

Accounts & Regulatory Committee

Town Hall, Colchester
30 June 2008 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

Access to information and meetings

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 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.

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.

Mobile phones, pagers, cameras, audio recorders

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.

Access

There is wheelchair access to the Town Hall from West Stockwell Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to Angel Court Council offices, High Street, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call, and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets are located on the second floor of the Town Hall, access via the lift. A vending machine selling hot and cold drinks is located on the ground floor.

Evacuation Procedures

Evacuate the building using the nearest available exit. Make your way to the assembly area in the car park in St Runwald Street behind the Town Hall. Do not re-enter the building until the Town Hall staff advise you that it is safe to do so.

Colchester Borough Council, Angel Court, High Street, Colchester
telephone (01206) 282222 or
textphone 18001 followed by the full number that you wish to call
e-mail: democratic.services@colchester.gov.uk
www.colchester.gov.uk

**COLCHESTER BOROUGH COUNCIL
ACCOUNTS & REGULATORY COMMITTEE
30 June 2008 at 6:00pm**

Members

Chairman : Councillor Sue Lissimore.
Deputy Chairman : Councillor Dennis Willetts.
Councillors Kevin Bentley, John Bouckley, Martin Goss,
Dave Harris, Jackie Maclean, Jon Manning, Nigel Offen,
Gerard Oxford and Laura 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 to 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 18 March 2008 and 14 May 2008.

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. 2006-07 Audit and Inspection Letter

3 - 18

See report from the Head of Financial Services.

Mr Paul King and Ms Tina Meyer from the Audit Commission will attend the meeting for this item.

8. External Audit Progress Report - 2007-08 19 - 20

See report from the Head of Financial Services.

9. Year End Internal Audit Assurance Report 21 - 28

See report from the Head of Financial Services.

10. Review of the Governance Framework and Draft Annual Governance Statement 29 - 40

See report from the Head of Financial Services.

11. Annual Governance Statement 2007-08

See report from the Head of Financial Services.

12. Draft Statement of Accounts 41 - 126

See report from the Head of Financial Services.

13. 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

18 MARCH 2008

Present:- Councillors Barton, Dopson, Kraft, Levy, Lewis, G. Oxford, Smith, Sutton and Willetts.
Substitutions:- Councillor Turrell for Councillor Scott-Boutell

20. Minutes

The minutes of the meeting held on 23 January 2008 was confirmed as a correct record.

21. Honorary Aldermen

The Committee was requested to consider a proposition that former Mayors, David Holt, John Sanderson, Ivan Trusler and Jenny Stevens be appointed Honorary Aldermen and Councillor Gower, Mayor in 2006/07, be appointed Honorary Alderman, following his decision to stand down from the Council in May 2008.

The Committee was further requested to consider approving the following recommendation to the Council:

- (i) A special meeting of the Council be convened for the purpose of passing the following resolution:

“That in pursuance of the provisions of Section 249 of the Local Government Act 1972, this Council confers the title of “Honorary Alderman” on former Councillors David Holt, John Gilbert Sanderson, Ivan Thomas James Trusler, Jennifer Ann Stevens and Richard Hammond Gower in recognition of their loyal and eminent service as Members of the Council and its constituent authority”

- (ii) An illuminated transcript of the resolution be given to the former Councillors concerned.”

RECOMMENDED to the Council that -

- (i) A special meeting of the Council be convened for the purpose of passing the following resolution:

“That in pursuance of the provisions of Section 249 of the Local Government Act 1972, this Council confers the title of “Honorary Alderman” on former Councillors David Holt, John Gilbert Sanderson, Ivan Thomas James Trusler, Jennifer Ann Stevens and Richard Hammond Gower in recognition of their loyal and eminent service as Members of the Council and its constituent authority”

- (ii) An illuminated transcript of the resolution be given to the former Councillors concerned.”

ACCOUNTS & REGULATORY COMMITTEE
14 MAY 2008

Councillors Kevin Bentley, John Bouckley, Martin Goss,
Dave Harris, Sue Lissimore, Jackie Maclean,
Jon Manning, Nigel Offen, Gerard Oxford, Laura Sykes
and Dennis Willetts

1. Chairman

RESOLVED that Councillor Lissimore be appointed Chairman for the ensuing Municipal Year.

2. Deputy Chairman

RESOLVED that Councillor Willetts be appointed Deputy Chairman for the ensuing Municipal Year.



Accounts & Regulatory Committee

Item
7

30 June 2008

| | | | |
|-----------------------|--|---------------|--------------------------------|
| Report of | Head of Financial Services | Author | Sean Plummer 282347 |
| Title | 2006/07 Audit and Inspection Letter | | |
| Wards affected | Not applicable | | |

**This report asks the Committee to note the contents of the
2006/07 Audit and Inspection Letter**

1. Decision Required

- 1.1 To note the contents of the 2006/07 Audit and Inspection Letter

2. Reasons for Decision

- 2.1. The Accounts and Audit Regulations require the Council to consider the Annual Audit and Inspection Letter.

3. Supporting Information

- 3.1. The 2006/07 Audit and Inspection Letter summarises the conclusions and significant issues arising from the Audit Commission's 2006/07 audit and inspection programmes of Colchester Borough Council as well as commenting on other related issues.
- 3.1. Tina Meyer, the Audit Manager and Paul King, District Auditor, from the Audit Commission will make a brief presentation relating to the Letter at the Committee meeting.

4. Publicity Issues

- 4.1 The Council has a statutory requirement to publicise the Audit and Inspection Letter. The Letter has therefore been placed on the Council's website.

5. Other Standard References

- 5.1 There are no direct Strategic Plan,, Financial, Consultation, Human Rights, Risk Management Community Safety or Health and Safety implications as a result of this report

Annual Audit and Inspection Letter

Colchester Borough Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

| | |
|--|-----------|
| Key messages | 4 |
| Action needed by the Council | 4 |
| Purpose, responsibilities and scope | 5 |
| How is Colchester Borough Council performing? | 6 |
| The improvement since last year - our Direction of Travel report | 6 |
| Service inspections | 9 |
| Local Area Agreement | 9 |
| Health Inequalities in the Essex audit | 10 |
| The audit of the accounts and value for money | 11 |
| Looking ahead | 14 |
| Closing remarks | 15 |
| Availability of this letter | 15 |

Key messages

- The Council received an unqualified opinion on the financial statements and an unqualified opinion on the value for money conclusion.
- The Council has been assessed as performing well in its annual Use of Resources assessment in all areas.
- Whilst the direction of travel statement shows improving performance in a number of areas, improvement in overall performance indicators in the last year is variable. The Council has improved 46 per cent of its performance indicators which is less than the average of 57 to 59 per cent for all district councils, and 29 per cent of indicators are in the top quartile (compared to an average of 33 per cent for all district councils).
- The Council is successfully implementing significant regeneration projects in the Borough. There is effective use of external funding to develop housing and create business and leisure opportunities.

Action needed by the Council

- Monitor progress and outcomes against the areas for improvement arising from the Use of Resources assessment for the Council.
- Incorporate areas for improvement as set out in the Direction of Travel Assessment into the Council's Improvement Plan, in particular to look at improving below average performance some of which is in the Council's identified priority areas.
- The Council needs to focus on areas of variable performance, such as planning and the time taken to re-let housing.
- Consider and implement initiatives to address sickness absence.

Purpose, responsibilities and scope

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 2 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 3 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition, the Council is planning to publish it on its website.
- 4 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - 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); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 5 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 6 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Colchester Borough Council performing?

- 7 Colchester Borough Council was assessed as 'Excellent' in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

- 8 The Council has made significant progress on regeneration projects which support the agreed priorities of the Council and its partners. Performance indicators for 2006/07 are generally improved although some service performance, notably in planning, is below average. The Council is proactive in improving the inclusion and facilities for people with disabilities and has commenced projects to support disadvantaged residents. The Council provides good value for money and residents are benefiting from some significant successes in securing external funding in support of regeneration projects. Developments completed and proceeding have started to provide business, employment, educational and leisure venues and opportunities in the Borough.
- 9 A programme of improvements to internal processes and culture within the Council has begun with the aim of improving efficiency and service effectiveness. This programme draws together all departments and ongoing improvement projects. Strategies being developed take account of opportunities such as the 2012 Olympics and key issues such as climate change.

What evidence is there of the Council improving outcomes?

- 10** The Council has made progress on the priority areas agreed by Members and local partners. This has been achieved through investment and meeting milestones in key developments and regeneration projects. Council and local partnership shared priorities are focussed on culture and business development. The Council has successfully sourced external funding working with local partners as a key means to provide significant regeneration, culture and leisure projects. These include the now completed early phases of residential and business units in the Hythe area and the Garrison developments of affordable housing. These support the aims of promoting the Borough as a premier destination, providing opportunities for all residents and development of the local economy.
- 11** Improvement in overall performance indicators in the last year is variable. The Council has improved 46 per cent of its performance indicators which is less than the average of 57-59 per cent for all district councils, and 29 per cent of indicators are in the top quartile (compared to an average of 33 per cent for all district councils). Housing indicators are mainly improved including the rate of change in decent homes. Average re-let time has improved although performance remained below average for all councils. The recycling and composting rate for the Borough has improved and is better than average. The amount of household waste collected has also improved and is in the top quartile. The Council has invested in key projects supporting leisure and arts in the Borough. Performance indicators for culture improvement are in the top quartile.
- 12** However, performance indicators for planning services deteriorated and were in the lowest quartile. Improvement in planning application processing is in part dependent on local software and national IT developments which have been delayed. Service user satisfaction, from 'best value' indicators has nevertheless improved from 66 per cent to 74 per cent in the three years to March 2007. Recent un-audited performance records show improvement, and the Council have developed a detailed improvement plan for this service. Although key service areas have shown improvement local residents continued to experience delays in planning services.
- 13** The Council has made improvements in processes to take account of the diversity of residents of the Borough. Equity assessments are now routine for all service change and policy proposals. Improvements in access to services have been made through links with libraries and parish councils, customer service centre software and staff training at these sites. The museum service has increased community engagement and the activity of PORTAL (the disability advisory access group) to include an annual conference on access to museums and related sectors. The Council is maintaining level 2 of the equality standard for local government. Staff at the Council received 'customer excellence' training during 2006/07 although the positive impact of this is difficult to demonstrate yet. Diversity is recognised by staff and in policy development. Residents have a wider range of access points to information and services.

- 14 The Council provides good value for money. Council tax has been maintained low in comparison to similar councils. Efficiency targets are being achieved through early identification of savings and improved budget monitoring. Although savings are yet to be reported, the 'Life Chances' initiative is being implemented with partners working together, to improve efficiency, on specific targets. Increasing savings through procurement are being made working through the Essex hub. Further efficiencies have been identified through contract management. The Council has implemented measures to reduce staff absence although for 2006/07 sickness absences were in the worst 25 per cent of councils. Financial plans are supporting service improvements and investments in priority areas.
- 15 The Council has been successful in gaining external funding for significant regeneration projects. These projects support the wider interests of the community in terms of education and employment and the Council's aim of positioning Colchester as a prestigious regional centre. During 2006/07 Haven Gateway Partnership growth point funding was received and projects commenced. A total of £4 million is to be received over two years to support long term projects. This and other external funding has enabled the Council to achieve milestones and complete projects this year. These include housing, the initial building phases of the community stadium and access roads, business unit opportunities and arts venues. The new visual arts facility 'Firstsite' is expected to open in 2008 as a result of project milestones achieved in 2006/07. The Council closely monitors progress on projects and costs. It was recognised that reappraisal of project funding was required by November 2007. This has been acted on promptly and working with funding partners. The Council has amended governance arrangements for the project and has secured the additional investment to maintain progress on the arts facility. The Council is a proactive member of the Regional Cities East (RCE) network which has ensured the interests of Colchester are recognised by government and regional funding bodies. The work of the Council is attracting significant external funding to enable completion of developments including longer term large scale regeneration projects.

How much progress is being made to implement improvement plans to sustain future improvement?

- 16 Core management processes have been strengthened through a programme for further improvement ('Way We Work') which has commenced. The Council has invested in and commenced a cross service project designed to draw together all transformation processes. Key principles of the programme are driving change, maintaining excellence and promoting citizen engagement. A dedicated programme manager, Board and relevant committees have implemented the first stages across four themes (People, Customer Excellence, Flexible Working and Place Shaping). A pilot is underway assessing the use of new communication technology, shared desks and home working. The Council is building capacity and capability to support the agreed improvement plans for efficiency and customer service.

- 17** Strategies for improvement are aligned closely with those of partners and supported by SMART action plans. The Council has agreed key themes in Colchester's Sustainable Community Strategy that are to be linked with the Local Development Framework, the Regional Plan and the Council's own strategic and service plans. The theme of Business and Employment in the strategy is, for example, a further development of current action plans in the Council's Strategic Plan for 2006/09 on 'Job Creation' and 'Renaissance'. Improved performance management arrangements are established. This includes a 'performance dashboard', clear traffic light indicators, and progress comments in reports. As lead partner the Council also promotes effective working of the public sector partnership with similar clear performance reporting. Implementation of improvement plans is being closely coordinated with local partners.
- 18** The Council has worked effectively in partnership on improvements for disabled or disadvantaged residents. The Public Sector Partnership (PSP) members have implemented an action plan tackling the needs of disadvantaged, vulnerable and hard to reach groups of the Borough. Targets include reducing health inequalities within the Borough on smoking prevalence and childhood obesity, and increasing employment and life skills achievement in identified wards. There is regular monitoring planned by the PSP to deliver the improvements.
- 19** The Council is effective in planning with partners to ensure developments take account of sustainability and climate change issues. Through the RCE network the growth of housing is being delivered with high brown field site utilisation and with consideration of car-based movement in urban areas. Local partners have agreed that the reduction of carbon emissions is a priority that must be included throughout all themes of Colchester's Sustainable Community Strategy although details and monitoring of this are yet to be developed. Sustainable development is a focus of partnership plans for Colchester.

Service inspections

- 20** As the Council is an 'excellent' authority under CPA, and in accordance with the Audit Commission's principle of 'strategic regulation', no formal inspections were carried out during 2006/07 or 2007/08.

Local Area Agreement

- 21** As part of the 2006/07 plan we agreed to undertake a piece of work to look at the effectiveness and governance arrangements of the Local Area Agreement (LAA) across Essex.
- 22** LAAs are three year agreements which set out the priorities for a local area agreed between central government and a local area. The local area is represented by the local authorities, PCTs, Fire and Police services, the Learning and Skills Council, Local Strategic Partnerships and other local partners including the community and voluntary sector. LAAs are based on delivering national outcomes in a way that reflects local priorities.

- 23 The first Essex LAA was published in March 2006, and set fourteen priorities. The aim was to focus on the needs of identified groups of service users and residents in a way that would lead to a step-change in the collective effectiveness of the whole public sector in Essex, particularly through more joint working between agencies at the frontline.
- 24 As the LAA is being revised in line with recent Government guidance, including the new national indicator set, we have agreed to delay this work pending the new arrangements being put in place. Partners are seeking to use the opportunity to develop a more inclusive and effective approach that better reflects local priorities and the diverse needs of Essex. The revised targets will be based on the Joint Strategic Needs Assessment. It is due to be published as LAA2 in June 2008.

Health Inequalities in the Essex audit

- 25 The purpose of this audit was to assess current arrangements across Essex to reduce health inequalities; and examine future plans to improve life chances and reduce health inequalities. The audit involved all local authorities and PCTs in Essex, as well as the Fire and Rescue Service. As well as a document review, interviews and a survey, the audit included action planning workshops, involving representatives of all the audited bodies. The main conclusions were then shared with Essex public services Chief Executives.
- 26 The audit identified four main areas to be addressed:
- strategic approach;
 - information and joint planning;
 - delivery and monitoring performance; and
 - political involvement.
- 27 Partners recognised that a range of approaches to health inequalities is likely to be the most effective. Many health inequalities are local issues, needing local solutions. However, without a common overall strategic approach, with agreed local and Essex-wide priorities and a shared view of the importance of the agenda, joint planning will remain problematic, accountability unclear and difficult to performance manage.
- 28 Elected members need to have information and an understanding of the issues involved in health inequalities in order to provide the necessary political leadership. Elected members will need to make difficult political decisions on the focus and allocation of resources.

The audit of the accounts and value for money

- 29** As your appointed auditor I have reported separately to the Accounts and Regulatory Committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your financial statements and an unqualified conclusion on your VFM arrangements to say that these arrangements are adequate on 28 September 2007; and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 30** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 31** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

| Element | Assessment |
|---|-------------------|
| Financial reporting | 3 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 3 out of 4 |
| Internal control | 3 out of 4 |
| Value for money | 3 out of 4 |
| Overall assessment of the Audit Commission | 3 out of 4 |

(Note: 1 = inadequate performance, 2 = adequate performance, 3 = performing well, 4 = performing strongly)

The key issues arising from the audit

- 32 The Council received an unqualified opinion on the financial statements and an unqualified opinion on the value for money conclusion. The accounts and supporting working papers were timely and prepared to a good standard and officers were responsive to audit queries facilitating the smooth operation of the audit. There were no material amendments to the accounts.
- 33 The Whole of Government Accounts (WGA) return was submitted late in the audit process. We were able to undertake audit work to meet the required deadline for WGA.
- 34 Our use of resources assessment noted that the Council was performing well in respect of financial reporting, financial management, financial standing, internal control and value for money. This level of performance has been maintained for all three Use of Resources assessments. A detailed report of our findings in respect of use of resources has been issued and Members should monitor progress against the improvement points noted within this report. The key findings from our work are noted below.

Financial reporting

- 35 The Council has prepared annual accounts in accordance with the relevant timetables and statutory guidance, and we were able to issue an unqualified audit opinion by the deadline.
- 36 The Council continues to publish the accounts, annual audit letter and committee minutes on the website. Summary financial statements are also produced. Consultation has taken place in respect of the format of the accounts.
- 37 Members did not receive a full set of financial statements when the accounts were approved.

Financial management

- 38 Overall, the Council continues to ensure its finances are delivering its strategic priorities, and is managing its performance against budgets and reviewing its asset base. The Council has both medium term and long term plans in place.

Financial standing

- 39 Budgets are set using detailed plans, are well monitored and have historically been underspent. A report is provided to Members on the adequacy of reserves. There is a policy and level for reserves. Income is monitored against budget and regularly reported.
- 40 There is detailed monitoring information to review overpayment recovery and debt recovery. Performance indicators and monthly reconciliations assist this process.

Internal control

- 41** Risk management arrangements continue to be embedded. A risk strategy is in place and approved by Members. A corporate risk register is regularly updated, and contains specific and generic risks in respect of partnerships. The Finance and Audit Scrutiny Panel now have responsibility for risk management and regularly review the corporate risk register. Project initiation contains a risk assessment.
- 42** The Council has arrangements in place to maintain a sound system of internal control. An annual review of effectiveness has been carried out and the Statement on Internal Control has been reviewed by the Accounts and Regulatory Committee. Sources of assurance have been reviewed and an action plan is in place. A project is underway to bring business continuity plans up to date at the Council.
- 43** The Council continues to have good arrangements in place to promote and ensure probity and propriety in the conduct of its business. A whistle-blowing policy is in place.

