law, section 151 of the local Government Act 1972 and the Accounts and Audit Regulations 1996, to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to. Part of this process is the establishment of Financial Regulations, which set out the financial policies of the Council.
- 1.1.2 The Council is further required by the Local Government and Housing Act 1989 to make proper arrangements for its financial affairs and secure that one of its officers, the Responsible Financial Officer, has responsibility for the administration of those affairs. That officer is to be a member of one or more of the accountancy bodies specified in the Act.
- 1.1.3 Financial Regulations provide clarity about the accountabilities of individuals, Members, the Head of Paid Service (Chief Executive), the Monitoring Officer (Legal Services Manager), the Responsible Finance Officer (Head of Resource Management), Executive Management Team and Heads of Service.
- 1.1.4 Officers should link the Financial Regulations with other documents which form part of the Council's Constitution, e.g. Contract Procedure Rules, Schemes of Delegation, the roles of the Executive and Policy Review and Development Panel and Strategic Overview and Scrutiny Panel, Officers'/Members' Codes of Conduct and Protocol on Member/Officer Relations. Consideration should also be given to the Council's policies relating to Anti-Fraud and Corruption, Anti-Money Laundering, Whistle-blowing, Procurement and Employment.
- 1.1.5 These Financial Regulations may only be amended by resolution of the Council.

## **1.2 Purpose and Status of Financial Regulations**

- 1.2.1 Financial Regulations provide the framework for managing the Council's financial affairs. They also form an important element in the Council's overall Corporate Governance Framework.
- 1.2.2 Financial Regulations apply to every Member and officer of the Council and anyone acting on its behalf.
- 1.2.3 Arrangements for controlling financial activity within the Council are hierarchical. At the highest level Financial Regulations set out the financial responsibilities of the full Council, Executive and Policy Review and Development Panel, Members, the Chief Executive, the Monitoring Officer, the Responsible Finance Officer and other senior officers.
- 1.2.4 The Financial Regulations that follow are a range of very detailed sets of guidance which set out the responsibilities and expectations of:

- Members
- Executive Management Team, Heads of Service and their staff
- The Head of Resource Management and staff
- Organisations acting on behalf of the Council

1.2.5 Financial Regulations are approved by the Council on the recommendation of the Accounts and Regulatory Committee.

1.2.6 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money.

1.2.7 The Head of Resource Management is responsible for:

- maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Accounts and Regulatory Committee for recommendation to the Council for approval;
- reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Executive or Finance and Audit Scrutiny Panel;
- issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

1.2.8 Heads of Service are responsible for ensuring that all appropriate staff in their service areas are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. Any disagreement arising over the interpretation, intention or application of the Financial Regulations shall be determined by the Head of Resource Management.

1.2.9 It may be considered a disciplinary offence if any officer fails to comply with these Financial Regulations. Employees have a duty to report apparent breaches of Financial Regulations to an appropriate senior manager. The senior manager should report breaches of the Regulations to the Head of Resource Management and the Monitoring Officer who will decide what, if any, further action needs to be taken.

1.2.10 If an officer is in any doubt about the appropriate action required, they should consult their senior manager in the first instance. Advice should also be sought from the Head of Resource Management before proceeding.

1.2.11 Financial limits are specified in Section 8. They will be reviewed and where appropriate revised by the Council as necessary before the start of the financial year to which they relate as a part of the budget setting process.

1.2.12 The Chief Executive when acting in his or her capacity as District Controller in emergency matters has authority to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.

## 2 FINANCIAL MANAGEMENT

### **Importance of this area**

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget. Below are set out the main areas of responsibility of financial management.

### **2.1 The Full Council**

2.1.1 The Council is responsible for:

- the adoption and revision of these Financial Regulations;
- the determination of the policy framework and annual revenue budget and capital programme within which the Cabinet operates;
- approving and monitoring compliance with the Council's overall framework of accountability as set out in its constitution and monitoring compliance with agreed policy and reporting decisions taken.
- providing the Head of Resource Management (the Council's Responsible Financial Officer) with sufficient staff, accommodation and other resources to carry out his/her duties.

### **2.2 The Cabinet**

2.2.1 The Cabinet is responsible for controlling the Council's financial resources, proposing the revenue budget and capital programme to the Council and discharging executive functions in accordance with the policy framework, revenue budget and capital programme.

### **2.3 Portfolio Holder for Resources and Diversity**

2.3.1 The Portfolio Holder for Resources and Diversity is responsible for reviewing the adequacy and efficiency of the arrangements for all matters relating to the financial administration of the Council.

### **2.4 Portfolio Holders**

2.4.1 Portfolio Holders are responsible for:

- proposing revenue budgets to the Cabinet after taking account of corporate priorities;
- reviewing the financial administration of the services covered by their portfolio including the administration of revenue budgets and capital programme;
- monitoring the financial performance of services within their portfolio.

## **2.5 Strategic Overview and Scrutiny Panel**

2.5.1 The Strategic Overview and Scrutiny Panel is responsible for:

- ensuring that the actions of the Cabinet accord with the policies and budgets of the Council;
- scrutinises the Council's audit arrangements, including the annual audit letter and audit plans,
- scrutinises Portfolio Holder 'Service' decisions reviewed under the Call In procedure.

## **2.6 Finance and Audit Scrutiny Panel**

2.6.1 The Finance and Audit Scrutiny Panel deals with:

- the review of service areas and associated budgets,
- monitoring the financial performance of the Council;
- scrutinises Portfolio Holder 'Service' decisions reviewed under the Call In procedure.

## **2.7 The Accounts and Regulatory Committee**

2.7.1 The Accounts and Regulatory Committee deals with items such as the approval of the Council's Statement of Accounts in accordance with the Accounts and Audit Regulations 2003.

## **2.8 The Standards Committee**

2.8.1 The Standards Committee is responsible for advising the Council on the adoption and revision of the Members Code of Conduct and for monitoring the operation of the code.

### **Statutory Officers**

## **2.9 The Head of Paid Service**

2.9.1 The Chief Executive is the Head of Paid Service and is responsible for the corporate and overall strategic management of the Authority as a whole. He/she must report to and provide information for the Cabinet, the full Council, Overview and Scrutiny Committees and other Committees and Panels. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

## **2.10 The Monitoring Officer**

2.10.1 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration and for ensuring that the procedures for recording and reporting key

decisions are operating effectively. The Monitoring Officer is responsible for advising all Members and officers about who has the authority to take a particular decision and whether a decision is likely to be considered contrary to the policy framework. The Monitoring Officer and the Head of Resource Management are also responsible for advising the Cabinet or full Council if a decision could be considered contrary to the budget. An example of such a decision would be promoting a new policy without thought as to the budget implications.