Value for money

- 44** Our assessment shows that the Council's spending per head is generally lower than other District councils and also that Council Tax remains low compared to its nearest neighbours.
- 45** Areas of higher spending are in line with the Council's stated ambitions with an agreed priorities matrix being used to appraise proposals and allocations. External funding is being utilised successfully to support some key projects. A variety of models from outsourcing to different partnership arrangements are used to achieve low costs and maintain good service quality. The Council has also been working with Colchester Borough Homes in striving for increased value for money.
- 46** The Council is implementing the 'way we work' programme aimed at culture change across staff and departments and intended to ensure clear knowledge of, and response to the needs of local communities. Councillors and officers are improving opportunities for disadvantaged groups and supporting children and young people through new public service partnership working. Proposals for service developments are assessed for their effect on equity of access and also the long term cost implications.

Looking ahead

- 47 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 48 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 49 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 50 This letter has been discussed and agreed with Chief Executive and officers. A copy of the letter will be presented at the Accounts and Regulatory Committee on 30 June 2008.
- 51 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

| Report | Date of issue |
|---------------------------------------|----------------|
| Audit and inspection plan | June 2006 |
| Annual Governance Report | September 2007 |
| Opinion on financial statements | September 2007 |
| Value for money conclusion | September 2007 |
| Use of Resources Report | January 2008 |
| Interim and final accounts memorandum | January 2008 |
| Annual audit and inspection letter | March 2008 |

- 52 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 53 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Paul King
District Auditor and Relationship Manager

March 2008



Accounts & Regulatory Committee

Item

8

30 June 2008

| | | | |
|-----------------------|--|---------------|----------------------------------|
| Report of | Head of Financial Services | Author | Hayley McGrath 282461 |
| Title | External Audit Progress Report – 2007/08 Year End | | |
| Wards affected | Not applicable | | |

**This report concerns External Audit Reports Issued in
2007/08**

1. Decision(s) Required

- 1.1 To note and comment upon External Audit (Audit Commission) activity to date

2. Reasons for Decision(s)

- 2.1 External Audit carry out audit and inspection duties in order to comply with statutory requirements, and in particular the:
- Audit Commission Act 1998 and the Code of Audit Practice (the Code) with regard to audit; and
 - Local Government Act 1999 with regard to best value inspection and audit.

The code has been revised with effect from 1 April 2005. The key changes include:

- The requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
- A clearer focus on overall financial and performance management arrangements.

- 2.2 Recent developments and corporate failures globally have demonstrated more than ever the need for effective corporate governance; the system by which an organisation is directed and controlled. Robust implementation of audit recommendations gives assurance to Members and Management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

3. Supporting Information

Following the Council's classification as an 'excellent' authority in 2004, the principals of strategic regulation have been applied and there was no performance audit coverage undertaken by External Audit.

External Audit formalise their findings in reports that contain, where appropriate, recommendations for Management to address. The reports contain an overall summary of the service reviewed which is based upon the issues arising.

External Audit prioritise their recommendations from High to Low depending upon the seriousness of the weakness identified.

- High – major issues for the attention of senior management

- Medium – Other recommendations for local management action
- Low – Minor matters

It is the responsibility of External Audit to follow up their recommendations but it is the responsibility of Management to ensure that these recommendations are implemented. Monitoring of progress made in implementation is an ongoing process undertaken by the Audit and Risk Manager.

4. External Audit Activity

- 4.1 During 2007/08 there were no external audit reports issued containing prioritised recommendations.
- 4.2 The final Annual Audit and Inspection Letter for 2006/07 has been issued and is being reported separately to this meeting. This details four actions that the Council is recommended to implement. These will be incorporated into the internal audit programme where appropriate.
- 4.3 In addition there were some minor areas of improvement were identified as part of the Use of Resources assessment for 2006/07. Action arising from these will be considered as part of an action plan to respond to the Use of Resources assessment.
- 4.4 During their work, External Audit follow up recommendations made in previous years. No comments have been raised with regard to these recommendations.

5. Strategic Plan Implications

- 5.1 The recommendations and actions raised by the external auditors relate to the fundamental financial systems of the Council and it is essential that they are properly controlled as they support the achievement of the strategic objectives.

6. Risk Management Implications

- 6.1 The issues and recommendations raised by the audits are reflected in the risk management process so that risks are accurately recorded where appropriate. It is already established practice to consider high risk areas when developing the audit plan.

7. Other Standard References

- 6.1 There are no direct Strategic Plan, Publicity, Financial, Consultation, Human Rights, Community Safety or Health and Safety implications as a result of this report



Accounts & Regulatory Committee

Item

9

30 June 2008

Report of

Head of Financial Services

Author

Hayley McGrath
282461

Title

Year End Internal Audit Assurance Report

Wards
affected

Not applicable

This report summarises the performance of Internal Audit during 2007/08 and details the work undertaken during quarter 4 - January and March 2008

1. Decision Required

1.1 To note and comment upon the Council's performance relating to:

- Performance of internal audit by reference to national best practice benchmarks;
- Executing the Internal Audit plan for 2007/08;
- Status of outstanding recommendations as at 31st March 2008.

2. Reason for Scrutiny

- 2.1 The Accounts and Audit Regulations 2003 require local authorities to maintain an adequate and effective system of internal audit.
- 2.2 Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

3. Key Messages

- The Council has continued to provide an effective internal audit service for the 2007/08 financial year that complies with the CIPFA code of practice.
- The planned audit coverage for the year was slightly lower than anticipated, mainly due to the cessation of the Housing repairs contract. The audit days will be carried forward into the current financial year.
- There were no priority 1 recommendations arising from the audits carried out this quarter.
- All repeat audits carried out this quarter have maintained a "substantial assurance" score.
- One priority 3 recommendation made this quarter (Cash Office Procedures) was not agreed by management.

4. Summary of 2007/08

- 4.1 The relationship between the Audit and Risk Manager and the internal audit provider is very positive and regular meetings take place to discuss various issues including audit briefs, recommendations, reporting formats and audit planning.
- 4.2 Regular meetings have also been formalised between the Audit and Risk Manager and the internal audit and external audit providers. This has proved to be beneficial in

ensuring that the work of the internal and external providers is complimentary and it ensures that the internal audits carried out provide the maximum assurance possible to the external auditors, thereby reducing the detailed work needed by external audit.

4.3 The Audit Commission have carried out a review of the internal audit function and the internal audit provider continues to deliver a satisfactory level of service that meets the requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

4.4 The current internal audit service contract was due to expire on 31st May 2008. Under the terms of the contract there was an option to extend for a further two years. A decision was made to extend until 31st March 2009 to bring the contract in line with the financial year. A full review of the options for the future delivery of the internal audit service will be undertaken during this period.

5. Supporting Information

5.1 This report has been designed to show:

- Detailed information concerning audits finalised in the quarter
- Details of the effectiveness of the Internal Audit Provider to deliver the service

5.2 Using a risk-based approach, internal audit generate reports, for all audits, with recommendations to improve the effectiveness of the internal control framework and maximise potential for service improvement across the Council. The audit plan consists of a mix of regularity, systems and probity audits. Only systems audits generate an assurance level, these are categorised as follows:

- Full Assurance – a sound system of control
- Substantial Assurance – basically a sound system with some weaknesses
- Limited Assurance – weaknesses that may put the system objectives at risk
- No Assurance – control is generally weak leaving the system open to error or abuse

5.3 Internal Audit categorise recommendations according to their level of priority as follows:

- Priority 1 – Major issues for the attention of senior management
- Priority 2 – Other recommendations for local management action
- Priority 3 – Minor matters

5.4 Internal audit categorise the tracking of recommendations as follows:

- Fully implemented
- Partially implemented
- Not implemented

6. Internal Audit Performance for 2007/08

6.1 Use of Audit Resources:

| | Days | % |
|----------------------------------|--------------|-----------|
| Audit days delivered – Q1 | 136.5 | 27 |
| Audit days delivered – Q2 | 149.5 | 29 |
| Audit days delivered – Q3 | 52.0* | 10 |
| Audit days delivered – Q4 | 111 | 22 |
| | 449 | 88 |

* The number of days used in the quarter is lower than average as a large proportion of the remaining audits are 'contract' audits which were booked for the last quarter when the specialist contract auditor was available.

6.1.1 The total number of contracted audit days per year is 510. During 2007/08 only 449 days were used, which equates to 88% of the audit plan being completed. The surplus has arisen due to the fact that 31 days were set aside in the audit plan for the Housing repairs contract and Colchester Borough Homes reviews in quarter four. However due to the cessation of the partnership arrangement with Inspace it was not appropriate to carry out these reviews. Two other audits totalling 30 days, Financial Management Arrangements in Planning, Protection and Licensing and the Community Stadium, were held over to the 08/09 financial year. All of these days have been carried forward into the current financial year and will be used for the original audits and for reviewing the housing repairs arrangements going forward.

6.2 Summary of Work Undertaken during the year 2007/08:

| | Total No. of Reports | | Level of Assurance – Systems Audits* | | | | Change in Assurance Level – compared to last audit | | |
|-----------------------------|----------------------|----------|--------------------------------------|-------------|----------|----------|--|------------------------------|---|
| | Other | Systems | Full | Substantial | Limited | No | ▲ | ▶ (or 1 st Audit) | ▼ |
| Audits finalised –Q4 | - | 2 | - | 2 | - | - | 1 | 1 | - |
| Q3 | - | 7 | - | 6 | - | 1 | - | 7 | - |
| Q2 | - | 7 | - | 5 | 2 | - | 1 | 6 | - |
| Q1 | 5 | 7 | - | 7 | - | - | - | 7 | - |
| Work in progress –Q4 | - | 5 | | | | | | | |
| From Q3 | - | - | | | | | | | |
| From Q2 | - | - | | | | | | | |
| From Q1 | - | - | | | | | | | |

*Only systems audits are given an assurance level.

Please see Appendix 1 for a summary of results and outcomes of the 2 systems audits finalised in Quarter 4.

6.3 Status of Recommendations as at 31st March 2008 (Audits Finalised by Priority):

| | Due Q1 | Due Q2 | Due Q3 | Due Q4 | Total Due | Fully Implement | Partially Implemented (c/fwd) | Not Implemented (c/fwd) |
|-------------------|-----------|-----------|-----------|-----------|------------|-----------------|-------------------------------|-------------------------|
| Priority 1 | | | | | | | | |
| 2007/8 | 1 | - | 2 | - | 3 | 3 | - | - |
| Other | <u>1</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>2</u> | <u>2</u> | <u>-</u> | <u>-</u> |
| Total | 2 | 1 | 2 | - | 5 | 5 | - | - |
| Priority 2 | | | | | | | | |
| 2007/8 | 2 | 13 | 27 | 26 | 68 | 26 | 36 | 6 |
| Other | <u>10</u> | <u>10</u> | <u>3</u> | <u>-</u> | <u>23</u> | <u>23</u> | <u>0</u> | <u>-</u> |
| Total | 12 | 23 | 30 | 26 | 91 | 49 | 36 | 6 |
| Priority 3 | | | | | | | | |
| 2007/8 | - | 1 | 4 | 3 | 8 | 4 | 4 | - |
| Other | <u>3</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3</u> | <u>3</u> | <u>0</u> | <u>-</u> |
| Total | 3 | 1 | 4 | 3 | 11 | 7 | 4 | - |
| Total | | | | | | | | |
| 2007/8 | 3 | 14 | 33 | 29 | 79 | 33 | 40 | 6 |
| Other | <u>14</u> | <u>11</u> | <u>3</u> | <u>-</u> | <u>28</u> | <u>28</u> | <u>0</u> | <u>-</u> |
| Total | 17 | 25 | 36 | 29 | 107 | 61 | 40 | 6 |
| % | 16% | 23% | 34% | 27% | | 57% | 37% | 6% |

6.3.1 All recommendations from 2007/08, that are due, are included in the above table, including implemented, only *outstanding* recommendations from other years are included. All recommendations where auditee's have confirmed implementation but a follow-up audit has not been completed have been included as 'partially' implemented to ensure that they are monitored until they are confirmed by Internal Audit. The figures above do not include any recommendations that are not yet due for completion.

6.4 Status of Outstanding Recommendations as at 31st March 2008 (Audits Finalised by Service):

The 46 recommendations that are still due (from the table above) are made up as follows:

| | Customer Services | Corporate Services | Financial Services | Housing & Env. | ICT | Planning, Protection & Licensing | Enterprise & Comms | Street & Leisure |
|-------------------|-------------------|--------------------|--------------------|----------------|----------|----------------------------------|--------------------|------------------|
| Priority 1 | | | | | | | | |
| 2007/8 | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |
| Priority 2 | | | | | | | | |
| 2007/8 | - | 8 | 24 | 4 | - | 5 | - | 1 |
| Other | - | - | - | - | - | - | - | - |
| Total | - | 8 | 24 | 4 | - | 5 | - | 1 |
| Priority 3 | | | | | | | | |
| 2007/8 | - | 2 | 2 | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total | - | 2 | 2 | - | - | - | - | - |
| Total | | | | | | | | |
| 2007/8 | - | 10 | 24 | 4 | - | 5 | - | 1 |
| Other | - | - | 2 | - | - | - | - | - |
| Total | 0 | 10 | 26 | 4 | 0 | 5 | 0 | 1 |

Please see Appendix 2 for details of individual audits as at 31st March 2008. This details all audits undertaken in 2007/08 and 'outstanding' audits from previous years.

6.4.1. The outstanding recommendations will continue to be closely monitored and progress will be reported to the panel each quarter.

6.5 Colchester Borough Homes

6.5.1 Colchester Borough Homes have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan, and the scope of the audits, is decided by Colchester Borough Homes and in general the audits do not affect the systems operated by the Council.

6.5.2 However there are a few audits that, whilst they are carried out for either Colchester Borough Homes or the Council, have a direct relevance and impact on the other organisation and in these circumstances it is appropriate that the results of the audit are reported to both organisations. These are known as joint audits.

6.5.3 There was one joint audit carried out in quarter 4, Housing Rents, and this is detailed in Appendix 1.

6.6 Performance of Internal Audit during 2007/08 – Key Performance Indicators (KPIs):

| KPI | Target | Actual |
|--|-----------------|-----------------|
| Efficiency: | | |
| Percentage of annual plan completed (to at least draft report stage) | 100% | 88% |
| Average days between exit meeting and issue of draft report | 10 | 9 |
| Average days between receipt of management response and issue final report | 10 | 3 |
| Quality: | | |
| Meets CIPFA Code of Practice – per Audit Commission | Positive | Positive |
| Results of Client Satisfaction Questionnaires (Score out of 10) | 7.8 | 8.01 |
| Percentage of all recommendations agreed | 95% | 98% |
| Percentage of Priority 1 recommendations implemented | 100% | 100% |
| Percentage of Priority 2 & 3 recommendations implemented | 90% | 80% |
| Improved assurance for 2 nd & subsequent audit reviews – as a percentage of all recurring reviews | 25% | 9% |

6.6.1. The key performance indicators show that the internal audit provider is successfully meeting or exceeding the majority of standards. One target that has not been met is the percentage of annual plan complete. The reason for this has been stated earlier in this report at paragraph 6.2. The percentage of audits that have shown an improved performance for the 2nd or subsequent review is also below the expected level. However this is due to the number of audits which attained a 'substantial' assurance at the previous inspection, and have since maintained that level at the next inspection – approximately 80% of the applicable audits.

7. External Audit

7.1 No new audit reports were issued by external audit in the fourth quarter.

8. Proposals

8.1 To note and comment upon the Council's performance relating to:

- Performance of internal audit by reference to national best practice benchmarks;
- Executing the internal audit plan for 2007/08;
- Status of outstanding recommendations as at 31st March 2008.

9. Strategic Plan Implications

9.1 The audit plan has been set with due regard to the identified key strategic risks to the Council. The strategic risk register reflects the objectives of the strategic plan. Therefore the audit work confirms the effectiveness of the processes required to achieve the strategic objectives.

10. Risk Management Implications

10.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

11. Other Standard References

11.1 There are no direct Publicity, Financial, Consultation, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Summary of Audits Finalised in Quarter 4:

| 230 – Cash Office Procedures | Days | Assurance | Priority | | | Agreed |
|------------------------------|------|------------------|----------|---|---|--------|
| | | | 1 | 2 | 3 | |
| | 10 | Substantial ▶ | | 4 | 1 | 3 |

Scope of Audit: This review examined the following areas relating to the Cash Office procedures:

- Complete and up-to-date procedures are in place which are followed by the relevant officers
- All income received is correctly recorded.
- Cancelled transactions are reviewed by management on a regular basis
- Returned cheques are followed up and the relevant payments systems updated
- All unders and overs are recorded and this is monitored by management on a regular basis
- Income is held securely while awaiting banking
- There are adequate security measures in place to ensure the safety of council staff
- Only authorised officers can gain access to the cash receipting system
- The petty cash system is operated efficiently and effectively
- Regular reconciliations are completed between the income received and the amount actually banked.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- The procedures in place for the Financial Services section be reviewed and updated in line with organisational changes. (2)
- A report of unders and overs be presented to the CSC Team Leader on a monthly basis. (2)
- A review of current access rights be undertaken to ensure users have been added/removed, as appropriate. Also a form be developed for the future addition / removal of users from ACR. (2)
- A record of petty cash be completed on submission of claims vouchers. (3) *Not agreed – This is the ideal procedure. However, it is not always practical to complete the record on completion of the vouchers but it always done before the completion of the claim.*
- The senior revenues officer should have access to internet payments. (2)

| 232 – Treasury Management | Days | Assurance | Priority | | | Agreed |
|---------------------------|------|------------------|----------|---|---|--------|
| | | | 1 | 2 | 3 | |
| | 10 | Substantial ▶ | - | 1 | 1 | 2 |

Scope of Audit: The audit was designed to provide a review of the following areas relating to Treasury Management:

- Procedures are formalised and written in accordance with the Council's financial regulations
- Transactions are valid, documented, approved and in line with the Council's treasury statement;
- Documents are adequately safeguarded;
- Payments and receipts are passed directly to and from the Council's designated bank accounts;
- A detailed register is held and maintained of all loans and investments held;
- Access to the loans and investments register is adequately controlled;
- Main financial records are regularly reconciled to the loans and investments register;
- Key functions (dealing, back office and reconciliations) are fully segregated;
- Investment policies are determined at a senior level and are regularly reviewed;
- Adequate fidelity insurance cover is provided for officers involved with Treasury Management

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- A quarterly management information report should be produced for the Head of Service, Portfolio Holder and Members. (2)
- The authorised signatory list be updated to include delegated limits specific to investments.(3)

| 405 – Housing Rents | Days | Assurance Substantial ▲ | Priority | | | Agreed |
|---------------------|------|-------------------------------|----------|---|---|--------|
| | | | 1 | 2 | 3 | |
| | 10 | | - | - | 3 | 3 |

Scope of Audit: This review examined the following areas relating to Housing Rents:

- Housing rent charges are being accurately applied to the relevant accounts;
- All income received is correctly receipted and applied to the appropriate account
- Only authorised amendments are made to accounts
- The suspense account is cleared on a regular basis
- The housing rents system is reconciled to the general ledger on a regular basis;
- Rent refunds are only made in appropriate cases and authorisations is obtained;
- Housing benefit payments are reconciled to the rents system on a regular basis;
- Access to the system is effectively controlled;
- Effective procedures are in place to facilitate the collection of rents from Council tenants;
- Adequate procedures are in place to identify unrecoverable rent arrears and that any write-offs are adequately authorised;
- A system is in place to facilitate the effective monitoring of Council tenants' rent arrears, in order to prevent the accumulation of large arrears;
- Rent arrears are recovered on a timely basis;
- Accurate and useful management information is produced and acted upon.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- An independent check should be completed on a percentage of account adjustments processed by the rent accounting team. The check should be evidenced with a counter signature on the source documentation. (3)
- Access to the rents system should only be given on receipt of an authorised new user form. (3)
- All write off schedules should be approved the Head of Financial Services. (3)

Status of Recommendations as at 31st March 2008

| Service/Assignment | P1 | P2 | P3 | Priority Total | No. Agreed | Date due | Implemented Fully | Part | Not | Comments |
|----------------------------------|-----------|------------|-----------|-----------------------|-------------------|-----------------|--------------------------|-------------|------------|--|
| 2007/08 | | | | | | | | | | |
| Fin Inventories | 201 | 4 | | 4 | 4 | Nov-07 | | 4 | | Awaiting confirmation by follow-up |
| Corp Electoral Registration | 202 | 2 | 2 | 4 | 3 | 31-Jul | 1 | 1 | 1 | One recommendation not due until December. 1 priority 3 not agreed |
| Corp Officers expenses | 203 | 4 | 1 | 5 | 5 | 31/10/2007 | 5 | | | Awaiting confirmation by follow-up |
| Corp Hospitality | 204 | 2 | | 2 | 2 | 13/10/2007 | 2 | | | Awaiting confirmation by follow-up |
| H&EP Financial Assistance Policy | 205 | 4 | 4 | 8 | 4 | 15/02/2008 | | 4 | | Awaiting confirmation by follow-up |
| Corp Right to Buy | 206 | 3 | 2 | 5 | 5 | 31/12/2007 | | 4 | 1 | Procedure not yet on the intranet. |
| PP&L Emergency Planning | 207 | 2 | | 2 | 2 | 30/09/2007 | | 2 | | Awaiting confirmation by follow-up |
| PP&L Planning Fees & S106 Agree | 208 | 3 | | 3 | 3 | 31/03/2008 | | 3 | | Resolution dependant on software supplier. |
| Fin Council Mortgages | 209 | 7 | | 7 | 7 | 31/07/2007 | | 6 | 1 | One recommendation not due until April 08 |
| Fin Procurements - Marketplace | 210 | 4 | | 4 | 4 | 31/03/2008 | | 2 | 1 | Awaiting confirmation by follow-up |
| S&LS Decriminalised Parking | 212 | 1 | | 1 | 1 | 01/08/2007 | | 1 | | Although a monthly reconciliation would be desirable it is not always practical, given other commitments. However cumulative reconciliations will be carried out whenever possible. - Complete |
| Fin Management of Expenditure | 213 | 1 | | 1 | 1 | 30/06/2007 | | 1 | | Audit now superseded by termination of contract. |
| CSC Cashiers office - cash up | 214 | 1 | | 1 | 2 | 27/06/2007 | 2 | | | Complete |
| Fin Housing Benefits | 215 | 2 | | 2 | 2 | 01/09/2007 | 2 | | | Complete |
| Fin Council Tax | 216 | 4 | 1 | 5 | 5 | 31/03/2008 | 5 | | | Complete |
| Fin NINDR | 217 | 4 | 1 | 5 | 5 | 01/12/2007 | | 5 | | Awaiting confirmation by follow-up |
| Corp Health & Safety | 219 | 2 | 5 | 7 | 7 | 31/12/2007 | 6 | | 1 | Revised procedures are currently being reviewed and need issuing to staff. |
| Fin Creditors | 223 | 4 | | 4 | 4 | 31/12/2007 | 4 | | | Complete |
| Fin Debtors | 224 | 1 | | 1 | 1 | 31/12/2007 | 1 | | | Complete |
| Fin General Ledger | 225 | 5 | 1 | 6 | 6 | 31/03/2008 | 6 | | | Awaiting confirmation by follow up. |
| Corp Payroll | 226 | 4 | 1 | 5 | 5 | 30/01/2008 | 3 | | 2 | Awaiting confirmation by follow up. |
| Corp Corporate Governance | 228 | 2 | 1 | 3 | 2 | 31/01/2008 | | 2 | | Awaiting confirmation by follow up. |
| S&LS Firstsite/Newsite | 229 | 4 | | 4 | 4 | 31/08/2008 | | | | Not due yet |
| Fin Business Continuity | 109 | 4 | 3 | 7 | 7 | 31/05/2008 | | | | Not due yet |
| CSC Cash Office Procedures | 230 | 4 | 1 | 5 | 4 | 31/07/2008 | | | | Not due yet |
| Fin Treasury Management | 232 | 1 | 1 | 2 | 2 | 31/05/2008 | | | | Not due yet |
| | | 3 | 82 | 15 | 100 | | 97 | 40 | 7 | |
| Service/Assignment | P1 | P2 | P3 | Priority Total | No. Agreed | Date Due | Implemented Fully | Part | Not | Comments |
| 2006/07 | | | | | | | | | | |
| ICT PC and Laptop Control | 114 | 5 | 1 | 6 | 4 | 01/04/2007 | 4 | | | Complete |
| ICT Internet and Email | 115 | 13 | 2 | 16 | 10 | 01/04/2007 | 10 | | | Complete |
| ICT Application Access Controls | 116 | 8 | | 9 | 6 | 31/07/2007 | 6 | | | Complete |
| Fin Asset Register | 135 | 5 | | 5 | 5 | 30/09/2007 | 5 | | | Complete |
| | 2 | 31 | 3 | 36 | 25 | | 25 | | | |
| TOTAL FOR ALL YEARS | 5 | 113 | 18 | 136 | 122 | | 58 | 40 | 7 | |



Accounts & Regulatory Committee

Item
10

30 June 2008

| | | | |
|-----------------------|---|---------------|----------------------------------|
| Report of | Head of Financial Services | Author | Hayley McGrath 282461 |
| Title | Review of the Governance Framework and Draft Annual Governance Statement | | |
| Wards affected | Not applicable | | |

**This report concerns the Annual Governance Statement for
2007/08**

1. Decisions Required

- 1.1 To consider and note the review of the Council's compliance with the six principles of good governance including the review of effectiveness of the internal control arrangements.
- 1.2 To approve the Annual Governance Statement for 2007/08

2. Reasons for Decision(s)

- 2.1 Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, requires the council to conduct an annual review of the effectiveness of its governance and internal control arrangements, and publish an Annual Governance Statement (AGS) each year with its financial statements. These regulations now include the specific requirement for this Committee to:-
 - consider the governance and internal control arrangements in place during the year and
 - approve the AGS
- 2.2 The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's compliance with the six principals of good corporate governance (CIPFA / SOLACE guidance – Delivering Good Governance in Local Government) and its internal control systems, so as to give assurance that the authority is effectively delivering services. The process also produces a management action plan to address any identified weaknesses in either area.
- 2.3 CIPFA's proper practice requires the Chief Executive and the Leader of the Council to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the authority's governance and control arrangements.

3. Alternative Options

- 3.1 None.

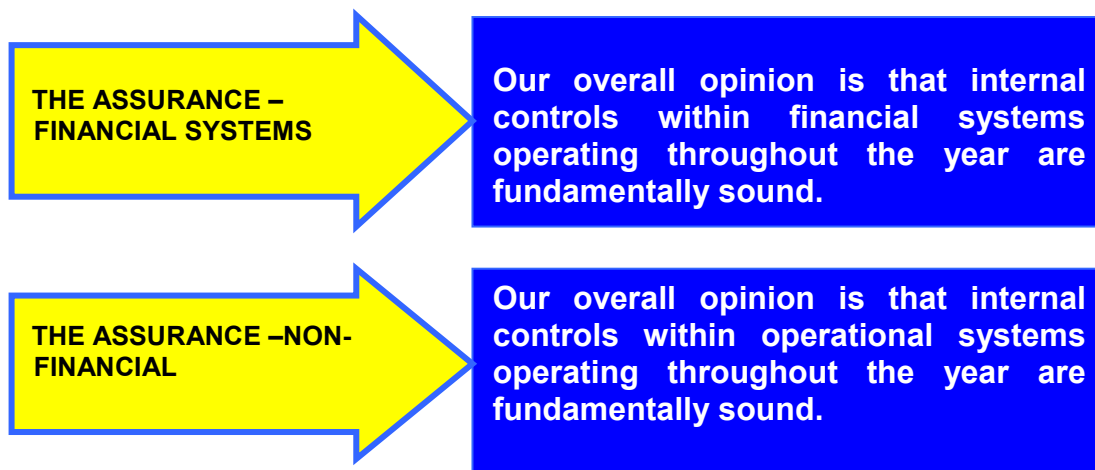
4. Supporting Information

- 4.1 A report was made to the Finance and Audit Scrutiny panel in February 2008 outlining in more detail the requirements and process for the AGS.
- 4.2 In 2001 CIPFA and SOLACE issued guidance regarding best practice with regard to corporate governance. This was adopted by Colchester and a local code of corporate governance was introduced based on this guidance. In May 2007 CIPFA and SOLACE produced revised guidance – Delivering Good Governance in Local Government – to take into account current issues in local authorities such as Local Area Agreements and partnership arrangements. The AGS is designed to review compliance with the six principles of good governance outlined in the revised guidance.
- 4.3 The six principles of Corporate Governance are:
- **Focusing on the purpose** of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - **Members and officers working together** to achieve a common purpose with clearly defined functions and roles.
 - **Promoting values** for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - **Taking informed and transparent decisions** which are subject to effective scrutiny and managing risk.
 - **Developing the capacity** and capability of members and officers to be effective.
 - **Engaging with local people** and other stakeholders to ensure robust accountability.
- 4.4 As part of the governance review it is a requirement that the Council reviews the effectiveness of internal control and this is primarily evidenced by the Head of Internal Audit Report produced by the Council's Internal Audit provider, Deloitte. A copy of the report is provided as a background paper. The key statement from this report is detailed below:-

2007/08 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2007/08, it is my opinion that I can provide satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31st March 2008 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



4.5 The Head of Internal Audit opinion above is the same as the opinion given for the 2006/07 financial year which demonstrates that the Council has continued to provide a sound system of internal control.

4.6 In addition, the further steps taken in producing the AGS have been as follows:-

- The creation of a working group consisting of the Monitoring Officer, the Policy and Projects Officer and the Audit and Risk Manager. This group was responsible for gathering and reviewing evidence in support of the AGS and reporting to the Executive Director.
- A full review of the Council's code of corporate governance including detailed assessment of evidence supporting each principle.
- Assurance assessments relating to key areas of governance and control have been completed by senior management.
- Consideration of risk management issues.
- Detailed follow up of issues with relevant managers to provide evidence of controls in place.
- Review of the action plan from the Statement of Internal Control for 2006/07.
- Review of the implementation of recommendations made by Internal Audit.
- Review of issues raised in External Audit reports, principally the Annual Audit Letter.

4.7 The Annual Governance Statement for 2007/2008 is attached as a separate document. The format of the statement takes into account both the mandatory pro-forma contained within CIPFA's proper practice guidance, together with subsequent examples of best practice.

4.8 The AGS includes a table showing significant internal control issues and planned actions to address these. A more detailed action plan is set out within this report at Appendix A. The AGS should be an ongoing assessment and therefore a review of the progress against the action plan has been programmed into the internal audit plan for 2008/09. The results of this review will be reported to the Finance and Audit Scrutiny Panel in the normal manner.

4.9 As stated earlier this Committee is required to approve the AGS which will be signed as set out and included within the Statement of Accounts.

5. Proposals

5.1 That the panel consider the review of governance and internal control arrangements and approve the Annual Governance Statement for 2007/08.

6. Strategic Plan Implications

6.1 The achievement of the strategic plan requires a sound system of governance to ensure the effective delivery of services. Therefore improving on existing governance arrangements will help to ensure that the strategic plan objectives can be achieved.

7. Risk Management Implications

7.1 Risk Management is a fundamental part of the Governance process and a failure to implement the action plan may have an effect on the ability of the Council to control its risks. Therefore the actions should be incorporated into the risk management process.

8. Other Standard References

- 8.1 There are no direct Publicity, Financial, Consultation, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Background Papers

Head of Internal Audit report for the year ended 31 March 2008 by Deloitte.

**Colchester Borough Council
Annual Governance Statement – Action Plan for 2008/09**

Significant Internal Control Issues – Relating to 2007/08 Financial Year

| No. | Issue | Action | Due Date | Responsible Officer | How this Issue was Identified |
|-----|--|--|---------------------------------------|--|---|
| 1 | <p><u>Partnerships</u> The Council works closely with many external organisations to enhance the local community however in some instances the relationships are not formally managed and controlled. A partnership strategy needs to be created to ensure that there is a consistent approach across all partnerships.</p> | <p>Development of the partnership register is already in progress, which includes information regarding each partnerships status and performance arrangements.</p> <p>A partnership strategy / policy will be produced later in the year.</p> | <p>August 2008</p> <p>Autumn 2008</p> | <p>Executive Director</p> | <p>Highlighted during Annual Governance Review process</p> |
| 2 | <p><u>Contracts</u> The use of the Essex Procurement Hub and the payments system has helped to centralise details of contracts. However there is no central record of contract documents, with individual services and officers being responsible for their own arrangements. In the event of losing a document / member of staff leaving there is no ability to recover the contract details.</p> | <p>A review of the contract procedure rules will be carried out in conjunction with the Monitoring Officer. Amendments will be made to ensure that contract details will be captured by Financial Services and the procurement team will develop a register for all contract details. Revised procedures will then be issued to all staff.</p> | <p>October 2008</p> | <p>Head of Finance</p> | <p>Highlighted during Annual Governance Review process</p> |
| 3 | <p><u>Joint Working</u> Whilst the Council is keen to develop joint working with other authorities it must ensure that any arrangements actually entered into comply with all statutory obligations including but not limited to the EC Procurement rules.</p> | <p>For each area where there is the potential for joint working full consideration of statutory obligations, including the EU procurement rules, will be undertaken and reported on.</p> | <p>On-going</p> | <p>Executive Director and Monitoring Officer</p> | <p>Highlighted during Annual Governance Review process.</p> |

| No. | Issue | Action | Due Date | Responsible Officer | How this Issue was Identified |
|-----|---|--|---|---|--|
| 4. | <p><u>Corporate Governance</u> The Council has adopted a code of Corporate Governance based on the CIPFA / SOLACE guidance. However it has not been updated to reflect the amended guidance introduced in 2007.</p> | <p>Work has already been undertaken to amend the local code and a draft code has been produced that is currently out to consultation with relevant officers. Once agreed this will need to be adopted by full Council as it is a change to the policy framework.</p> | December 2008 | Monitoring Officer | Highlighted during Annual Governance Review process. |
| 5. | <p><u>Housing Repairs Contract</u> Following the early cessation of the housing repairs partnership it needs to be ensured that there is adequate control of the arrangements going forward.</p> | <p>An interim letter of intent has been signed with Colchester Borough Homes. An addendum to the Management Agreement with Colchester borough Homes is to be prepared and agreed.</p> | 11 June 2008 30 June 2008 | Housing Partnership and Performance Manager | Review of Current Issues. |
| 6 | <p><u>Business Continuity</u> The Council has made significant steps in developing Business Continuity and raising staff awareness, however further work is required to full embed the process.</p> | <p>Service plans are being completed and further staff information initiatives are being considered. A complete Corporate plan will be in place and tested by the end of the year</p> | Service Plans - July 2008 Corporate Plan implemented by November 2008. | Audit & Risk Manager | Highlighted during Annual Governance Review process |
| 7 | <p><u>Risk Management</u> The Council has a robust risk management process however it needs to be developed further and reporting and training need to be improved.</p> | <p>A reporting process is included in the strategy and this has now been implemented with meeting dates programmed in for the remainder of the year. Training needs will be assessed during the year and appropriate sessions drawn up.</p> | Reports process embedded by June 2008. Training sessions drawn up by September 2008. | Audit & Risk Manager | Highlighted during Annual Governance Review process |

| No. | Issue | Action | Due Date | Responsible Officer | How this Issue was Identified |
|-----|---|--|--------------------------------|--------------------------|-------------------------------|
| 8. | <p><u>Health & Safety</u> The internal audit review of the Health & Safety function highlighted areas of improvement required including: Inspection Procedures Training Risk Assessment procedure Handbook Reporting. Due to the number of priority 1 recommendations the system was given limited assurance.</p> | <p>The majority of the recommendations from the audit have already been successfully implemented either before the end of the 07/08 financial year or in the early part of the 08/09 year. The only outstanding issue for the 08/09 financial year is to issue the revised handbook and guidance for managers, which has been completed and is currently out for consultation.</p> | August 2008 | Health & Safety Advisor | Internal Audit process |
| 9. | <p><u>Car Parking</u> The internal audit review of the car parking function highlighted several issues relating to the controls including: Procedures Security Access to Financial Data System access Variances Due to the number of recommendations the system was given limited assurance.</p> | <p>The following actions were agreed and were due to be implemented by the end of the 07/08 financial year: Review of procedures; Review of document and key security; Investigation of alternative IT systems for financial data; Reporting of discrepancies; Introduction of independent review of cancellations; Introduction of cameras with a flash for parking attendants. Some of these actions have already been completed however an official follow-up audit has not been completed yet. Therefore the actions still show as outstanding and will continue to be monitored during 08/09.</p> | Follow-up audit due July 2008. | Parking Services Manager | Internal Audit process |

COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

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.

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 (detailed in the constitution, which can be found in the 'Your Council' area) 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 and its 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 2008 and up to the date of approval of the annual accounts.

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

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

The authority also developed a performance dashboard which, during 2008/09 will measure services, ensuring that they are delivered in accordance with the authority's objectives and represent the best use of resources.

It is recognised that further work is required in respect of the governance of partnerships and this has been included in the action plan for 2008/09.