## **2.11 The Responsible Finance Officer**

- 2.11.1 The Head of Resource Management is the Council's Responsible Finance Officer under Section 151 of the Local Government Act 1972. The Responsible Finance Officer has overall responsibility for the financial affairs of the Council including the promotion of good financial management throughout the organisation, so that public money is safeguarded at all times, and used appropriately, economically, efficiently and effectively.
- 2.11.2 The Head of Resource Management is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's objectives for the long term and in the public interest. He/she is actively involved in, and able to bring influence to bear on all material business decisions, to ensure that the immediate and longer term implications, opportunities and risks are fully considered, and consistent with the overall financial strategy.
- 2.11.3 After consulting with the Head of the Paid Service and the Monitoring Officer, the Head of Resource Management will report to the Full Council or to the Cabinet in relation to a Cabinet function and the Council's external auditor if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- 2.11.4 The Head of Resource Management, if necessary in conjunction with the Chief Executive and after consultation with the Leader of the Council, shall have the powers to take any action necessary to safeguard the interests of the Council.

### **Administration**

- 2.11.5 The Head of Resource Management has responsibility for the proper administration of the Council's financial affairs. This includes setting and monitoring compliance with financial management standards, advising on the corporate financial position and on key financial controls, providing financial advice, advising on preparation of revenue and capital budgets, and treasury management. The Head of Resource Management also has responsibility for maintaining an adequate and effective system of internal audit as required under the Accounts & Audit Regulations 1996
- 2.11.6 These responsibilities are set out in statute such as section 151 of the Local Government Act 1972. They refer to the totality of the financial affairs of the Council in all its dealings.

- 2.11.7 The Head of Resource Management is responsible for reviewing and making recommendations as to the financial limits set out in the financial procedure rules not less than annually in advance of the year to which they relate and making arrangements to bring the financial procedure rules to the attention of officers likely to be involved in financial matters.

### **Advice**

- 2.11.8 The Head of Resource Management is responsible for advising committees on all financial matters. He/she must be consulted on all financial matters and given adequate opportunity to provide written comments in any report with financial implications.
- 2.11.9 Where the urgency procedures set out in the Council's Constitution are to be invoked, the Head of Resource Management must first be consulted on financial and other resource implications.

## **2.12 Executive Directors**

- 2.12.1 Executive Directors are responsible for advising/consulting with Heads of Service and Portfolio Holders on the financial implications of cross-cutting proposals.

## **2.13 Heads of Service**

- 2.13.1 Must operate efficient systems of financial control and are responsible for:
- financial administration of the services under their control in accordance with the provisions of these Financial Regulations, and guidance on the application of Financial Regulations as may from time to time be issued by the Head of Resource Management;
  - timely provision of such information on the financial affairs of their services as the Head of Resource Management may request.
  - ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Head of Resource Management.
  - Consulting with the Head of Resource Management and seeking his/her approval on any matter that could materially affect the authority's financial position before any commitments are incurred.
  - Notifying the Head of Resource Management of any situation that may create a contingent liability, potential claim or litigation.
  - Signing contracts on behalf of the Council within the approved Scheme of Delegation and Contract Procedure rules.

## **2.14 Delegated Authority**

- 2.14.1 The Chief Executive, Executive Directors and Heads of Service are required to carry out tasks in accordance with these financial regulations. These officers may authorise other



officers to carry out tasks for which they have responsibility as set down by the these financial regulations. A record of all such authorities must be prepared and submitted to the Head of Resource Management.

## **2.15 Money Laundering Reporting Officer**

- 2.15.1 The Legal Services Manager is appointed as the Money Laundering Reporting Officer. He is responsible for notifying the National Criminal Intelligence Service (NCIS) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post.

## **Other Financial Accountabilities**

### **2.16 Accounting Arrangements**

- 2.16.1 The Head of Resource Management is responsible for keeping the accounts and financial records of the Council. He/she must also approve accounting and other systems with a financial function and accounting records of services.
- 2.16.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles as determined by the Head of Resource Management. Accounting procedures will be reviewed as necessary by the Head of Resource Management in consultation with Heads of Service to ensure that they provide the information required by both without duplication of records.
- 2.16.3 No change to existing accounting procedures may be made without prior consultation with the Head of Resource Management.
- 2.16.4 The Head of Resource Management must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding.
- 2.16.5 The Head of Resource Management must examine and certify where required any financial return to a Government Department or other body.

### **2.17 Year end accounting**

- 2.17.1 The Cabinet is responsible for approving the annual Revenue and Capital Outturn and for agreeing procedures for carrying forward under and over-spending on budget headings. The Council's final financial position as presented in the Annual Statement of Accounts will be approved by the Accounts and Regulatory Committee on behalf of the Council.

## **2.18 Annual Statement of Accounts**

- 2.18.1 The Head of Resource Management is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31<sup>st</sup> March.
- 2.18.2 Detailed guidance is issued and training sessions are held each year to ensure that the relevant information is collected and that the statutory deadline is achieved.
- 2.18.3 The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that high quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

## **2.19 Virement**

- 2.19.1 Virement is the movement of budget from one area to another. Virement between budgets is an integral and important feature of budgetary control. It provides the Head of Service and budget manager with the flexibility to adapt expenditure patterns to meet changing locally determined service needs and objectives, or respond to unforeseen cost increases. Virements should not be done simply to balance over and underspends that have occurred.
- 2.19.2 Virements can be either in-year or permanent, with recurring virements requiring an adjustment to the base budget. There are also operational (non-technical) virements and technical virements. An operational virement is where the budget holder moves a budget from one area to another. It may be within the same cost centre or a different one.
- 2.19.3 Virements shall be allowed only where they are within the overall policy framework and do not involve an increasing commitment in future years which cannot be contained within existing approved budget allocations, save as determined by the Council.
- 2.19.4 Heads of Service may authorise a virement of up to £10,000 (Limit 1) within services within the same portfolio.
- 2.19.5 Heads of Service after consultation with the Head of Resource Management, may make a virement of up to £25,000 (Limit 2) between services within the same portfolio.
- 2.19.6 A Portfolio Holder, after consultation with the Head of Resource Management, may authorise a virement of up to £50,000 (Limit 3) within his/her Portfolio or between Portfolios with the consent of the relevant Portfolio Holders.
- 2.19.7 The Cabinet may make a virement of between £50,000 to £250,000 (Limit 4) following a written report by the relevant Head(s) of Service and Head of Resource Management.
- 2.19.8 The Council shall determine requests which fall outside of these criteria.

- 2.19.9 Heads of Service will notify the Head of Resource Management of all revenue virement decisions before expenditure is committed.
- 2.19.10 The authorisation limits set out above do not apply to technical virements and these may be authorised by the Head of Resource Management. A technical virement could include:
- 2.19.11 A technical accounting matter across several services areas. For example, introducing or changing capital charges, deferred charges etc. It might also include:
- an adjustment to salaries budgets if the pay award was agreed at a lower level and it was agreed that budgets would be reduced to reflect this.
  - Where a new grant is received during the year that is dependent on incurring additional cost and where it is very specific as to what the grant is for, or a decision had been made as to what the grant was for.
  - Where cost centres are reorganised and therefore budgets are moved to reflect a revised structure.
  - Where revenue spend occurred but should be classed as capital.
  - Carry forward requests.