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.
- **Quarterly reporting of key performance indicators** to the Finance and Audit Scrutiny Panel
- **A comprehensive budget monitoring process** that is reported monthly to senior managers
- **The development of a performance dashboard** during 07/08 to monitor the progress in achieving key targets in respect of Resources, Customers, People and Organisational Performance. This will be further developed and embedded during the 08/09 financial year and will ensure that all relevant important organisational performance information is gathered in one place to be used as a tool to identify how resources are targeted to achieve the agreed performance levels and customer outcomes.

From the work undertaken in 2007/08, 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 2008 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Significant Governance Issues

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

| No. | Issue | Action |
|-----|--|--|
| 1 | <p><u>Partnerships</u> The Council works closely with many external organisations to enhance the local community however in some instances the relationships are not formally managed and controlled. A partnership strategy needs to be created to ensure that there is a consistent approach across all partnerships.</p> | <p>Development of the partnership register is already in progress, which includes information regarding each partnerships status and performance arrangements.</p> <p>A partnership strategy / policy will be produced later in the year.</p> |
| 2 | <p><u>Contracts</u> The use of the Essex Procurement Hub and the payments system has helped to centralise details of contracts. However there is no central record of contract documents, with individual services and officers being responsible for their own arrangements. In the event of losing a document / member of staff leaving there is no ability to recover the contract details.</p> | <p>A review of the contract procedure rules will be carried out in conjunction with the Monitoring Officer. Amendments will be made to ensure that contract details will be captured by Financial Services and the procurement team will develop a register for all contract details. Revised procedures will then be issued to all staff.</p> |
| 3 | <p><u>Joint Working</u> Whilst the Council is keen to develop joint working with other authorities it must ensure that any arrangements actually entered into comply with all statutory obligations including but not limited to the EC Procurement rules.</p> | <p>For each area where there is the potential for joint working full consideration of statutory obligations, including EU procurement rules, will be undertaken and reported on.</p> |
| 4 | <p><u>Corporate Governance</u> The Council has adopted a code of Corporate Governance based on the CIPFA / SOLACE guidance. However it has not been updated to reflect the amended guidance introduced in 2007.</p> | <p>Work has already been undertaken to amend the local code and a draft code has been produced that is currently out to consultation with relevant officers. Once agreed this will need to be adopted by full Council as it is a change to the policy framework.</p> |
| 5 | <p><u>Housing Repairs Contract</u> Following the early cessation of the housing repairs partnership it needs to be ensured that there is adequate control of the arrangements going forward.</p> | <p>An interim letter of intent has been signed with Colchester Borough Homes.</p> <p>An addendum to the Management Agreement with Colchester Borough Homes is to be prepared and agreed.</p> |
| 6 | <p><u>Business Continuity</u> The Council has made significant steps in developing Business Continuity and raising staff awareness, however further work is required to full embed the process.</p> | <p>Service plans are being completed and further staff information initiatives are being considered. A complete Corporate plan will be in place and tested by the end of the year</p> |

| No. | Issue | Action |
|-----|--|--|
| 7 | <u>Risk Management</u> The Council has a robust risk management process however it needs to be developed further and reporting and training need to be improved. | A reporting process is included in the strategy and this has now been implemented with meeting dates programmed in for the remainder of the year. Training needs will be assessed during the year and appropriate sessions drawn up. |
| 8 | <u>Health & Safety</u> The internal audit review of the Health & Safety function highlighted areas of improvement required including: Inspection Procedures Training Risk Assessment procedure Handbook Reporting. Due to the number of priority 1 recommendations the system was given limited assurance. | The majority of the recommendations from the audit have already been successfully implemented either before the end of the 07/08 financial year or in the early part of the 08/09 year. The only outstanding issue for the 08/09 financial year is to issue the <i>revised</i> handbook and guidance for managers, which has been completed and is currently out for consultation. |
| 9 | <u>Car Parking</u> The internal audit review of the car parking function highlighted several issues relating to the controls including: Procedures Security Access to Financial Data System access Variances Due to the number of recommendations the system was given limited assurance. | The following actions were agreed and were due to be implemented by the end of the 07/08 financial year: Review of procedures; Review of document and key security; Investigation of alternative IT systems for financial data; Reporting of discrepancies; Introduction of independent review of cancellations; Introduction of cameras with a flash for parking attendants. Some of these actions have already been completed however an official follow-up audit has not been completed yet. Therefore the actions still show as outstanding and will continue to be monitored during 08/09. |

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

Signed:

.....
 Leader of the Council
 on behalf of Colchester Borough Council

&

.....
 Chief Executive



Accounts and Regulatory Committee

Item

12

30 June 2008

| | | | |
|-----------------------|-------------------------------------|---------------|-------------------------------|
| Report of | Head of Financial Services | Author | Andy Wilks ☎ 282355 |
| Title | Annual Statement of Accounts | | |
| Wards affected | Not applicable | | |

This report presents the Draft Statement of Accounts for 2007/2008

1. Decisions Required

- 1.1 To consider this report and supporting information and approve the pre-audit Statement of Accounts for 2007/08.

2. Procedure

- 2.1 Under the Accounts and Audit Regulations 2003 the 2007/08 annual accounts for the Council must be approved before the end of June. This approval has been delegated to this Committee.
- 2.2 In this context it is not the intention of the regulations that Members should undertake a detailed technical examination of the accounts in the role of accountants or auditors. The regulations make it clear that these responsibilities rest with the Head of Financial Services and External Audit respectively.
- 2.3 Equally, the Accounts and Regulatory Committee is not the forum for debating financial performance or policy issues. These are the roles of the Finance and Audit Scrutiny Panel and the Strategic Overview and Scrutiny Panel respectively. The Statement of Accounts are a factual record of the financial activities in the year and the position at year-end.
- 2.4 The Finance and Audit Scrutiny Panel receive periodic financial reports during the course of the financial year and an outturn report at year end. The financial outturn report for the financial year 2007/08 is being considered by the Panel on 30 June 2008.
- 2.5 The aim of the regulations, in requiring Member approval of the draft accounts, is to bring the accounts into the public arena at the earliest opportunity for public accountability reasons and to demonstrate corporate ownership of the accounts. Approval will indicate confidence in the Council's financial management and the process by which the accounting records are maintained and the Statement prepared. In this sense "Member approval" means that Members should be seeking to:
- gain a broad understanding of the content of the accounts;
 - be satisfied that the presentation appears appropriate; and
 - be satisfied that the accounts are consistent with other financial information provided

- 2.6 Regulations have required the presentation of the draft Statement of Accounts to be brought forward. The maintenance of this earlier date for presenting the draft Statement of Accounts and the revised presentation requirements have placed considerable additional pressure on the preparation of accounts process.
- 2.7 The approval of the draft accounts is necessary to release the draft accounts for review by external audit and to be made available for public inspection. The outcome of both of these will be reported to the September meeting.
- 2.8 The Committee is requested to:
- consider this report with supporting information
 - approve the pre-audit Statement of Accounts for 2007/08 so that they can be submitted for audit by the statutory deadline.

3. Changes in the Presentation of the 2007/08 Accounts

- 3.1 We have followed the accounting practices as recommended by CIPFA in producing these accounts. The accounts have been drawn up following the Code of Practice on Local Authority Accounting in the United Kingdom (2006). The code is recognised as “proper accounting practice” under the Local Government Act 2003.
- 3.2 The revised 2007 code introduced some significant technical and presentational changes to the requirements for the 2007/08 Statement of Accounts. The main areas are in the accounting for changes in the value of our fixed assets (land and buildings etc) and the treatment of Financial Instruments (loans, investments etc). The draft Statement of Accounts includes some new statements together with supporting explanatory notes. These changes are covered in more detail in the background paper available in the members’ room. Further information on the details and performance underlying the figures included in the SOA on loans and investments will be provided in the Annual Report on Treasury Management to the Finance and Audit Scrutiny Panel on 29 July 2008.
- 3.3 A key driver for these changes has been to move local authority accounts closer to UK Generally Accepted Accounting Practices (UK GAAP). These are the accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements. One of the main aims is to narrow the areas of difference and variety in accounting treatment and thereby to enhance the usefulness of the Statement of Accounts. The changes also support the government’s aim that all public sector bodies should publish accounts on a common basis to assist in the aim of producing “Whole of Government Accounts”.
- 3.4 It is important to note that while these changes are “significant” this is, as stated, in “technical” and “presentational” terms. The changes do not impact on the results for the year or affect our financial standing with the outside world. Our financial position and resources remain unchanged by the revised code.

4. 2007/08 Accounts

- 4.1 The pre-audit revenue and capital outturn results for 2007/08 are included within the statement. Revenue and capital figures are being reported to the Finance and Audit Scrutiny Panel on 30 June.

4.2 Three key statements are attached as appendices to this report:

- **Appendix A – Statement of Responsibilities**

This sets out the respective responsibilities of the Authority and the Head of Financial Services. This makes clear that it is the Head of Financial Services responsibility to ensure the accounts are prepared in accordance with proper practices and are a fair reflection of the financial position. The statement will be signed to certify that this is the case. Under the regulations the Chair is required to sign to confirm approval of the accounts.

- **Appendix B – Income and Expenditure Account and Statement of Movement on General Fund Balance**

These statements summarise revenue spending and income in the year on all the activities of the Council, including the Housing Revenue Account. After taking account of funding from local taxes and Government grant and statutory requirements the year-end balance is shown. It is important that these two statements are viewed together. The deficit shown on the Income and Expenditure account alone does not fully reflect the position of the authority; this is only revealed in the Statement of Movement on General Fund Balance. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account has to be reconciled to the balance established by the relevant statutory provisions. The results for the year are in line with the report to the Finance and Audit Scrutiny Panel. The Statement of Accounts also includes supporting notes.

- **Appendix C – Balance Sheet**

This statement summarises the Council's financial position as at 31 March 2008. It shows the balances and reserves, tangible assets and current assets employed in operations and the long term borrowing position. The Statement of Accounts also includes supporting notes.

4.3 In addition to the above the draft Statement of Accounts includes an "Annual Governance Statement" which sets out the Council's corporate governance arrangements, risk management processes and internal controls. The statement, together with a covering report, are separate agenda items for this meeting. The statement will be signed by the Chief Executive and the Leader of the Council. The Statement of Accounts has been prepared within this framework.

4.4 A summary of the main statements and an explanation of their purpose is in the Statement of Accounts on pages (i) and (ii). A background paper providing further commentary on some of the main areas within the Statement of Accounts will be available in the Members Room.

4.5 Three key statements are noted above in paragraph 4.2. The draft Statement of Accounts containing the remaining statements will be provided to each member of the committee and is being placed in the Members' Room. It has not proved possible to complete all the detailed statements and supporting notes in time for the despatch of this report. The outstanding statements are being worked on and will be produced as soon as possible.

- 4.6 In particular it may not be possible to complete the Cash Flow Statement and Group Accounts in time for the submission of the draft Statement of Accounts. The Cash Flow and Group Accounts cannot be completed until all other statements have been finalised. The Group Accounts bring together information that is already available elsewhere in the Statement of Accounts. These are now being worked on to be completed as soon as possible and will be available for audit. It will be included in the document submitted following the audit.

5. External Audit

- 5.1 All auditors appointed by the Audit Commission are subject to the Code of Audit Practice, which includes the requirement to comply with Auditing Standards. The standard requires auditors to report to those charged with governance before they give an opinion on the Statement of Accounts. For this purpose the report will go to the Accounts and Regulatory Committee as the body which approves the accounts.
- 5.2 The final accounts audit is planned for July to early September and the External Auditor will report to the meeting of this Committee on 16 September. The report will address any matters arising out of the final accounts audit and comment on the proposed opinion on the accounts.
- 5.3 It is planned that an audit opinion will be received so as to enable the Statement of Accounts to be published by the end of September, the statutory deadline. In keeping with the usual practice the published statement, including the auditor's opinion, will be submitted to the Committee following the audit.

6. Publicity Considerations

- 6.1 It is planned that the accounts will be open for public inspection from 28 July-22 August to meet our legal duties. The dates will be advertised in the local press.
- 6.2 Staff will be available to provide information and respond to queries during this period. The local press usually take the opportunity to view the accounts and information will be provided as appropriate.

7. Financial Implications

- 7.1 The approval of the draft Statement of Accounts meets a statutory requirement for financial reporting and is an important part of the process to demonstrate accountability in the use of public funds.

8. Other Standard References

- 8.1 Having considered consultation, equality, diversity and human rights, community safety, health and safety and risk management implications, there are none that are significant to the matters in this report.

Background Papers

Available in the Members' Room:-

Annual Statement of Accounts – Notes 30 June 2008

Draft Statement of Accounts 2007/08

**STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

The Authority's Responsibilities

The Authority must:

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

I confirm that these accounts were approved by the Accounts and Regulatory Committee at the meeting held on 30 June 2008.

Signed on behalf of Colchester Borough Council
Councillor S. Lissimore
Chair of meeting approving the accounts:
Date: 30 June 2008

The Head of Financial Services' Responsibilities

The Head of Financial Services is responsible for preparing the authority's statement of accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Financial Services has:

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

The Head of Financial Services has also:

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

Head of Financial Services' Certificate

I certify that the accounts set out on pages 1 to 87 present fairly the financial position of the Council as at 31 March 2008 and the income and expenditure for the year then ended.

Charles Warboys
Head of Financial Services
30 June 2008

THE CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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 2007/08 (Note 1) | 2007/08 Gross Expenditure £'000 | 2007/08 Gross Income £'000 | 2007/08 Net Expenditure £'000 | 2006/07 Net Expenditure £'000 |
|--|--|-------------------------------------|--|--|
| CENTRAL SERVICES | | | | |
| Democratic Representation and Management | 2,315 | 101 | 2,214 | 2,221 |
| Corporate Management | 1,837 | 421 | 1,416 | 1,407 |
| Non Distributed Costs (Note 5) | 826 | - | 826 | 61 |
| Central Services to the Public | | | | |
| Local Taxation (includes Council Tax Benefit) | 11,288 | 9,750 | 1,538 | 1,662 |
| Other Central Services | 1,846 | 592 | 1,254 | 1,068 |
| Total for Central Services | 18,112 | 10,864 | 7,248 | 6,419 |
| CULTURAL, ENVIRONMENTAL & PLANNING SERVICES | | | | |
| Cultural and Related Services | | | | |
| Culture and Heritage | 4,395 | 2,401 | 1,994 | 2,017 |
| Recreation and Sport | 6,602 | 3,990 | 2,612 | 2,395 |
| Open Spaces | 1,742 | 194 | 1,548 | 1,570 |
| Tourism | 645 | 216 | 429 | 450 |
| Environmental Services | | | | |
| Cemetery, Crematorium and Mortuary Services | 771 | 866 | (95) | (84) |
| Environmental Health | 2,178 | 624 | 1,554 | 1,583 |
| Community Safety | 1,079 | 371 | 708 | 716 |
| Street Cleansing (non-highway) | 1,363 | 45 | 1,318 | 1,151 |
| Waste Collection | 5,005 | 1,561 | 3,444 | 3,404 |
| Planning and Development Services | | | | |
| Building Control | 789 | 650 | 139 | 183 |
| Development Control | 2,188 | 1,044 | 1,44 | 823 |
| Planning Policy | 841 | 17 | 824 | 686 |
| Economic Development | 1,795 | 2,355 | (560) | (769) |
| Other Planning and Development Services | 364 | 338 | 26 | 130 |
| Total for Cultural, Environmental & Planning Services | 29,757 | 14,673 | 15,084 | 14,255 |
| HIGHWAYS, ROADS AND TRANSPORT SERVICES | | | | |
| Transport Planning and Strategy | 316 | 28 | 288 | 198 |
| Highways, Traffic Management and Road Safety | 754 | 83 | 671 | 504 |
| Parking Services | 2,731 | 5,079 | (2,348) | (1,914) |
| Public Transport | | | | |
| Concessionary Fares | 2,136 | 256 | 1,880 | 1,771 |
| Other Public Transport | 106 | 8 | 98 | 75 |
| Total for Highways, Roads and Transport Services | 6,043 | 5,454 | 589 | 634 |
| HOUSING GENERAL FUND | | | | |
| Private Sector Housing Renewal | 883 | 21 | 862 | 801 |
| Homelessness | 1,345 | 745 | 600 | 517 |
| Housing Benefits | 36,428 | 35,780 | 648 | 822 |
| Other Housing General Fund | 1,333 | 196 | 1,137 | 1,282 |
| Total for Housing General Fund | 39,989 | 36,743 | 3,246 | 3,422 |
| HOUSING REVENUE ACCOUNT | 28,780 | 22,877 | 5,903 | (1,390) |
| SOCIAL SERVICES – OLDER PEOPLE | 975 | 712 | 263 | 322 |
| COST OF SERVICES | 123,656 | 91,321 | 32,335 | 23,662 |

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008 (continued)

| | Notes | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|---|-------|--|--|
| Cost of Services (net) Brought Forward | 1 | 32,335 | 23,662 |
| (Gain)/Loss on the disposal of fixed assets (net of disposal costs) | 2 | (184) | (111) |
| Precepts paid to Parish Councils | | 743 | 617 |
| Deficit/(surplus) on Internal Trading | 3 | - | - |
| Interest payable and similar charges | | 3,796 | 3,438 |
| Contribution of Housing Capital Receipts to Government Pool | 4 | 1,886 | 2,669 |
| Interest and investment income | | (2,630) | (1,783) |
| Pensions Interest Cost and Expected Return on Pensions Assets | 5 | 1,017 | 1,266 |
| Net Operating Expenditure | | 39,963 | 29,758 |
| Demand on the Collection Fund | | (10,156) | (9,483) |
| General Capital Contributions | 6 | (297) | (744) |
| General Government Grants | 7 | (2,219) | (2,438) |
| Non-Domestic Rates redistribution | | (10,231) | (9,816) |
| Deficit/(Surplus) for the Year | | 14,060 | 7,277 |

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

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are used.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than council tax.
- 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 Councils 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 | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|--|--|--|
| Deficit/(Surplus) for the year on the Income and Expenditure Account | 14,060 | 7,277 |
| Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year. | (14,699) | (7,988) |
| (Increase)/Decrease in the General fund Balance for the Year | (639) | (711) |
| General Fund Balance Brought Forward | (2708) | (1,997) |
| General Fund Balance carried forward | (3,347) | (2,708) |

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 | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|--|--------------------|--|--|
| Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year | | | |
| Intangible fixed assets written down | 16 | (1,478) | (1,739) |
| Depreciation and impairment of fixed assets | 17&19 | (7,681) | (1,952) |
| Capital Contributions Deferred written down | | 556 | 497 |
| General Capital contributions | 6 | 297 | 744 |
| Write downs of deferred charges to be financed from capital resources | 20 | (542) | (510) |
| Gain/(loss) on sale of fixed assets (excluding disposal costs) | 2 | 296 | 149 |
| Timing differences on discounts/ premiums on early repayment of debt and interest on soft loans | 39 | | |
| - net adjustment of opening position at 1 April 2007 (see note page 22) | | - | - |
| - entries for 2007/08 | | 154 | - |
| Net charges made for retirement benefits in accordance with FRS 17 | 5 | (4,564) | (4,376) |
| | | (12,962) | (7,187) |
| Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year. | | | |
| Minimum revenue provision for capital financing | 15 | 10 | (33) |
| Capital expenditure charged in-year to the General Fund Balance | | 1,392 | 409 |
| Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool | 4 | (1,886) | (2,669) |
| Employers contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners | 5 | 4,376 | 3,882 |
| | | 3,892 | 1,589 |
| Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year | | | |
| Housing Revenue Account balance | | (2,358) | 652 |
| Net transfer to or (from) Major Repairs reserve | Page 59, Note 5 | (3,421) | (2,772) |
| Net transfer to or (from) other earmarked reserves | 42 | 150 | (270) |
| | | (5,629) | (2,390) |
| Net additional amount required to be credited to the General Fund balance for the year | | (14,699) | (7,988) |

BALANCE SHEET AS AT 31 MARCH 2008

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

| | Notes | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---|---------|---------------------------|---------------------------|
| Fixed Assets | | | |
| Intangible Fixed Assets | 16 | 3,044 | 3,829 |
| Tangible Fixed Assets | 17 & 18 | | |
| Operational Assets | | | |
| Council Dwellings | | 429,092 | 421,505 |
| Other Land and Buildings | | 61,348 | 61,338 |
| Operational Equipment | | 4,608 | 3,896 |
| Infrastructure Assets | | 4,314 | 3,372 |
| Community Assets | | 275 | 275 |
| Non-Operational Assets | | | |
| Investment Properties | | 38,068 | 26,299 |
| Assets under Construction | | 27,804 | 11,070 |
| Surplus Assets held for Disposal | | 19,322 | 12,934 |
| Total Fixed Assets | | 587,875 | 544,518 |
| Investments (Long Term) | 23 | 5,294 | 20 |
| Long Term Debtors | 24 | 425 | 630 |
| Deferred Premiums on the early repayment of debt | 25 | - | 1758 |
| Total Long Term Assets | | 593,594 | 546,926 |
| Current Assets | | | |
| Stock | 26 | 213 | 163 |
| Debtors | 27 | 15,690 | 12,366 |
| Investments (short term) | | 29,857 | 30,303 |
| Total Current Assets | | 45,760 | 42,832 |
| Current Liabilities | | | |
| Short Term Borrowing | | - | - |
| Creditors | 28 | (23,193) | (13,020) |
| Cash Overdrawn | | (1,002) | (931) |
| Total Current Liabilities | | (24,195) | (13,951) |
| Net Current Assets | | 21,565 | 28,881 |
| Long Term Borrowing | 29 | (59,377) | (55,857) |
| Provisions | 33 | (323) | (306) |
| Capital Contributions deferred | 34 | (32,710) | (18,982) |
| Deferred discounts on early repayment of debt | 35 | - | (509) |
| Pension Scheme Liability | 5 | (55,271) | (39,595) |
| Total Net Assets | | 467,478 | 460,558 |
| Represented by: | | | |
| Revaluation Reserve (formerly Fixed Asset Restatement Account) | 37 | 35,907 | - |
| Capital Adjustment Account (formerly Capital Financing Account) | 38 | 463,787 | 474,086 |
| Financial Instruments Adjustment Account | 39 | (1,306) | - |
| Usable Capital Receipts Reserve | 40 | 10,240 | 9,226 |
| Deferred Capital Receipts | 41 | 108 | 129 |
| Pensions Reserve | 5 | (55,271) | (39,595) |
| Earmarked Reserves | 42 | 9,019 | 10,008 |
| Revenue Balances | 43 | 4,994 | 6,704 |
| Total Net Worth | 36 & 44 | 467,478 | 460,558 |

COLCHESTER BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

CONTENTS

| | Page No. |
|--|-----------------|
| Summary of Financial Statements | i |
| Foreword | 1 |
| Statement of Accounting Policies | 6 |
| Statement of Responsibilities for the Statement of Accounts | 13 |
| The Annual Governance Statement | 14 |
| Core Financial Statements | |
| Income and Expenditure Account | 18 |
| Statement of the Movement on the General Fund Balance | 20 |
| Statement of Total Recognised Gains and Losses (STRGL) | 22 |
| Balance Sheet | 23 |
| Cash Flow Statement | 24 |
| Notes to the core statements | 25 |
| Supplementary Statements | |
| Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance | 56 |
| Collection Fund | 63 |
| Port Health Authority Accounts | 67 |
| Trust Fund Accounts | 68 |

SUMMARY OF FINANCIAL STATEMENTS

Statement of Accounting Policies (page 6)

This explains how the figures are calculated.

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

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

Statement of Total Recognised Gains and Losses (page 22)

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

Balance Sheet (page 23)

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

Cash Flow Statement (page 24)

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

Capital Expenditure and Financing (page 38)

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

Housing Revenue Account (page 56)

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 63)

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 67)

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

Trust Fund Accounts (page 68)

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

Group Accounts (page 75)

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 various Trust Funds.

FOREWORD

Changes for the 2007/08 Accounts

A number of significant technical and presentational changes were required for the 2007/08 Statement of Accounts. These changes are set out in more detail in the accounting policies (Note 1, page 6) and in the individual statements and supporting notes.

The revised requirements affect two main areas:-

- Accounting for Fixed Assets (land, buildings etc) and particularly the changes in value on revaluation.
- New accounting policies for Financial Instruments (borrowings, investments etc) in accordance with the relevant Financial Reporting Standards (FRS).

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

Results for 2007/08

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

During this year the net General Fund spending was £22.0 million met by the precept on the Collection Fund and Government grants.

| | Original Estimate | Actual |
|---------------------------------|-------------------|-------------|
| | £m | £m |
| Total Net Spending for the Year | 22.4 | 22.0 |
| Met by: | | |
| Collection Fund Demand | 10.2 | 10.2 |
| Government Grants | 12.0 | 12.4 |
| Contribution from/(to) Balances | 0.2 | (0.6) |
| Total Financing | 22.4 | 22.0 |

Expenditure on services was £0.4 million less than estimated and we also benefitted from additional income. Two main areas of additional income were the Local Authority Business Growth Initiatives (LABGI) grant and interest earnings. The LABGI grant is provided to reward business growth, and returns to Councils a share of additional business rate revenue generated by economic growth above a certain threshold within the Borough. Final notification of the amount receivable was not received until April 2008 and was £0.4 million more than the original estimate. The net additional interest earnings (£0.9 million) arose because interest rates available for investment increased during the year and cashflow and borrowing movements were more favourable than estimated. This has enabled us to strengthen our reserves to provide funding for future projects. 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 £3.3 million, of which £1.9 million is uncommitted. They are used as a working balance and to support future spending plans.

Capital spending is on items which have a value to the Council or the community for more than a year and is generally met from loans, revenue or the proceeds of sale of capital assets. Construction work started during the year on the major Community Stadium project. The Council has agreed funding of £10.7 million with a further £4.0 million confirmed by other funding bodies. A further significant element of the capital spending in 2007/08 is on a major investment in Council dwellings under the Decent Homes programme.

The Council's capital spending was £30 million, £0.8 million more than programmed. This increase was largely due to timing differences in contract payments on the major projects rather than changes in total cost of projects. About 43% of capital spending was paid for from grants and contributions. Other capital spending was financed from capital receipts from sale of assets, reserves and from borrowing.

Capital Receipts continue to provide a significant resource to support capital spending plans. Sale of Council houses has provided a regular source of funding, £2.6 million was received in 2007/08. However, regulations require 75% of this to be paid into a Government Pool so only 25% is available for new investment. Other receipts are fully available and £5.0 million was received in 2007/08. The accumulated balance of £10.2 million is already planned to support capital spending from 2008/09 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 from balances for the year of £2.3 million. At the year end the Housing Revenue Account balance is £1.5 million, a significant part of which is earmarked to support future capital spending.

An Arms Length Management Organisation

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

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

Colchester Community Stadium Limited

The construction of the Community Stadium started in July 2007 and is planned for completion in 2008/09.

We set up Colchester Community Stadium Limited in June 2007 in preparation for the future management of the Community Stadium. The stadium is owned by the Council but will be managed by a separate organisation, Colchester Community Stadium Limited. The company will be 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 2007/08. The borrowing activities undertaken in the year are in accordance with these determinations.

New long term borrowing of £3.5 million was undertaken during the year from the Public Works Loans Board (PWLB). This was in respect of the unsupported borrowing agreed by Council to fund the building of a Community Stadium. The total loan debt at the year end was £59.4 million.

The activities in the year included the investment of surplus funds. A review of the Council's investment activity was carried out and one of the actions arising from this was to cease using an external fund manager from May 2007. The total funds invested at the year end were £35 million.

Financial Instruments

These cover our borrowings, investments, loans to individuals and more routine debtors and creditors. The new requirements 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 under proper accounting practice conflict with the statutory requirements placed on local authorities. Therefore, a new Financial Instruments Adjustment Account has been introduced to hold 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.

Business Improvement District (BID)

In May 2007 the Cabinet formally endorsed the Colchester's Business Improvement District project and authorised the Chief Executive to hold the Business Improvement District (BID) ballot. Business Improvement Districts provide powers for local authorities to levy an additional ring fenced business rate to pay for services and activities additional to those which are already provided in a specified area. A BID can only be implemented if the majority of businesses in that area vote in favour of it in a formal ballot. The ballot was held in November 2007 and the majority of votes were against the proposal so the BID has not been implemented.

Preparations for the Introduction of Economic & Monetary Union (Euro)

Given the uncertainty of when and if the Euro will be introduced into the United Kingdom, Colchester Borough Council has not made any budgetary provision in either 2007/08 or 2008/09 for its introduction.

Reports have been made to the Senior Management Team about the possible impact of the Euro on the operation of the Council. Advice has also been given on considering the possible introduction of the Euro when acquiring cash handling machinery and computer applications.

Further action will be taken as necessary.

Pension Costs

The full reporting arrangements for pension costs are included in the Statement of Accounts. There are extensive notes included with the relevant statements. The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long term implications. However the overall amount to be met from Government Grants and local taxation remains unchanged. The Council's share of the assets and liabilities of the pension fund show an estimated £55.3 million shortfall at 31 March 2008. While the figure is substantial it should be remembered that:

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

Group Accounts

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

The principal impact is to bring together in the Group Accounts the activities of the Council, Colchester Borough Homes and Colchester Community Stadium Limited. The opportunity has also been taken to consolidate the activities of the 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 2007/08 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 2007/08 accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

Revenue Balance

During the year the Council undertook a further review of its need for balances to decide the appropriate level of balances. Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. This review was based on identifying and then evaluating all potential risks. The exercise identified the minimum prudent level of balances required as £1.7 million. It was agreed to set balances at £1.7 million when planning the 2008/09 budget.

As at 31 March 2008 the Council's General Fund balances stood at £3.3 million. It is estimated that £1.4 million of these will be required to fund schemes carried forward from 2007/08 and to support expenditure during 2008/09. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

Outlook

The Council's Strategic Plan 2006-2009 clearly identifies priority services for these years. The Council continues, through its budgetary process, to ensure that the Council's limited resources are focussed on these priority services.

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

Furthermore, as required by the Government, the Council had to demonstrate annual efficiency gains of 2.5% against an agreed baseline in accordance with the Gershon report. The Government had requested Sir Peter Gershon to undertake a review of public sector efficiency. The report indicated that efficiency in the public sector involves making the best use of resources available for the provision of public services. One of the Gershon requirements was to submit to the Government annual efficiency statements demonstrating how the Council was achieving ongoing efficiency gains of 7.5% by the financial year 2007/08. The Council is submitting the statements as required and has exceeded the 7.5% target.

For 2008/09 onwards the Comprehensive Spending review 2007 includes the target that all public services will deliver at least 3% value for money gains over 2008/09 to 2010/11. No targets have been set for individual local authorities but we will be required to report on efficiencies made annually. The budget process for 2008/09 and future years reflects these aims.

In November 2006 the Council resolved that the new Community Stadium project be included in the Council's approved Capital Programme. The scheme commenced in 2007/08 and it is anticipated that the scheme will be completed in 2008/09. The Council has agreed funding of £10.7 million supported by prudential borrowing. The remaining £4 million has been confirmed by other funding bodies.

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

Consultations have taken place on the revised Code of Practice on Local Authority Accounting in the United Kingdom (2008): A Statement of Recommended Practice that will apply to the 2008/09 accounts. There are a number of issues that have already been identified as potentially having an impact on the future presentation in the accounts. A major consideration is the implications of the adoption of International Financial Reporting Standards (IFRSs) in the Whole of Government Accounts (WGA) requirements.

Other Information

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

Other publications include:

- **The Strategic Plan 2006-2009** – sets a clear direction for the Council, and a focus for service planning and budget setting.
- **Best Value Performance Plan** – summarises the Council's strategic objectives and corporate priorities, service performance and targets.

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

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

Our Fairness Policy

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

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

If you need any help with reading or understanding this document, please take it to our Customer Service Centre, Angel Court, High Street, Colchester, or ☎ 282355. We will try to provide a reading service, translation or any other format you may need.

Textphone: Dial 18001 followed by the full number that you wish to call.

**For more information about these accounts, please contact:
Andy Wilks, Financial Services, PO Box 886, Town Hall, High Street, Colchester CO1 1FP
Telephone: Colchester (01206) 282355
E-mail: andy.wilks@colchester.gov.uk**

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been drawn up in keeping with the revised Code of Practice on Local Authority Accounting in the United Kingdom (2007): A Statement of Recommended Practice. This is recognised by law as representing proper accounting practices under the Local Government Act 2003.

In the 2007/08 Statement of Accounts, the council has adopted two significant new accounting policies, in accordance with the revised Statement of Recommended Practice:

- The new Revaluation Reserve and Capital Adjustment Account have been created to account for fixed assets.
- Financial Instruments (borrowings, investments etc) are accounted for in accordance with the relevant Financial Reporting Standards (FRS).

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

In accordance with the revised SORP requirements prior year comparatives for Financial Instruments have not been restated and have been brought forward unchanged from 2006/07 (with the exception of interest accruals). The adjustments required under the new policies have been implemented as at 1 April 2007 in the 2007/08 accounts. The Revaluation Reserve has been created with a nil opening balance; the balance on the former Fixed Asset Restatement Account having been cleared to the Capital Financing Account to create the new Capital Adjustment Account. The Financial Instruments Adjustment Account has been created with an opening balance of £1,460k matched by an adjustment to the relevant financial instruments balances.

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

2. Estimation Techniques

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

3. Pension Costs

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

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

- Attributable assets of the scheme have been measured at fair value at the balance sheet date.
- The attributable liabilities have been measured on an actuarial basis using the projected unit method. These have been discounted at the appropriate interest rate for 2007/08 determined to be 6.1%.

- Net liabilities that reflect the legal or constructive obligation of the authority have been disclosed. These are the shortfall of the value of assets in the scheme below the present value of the scheme liabilities.
- Current Service Cost has been based on the most recent actuarial valuation (2007) with the financial assumptions updated to reflect conditions at April 2007. 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 2007.
- The Expected Return of Assets is based on long term expectations at the beginning of the period as advised by the actuary.
- When actual events have not been the same as actuarial assumption made for the last valuation, or assumptions have been changed, actuarial gains and losses have been calculated to reflect conditions at March 2008
- 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 uplifted to 31 March 2008 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 2007/08. 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 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.

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

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

5. Depreciation

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

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

6. Intangible Assets

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

7. Deferred Charges

Deferred charges represent spending which may properly be capitalised but where no tangible fixed asset is created. Where this type of spending does not provide a continuing benefit to the Authority over an extended period, it is not kept in the balance sheet, being written out in the year. Deferred charges are written out to service revenue accounts. Where the Council has decided to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital 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 for Renewal and Repairs, Capital Expenditure, Asset Replacement, Regeneration and the Major Repairs Reserve. Details of these are given in Note 42 on page 50.

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

These are the main provisions:

- a) A provision for doubtful debts in respect of local taxation, housing rents and other debtors that is estimated taking into account age, stage of recovery and value.
- b) An insurance provision estimated on an assessment of outstanding claims. (See Note 33 page 46).

9. Charges for the Use of Capital Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital 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 35, page 42). 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 the acquisition of a retained fixed asset is paid for either wholly or in part by a Government grant or other capital contribution, the amount of the grant or contribution is credited at first to either the Government Grants – Deferred Account, or to the Capital Contributions – Deferred Account. Amounts are transferred to the Income and Expenditure Account over the useful life of the asset, to match any depreciation charged on the asset.

Grants and contributions to deferred charges are written out directly against the relevant deferred charge.

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

Grants and subsidies have been credited to the appropriate revenue and capital accounts, and accruals have been made for balances known to be receivable for the year to 31 March 2008. The grant claims for Benefits and Housing Subsidy have been estimated because the final claim documents are not available in time for closure. The estimates are based on draft claims prepared in accordance with the latest guidance and for benefits using figures provided by the benefits subsidy software system. All major grants included in the accounts are subject to audit of the final claims.

12. Provision for Redemption of Debt and Interest Charges

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

- by a minimum charge to revenue, based on the Authority's capital financing requirement (defined in the Act); and
- by voluntary contributions from revenue or from the usable proportion of the proceeds of the sale of capital assets.

This Council uses the minimum revenue provision, which is 4% for the General Fund.

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

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 eg the amount of a loan received or investment made.

15. Financial Liabilities

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

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

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

16. Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

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

Available-for-sale Assets

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

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

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

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

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

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

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

17. Debtors and Creditors at Year End

The accounts have been completed on the basis of income and expenditure, taking account of known debtors and creditors as at 31 March 2008. Estimates have been used where actual figures were not available. The most significant estimates are in respect of Benefits and Housing Subsidy (see Note 11, Government Grants and Contributions) and on works under construction contracts in progress.

18. Stocks and Work in Progress

The majority of stocks are valued at cost, although the sports centres stock is valued at sale price. Work in progress on uncompleted jobs is valued at cost and includes an allocation of overheads.

19. Overheads and Support Services

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

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

20. The Collection Fund

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

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

21. Value Added Tax (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue & Customs. The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all the Council's activities. If the amount exceeds the limit then none of the tax may be recovered. HM Revenues and Customs have raised no objection to the Council's method of calculation which shows we are within the limit. HM Revenue and Customs are currently reviewing the methodology behind this calculation for all local authorities and this calculation is not required for 2007/2008.

22. Group Accounts

Group Accounts have been prepared on the basis of implementing the 2007 SORPs Group Accounts requirements.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority must:

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

I confirm that these accounts were approved by the Accounts and Regulatory Committee at the meeting held on 30 June 2008.