## **2.20 Carry Forwards**

- 2.20.1 An extension of virement is the ability to carry forward over or under spending into the next financial year. It prevents the rush to spend up to budget at the end of the financial year, which can lead to poor spending decisions.
- 2.20.2 These are generally used where it is known that material budgeted expenditure will not be incurred until the next financial year, and will be allowed in accordance with guidelines issued by the Head of Resource Management. The guidance will lay down specific rules and limits as determined by the Head of Resource Management.
- 2.20.3 Unspent balances will only be considered for carry forward where:
- The Councils revenue /capital programme is not overspent in total
  - Reserves and balances are at an appropriate level
- 2.20.4 Other considerations which may support the case are:
- The item is fully funded from grant and the grant will be lost if the item is not carried forward
  - Budgets for specific projects that have not started or where there is slippage in delivery, and the funding for which has not been included in the following year's budget
  - The cost cannot be accommodated within the new year budget
  - Overall outturn position and Council balances need to be considered.

- Considered for essential statutory expenditure.

## **2.21 Financial Training**

- 2.21.1 Heads of Service are responsible for ensuring staff receive appropriate training to undertake their financial responsibilities, in accordance with any standards set by the Head of Resource Management.

## **2.22 Use of Capital Receipts**

- 2.22.1 All capital receipts will be treated as corporate capital receipts unless specific approval is obtained from the Cabinet for an alternative treatment.

### 3. FINANCIAL PLANNING AND CONTROL OF EXPENDITURE

#### **Importance of this area**

The importance of this area is in the need for sound planning, monitoring and control of resources. Sound budget management is crucial to informing good decision making and achieving best value in the use of the Council's resources.

#### **3.1 Policy Framework**

3.1.1 The Council is a complex organisation responsible for delivering a wide variety of services. The budget is the financial expression of the Council's plans and policies. The Council has adopted an integrated planning framework the key components of which are the Medium Term Financial Strategy (MTFS), revenue budget and capital programme. The financial planning framework is aligned to the Strategic Plan and Performance Management Framework. The Framework enables scarce resources to be allocated in accordance with priorities.

3.1.2 The Framework allocates responsibilities as follows:

- The Council is responsible for determining the Council's revenue budget and capital programme.
- The Cabinet is responsible for submitting proposals for the revenue budget and capital programme to the Council.
- Portfolio Holders are responsible for recommending a revenue budget and capital programme for the services under their control to the Cabinet.
- Heads of Service are responsible for submitting draft revenue budgets and capital project justifications for services under their control to the Portfolio Holder.
- The Head of Resource Management is responsible for recommending a budget strategy to the Council.

#### **3.2 Performance Plans**

3.2.1 Performance Management is a key element of the management of the organisation. It involves setting objectives, priorities, targets and plans, including financial plans, for all key service areas.

3.2.2 Performance against objectives, priorities and targets is monitored regularly with a view to achieving an integrated planning and review process across the Council. Appropriate action is taken to address the areas that are highlighted by monitoring as needing attention.

3.2.3 The Strategic Plan sets out the Council's objectives for the next 3 years. An annual action plan sets out how the Council will achieve the outcomes and overall actions that are set out in the Strategic Plan.

3.2.4 The Chief Executive is responsible for proposing the strategic plan to the Cabinet for consideration before its submission to the full Council for approval.

### **3.3 Financial Planning and Control**

3.3.1 To deliver the Strategic Plan the available money must be allocated in the most effective way. A robust challenge process must be in place to ensure that the decisions made are achieving value for money. The budget process is an integral part of performance management.

3.3.2 Forward planning requires

- planning three years ahead
- linking resources to the strategic plan
- ensuring that a balanced budget will be delivered
- looking at opportunities for efficiencies and income.

3.3.3 Managing the current budget requires

- regular reporting of the budget; monthly to Performance Management Board and quarterly to Finance and Audit Scrutiny Panel to look at areas of potential over and under spend and progress on income generation
- checking that value for money is being achieved e.g. comparing costs and looking at procurement practice and opportunities.

### **3.4 Budget format**

3.4.1 The general format of the budget will be approved by the full Council and proposed by the executive on the advice of the Head of Resource Management. The draft budget should include allocation to different services and projects, proposed taxation levels, contingency funds and allocations to / from reserves and balances.

### **3.5 Revenue Budget Preparation**

3.5.1 The Head of Resource Management is responsible for ensuring that a revenue budget for the coming year and a medium term financial forecast for the two subsequent financial years are prepared for consideration by the Cabinet. The budget and the medium term financial forecast are both driven by the strategic plan.

3.5.2 The Head of Resource Management is responsible for providing a budget strategy, timetable and guidance on the general format of the budget. The budget strategy will detail the Council's financial position taking account of central government criteria and medium term prospects where appropriate.

3.5.3 The Cabinet is responsible for setting a target budget for each Cabinet remit service area.

#### 3.5.4 Heads of Service will:

- prepare, in consultation with the relevant Cabinet Member and in accordance with the framework set down by the Head of Resource Management, an estimate of income and expenditure for the ensuing financial year within the spending targets set by the Cabinet.
- when drawing up draft budgets, have regard to such matters as spending patterns and pressures revealed through the budget monitoring process; legal requirements; the Council's policies and objectives; initiatives already underway or committed
- ensure that budget submissions are consistent with the Council's Corporate Objectives
- consult with Executive Directors as appropriate to determine the likely financial implications of cross-cutting initiatives and other associated activities and ensure that any such implications are reflected in the draft revenue budgets and capital programme for the services under their control;
- ensure that there are adequate explanations for changes to the budgets
- ensure that their proposals are robust and that they have identified all of the issues and provide assurance to the Head of Resource Management.

#### 3.5.5 The Head of Resource Management will:

- prepare and submit reports to Cabinet on the aggregate spending plans of services and on the availability of resources to fund them identifying, where appropriate, the implications for the level of council tax to be levied.
- advise on the medium term implications of spending proposals and decisions
- advise on the corporate impact of capital schemes on the revenue budget

#### 3.5.6 The Cabinet will then submit a 'final budget' to the full Council for approval.

3.5.7 An Authority is legally obliged to set a balanced budget. Under section 25 of the Local Government Act 2003 the Head of Resource Management is responsible for reporting to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

3.5.8 The Head of Resource Management is responsible for providing advice on the available funding options for the budget. This includes advice on central government funding, general grant, area based grant and other grants, options for borrowing and any other opportunities including income generation.

### 3.6 Budget Monitoring

3.6.1 The Head of Resource Management is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Head of Resource Management must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular (quarterly) basis.

- 3.6.2 It is the responsibility of Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Head of Resource Management. Heads of Service must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. They should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Head of Resource Management to any problems. The notification must also include an explanation of how the Head of Service intends to ensure that the variance is minimised.
- 3.6.3 Heads of Service may authorise responsibility for budget management to other officers.
- 3.6.4 All budgets, unless otherwise specifically identified, will be set on a cash limited basis and may be changed only by means of a supplementary estimate or virement.
- 3.6.5 A Head of Service shall not incur a liability which would cause expenditure to exceed an approved budget head unless this can be met by way of a supplementary estimate or virement. The necessary approval must be obtained in advance of the relevant commitment being made.
- 3.6.6 Any proposal which, if adopted, is likely to involve expenditure or future commitments not provided for in the existing revenue budget shall be the subject of a special report to the Cabinet. This report shall detail all the financial consequences and state whether sufficient financial provision is available in the budget for the proposal in current and future years and what action is proposed if such provision is not available.

### **3.7 Resource Allocation**

- 3.7.1 The Head of Resource Management is responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the council's policy framework and changing priorities within that.
- 3.7.2 It is the responsibility of Heads of Service to ensure that the revenue and capital budget estimates reflect agreed service plans, are in line with the medium term financial plan, the capital strategy and that they follow any guidance issued by the Cabinet. The guidance will take account of the following:-
- Legal requirements
  - Medium term planning prospects
  - The strategic plan
  - Available resources and spending pressures
  - Best value
  - Other cross cutting issues



### **3.8 Preparation of the Capital Programme**

- 3.8.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, major items of plant and equipment, vehicles or new technology. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 3.8.2 The Head of Resource Management is responsible for:
- ensuring that a Medium-Term Capital Programme is prepared annually;
  - that the capital programme is consistent with corporate, service and asset management objectives and priorities;
  - that there is a robust process for scrutinizing the capital schemes to be added to the capital programme;
  - that the programme is fully funded and is affordable and sustainable in accordance with the Prudential Code.
- 3.8.3 Executive Directors and Heads of Service must not enter into credit arrangements, such as leasing agreements without the prior approval of the Head of Resource Management and, if applicable, approval of the scheme should be included as part of the capital programme.
- 3.8.4 New capital scheme bids will be considered as part of the Medium Term Capital Strategy. The Strategy will include an assessment of known and forecast capital resources alongside details of new capital bids and will be prepared with reference to the Council's Capital Asset Management Plan.
- 3.8.5 All new capital schemes require the submission of a project justification to the Cabinet. The Council will consider schemes based on the recommendations of the Cabinet.
- 3.8.6 Once agreed by the Council, new capital schemes become part of the capital programme.
- 3.8.7 Where a Capital Scheme appears in the Capital Programme, the revenue consequences of that scheme shall be incorporated into the revenue budget of the appropriate Portfolio(s).
- 3.8.10 A Head of Service may incur expenditure on the preliminary planning of a Capital Scheme providing that the Capital Scheme has been the subject of a report to the Cabinet and sufficient provision is available within the Revenue Budget and/or Capital Programme and/or Portfolio Capital Contingency to meet the estimated cost of the preliminary works.
- 3.8.11 Other than provided for above, no capital spending may be incurred on or committed to a Capital Scheme until it appears in the Capital Programme.

- 3.8.12 Inclusion of a Capital Scheme within the Capital Programme will authorise the relevant Head of Service to seek tenders to undertake the work subject to:
- the provisions of Contract Procedure Rules being observed;
  - the Cabinet not having placed a specific requirement to report back prior to the issuing of tender documents
- 3.8.13 Where the current estimated cost of a capital scheme is greater than the amount provided for in the Capital Programme, then, prior to tenders being sought, the relevant Head of Service is to report to the appropriate Portfolio Holder identifying the current estimated cost and the reason(s) for the excess. Progress shall be conditional on the Portfolio Holder's approval and the identification of sufficient funding resources from within the Portfolio Capital Programme or Contingency, and that the revenue cost (where appropriate) can be contained within the Portfolio Revenue Budget. Where these requirements cannot be met, a report will be submitted to the Cabinet.
- 3.8.14 When approving the Capital Programme, the Cabinet may place a requirement for a report to be made to the Cabinet prior to tenders being sought upon specific Capital Schemes. This report will show the total current estimated cost, total current estimated revenue costs, the funding sources and any other details required by the Cabinet.
- 3.8.15 Heads of Service are responsible for the control of expenditure against the approved Capital Programme, and will report every three months to the Portfolio Holder on the progress of Capital Schemes.
- 3.8.16 The Head of Resource Management will present consolidated reports on expenditure against the approved Capital Programme to the Finance and Audit Scrutiny Panel and Cabinet every three months.

### **3.9 Determination of Affordable Borrowing**

- 3.9.1 It is the responsibility of the Head of Resource Management to provide the Council with a written report on affordable levels of borrowing. This report is to be presented at the meeting when the annual budget is set and should have regard to the Prudential Code for Capital Finance issued by the Chartered Institute of Public Finance and Accountancy. The report will contain a number of prudential indicators that demonstrate that capital spending plans are affordable, prudent and sustainable.

### **3.10 Maintenance of Reserves**

- 3.10.1 It is the responsibility of the Head of Resource Management to provide the Cabinet with a written report on levels of reserves that are considered prudent. This advice to be based on an annual risk assessment of the Authority.
- 3.10.2 The Authority's medium term financial plan should, in part, be based on how to either reach or maintain the recommended level of reserves.

## 4. Risk Management and Internal Control

### Importance of this area

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. Equally, internal controls are required to guard against risk.

### 4.1 Responsibilities

4.1.1 The Chief Executive and Executive Directors are responsible for promoting the Council's Risk Management Policy Statement.

4.1.2 The Head of Resource Management is responsible for:

- preparing the Council's Risk Management Policy Statement and developing risk management controls in conjunction with other Heads of Service;
- arranging and administering insurance cover;
- assisting the Council to put in place an appropriate control environment and effective internal controls.

4.1.3 Heads of Service are responsible for:

- ensuring that there are regular reviews of risk within their service areas;
- notifying the Head of Resource Management of matters related to insurance requirements or claims;
- managing processes to ensure that established controls are being adhered to and to evaluate their effectiveness;
- reviewing controls in the light of changes affecting the Council and implementing new ones as necessary with guidance from the Head of Resource Management.