Signed on behalf of Colchester Borough Council
Councillor S. Lissimore
Chair of meeting approving the accounts:
Date: 30 June 2008

The Head of Financial Services' Responsibilities

The Head of Financial Services is responsible for preparing the authority's statement of accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Financial Services has:

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

The Head of Financial Services has also:

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

Head of Financial Services' Certificate

I certify that the accounts set out on pages 1 to 87 present fairly the financial position of the Council as at 31 March 2008 and the income and expenditure for the year then ended.

Charles Warboys
Head of Financial Services
30 June 2008

COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

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.

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 (detailed in the constitution, which can be found in the 'Your Council' area) 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 and its 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 2008 and up to the date of approval of the annual accounts.

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

- **The Strategic Plan** – which identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the strategic plan and identifies the implications for the Council's governance arrangements.
- **The Constitution** - This is the fundamental basis of the authority's governance arrangements and includes:
 - Defining and documenting the roles and responsibilities of the executive, non-executive, 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.

The authority also developed a performance dashboard which, during 2008/09 will measure services, ensuring that they are delivered in accordance with the authority's objectives and represent the best use of resources.

It is recognised that further work is required in respect of the governance of partnerships and this has been included in the action plan for 2008/09.

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.
- **Quarterly reporting of key performance indicators** to the Finance and Audit Scrutiny Panel
- **A comprehensive budget monitoring process** that is reported monthly to senior managers

- **The development of a performance dashboard** during 07/08 to monitor the progress in achieving key targets in respect of Resources, Customers, People and Organisational Performance. This will be further developed and embedded during the 08/09 financial year and will ensure that all relevant important organisational performance information is gathered in one place to be used as a tool to identify how resources are targeted to achieve the agreed performance levels and customer outcomes.

From the work undertaken in 2007/08, 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 2008 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Significant Governance Issues

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

| No. | Issue | Action |
|-----|---|--|
| 1 | <p><u>Partnerships</u> The Council works closely with many external organisations to enhance the local community. However in some instances the relationships are not formally managed and controlled. A partnership strategy needs to be created to ensure that there is a consistent approach across all partnerships.</p> | <p>Development of the partnership register is already in progress, which includes information regarding each partnerships status and performance arrangements.</p> <p>A partnership strategy / policy will be produced later in the year.</p> |
| 2 | <p><u>Contracts</u> The use of the Essex Procurement Hub and the payments system has helped to centralise details of contracts. However, there is no central record of contract documents, with individual services and officers being responsible for their own arrangements. In the event of losing a document / member of staff leaving there is no ability to recover the contract details.</p> | <p>A review of the contract procedure rules will be carried out in conjunction with the Monitoring Officer. Amendments will be made to ensure that contract details will be captured by Financial Services and the procurement team will develop a register for all contract details. Revised procedures will then be issued to all staff.</p> |
| 3 | <p><u>Joint Working</u> Whilst the Council is keen to develop joint working with other authorities it must ensure that any arrangements actually entered into comply with all statutory obligations including but not limited to the EC Procurement rules.</p> | <p>For each area where there is the potential for joint working full consideration of statutory obligations, including EU procurement rules, will be undertaken and reported on.</p> |
| 4 | <p><u>Corporate Governance</u> The Council has adopted a code of Corporate Governance based on the CIPFA / SOLACE guidance. However, it has not been updated to reflect the amended guidance introduced in 2007.</p> | <p>Work has already been undertaken to amend the local code and a draft code has been produced that is currently out to consultation with relevant officers. Once agreed this will need to be adopted by full Council as it is a change to the policy framework.</p> |
| 5 | <p><u>Housing Repairs Contract</u> Following the early cessation of the housing repairs partnership it needs to be ensured that there is adequate control of the arrangements going forward.</p> | <p>An interim letter of intent has been signed with Colchester Borough Homes.</p> <p>An addendum to the Management Agreement with Colchester Borough Homes is to be prepared and agreed.</p> |

| No. | Issue | Action |
|-----|--|---|
| 6 | <u>Business Continuity</u> The Council has made significant steps in developing Business Continuity and raising staff awareness. However, further work is required to full embed the process. | Service plans are being completed and further staff information initiatives are being considered. A complete Corporate plan will be in place and tested by the end of the year |
| 7 | <u>Risk Management</u> The Council has a robust risk management process. However, it needs to be developed further and reporting and training need to be improved. | A reporting process is included in the strategy and this has now been implemented with meeting dates programmed in for the remainder of the year. Training needs will be assessed during the year and appropriate sessions drawn up. |
| 8 | <u>Health & Safety</u> The internal audit review of the Health & Safety function highlighted areas of improvement required including: <ul style="list-style-type: none"> • Inspection • Procedures • Training • Risk Assessment procedure • Handbook • Reporting. Due to the number of priority 1 recommendations the system was given limited assurance. | The majority of the recommendations from the audit have already been successfully implemented either before the end of the 07/08 financial year or in the early part of the 08/09 year. The only outstanding issue for the 08/09 financial year is to issue the <i>revised</i> handbook and guidance for managers, which has been completed and is currently out for consultation. |
| 9 | <u>Car Parking</u> The internal audit review of the car parking function highlighted several issues relating to the controls including: <ul style="list-style-type: none"> • Procedures • Security • Access to Financial Data • System access • Variances Due to the number of recommendations the system was given limited assurance. | The following actions were agreed and were due to be implemented by the end of the 07/08 financial year: Review of procedures; Review of document and key security; Investigation of alternative IT systems for financial data; Reporting of discrepancies; Introduction of independent review of cancellations; Introduction of cameras with a flash for parking attendants. Some of these actions have already been completed. However, an official follow-up audit has not been completed yet. Therefore, the actions still show as outstanding and will continue to be monitored during 08/09. |

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

Signed:

.....
 Anne Turrell
 Leader of the Council
 on behalf of Colchester Borough Council
 Date: July 2008

.....
 Adrian Pritchard
 Chief Executive

 Date: July 2008

THE CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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 2007/08 (Note 1) | 2007/08 Gross Expenditure £'000 | 2007/08 Gross Income £'000 | 2007/08 Net Expenditure £'000 | 2006/07 Net Expenditure £'000 |
|--|--|-------------------------------------|--|--|
| CENTRAL SERVICES | | | | |
| Democratic Representation and Management | 2,315 | 101 | 2,214 | 2,221 |
| Corporate Management | 1,837 | 421 | 1,416 | 1,407 |
| Non Distributed Costs (Note 5) | 826 | - | 826 | 61 |
| Central Services to the Public | | | | |
| Local Taxation (includes Council Tax Benefit) | 11,288 | 9,750 | 1,538 | 1,662 |
| Other Central Services | 1,846 | 592 | 1,254 | 1,068 |
| Total for Central Services | 18,112 | 10,864 | 7,248 | 6,419 |
| CULTURAL, ENVIRONMENTAL & PLANNING SERVICES | | | | |
| Cultural and Related Services | | | | |
| Culture and Heritage | 4,395 | 2,401 | 1,994 | 2,017 |
| Recreation and Sport | 6,602 | 3,990 | 2,612 | 2,395 |
| Open Spaces | 1,742 | 194 | 1,548 | 1,570 |
| Tourism | 645 | 216 | 429 | 450 |
| Environmental Services | | | | |
| Cemetery, Crematorium and Mortuary Services | 771 | 866 | (95) | (84) |
| Environmental Health | 2,178 | 624 | 1,554 | 1,583 |
| Community Safety | 1,079 | 371 | 708 | 716 |
| Street Cleansing (non-highway) | 1,363 | 45 | 1,318 | 1,151 |
| Waste Collection | 5,005 | 1,561 | 3,444 | 3,404 |
| Planning and Development Services | | | | |
| Building Control | 789 | 650 | 139 | 183 |
| Development Control | 2,188 | 1,044 | 1,44 | 823 |
| Planning Policy | 841 | 17 | 824 | 686 |
| Economic Development | 1,795 | 2,355 | (560) | (769) |
| Other Planning and Development Services | 364 | 338 | 26 | 130 |
| Total for Cultural, Environmental & Planning Services | 29,757 | 14,673 | 15,084 | 14,255 |
| HIGHWAYS, ROADS AND TRANSPORT SERVICES | | | | |
| Transport Planning and Strategy | 316 | 28 | 288 | 198 |
| Highways, Traffic Management and Road Safety | 754 | 83 | 671 | 504 |
| Parking Services | 2,731 | 5,079 | (2,348) | (1,914) |
| Public Transport | | | | |
| Concessionary Fares | 2,136 | 256 | 1,880 | 1,771 |
| Other Public Transport | 106 | 8 | 98 | 75 |
| Total for Highways, Roads and Transport Services | 6,043 | 5,454 | 589 | 634 |
| HOUSING GENERAL FUND | | | | |
| Private Sector Housing Renewal | 883 | 21 | 862 | 801 |
| Homelessness | 1,345 | 745 | 600 | 517 |
| Housing Benefits | 36,428 | 35,780 | 648 | 822 |
| Other Housing General Fund | 1,333 | 196 | 1,137 | 1,282 |
| Total for Housing General Fund | 39,989 | 36,743 | 3,246 | 3,422 |
| HOUSING REVENUE ACCOUNT | 28,780 | 22,877 | 5,903 | (1,390) |
| SOCIAL SERVICES – OLDER PEOPLE | 975 | 712 | 263 | 322 |
| COST OF SERVICES | 123,656 | 91,321 | 32,335 | 23,662 |

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008 (continued)

| | Notes | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|---|-------|--|--|
| Cost of Services (net) Brought Forward | 1 | 32,335 | 23,662 |
| (Gain)/Loss on the disposal of fixed assets (net of disposal costs) | 2 | (184) | (111) |
| Precepts paid to Parish Councils | | 743 | 617 |
| Deficit/(surplus) on Internal Trading | 3 | - | - |
| Interest payable and similar charges | | 3,796 | 3,438 |
| Contribution of Housing Capital Receipts to Government Pool | 4 | 1,886 | 2,669 |
| Interest and investment income | | (2,630) | (1,783) |
| Pensions Interest Cost and Expected Return on Pensions Assets | 5 | 1,017 | 1,266 |
| Net Operating Expenditure | | 39,963 | 29,758 |
| Demand on the Collection Fund | | (10,156) | (9,483) |
| General Capital Contributions | 6 | (297) | (744) |
| General Government Grants | 7 | (2,219) | (2,438) |
| Non-Domestic Rates redistribution | | (10,231) | (9,816) |
| Deficit/(Surplus) for the Year | | 14,060 | 7,277 |

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

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are used.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than council tax.
- 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 Councils 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 | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|--|--|--|
| Deficit/(Surplus) for the year on the Income and Expenditure Account | 14,060 | 7,277 |
| Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year. | (14,699) | (7,988) |
| (Increase)/Decrease in the General fund Balance for the Year | (639) | (711) |
| General Fund Balance Brought Forward | (2708) | (1,997) |
| General Fund Balance carried forward | (3,347) | (2,708) |

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 | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|--|--------------------|--|--|
| Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year | | | |
| Intangible fixed assets written down | 16 | (1,478) | (1,739) |
| Depreciation and impairment of fixed assets | 17 & 19 | (7,681) | (1,952) |
| Capital Contributions Deferred written down | | 556 | 497 |
| General Capital contributions | 6 | 297 | 744 |
| Write downs of deferred charges to be financed from capital resources | 20 | (542) | (510) |
| Gain/(loss) on sale of fixed assets (excluding disposal costs) | 2 | 296 | 149 |
| Timing differences on discounts/ premiums on early repayment of debt and interest on soft loans | 39 | | |
| - net adjustment of opening position at 1 April 2007 (see note page 22) | | - | - |
| - entries for 2007/08 | | 154 | - |
| Net charges made for retirement benefits in accordance with FRS 17 | 5 | (4,564) | (4,376) |
| | | (12,962) | (7,187) |
| Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year. | | | |
| Minimum revenue provision for capital financing | 15 | 10 | (33) |
| Capital expenditure charged in-year to the General Fund Balance | | 1,392 | 409 |
| Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool | 4 | (1,886) | (2,669) |
| Employers contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners | 5 | 4,376 | 3,882 |
| | | 3,892 | 1,589 |
| Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year | | | |
| Housing Revenue Account balance | | (2,358) | 652 |
| Net transfer to or (from) Major Repairs reserve | Page 59, Note 5 | (3,421) | (2,772) |
| Net transfer to or (from) other earmarked reserves | 42 | 150 | (270) |
| | | (5,629) | (2,390) |
| Net additional amount required to be credited to the General Fund balance for the year | | (14,699) | (7,988) |

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 | 2007/2008 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|--|---------|--|--|
| Deficit/(Surplus) for the year on the Income and Expenditure Account | Page 19 | 14,060 | 7,277 |
| (Surplus)/Deficit – movement in share of Collection Fund balance | 43 | (9) | (77) |
| (Increase)/Decrease arising on the revaluation of fixed assets | 37 | (37,919) | (42,458) |
| Actuarial losses/(gains) on pension fund assets and liabilities | 5 | 15,488 | (7,715) |
| Total recognised (gains)/loss for the year | | (8,380) | (42,973) |
| Adjustment of opening position on Financial Instruments at 1 April 2007 (see note below) | 39 | 1,460 | - |
| Total recognised (gains)/loss | | (6,920) | (42,973) |

The council has adopted a significant new accounting policy on Financial Instruments, in accordance with the revised Statement of Recommended Practice. (See accounting policies 1 and 14-16, pages 6-11, and Financial Instruments Adjustment Account note 39, page 49.) In accordance with the revised SORP requirements prior year comparatives for Financial Instruments have not been restated and have been brought forward unchanged from 2006/07 (with the exception of interest accruals). The adjustments required under the new policies have been implemented as at 1 April 2007 in the 2007/08 accounts.

These changes have had the following impact (**only figures that have been adjusted at 1 April 2007 are included in the table**):

| | Balance Sheet 31 March 2007 Statement of Accounts | Adjustment at 1 April 2007 | Statutory reversal to Financial Instruments Adjustment Account | Restated position at 1 April 2007 | Impact on Statement of Recognised Gains and Losses |
|--|---|----------------------------------|---|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Long Term Debtors (note 24, page 40) | 630 | (211) | - | 419 | 211 |
| Deferred Premiums on the early repayment of debt (note 25, page 40) | 1,758 | (1,758) | - | - | 1,758 |
| Deferred Discounts on the early repayment of debt (note 35, page 47) | (509) | 509 | - | - | (509) |
| | 1,879 | (1,460) | - | 419 | 1,460 |
| Statement of Movement on General Fund Balance (page 21) | - | 1,460 | (1,460) | - | |
| Financial Instruments Adjustment Account (note 39, page 49) | - | - | 1,460 | 1,460 | |
| Balance Sheet | 1,879 | - | - | 1,879 | |

BALANCE SHEET AS AT 31 MARCH 2008

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

| | Notes | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---|---------|---------------------------|---------------------------|
| Fixed Assets | | | |
| Intangible Fixed Assets | 16 | 3,044 | 3,829 |
| Tangible Fixed Assets | 17 & 18 | | |
| Operational Assets | | | |
| Council Dwellings | | 429,092 | 421,505 |
| Other Land and Buildings | | 61,348 | 61,338 |
| Operational Equipment | | 4,608 | 3,896 |
| Infrastructure Assets | | 4,314 | 3,372 |
| Community Assets | | 275 | 275 |
| Non-Operational Assets | | | |
| Investment Properties | | 38,068 | 26,299 |
| Assets under Construction | | 27,804 | 11,070 |
| Surplus Assets held for Disposal | | 19,322 | 12,934 |
| Total Fixed Assets | | 587,875 | 544,518 |
| Investments (Long Term) | 23 | 5,294 | 20 |
| Long Term Debtors | 24 | 425 | 630 |
| Deferred Premiums on the early repayment of debt | 25 | - | 1758 |
| Total Long Term Assets | | 593,594 | 546,926 |
| Current Assets | | | |
| Stock | 26 | 213 | 163 |
| Debtors | 27 | 15,690 | 12,366 |
| Investments (short term) | | 29,857 | 30,303 |
| Total Current Assets | | 45,760 | 42,832 |
| Current Liabilities | | | |
| Short Term Borrowing | | - | - |
| Creditors | 28 | (23,193) | (13,020) |
| Cash Overdrawn | | (1,002) | (931) |
| Total Current Liabilities | | (24,195) | (13,951) |
| Net Current Assets | | 21,565 | 28,881 |
| Long Term Borrowing | 29 | (59,377) | (55,857) |
| Provisions | 33 | (323) | (306) |
| Capital Contributions deferred | 34 | (32,710) | (18,982) |
| Deferred discounts on early repayment of debt | 35 | - | (509) |
| Pension Scheme Liability | 5 | (55,271) | (39,595) |
| Total Net Assets | | 467,478 | 460,558 |
| Represented by: | | | |
| Revaluation Reserve (formerly Fixed Asset Restatement Account) | 37 | 35,907 | - |
| Capital Adjustment Account (formerly Capital Financing Account) | 38 | 463,787 | 474,086 |
| Financial Instruments Adjustment Account | 39 | (1,306) | - |
| Usable Capital Receipts Reserve | 40 | 10,240 | 9,226 |
| Deferred Capital Receipts | 41 | 108 | 129 |
| Pensions Reserve | 5 | (55,271) | (39,595) |
| Earmarked Reserves | 42 | 9,019 | 10,008 |
| Revenue Balances | 43 | 4,994 | 6,704 |
| Total Net Worth | 36 & 44 | 467,478 | 460,558 |

THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

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

| | Notes | 2007/2008 £'000 | 2006/2007 £'000 |
|--|-------|--------------------|--------------------|
| Revenue Activities | | | |
| Cash outflows | | | |
| Cash paid to and on behalf of Employees | | 28,385 | 26,616 |
| Other Operating Cash Payments | | 41,973 | 39,608 |
| Housing Benefit Paid Out | | 22,338 | 20,375 |
| | | 92,696 | 86,599 |
| Precept paid to - Essex County Council | | 58,402 | 54,482 |
| - Essex Police Authority | | 6,774 | 6,295 |
| - Essex Fire Authority | | 3,487 | 3,303 |
| Non-domestic Rates paid to National Pool | | 49,182 | 49,364 |
| Payments to the Capital Receipts Pool | | 1,991 | 2,507 |
| Total Cash outflows | | 212,532 | 202,550 |
| Cash inflows | | | |
| Rents (after rebates) | | 11,950 | 11,666 |
| Council Tax Income | | 69,608 | 66,425 |
| Non-domestic Rate Income | | 50,757 | 48,525 |
| Non-domestic Rate Income from National Pool | | 10,231 | 9,816 |
| Government Grants | 49 | 49,772 | 44,674 |
| Cash Received from Goods and Services | | 16,612 | 15,820 |
| Other Operating Cash Receipts | | 10,091 | 8,881 |
| Total Cash inflows | | 219,021 | 205,807 |
| Net Cash (Inflow)/Outflow from Revenue Activities | 50 | (6,489) | (3,257) |
| Returns on Investments and Servicing of Finance | | | |
| Cash outflows | | | |
| Interest Paid | | 3,783 | 3,200 |
| Cash inflows | | | |
| Interest Received | | (1,719) | (1,499) |
| Net Cash Outflow from Returns on Investments and Servicing of Finance | | 2,064 | 1,701 |
| Capital Activities | | | |
| Cash outflows | | | |
| Purchase of Fixed Assets | | 22,057 | 24,277 |
| Other Capital Cash payments | | 1,605 | 2,083 |
| Purchase of Long Term Investments | | 5,000 | - |
| Total Cash outflows | | 28,662 | 26,360 |
| Cash inflows | | | |
| Sale of Fixed Assets | | 7,545 | 8,734 |
| Capital Grants Received | | 9,808 | 5,872 |
| Other Capital Cash Income | | 2,253 | 5,243 |
| Total cash inflows | | 19,606 | 19,849 |
| Net Cash Outflow/(Inflow) from Capital Activities | | 9,056 | 6,511 |
| Net Cash Outflow/(Inflow) before Financing | 51/52 | 4,631 | 4,955 |
| Management of Liquid Resources | | | |
| Net (Decrease)/Increase in Short Term Deposits | 52 | (1,060) | 5,305 |
| Financing | | | |
| Cash outflows | | | |
| Repayments of Amounts Borrowed | | - | 7,400 |
| PWLB Premium Paid | | - | - |
| Cash inflows | | | |
| New Loans Raised | | 3,500 | 17,400 |
| Discounts Received | | - | - |
| Net Cash (Inflow)/Outflow from Financing | | (3,500) | (10,000) |
| Decrease/(Increase) in Cash | | 71 | 260 |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Income and Expenditure Account

The services shown follow groupings, under national Best Value guidance, to help comparison between different Local Authorities, Service expenditure reflects the current service cost of retirement benefits under the full implementation of FRS17 (see Note 5, page 26).

In the 2006/07 Statement of Accounts, the Council had adopted three significant new accounting policies that impact on the figures in the Income and Expenditure Account. These have been continued for 2007/08.

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

In the 2007/08 Statement of Accounts, the Council had adopted a significant new accounting policy on Financial Instruments that has some impact on the figures in the Income and Expenditure Account. (See accounting policies 1 and 14-16, pages 6-11, and Financial Instruments Adjustment Account note 39, page 49.) Under the new policy the interest "loss" on "soft loans" has been charged to the Income and Expenditure Account and is included under "Private Sector Housing Renewal" (net impact of £46,000). In accordance with the revised SORP requirements prior year comparatives have not been restated.

2. Gain/Loss on the Disposal of Fixed Assets

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

3. Trading Operations

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

Trade Refuse - Included within "Waste Collection" in the Income and Expenditure Account (page 18). The deficit for the year was £102,500 on a turnover of £448,600. (2006/07 £110,400 deficit against turnover of £484,100).

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

| | 2007/08 Income £'000 | 2007/08 Expenditure £'000 | 2007/08 Net Expenditure £'000 | 2006/2007 Net Expenditure £'000 |
|---------------|----------------------------|---------------------------------|-------------------------------------|---------------------------------------|
| Leisure World | 3,352 | 4,474 | 1,122 | 1,062 |

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 £13,901,000 (2006/07 £13,504,000). These sums have been fully recharged to services.

Building Control - The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

| | 2007/08 Chargeable £'000 | 2007/08 Non Chargeable £'000 | 2007/08 Building Control £'000 | 2006/2007 Building Control £'000 |
|-------------------------------------|--------------------------------|---------------------------------------|---|---|
| Expenditure | | | | |
| Employee Expenses | 332 | 136 | 468 | 516 |
| Premises | 33 | 14 | 47 | 37 |
| Transport | 18 | 7 | 25 | 29 |
| Supplies and Services | 11 | 4 | 15 | 16 |
| Third Party Payments | 3 | 1 | 4 | 20 |
| Central and Support Service Charges | 173 | 57 | 230 | 213 |
| TOTAL EXPENDITURE | 570 | 219 | 789 | 831 |
| Income | | | | |
| Building Regulation Charges | (650) | 0 | (650) | (648) |
| (Surplus)/Deficit for Year | (80) | 219 | 139 | 183 |

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

4. Capital Receipt Pooling

We have to pay a proportion of capital receipt into a Government pool for redistribution (see Note 40, page 50).

5. Pensions Costs and Benefits

Participation in Pension Schemes

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

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

Transactions Relating to Retirement Benefits

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

| | Local Government Pension Scheme | | | |
|---|---------------------------------|--------------|---------|--------------|
| | 2007/08 | | 2006/07 | |
| | £'000 | £'000 | £'000 | £'000 |
| Income and Expenditure Account | | | | |
| Net Cost of Services: | | | | |
| Current Service Cost | | 2,722 | | 3,050 |
| Past Service Cost | | 824 | | - |
| Settlement/Curtailment | | 1 | | 60 |
| Net Operating Expenditure: | | | | |
| Interest Cost | | 7,282 | | 6,653 |
| Expected Return of Assets in the Scheme | | (6,265) | | (5,387) |
| Net Charge to the Income and Expenditure Account | | 4,564 | | 4,376 |
| Statement of Movement on the General Fund Balance | | | | |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | (4,564) | | (4,376) | |
| Employers' Contributions Payable to Scheme | 4,376 | (188) | 3,882 | (494) |
| Actual Amount Charged against Council Tax for Pensions in the Year | | 4,376 | | 3,882 |

In 2007/08 the provisions of the LGPS were changed by the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007. These provide some increases in death benefits on accrued service which are shown as Past Service Costs. The Past Service Cost and the Settlement/Curtailment figures are shown in the Income and Expenditure Account (page 18) under Non Distributed Costs.

The actual contributions payable are determined by the Fund's Actuary based on triennial actuarial valuations. Rates are set to meet 100% of the overall liabilities of the fund. The employer's basic contributions set for the period 1 April 2005 to 31 March 2008 were 158% of employees' contribution plus lump sums for back-funding. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded and the additional costs of early retirements approved in the year. These levels were based on the actuarial valuation as at 31 March 2004. The employer's contributions payable are as follows:

| | 2007/08 | 2006/2007 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Employer's equivalent contribution | 1,607 | 1,498 |
| Added years | 384 | 375 |
| Back funding | 2,384 | 1,951 |
| Strain on early retirements | 1 | 58 |
| | 4,376 | 3,882 |

We pay contributions to the County fund monthly in arrears so at 31 March 2008 the sum of £367,000 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 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 employers contribution rates for the next three years with the under funding planned to be cleared over a twenty year period. While the basic employer's contribution has increased from 9.4% to 11.9% of pensionable pay the back funding contribution has reduced. The sum required from this Authority for back funding for 2007/08 is £2,074,500 (£2,384,000 for 2006/07) and this is expected to increase to £2,269,700 by 2010/11. The next revaluation will be as at 31 March 2010 and will be implemented with effect from 1 April 2011.

Further information can be found in Essex County Council's Pension Fund's Annual Report which is available upon request from Essex County Council, Treasurer's Department, P.O. Box 4, County Hall, Chelmsford CM1 1JZ.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2008 are as follows:

| | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---------------------------------|------------------------|------------------------|
| Estimated liabilities in scheme | 144,914 | 135,292 |
| Estimated assets in scheme | 89,643 | 95,697 |
| Net liability | 55,271 | 39,595 |

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £55.3 million has a significant impact on the net worth of the authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. We are making an annual back-funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

Basis for Estimating Assets and Liabilities

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

The main financial assumptions adopted were:

| | 31 March 2008 % | 31 March 2007 % |
|--|--------------------|--------------------|
| Rate of inflation | 3.6 | 3.1 |
| Rate of increase in salaries | 5.1 | 4.6 |
| Rate of increase in pensions (parts of pensions in payment representing guaranteed minimum pensions are not increased (pre 1998 accrual) or increased at 2.0% per annum (post-1998 accrual)). | 3.6 | 3.1 |
| Rate for discounting scheme liabilities | 6.1 | 5.4 |
| Take up of option to convert annual pension into retirement grant | 50.0 | 50.0 |

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £3,168 million for the Fund as a whole at 31 December 2007 (£3,043 million at 31 March 2007). The funds assets consist of the following categories, by proportion with the expected rates of return shown.

| | 31 March 2008 | | 31 March 2007 | |
|--------------------|-----------------|----------------------|-----------------|----------------------|
| | Proportion % | Expected Return % | Proportion % | Expected Return % |
| Equity investments | 70.2 | 7.5 | 69.3 | 7.5 |
| Gilts | 9.4 | 4.6 | 9.9 | 4.7 |
| Other Bonds | 6.6 | 6.1 | 6.3 | 5.4 |
| Property | 10.7 | 6.5 | 12.5 | 6.5 |
| Other assets | 3.1 | 5.25 | 2.0 | 5.25 |
| | 100.0 | 6.96 | 100.0 | 6.92 |

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

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

Pension Reserve

| | 2007/2008 £'000 | 2006/2007 £'000 |
|---------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year | (39,595) | (46,816) |
| Actuarial Gain/(Loss) | (15,488) | 7,715 |
| Transfer (to)/from Revenue | (188) | (494) |
| Balance at the End of the Year | (55,271) | (39,595) |

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

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

| | 2003/04 | | 2004/05 | | 2005/06 | | 2006/07 | | 2007/08 | |
|---|--------------|-------------|-----------------|-------------|--------------|------------|--------------|------------|-----------------|----------------|
| | £000's | % | £000's | % | £000's | % | £000's | % | £000's | % |
| Differences between the expected and actual return on assets | 9,471 | 14.0 | 3,452 | 4.7 | 14,007 | 15.6 | 1,067 | 1.1 | (10,299) | (11.5%) |
| Differences between actuarial assumptions about liabilities and actual experience | - | - | (3,010) | 2.5 | (2,317) | 1.7 | - | - | 3,992 | 2.8% |
| Changes in the demographic and financial assumptions used to estimate liabilities | - | - | (19,016) | 15.5 | (10,400) | 7.6 | 6,648 | 4.9 | (9,181) | (6.3%) |
| | 9,471 | 14.0 | (18,574) | 15.2 | 1,290 | 0.9 | 7,715 | 5.7 | (15,488) | (10.7%) |

6. General Capital Contributions

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

7. General Government Grants

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

- Under the Local Authority Business Growth Incentive a proportion of the growth in business rates is returned to the authority - £502,345 (2006/07 - £508,887).
- In 2006/07 only we received a Performance Reward Grant, at the conclusion of the three year Public Service Agreement, that reflected performance against a number of targets (2006/07 - £69,570).

8. Section 137 Expenditure

Following amendments under the Local Government Act 2000 we are only obliged to publish grants made to charities in the UK, not-for-profit bodies and mayoral appeals.

We have made no such contributions in this financial year.

9. Expenditure on Publicity

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

| | 2007/08 | 2006/2007 |
|---|----------------|------------------|
| | £'000 | £'000 |
| Staff Recruitment | 95 | 149 |
| Tourism | 372 | 346 |
| Industry and Commerce | 38 | 55 |
| Miscellaneous Advertising & Publications | 139 | 107 |
| Total Net Expenditure on Publicity | 644 | 657 |

10. Members and Employees

The total of Members' allowances paid in the year was £506,098 and this is included within Democratic Representation and Management in the Income and Expenditure Account (page 18). Details of Members' Allowances are reported annually and a copy of the report can be obtained from Democratic Services, Town Hall, or by telephoning Colchester 282207.

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

| | 2007/2008 | 2006/2007 |
|-------------------------------------|------------------|------------------|
| Central services | 20 | 22 |
| Cultural & related services | 234 | 213 |
| Environmental services | 248 | 226 |
| Planning & development services | 70 | 76 |
| Highways, roads & transport | 53 | 50 |
| Housing general fund | 94 | 98 |
| Administration and support services | 192 | 183 |
| | 911 | 868 |

Within the total number of employees are those whose remuneration, excluding pension contributions but including termination payments, was £50,000 or more. These are shown in bands of £10,000.

Remuneration Band

| | Number of Employees (left during the year) | |
|---------------------|---|----------------|
| | 2007/08 | 2006/07 |
| £50,000 - £59,999 | 5 | 4 |
| £60,000 - £69,999 | 7 | 5 |
| £70,000 - £79,999 | 1 | 2 |
| £80,000 - £89,999 | 2 | - |
| £90,000 - £99,999 | 1 | - |
| £100,000 - £109,999 | - | 1 |
| £110,000 - £119,999 | 1 | - |

11. Audit Costs

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

| | 2007/2008 | 2006/2007 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Core external audit services | 115 | 102 |
| Statutory inspection | 6 | 3 |
| Certification of Grant Claims | 40 | 54 |
| Other Services – National Fraud Initiative | 1 | 1 |
| | 162 | 160 |

12. Related Party Transactions

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

| | 2007/2008 | | 2006/2007 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Receipts £'000 | Payments £'000 | Receipts £'000 | Payments £'000 |
| Central Government: | | | | |
| Revenue Grants (see Note 49, page 54) | 49,772 | | 44,674 | |
| Non-Domestic Rate Income from National Pool | 10,231 | | 9,816 | |
| Capital Grants | | | | |
| - Department of Communities and Local Government | 4,064 | | 928 | |
| - English Heritage | 10 | | 19 | |
| - Regeneration Budget (EEDA) | 2,457 | | 2,864 | |
| - Department for Environment and Rural Affairs | 115 | | 80 | |
| - Arts Council England | 2,205 | | 865 | |
| - Football Foundation | 1,500 | | - | |
| - Museums, Libraries and Archive Council | - | | 18 | |
| Essex County Council: | | | | |
| Precept (see Notes 5 & 7, page 65/67) | | 58,402 | | 54,482 |
| Supporting People | 758 | | 735 | |
| Countywide Concessionary Travel Scheme | | 1,881 | | 1,619 |
| Trade Waste Disposal | | 164 | | 130 |
| Contributions to Capital Schemes | 873 | | 1,578 | |
| Recycling Credits | 752 | | 786 | |
| Joint Use of Sports Centres | 18 | 148 | 43 | 140 |
| Other, including County Supplies | 240 | 771 | 239 | 1,060 |
| On Street Parking (Decriminalisation) | | 57 | | 43 |
| Community Projects | 88 | | 80 | |
| Essex County Council Pension Fund | | | | |
| Employers Contributions (see Note 5, page 26) | | 4,376 | | 3,882 |
| Colchester Borough Homes Limited (see Note 45, Page 51) | | | | |
| | 439 | 3,376 | 434 | 3,139 |
| We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account. | | | | |
| Parish Councils | | | | |
| | | 1,153 | | 914 |
| The payments are grants and precepts to support services provided by Parish Councils. | | | | |
| Colchester Primary Care Trust | | | | |
| | 21 | - | 15 | - |
| Contributions for joint finance schemes for housing special needs and health promotion. | | | | |
| Mercury Theatre Company – Grant | | | | |
| | | 298 | | 292 |
| 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 73). | | | | |
| Colchester United Football Club | | | | |
| | 15 | | 43 | |
| The receipt for rent of the Layer Road ground is £15,000. The Council is working with the Club on plans to relocate the Club to a new community stadium being built on land owned by the Council. | | | | |

| | 2007/2008 | | 2006/2007 | |
|--|-----------|----------|-----------|----------|
| | Receipts | Payments | Receipts | Payments |
| | £'000 | £'000 | £'000 | £'000 |
| Colchester Community Stadium Limited (see Note 45, Page 51) | 250 | 35 | | |
| We have provided a loan for initial working capital to the company and have received advance rent for the Community Stadium. | | | | |
| Voluntary Organisations – Grants | | | | |
| Arts Development | | 334 | | 280 |
| Welfare Organisations | | 199 | | 187 |
| Village Halls and Community Centres | | 59 | | 154 |
| Community Partnership Schemes | | 181 | | 182 |
| Recreation Development | | 25 | | - |
| Housing Groups | | 28 | | 27 |
| Shopmobility (Joint with CCVS) | | 22 | | 22 |
| Other | | 22 | | 20 |
| Economic Development Activities – Grants | | | | |
| Colchester Town Centre Partnership | | 70 | | 70 |
| Colchester Business Enterprise Agency | | 31 | | 25 |
| Other | | 49 | | 77 |

13. Local Area Agreement (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA completed the second year of its three year agreement.

The purpose of the LAA is:

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

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

The LAA partners are:

- Local Government Bodies:-
Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council, Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.
- Local Strategic Partnerships (LSP):-
Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.
- Community Protection Authorities:-
Essex County Fire and Rescue, Essex Police, National Probation Service.
- Health Bodies:-
South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT and North East Essex PCT, Basildon and Thurrock University Hospitals NHS Foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority
- Learning Bodies:-
Essex Learning and Skills Council, Essex Southend and Thurrock Connexions, University of Essex.
- Voluntary Organisations:-
Essex County for Voluntary Youth Services.
- Other Organisations:-
Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

Essex County Council acts as the Accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved.

The total amount of LAA grant received by the Accountable Body in 2007/08 was £14,845,141. The Council received £297,972 of this total to support its own services. This amount is included as income in the Council accounts; grant towards Building Safer Communities (£158,782) under "Community safety" in the Income and Expenditure Account (page 18); Waste Performance and Efficiency grant under "Waste Collection" (£69,595) in the Income and Expenditure Account (page 18) and capital contributions (£69,595, note 21, page 38)

14. 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.

| | 2007/2008 £'000 | 2006/2007 £'000 |
|----------------------|--------------------|--------------------|
| Land & Buildings | 521 | 473 |
| Vehicles & Equipment | 694 | 682 |
| Total | 1,215 | 1,155 |

The Authority is committed to making payments of £1,117,000 in 2008/2009, comprising the following:

| | Land & Buildings £'000 | Vehicles & Equipment £'000 | Total £'000 |
|---|---------------------------|-------------------------------|----------------|
| Leases expiring in 2008/2009 | - | 27 | 27 |
| Leases expiring between 2009/2010 and 2012/2013 | 10 | 644 | 654 |
| Leases expiring after 2012/2013 | 436 | 0 | 436 |
| Total | 446 | 671 | 1,117 |

(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 2007/2008 were £2,384,000 (2006/2007 £2,226,000).

15. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutorily prescribed minimum charge made to the revenue account to provide for the repayment of debt. This basic element is offset by an adjustment to equalise the impact of commutation.

| | 2007/2008 £'000 | 2006/2007 £'000 |
|----------------------------------|--------------------|--------------------|
| Non-Housing Amount | 10 | (33) |
| Minimum Revenue Provision | 10 | (33) |

The Council has based the 2007/08 Statutory General Fund MRP provision on 4% of the opening capital financing requirement. This is in line with regulation implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. We will review this charge in 2008/09 to determine whether the new DCLG guidance issued in 2007/08 will have any impact on this provision. Any changes will be implemented in 2008/09.