### 4.2 Risk Management

4.2.1 All organisations face risks to their people, property, finances, services, reputation and continued operations. Risk management is about systematically identifying and actively managing these risks. It is an integral part of good business practice and is essential to securing the Council's assets and to ensuring continued financial and organisational well being

4.2.2 Risk can be mitigated by:

- transferring the risk to a third party, e.g. through insurance;
- implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas);
- establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption;

4.2.3 The Head of Resource Management is responsible for preparing and promoting the authority's risk management policy and strategy, securing the endorsement of the Council, and maintaining the strategic risk register; Executive Directors and Heads of Service are responsible for ensuring that there is a continuous review of exposure to risk within their service areas, maintaining detailed risk registers and action plans, and maintaining business continuity plans. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and integrated service and financial planning, budget monitoring and performance management, programme and project management, procurement and contract management.

### **4.3 Insurance**

4.3.1 The Council maintains insurance cover to deal with the financial consequences of any incident which may give rise to a claim being made by/against the Council or result in financial cost or loss which may not otherwise be provided for. The extent to which the Council "self insures" is informed by the perceived risk and the Council's claims history.

4.3.2 The Head of Resource Management is responsible for effecting corporate insurance cover, through external insurance and internal funding, and negotiating all claims in consultation with other officers, where necessary and for arranging suitable Fidelity Guarantee insurance in respect of all employees.

4.3.3 Heads of Service should notify the Head of Resource Management immediately of:

- Any loss, liability or damage that may lead to a claim being made by/against the Council. Heads of Service should ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. It is imperative that officers comply with the timescales for investigating claims and the insurer's conditions. Failure could directly affect the authority's ability to make or defend a claim or could result in financial penalties being imposed on the authority; and
- All new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

4.3.4 Heads of Service will ensure that the Head of Resource Management has prompt access to all records and documents and receives from any officer, agent or contractor such information and explanations as may be necessary during the conduct of an insurance claim.

4.3.5 Heads of Service should consult the Head of Resource Management and seek legal advice on the terms of any indemnity that the authority is requested to give.

#### **4.4 Internal Control**

4.4.1 Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:

- achievement of business objectives and performance standards;
- compliance with plans, policies, procedures, codes of conduct, laws and regulations;
- the reliability, integrity, timeliness and usefulness of information;
- the legality of transactions and compliance with approved budgets and procedures; and
- the safeguarding of people, property, finances, services, continued operations and reputation.

4.4.2 Internal controls are an essential part of the Council's risk management arrangements and should be reviewed on a regular basis. Control systems should provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.

4.4.3 The Head of Resource Management is responsible for assisting the authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.

4.4.4 The Account and Audit Regulations 2003 (S33) (as amended) require the publication of an Annual Governance Statement. The statement represents the end result of a review of internal control and risk management, and includes a description and evaluation of the internal control environment, the review process, and any significant issues. The Committee responsible for internal control should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval the statement is signed by the Chief Executive and the Leader of the Council.

## **4.5 Internal Audit**

4.5.1 Internal audit is an independent appraisal function that advises management on the effectiveness of their systems of internal control.

4.5.2 The key features of internal audit are:

- it is independent of service operations in its planning and operation;
- it has sufficient organisational status to facilitate effective discussion and negotiation of the results of its work;
- it utilises risk based methodologies in planning and delivering its work and does not have undue limitations placed on its scope;
- the Finance Manager (Audit and Governance) has direct access to senior managers, elected members and the external auditor as appropriate; and
- Internal auditors comply with guidance issued by professional bodies.

4.5.3 Internal auditors have the authority to:

- access authority premises at reasonable times;
- access all assets, records, documents, correspondence and control systems;
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee of the authority to account for cash, stores or any other authority asset under his or her control;
- access records belonging to third parties, such as contractors, when required (note that contracts should specify access rights); and
- Directly access the senior managers and elected members where appropriate.

4.5.4 The Head of Resource Management will maintain arrangements for an adequate and effective internal audit of the financial transactions of the Council.

4.5.5 The Head of Resource Management will ensure that the strategic and annual audit plans take account of the characteristics and relative risks of the activities involved.

4.5.6 Executive Directors and Heads of Service are required to notify the Head of Resource Management of new areas of risk which may need to be subject to audit review and ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and are provided with information and explanations that the auditors consider necessary for the purposes of their work.

4.5.7 Executive Directors and Heads of Service are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the agreed timescale and report on progress.

4.5.8 Each Head of Service, Executive Director or the Chief Executive must immediately notify the Head of Resource Management of any matter which involves or is thought to involve any financial irregularity in the exercise of the functions of the Council and the Head of Resource Management shall carry out such audit investigations as he/she considers necessary.

#### **4.6 External Audit**

4.6.1 The Audit Commission appoints the Council's external auditor.

4.6.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. Duties are carried out in accordance with the code of audit practice issued by the Audit Commission (the Code). This requires the auditor to review and report upon:

- the Council's Accounts;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

4.6.2 The Head of Resource Management facilitates the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the Cabinet, Executive Directors and Heads of Service on their responsibilities in relation to external audit and issues arising from the Annual Audit and Inspection Letter.

4.6.3 Executive Directors and Heads of Service are required to ensure that external auditors are given access at all reasonable times to premises, personnel, documents, and assets, and provided with information and explanations which the external auditors consider necessary for the purposes of their work.

4.6.4 Executive Directors and Heads of Service are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the external auditor, and report on progress.

#### **4.7 Preventing Fraud and Corruption**

4.7.1 The Council is responsible for substantial public funds and other assets and has a duty to demonstrate the highest standards of probity and stewardship in the day to day management of its affairs. It is therefore essential to develop and maintain an anti-fraud culture and to create a working climate in which all staff and elected members remain alert to the potential for fraudulent or corrupt behaviour against the Council from outside or inside the organisation and are aware of the mechanisms available for the confidential reporting and investigation of any reported instances.

4.7.2 Responsibility for the prevention and detection of fraud and corruption rests with all Councillors and officers of the Council. The key controls regarding the prevention of financial irregularities are that:

- the authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption;
- internal control systems exist which minimise the risk of fraud and corruption occurring;
- all members and staff act with integrity and lead by example;
- senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are found to be corrupt;
- high standards of conduct are promoted amongst members by the Standards Committee;
- a formal code of conduct is established and widely publicised and, as part of this, a register of interests is maintained;
- whistle blowing procedures are in place and operate effectively; and
- Legislation including the Public Interest Disclosure Act 1998 and the Freedom of Information Act is adhered to.

4.7.3 The Council's whistle blowing policy can be found on the intranet.

4.7.4 The Head of Resource Management is responsible for developing and maintaining an anti-fraud and corruption policy and ensuring that effective internal controls are in place to minimise the risk of fraud, corruption and financial irregularities.

4.7.5 The Head of Resource Management is responsible for the corporate fraud team and ensuring that effective procedures are in place to identify fraud and investigate promptly any suspected fraud. The team investigates cases of both internal fraud and external fraud.

4.7.6 Executive Directors and Heads of Service must ensure that where financial impropriety is discovered or suspected, the Head of Resource Management is informed immediately and take all necessary steps to prevent further loss and to secure records and documents against removal or alteration. Executive Directors and Heads of Service must ensure the full cooperation of senior management in any investigation and instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

## **4.8 Money Laundering**

4.8.1 Money laundering involves the 'cleaning' of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, are introduced into the financial system where they are laundered enabling them to leave the system appearing to come from a legitimate source.

4.8.2 The Council could be subject to money laundering attempts when accepting payments by cash in relation to the payment of substantial bills.



- 4.8.3 The Finance Manager (Audit & Governance) is required to have a robust process in place and a programme of awareness raising and training for the detection of money laundering and the reporting of any suspicious related activity. An Anti-Money Laundering Policy is available on the intranet.
- 4.8.4 All staff have a duty to report any suspicions to the Money Laundering Reporting Officer (Monitoring Officer).

## 5. Property & Resources

### Importance of this area

The importance of this area is the need to ensure that arrangements are in place to protect the assets and resources of the Council.

### 5.1 Security and Control of Assets

5.1.1 The Head of Resource Management is responsible for corporate asset management and shall:

- make adequate arrangements to maintain an asset register of all assets with a value in excess of £10,000 (Limit 5) and ensure that all assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, or such standards as may supersede it;
- issue guidelines for the disposal of assets.

5.1.2 Executive Directors and Heads of Service must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

5.1.3 Heads of Service are responsible for ensuring that all assets in their control are appropriately maintained and shall:

- make adequate arrangements to maintain a property database in a form agreed with the Head of Resource Management for all properties, plant and machinery and moveable assets;
- ensure the security of all buildings and other assets, including cash, under their control;
- maintain inventories in a form determined by the Head of Resource Management;
- make arrangements for the care and custody of stocks and stores;
- make arrangements with the Head of Resource Management to ensure that all items are appropriately insured against loss.

5.1.4 All Council assets should be clearly identified and marked as property of the Council where appropriate. No Council asset should be subject to personal use by an employee without prior authorisation.

5.1.5 The Head of Resource Management is responsible for all disposals of land and property and for identifying any revenue implications arising from the sale of assets. Heads of

Service may dispose of revenue assets through sale, donation or scrapping. They must assure themselves that the assets concerned are the property of the council (rather than a leasing company) before disposing of them. Heads of Service must ensure that value for money is obtained for every disposal and maintain adequate records demonstrating value for money, the reasons for the disposal, and that the assets are obsolete or surplus to requirements. All assets to be disposed of, over the value of £10,000 must be cleared with the Head of Resource Management before they can be disposed of.

- 5.1.8 Heads of Service must ensure that legal and environmental issues are addressed when disposing any assets and must ensure they take advice from the Head of Environmental & Protective Services on the appropriate method of disposal.

## **5.2 Leasing**

- 5.2.1 The Head of Resource Management shall be responsible for the evaluation and arrangement of all Capital financing facilities. This excludes the short term hiring of equipment for periods of less than 12 months.
- 5.2.2 Heads of Service must take appropriate advice from Resource Management and Legal Services before entering into an operating lease agreement. A finance lease must never be entered into other than through Resource Management.

## **5.3 Stocks and Stores**

- 5.3.1 Heads of Service are responsible for:
- ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council, and that stock levels are checked regularly and as a minimum as part of year end annual stock take procedures;
  - ensuring that adequate arrangements are in place for their care and custody; and
  - writing off the value of obsolete stock in their service areas is in accordance with the procedures.

## **5.4 Treasury Management**

- 5.4.1 The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services. The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Head of Resource Management.
- 5.4.2 The Head of Resource Management is responsible for reporting to the Finance & Audit Scrutiny Panel at least twice in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. He/she is required to produce:
- a proposed treasury management strategy for the coming financial year before the start of each financial year;

- an annual report on the treasury management activity for presentation by 30<sup>th</sup> September of the succeeding financial year; and
- a mid year report.

5.4.3 The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Head of Resource Management, who will act in accordance with the Council's Treasury Management Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

## **5.5 Staffing**

5.5.1 Heads of Service will ensure the sufficiency of employee budgets and shall exercise adequate control over staffing costs including overtime, training and temporary staff.

5.5.2 Accurate and effective systems must be in place and the following procedures and regulations must be followed:

- appointments are made in accordance with HR and payroll regulations;
- appointments are in accordance with the approved establishment and grade for the post;
- Payments are only authorised to bona fide employees and where there is a valid entitlement
- costs associated with early retirements, redundancy payments and other similar events must be met from within the employee budget of the service involved unless there exists a specific Corporate provision for this purpose.

## **5.6 Use of Consultants**

5.6.1 Heads of Service must ensure that their staff understand the distinction between employment and a contract for consultancy services. If a consultant is brought in to cover a vacant post or carry out a role similar to that of a member of staff then it is likely that the Council will be required to treat them as employed for tax purposes and pay them via the payroll. In these circumstances the Council's recruitment policies should be applied.

5.6.2 Where a consultant is required to carry out a project which has a clear start and end date and is described in a brief or specification, and where the consultant will be taking on the risk and providing their own premises, equipment and insurance etc, then it is likely that the work will be governed by a contract and the consultant will be paid via the Accounts Payable system through the raising of an official order and goods receipt. In these circumstances the Council's contract procedure rules should be applied. The insurance requirements must be clear in the documentation supporting the contract and evidence that the policy is in place should be obtained from the consultant.

5.6.3 Heads of Service must ensure that where payments are to be made to consultants other than through the Council's payroll system, that there is a clear justification for this and that there are no tax implications that may arise.

- 5.6.4 Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Human Resources Manager.

## 6. Financial Systems and Procedures

### Importance of this area

This area forms much of the routine financial business of the Council and involves large numbers of transactions and staff. This area will be of interest to many people and it is important that such a major area of activity is clearly regulated and those regulations are supported by thorough detailed standards.

### 6.1 General Responsibilities

6.1.1 The Head of Resource Management is responsible for:

- issuing advice, guidance and procedures for officers and others acting on behalf of the Council in relation to its financial affairs;
- determining the accounting system, form of accounts and supporting financial records;
- establishing arrangements for the audit of the Council's financial affairs;
- approving any new financial systems to be introduced;
- approving any changes to existing financial systems including the format of a feeder file and system of reconciliation of any financial information being fed into the core accounting systems.

6.1.2 Heads of Service are responsible for:

- ensuring that accounting records are properly maintained and are held securely;
- maintaining a complete management trail for financial transactions;
- ensuring that there is sufficient separation of duties to provide adequate internal control and minimise the risk of fraud or other malpractice;
- maintaining documented and tested business continuity plans;
- documenting systems and procedures and ensuring staff are trained in operations;
- ensuring that systems and records are registered in accordance with the Data Protection Act 1998 and Government Connect where relevant;
- ensure staff are aware of and comply with Freedom of Information legislation.

### 6.2 Income

6.2.1 The responsibility for the collection of all income due to the Council lies with the Head of Resource Management. The Head of Resource Management is responsible for approving procedures for collecting and writing off debts as part of the overall control framework of accountability and control.

- 6.2.2 The Council collects substantial amounts of income (council tax, business rates, rents , service charges and fees and charges ) and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and that VAT is correctly accounted for. There is an overarching debt management policy which sets out how debt will be collected where a resident may have multiple debts, for example council tax and housing rent.
- 6.2.3 Wherever possible and appropriate income should be obtained in advance or at the point of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts.
- 6.2.4 The Head of Resource Management shall:
- authorise the write-off of individual bad debts up to £5,000 (Limit 6) where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation. The relevant Portfolio Holder shall authorise the write-off of individual bad debts over £5,000 (Limit 7).
  - agree the arrangements for the collection and banking of all income due to the Council and approve the procedures, systems and documentation for its collection;
  - ensure that a proper record of debts written-off is maintained and that proper accounting entries are made after write-off.
- 6.2.6 Heads of Service shall:
- Ensure that all income due is identified and that requests to raise a Sundry Debtors Invoice is submitted to the Collections and Control team in a timely manner
  - establish charging strategies for the provision of goods and services, including the charging of the appropriate VAT in line with corporate policies and the budget strategy;
  - establish and initiate appropriate systems for the identification, collection and recovery of sums due to the Council which separate, as far as possible, the responsibility for identifying amounts due and the responsibility for collection, and to agree the form of such systems with the Head of Resource Management
  - ensure that income is paid fully and promptly into the appropriate Council bank account in the form that it is received and that details are recorded on the paying-in slip;
  - ensure that where income cannot be banked immediately it is stored securely and is insured against loss or theft;
  - hold securely receipts, tickets and other records of income;
  - recommend to the Head of Resource Management all debts to be written-off and receive the approval of the Resource Management prior to submitting debts of a value greater than £5,000 (Limit 7) to the relevant Portfolio Holder for write-off.

### **6.3 Ordering and Paying for Goods and Services**

- 6.3.1 The authority's procedures are designed to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's procurement strategy and contract procedure rules.
- 6.3.2 Every officer and member of the authority must declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 6.3.3 Purchase Orders must be raised on the Marketplace System for all works, goods and services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash and purchase card purchases.
- 6.3.4 Commitments will be automatically recorded onto the Council's Financial System through the approval of the purchase order. This ensures that the finance system gives a true picture of the amount of expenditure incurred and the balance remaining against each budget head.
- 6.3.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.
- 6.3.6 The Head of Resource Management shall:
- ensure that all systems for the ordering and payment of goods and services are sound and provide guidance on their administration;
  - determine the form of official orders and associated terms and conditions;
  - make payments from the Council's official funds on the authorisation of the relevant Head of Service that the expenditure has been duly incurred in accordance with Financial Regulations;
  - make payments to contractors on the certificate of the appropriate Head of Service.
- 6.3.7 Heads of Service shall:
- ensure the receipt of best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality and by utilising corporate purchasing arrangements where they exist;
  - establish and maintain sound and efficient systems for the ordering, receipt, checking and payment of goods and services in a form approved by the Head of Resource Management and which incorporate, as far as possible, separation of duties between the ordering, receiving and payment process;
  - maintain an up-to date list of those officers authorised to sign official orders and/or authorise payment and supply a copy of the list to the Head of Resource



Management. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials.

- ensure that official orders are used for all goods and services except where the prior written approval of the Head of Resource Management has been obtained;
- ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;

## **6.4 Purchase Cards**

- 6.4.1 Purchasing cards are available for use by council staff for buying small value items or to address specific requirements such as the payment of court costs. Each Service Area has a number of card holders and authorisers. Key controls are built into the system through card limits, merchant categories, defined suppliers, and other measures. The Head of Resource Management is responsible for issuing guidance on the use of purchasing cards.
- 6.4.2 Misuse of a purchasing card would normally constitute gross misconduct and could result in dismissal. Heads of Service are responsible for ensuring the cards are operated in a responsible manner and that they are only used where there is sufficient budget available to cover the cost of the transaction.
- 6.4.3 All lost or stolen cards must be reported to the Head of Resource Management immediately.
- 6.4.4 The purchasing card accounts are settled through the bank on a monthly basis. Statements are provided to enable cardholders to check transactions and coding.

## **6.5 Imprest and Petty Cash Accounts**

- 6.5.1 An imprest or petty cash account must only be used where it is not appropriate to use a purchase order or purchasing card for the goods or services in question. It is the responsibility of Heads of Service to ensure that systems are in place to monitor and control this.
- 6.5.2 Imprest and petty cash accounts can facilitate very minor items of expenditure where it would not be cost effective to use a purchasing card or purchase order. Imprest and petty cash accounts must not be used to reimburse employee expenses which will be made through Payroll.
- 6.5.3 The Council has a single petty cash account operated by Cashiers. There are a number of imprest holders across the Council. The establishment of and procedures for the operation of imprest accounts must be approved by the Head of Resource Management.
- 6.5.4 Officers must complete an official petty cash voucher to draw cash or a cheque from petty cash or an imprest account. Supporting documentation must be attached including VAT receipts and the voucher should be authorised to confirm that the expenditure is reasonable and there is sufficient budget provision to cover the expenditure.

- 6.5.5 Imprest holders must reconcile their accounts on a monthly basis or prior to seeking reimbursement. Imprest holders should seek reimbursement from the main petty cash account through Cashiers using the standard documentation and attaching supporting information. A certificate of value must be completed once a year and the cash/receipts must be produced on demand.
- 6.5.6 Imprest accounts must never be used to cash personal cheques or to make personal loans and the only payments into the account should be the reimbursement of the float and change relating to purchases where an advance may have been made on an exceptional basis.

## **6.6 Bank Accounts**

- 6.6.1 The Head of Resource Management shall maintain and operate such bank accounts as he/she considers necessary. No bank account may be opened or closed except on the prior approval of the Head of Resource Management.
- 6.6.2 The Head of Resource Management is responsible for managing the banking contract and the day to day administration and reconciliation of accounts.
- 6.6.3 Staff must not open accounts in the name of the Council, Members or officers unless they are acting on the instructions of the Head of Resource Management. Opening an unauthorised bank account is a disciplinary offence.

## **6.7 Payments to Councillors and Employees.**

- 6.7.1 Staff costs are the largest item of expenditure for most services. It is therefore important that payments are accurate, timely, and made only where they are due for services to the authority, and that payments accord with an individual's conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members' allowances are authorised in accordance with the scheme adopted by the full Council.
- 6.7.2 The Head of Corporate Management is responsible for all payments of salaries and wages and expenses to staff, including payments for overtime, honoraria etc and submission of tax returns to HM Revenue and Customs by their due date for the above. The Head of Corporate Management is also responsible for the timely provision of information, and the maintenance of sound financial controls to meet the responsibilities in connection with taxation issues arising from payments to employees.
- 6.7.3 The Head of Corporate Management shall:
- arrange and control secure and reliable payment of salaries, wages, compensation, other emoluments, expenses and allowances in accordance with procedures produced in agreement with the Head of Resource Management;
  - record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions to the collecting authority;

- provide accounting records of all transactions in the form determined by the Head of Resource Management.

#### 6.7.4 Heads of Service shall:

- ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scales of pay and that budget provision is available;
- promptly notify the Head of Corporate Management of all appointments, terminations or variations which may affect the pay of an employee, in the form determined by the Head of Corporate Management;
- maintain an up-to date list of those officers authorised to sign records and returns relating to payments to employees and councillors and supply a copy of the list to the Head of Corporate Management and the Head of Resource Management. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials;
- ensure that all payments to employees and councillors, including all casual and temporary staff, are processed only through the payroll system.

### 6.8 Taxation

6.8.1 The Head of Resource Management is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Heads of Service of their responsibilities under the scheme.

6.8.2 Heads of Service are responsible for ensuring that the appropriate controls and procedures are operated within the service area in relation to taxation issues.

6.8.3 The Head of Resource Management is responsible for completing the monthly return of VAT (inputs and outputs) to HMRC.

### 6.9 Trading Accounts and Business Units

6.9.1 In some areas the Council may operate a trading account. This means that the costs and income from charges relating to the service are ring-fenced in the accounts. Any surplus or deficit is added to a reserve each year. The Head of Resource Management is responsible for ensuring that trading accounts are treated properly in the Council's accounts.

6.9.2 Heads of Service are responsible for ensuring that, in line with the Local Government Act 2003, charges are set to recover costs without building up significant surpluses, and that any changes in take up of the service which could result in a deficit are reported at an early stage. All charges must be reviewed on a regular basis and annually as a minimum as part of integrated service and financial planning

6.9.3 The Head of Resource Management shall determine the need for the establishment and operation of trading accounts and business units.

## **6.10 Retention of Documents**

- 6.10.1 Heads of Service shall be responsible for ensuring that records are carefully and systematically filed and retained for inspection by the Head of Resource Management or internal or external audit and agencies such as HM Revenue and Customs.
- 6.10.2 The advised minimum periods for the retention of financial records are set out below:
- mortgages, bonds, stocks and other holdings, insurance, contracts, pension information and transfer values should be held indefinitely;
  - other contract documents including the final account where the contract is under seal should be retained for 12 years; and
  - The majority of accounting records should be retained for a period of 6 years following audit.

## 7. Projects, Partnerships & External Funding

### Importance of this area

Partnerships are likely to play a key role in delivering community strategies and helping to promote and improve the well being of the area.

### 7.1 Projects & Partnerships

7.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of the Borough.

7.1.2 The Cabinet is responsible for approving delegations, including frameworks for partnerships.

7.1.3 The Head of Resource Management must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are proper. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

7.1.4 Executive Directors and Heads of Service must ensure that the full implications of any partnership are explored and that Finance and Legal officers are consulted at an early stage. The following issues should be addressed:

- Is a partnership the best vehicle for achieving the desired outcome?
- What are the objectives of the partnership and are they consistent with the Council's priorities?
- What is the legal status of the partnership and how will it be governed?
- What is the liability of the Council and the other partners?
- Are the roles and responsibilities clear?
- What are the risks and how will they be managed and monitored?
- How will the performance of the partnership be monitored and how will success be measured?
- How will the partnership be funded and who is responsible for the financial management, accounts and audit arrangements?
- Are there any taxation issues?
- Is there a robust business case?
- How will goods and services required by the partnership be procured?
- What are the resource implications in terms of staff, premises etc?

7.1.5 Executive Directors and Heads of Service are responsible for appropriate approvals before any commitment or agreement is entered into.

7.1.6 A partnership arrangement must not be used as a means of avoiding the procurement rules.

## **7.2 External Funding**

7.2.1 The Council bids for funds from a number of UK and European programmes. Each funding regime is subject to rules and regulations and the process for submitting applications and drawing down funding varies.

7.2.2 It is important to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the Council are clearly understood. Executive Directors and Heads of Service should:

- ensure that all applications for funding are consistent with the Council's priorities and approve them in principle before detailed work commences;
- ensure that the Council's project management framework is applied and that a project initiation document (PID) is completed where appropriate;
- consult the relevant Finance Manager / Service or Project Accountant when preparing applications to ensure that full costs are identified including any match funding required, and ongoing commitments are taken into account;
- ensure that the application is signed off by the Head of Resource Management or an appropriate officer in the Service;
- where applications are successful, ensure that the expenditure and income budgets are amended as necessary;
- ensure that the rules and regulations for the particular funding stream are complied with at application stage and throughout the life of the project;
- ensure that all requirements relating to the delivery of outputs and spend are met in line with the approved bid or project plan;
- ensure that all funding notified by external bodies is claimed, received and properly recorded in the authority's accounts; and
- check the audit requirements and notify the Head of Resource Management of any claims that must be audited by the Council's external auditor.

## **7.3 Work for Third Parties**

7.3.1 Executive Directors and Heads of Service must ensure that work for third parties is Cabinet approved and is covered by a suitable contract or agreement so that the responsibilities of each party are clear.

7.3.2 Financial and legal advice should be sought at an early stage. This will ensure that the Council only carries out work that is within its legal powers, and that financial issues such as insurance and taxation are properly considered.

7.3.3 Executive Directors and Heads of Service must ensure that:

- the Council is not put at unnecessary risk from bad debts
- contracts are not subsidised by the Council.

7.3.4 Executive Directors and Heads of Service must provide appropriate information to the Head of Resource Management to enable a note to be entered into the Statement of Accounts where necessary.

#### **7.4 Work By Third Parties**

7.4.1 Executive Directors and Heads of Service must ensure that work carried out by third parties (for instance the Arms Length Management Organisation) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

## 8 Financial Limits

The financial limits below will be reviewed annually as part of the budget process.

Limit No.	Description	Cabinet	Portfolio Holders	Head of Service	Head of Resource Management	Limit (£)
1	Virement within a service			X		10,000
2	Virement between services within the same portfolio			X	X	25,000
3	Virement within a portfolio / between portfolios		X		X	50,000
4	Virement	X				250,000
5	Maintain an asset register of all assets with a value in excess of £10,000				X	10,000
6	Agree the write-off of bad debts				X	Up to £5,000
7	Agree the write-off of bad debts		X			Over £5,000