16. Intangible Fixed Assets

| | 2007/2008 £'000 | 2006/2007 £'000 |
|---|--------------------|--------------------|
| Software | | |
| Original Cost | 6,020 | 7,083 |
| Written Out to Revenue to 1 April | (2,191) | (2,335) |
| Balance at the beginning of the Year | 3,829 | 4,748 |
| Expenditure in Year | 693 | 820 |
| Written Out to Revenue in Year | (1,478) | (1,739) |
| Balance at the End of the Year | 3,044 | 3,829 |

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).

17. Tangible Fixed Assets

Major assets held by the Council are as follows:

| | 31 March 2008 | 31 March 2007 |
|---|---------------|---------------|
| Operational Assets | | |
| Council Dwellings | | |
| Council House Stock | 6,320 | 6,349 |
| Council Garages | 2,605 | 2,605 |
| Shared Ownership Properties | 13 | 13 |
| Other Land and Buildings | | |
| Town Hall | 1 | 1 |
| Other Office Locations | 4 | 4 |
| Depots | 3 | 4 |
| Sports Centres (plus 2 jointly used with schools) | 1 | 1 |
| Cemetery | 1 | 1 |
| Crematorium | 1 | 1 |
| Public Conveniences | 18 | 19 |
| Activity Centres for Older People | 2 | 2 |
| Visitor Information Centre | 1 | 1 |
| Highwoods Visitor Centre | 1 | 1 |
| West Mersea Beach Area | 1 | 1 |
| Bus Station | 1 | 1 |
| Car Parks (plus 2 temporary sites) | 14 | 14 |
| Colchester Castle | 1 | 1 |
| Other Museums | 3 | 3 |
| Nurseries | 1 | 1 |
| Sports Pavilions | 9 | 9 |
| Vehicles, Plant and Equipment | | |
| Vehicles and Plant | 83 | 59 |
| CCTV Town Centre Monitoring System | 1 | 1 |
| Community Assets | | |
| Museum Exhibits (including artwork) | Circa 500,000 | Circa 500,000 |
| Civic Regalia | 78 | 78 |
| Commons and Greens | 13 | 13 |
| Parks and Open Spaces | 1,100 acres | 1,100 acres |
| Sports Grounds | 191 acres | 191 acres |
| Woodland | 163 acres | 163 acres |
| Children's Play Area | 56 | 56 |
| Balkerne Gate Roman Features | 1 | 1 |
| Gosbecks Archaeological Park | 1 | 1 |
| Non-Operational Assets | | |
| Former Outdoor Swimming Pool | 1 | 1 |
| Industrial Lettings | 46 | 46 |
| Managed Workshop Scheme | 2 | 2 |
| Shopping Centre (site only) | 1 | 1 |
| Office Complex (site only) | 1 | 1 |
| Business Park (site only) | 1 | 1 |
| Shops | 30 | 30 |
| Office Premises | 3 | 3 |
| Doctors Surgeries | 3 | 3 |
| Vacant Industrial Land | 2 acres | 2 acres |
| Allotments | 57 acres | 57 acres |
| Oyster Fishery on River Colne | 1 | 1 |
| Farmland | 551 acres | 551 acres |
| Sites for Advertising | 4 | 4 |
| Football Stadium | 2 | 2 |

Tangible Fixed Assets (continued)

The table below shows movements in net fixed assets.

| | Council Dwellings, Land & Property £'000 | Other Land & Buildings £'000 | Vehicles Plant & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Non-Operational Assets £'000 | TOTAL £'000 |
|--|---|---------------------------------|-------------------------------------|--------------------------------|---------------------------|---------------------------------|-----------------|
| Value as at 1 April 2007 | 435,147 | 62,779 | 8,091 | 4,912 | 275 | 50,305 | 561,509 |
| Additions | 6,601 | 1,035 | 1,556 | 378 | 13 | 19,263 | 28,846 |
| Disposals | (2,462) | - | (313) | - | - | (4,726) | (7,501) |
| Revaluations/Restatements | 16,013 | 112 | (17) | - | (13) | 21,152 | 37,247 |
| Assets Transferred | - | (13) | 4 | 807 | - | (798) | - |
| Gross Book Value at 31 March 2008 | 455,299 | 63,913 | 9,321 | 6,097 | 275 | 85,196 | 620,101 |
| Depreciation b/fwd as at 1 April 2007 | (13,642) | (1,441) | (4,195) | (1,540) | - | (2) | (20,820) |
| Depreciation for the Year | (7,697) | (846) | (792) | (243) | - | (3) | (9,581) |
| Impairment for the Year | (5,028) | (320) | - | - | (13) | (437) | (5,798) |
| Depreciation on Assets Sold | - | - | 257 | - | - | - | 257 |
| Depreciation on Assets Transferred | - | 19 | - | - | - | (19) | - |
| Depreciation on Assets Revalued | 92 | 23 | 17 | - | - | 22 | 154 |
| Impairment on assets Revalued | 68 | - | - | - | 13 | 437 | 518 |
| Depreciation & Impairment balance as at 31 March 2008 | (26,207) | (2,565) | (4,713) | (1,783) | - | (2) | (35,270) |
| Net Book Value at 31 March 2008 | 429,092 | 61,348 | 4,608 | 4,314 | 275 | 85,194 | 584,831 |
| Net Book Value at 31 March 2007 | 421,505 | 61,338 | 3,896 | 3,372 | 275 | 50,303 | 540,689 |

The revaluations/restatements take account of:

- the uplift of Council dwellings to 31 March 2008 value
- the revaluation of some other land and buildings and non-operational assets
- the impact of additions during 2007/08

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

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

However, under the revised requirements of the SORP 2007 (See accounting policies 1 and 4, pages 6/7) the Revaluation Reserve only holds revaluation gains accumulated since 1 April 2007. Therefore, for 2007/08 there were no previous revaluation gains accumulated and all reductions in values have been written off through the service revenue account. In earlier years general reductions in value were netted off against increases through the former Fixed Asset Restatement Account (note 37, page 48) rather than through the service revenue account. The reductions relate to a reassessment of the estimated value of the assets since the previous valuation in the light of current knowledge and market conditions.

See Statement of Capital Expenditure and Financing (Note 21, page 38) for analysis of “Additions” and sources of finance.

Non-operational assets are analysed in the table below.

| | Investment Properties £'000 | Surplus Properties £'000 | Assets under Construction £'000 | TOTAL £'000 |
|---|-----------------------------------|--------------------------------|---------------------------------------|----------------|
| Analysis of Non-Operational Assets | | | | |
| Value as at 1 April 2007 | 26,301 | 12,934 | 11,070 | 50,305 |
| Additions | - | 877 | 18,386 | 19,263 |
| Disposals | - | (4,726) | - | (4,726) |
| Revaluations/Restatements | 11,769 | 9,383 | - | 21,152 |
| Assets Transferred | - | 854 | (1,652) | (798) |
| Gross Book Value at 31 March 2008 | 38,070 | 19,322 | 27,804 | 85,196 |
| Depreciation b/fwd as at 1 April 2007 | (2) | - | - | (2) |
| Depreciation for the Year | - | (3) | - | (3) |
| Impairment for the Year | - | (437) | - | (437) |
| Depreciation on Assets Sold | - | - | - | - |
| Depreciation on Assets Transferred | - | (19) | - | (19) |
| Depreciation on Assets Revalued | - | 22 | - | 22 |
| Impairment on assets Revalued | - | 437 | - | 437 |
| Depreciation & Impairment balance as at 31 March 2008 | (2) | - | - | (2) |
| Net Book Value at 31 March 2008 | 38,068 | 19,322 | 27,804 | 85,194 |
| Net Book Value at 31 March 2007 | 26,299 | 12,934 | 11,070 | 50,303 |

18. Valuation of Fixed Assets

All Council dwellings were revalued at 1 April 2005 at a gross value of £357 million. The valuation of dwellings has been uplifted to 31 March 2008 in the 2007/08 accounts and this is reflected in the valuation shown in Note 17 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 £65 million.

The valuations were made in accordance with the Appraisal and Valuation Standards (5th Edition) issued by the Royal Institution of Chartered Surveyors.

These valuations have been based upon available records, some of which have proved to be quite limited. Professional judgement has been exercised in some instances due to incomplete information and some valuations will be reviewed should further information become available. The valuations assume that the land and properties are unaffected by contamination. Specific inspections and structural or soil surveys have not been carried out and service installations have not been tested.

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

Operational assets are those held occupied and used in the direct delivery of services for which the Council has either a statutory or a discretionary responsibility. They have been valued on the basis of Existing Use Value (EUV) where this could be assessed. This assumes that the asset will continue to be owner-occupied, or let pursuant to the delivery of a service, for the existing use for the foreseeable future.

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

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

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

Fixed assets are updated for additions and disposals in the year. Other than the changes noted above it is not considered that there has been any other material change in asset values and therefore the remaining valuations have not been updated.

The valuations were carried out by Corporate Members of the Royal Institution of Chartered Surveyors by external valuers, Mr Nick Denny, MRICS, former Estates Manager, Estates Services, Colchester Borough Council and Ms E O'Hara, MRICS, Estates Officer, Estates Services, Colchester Borough Council.

19. 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 18 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 |

20. Deferred Charges

| | 2007/2008 £'000 | 2006/2007 £'000 |
|---|--------------------|--------------------|
| Balance at the beginning of the Year | - | - |
| Expenditure in Year | | |
| Renovation Grants | 521 | 539 |
| Other | 280 | 505 |
| | 801 | 1,044 |
| Less: | | |
| Capital Contributions | 259 | 534 |
| Amounts Written Off to Consolidated Revenue Account | 542 | 510 |
| Balance at the End of the Year | - | - |

21. Capital Expenditure and Financing

Summary of Capital Expenditure

| | 2007/2008 £'000 |
|----------------------------------|--------------------|
| Intangible Fixed Assets | 693 |
| Operational Assets | 10,708 |
| Non Operational Assets | 18,138 |
| Deferred Charges | 801 |
| Long Term Debtors | 111 |
| Total Capital Expenditure | 30,451 |

Analysis of Expenditure and Financing

| | 2006/2007 £'000 |
|--|--------------------|
| Fixed Assets: | |
| Community Stadium Construction | 10,670 |
| Colchester Regeneration Projects | 8,612 |
| Improvements to Council Housing | 6,601 |
| Waste Services | 1,089 |
| Sport and Recreation | 575 |
| Office Improvements | 461 |
| Car Park Ticket Machines | 325 |
| Public Conveniences | 195 |
| Heritage and Tourism | 180 |
| Investment in Information Technology | 118 |
| Other | 20 |
| Total Fixed Assets | 28,846 |
| Capital Expenditure not Resulting in Fixed Assets: | |
| Investment in Information Technology – Software | 693 |
| Renovation Grants | 521 |
| Loans to Private Sector Housing | 111 |
| Grants for Community Facilities | 62 |
| Other | 218 |
| Total Capital Expenditure not Resulting in Fixed Assets | 1,605 |
| Total Capital Expenditure to be Financed | 30,451 |
| Financed by: | |
| Unsupported Borrowing | 5,934 |
| Application of Capital Receipts | 4,698 |
| Major Repairs Reserve | 5,416 |
| Direct Revenue Funding | 1,392 |
| Grants and Contributions | 13,011 |
| Total Financing | 30,451 |

Capital Financing Requirement

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

22. Commitments Under Capital Contracts

Committed Capital Contracts

The following significant contracts have been entered into by the Council at 31 March 2008, for which the committed sums of £12.2 million shown below are yet to be reflected in the accounts. All the following schemes are identified and funded within the approved capital programme.

| | Total Anticipated Contract Expenditure £'000 | Less Total Expenditure to 31 March 2008 £'000 | Committed Contracts as at 31 March 2008 £'000 |
|---|--|--|--|
| Housing stock – Decent Homes and Upgrades | 740 | - | 740 |
| Firstsite:Newsite | 17,805 | 12,641 | 5,164 |
| Town Hall Lift | 1,377 | 88 | 1,289 |
| Construction new Community Stadium | 15,140 | 10,670 | 4,470 |
| King Edward Quay | 2,000 | 1,454 | 546 |
| | 37,062 | 24,853 | 12,209 |

Where a significant element of an overall project has been contracted by 31 March 2008 the full project cost is included above even if some elements were not contracted until after 31 March 2008. The Council has agreed funding of £1.755 million for Firstsite:Newsite; a further £16.050 million has been confirmed by other funding bodies and planned from fund raising. For the Community Stadium the Council has agreed funding supported by prudential borrowing, with £4 million confirmed by other funding bodies. The King Edward Quay scheme is funded from Growth Point funding and Section 106 contributions.

Approved Capital Schemes

In addition to the above contracts construction works had been approved to proceed but had not been contracted at 31 March 2008 for the following:

- Business Incubator Units for £2.7 million from Growth Point funding.
- Contribution to Hythe Station platform lengthening of £1 million from Section 106 contributions.

Furthermore, the Council has agreed to release funding of £2 million towards a programme of investment in new Information Technology. This commenced in 2007/08 and is being developed on a phased basis.

23. Long Term Investments

| | Balance at 31 March 2008 £'000 | Balance at 31 March 2007 £'000 |
|---|--------------------------------------|--------------------------------------|
| Association of District Councils (ADC) Debenture | 10 | 10 |
| Market Value of Marketable Securities at 31 March | 10 | 10 |
| Term Deposits | 5,274 | - |
| Total Long Term Investments | 5,294 | 20 |
| Marketable Securities at cost | 21 | 21 |

24. 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 2007 £'000 | Interest adjustment £'000 | Advances in the Year £'000 | Repayments In the Year £'000 | Balance at 31 March 2008 £'000 |
|--|-------------------------------------|---------------------------------|----------------------------------|------------------------------------|--------------------------------------|
| Sale of Council Houses | 129 | - | - | 21 | 108 |
| Purchase/Improvement of Private Sector Houses | 59 | - | - | 12 | 47 |
| Improvement of Private Sector Houses-interest free | 442 | (257) | 110 | 25 | 270 |
| Total Long Term Debtors | 630 | (257) | 110 | 58 | 425 |

Under the new accounting policies adopted from 1 April 2007 (see accounting policies 1 and 14-16, pages 6-11, and the note to the Statement of Total Recognised Gains and Losses, page 22) interest free loans have been remeasured to amortised cost. 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 forgone is calculated based on the current market rate, at the end of the year in which the advance is recognised, for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see note 39, page 49). The interest adjustment for the year reflects:-

- "loss" of interest forgone on balance of loans at 1 April 2007 – (£211,000)
- "loss" of interest forgone on advances made in the year – (£59,000)
- one year write back of value of loans outstanding at beginning of year – £13,000.

25. Deferred Premiums

The balance of deferred premiums has been transferred to the Financial Instruments Adjustment Account. (See note 39, page 49 and the note to the Statement of Total Recognised Gains and Losses, page 22.)

26. Stocks and Work in Progress

| | Value as at 31 March 2008 £'000 | Value as at 31 March 2007 £'000 |
|-----------------------------------|---------------------------------------|---------------------------------------|
| Stocks | 213 | 163 |
| Less Provision for Obsolete Stock | - | - |
| Total Stocks | 213 | 163 |

Work in progress

There is no work in progress at the end of 2007/2008

27. Debtors

| | Value as at 31 March 2008 £'000 | Value as at 31 March 2007 £'000 |
|---|---------------------------------------|---------------------------------------|
| Sums falling due within One Year | | |
| Non-domestic Rate Arrears | 988 | 803 |
| Contribution to NNDR Pool | 907 | 731 |
| Council Tax Arrears | 4,419 | 3,887 |
| Government Departments | 4,067 | 1,920 |
| Council Tenants | 1,380 | 1,298 |
| Essex County Council | 450 | 1,584 |
| HM Customs and Revenue (VAT) | 1,166 | 1,038 |
| General Debtors | 8,229 | 6,017 |
| Total Due within One Year | 21,606 | 17,278 |
| Sums falling due after One Year: | | |
| General Debtors | - | - |
| Total Due after One Year | - | - |
| Gross Debtors | 21,606 | 17,278 |
| Less Provision for Doubtful Debts | (5,916) | (4,912) |
| Total Debtors | 15,690 | 12,366 |

In accordance with the revised guidance outstanding interest on investments is now included with the financial instruments balances rather than with debtors (See notes 29, page 42) and the March 2007 comparatives have been restated.

28. Creditors

| | Value as at 31 March 2008 £'000 | Value as at 31 March 2007 £'000 |
|--------------------------------|---------------------------------------|---------------------------------------|
| Non Domestic Rate Prepayment | 3,623 | 1,858 |
| Council Tax Prepayment | 1,885 | 2,483 |
| Contribution to NNDR Pool | - | - |
| Government Departments | 1,428 | 1,265 |
| Council Tenants | 234 | 250 |
| Contractors' Deposits | 83 | 83 |
| Essex County Council | 1,578 | 1,457 |
| Contractors re Capital Schemes | 8,119 | 1,336 |
| General Creditors | 6,243 | 4,288 |
| Total Creditors | 23,193 | 13,020 |

In accordance with the revised guidance outstanding interest on borrowings is now included with the financial instruments balances rather than with creditors (See notes 29, page 42) and the March 2007 comparatives have been restated.

29. 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 2008 £000s | 31 March 2007 £000s | 31 March 2008 £000s | 31 March 2007 £000s |
| Financial liabilities at amortised cost | | | | |
| - Public Works Loan Board (PWLB) | 28,171 | 24,650 | - | - |
| - Money Market | 31,206 | 31,207 | - | - |
| Total borrowings | 59,377 | 55,857 | - | - |
| Loans and receivables - Investments | 5,274 | - | 29,857 | 12,547 |
| - ADC Debenture | 10 | 10 | - | - |
| Available-for-sale financial assets | 10 | 10 | - | 17,756 |
| Total investments | 5,294 | 20 | 29,857 | 30,303 |

In accordance with the revised guidance outstanding interest on borrowings and investments are now included with the financial instruments balances rather than with debtors/creditors (See notes 27/28, page 41) and the March 2007 comparatives have been restated. In 2006/07 we used Fund Managers for a major part of our investments and these are shown under "Available for sale financial assets". In 2007/08 we ceased using Fund managers and all investments are managed internally and held as "Loans and receivables".

30. 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:

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

2006/07

| | Financial Liabilities | Financial Assets | | Total £000s |
|--|---|--------------------------------|------------------------------------|----------------|
| | Liabilities measured at amortised cost £000s | Loans and receivables £000s | Available-for-sale assets £000s | |
| Interest expenses | 3,238 | - | - | |
| Losses on derecognition (net) | - | - | 68 | |
| Interest payable and similar charges | 3,238 | - | 68 | 3,306 |
| Interest income | - | (1,057) | (835) | |
| Gains on derecognition | - | - | - | |
| Interest and investment income | - | (1,057) | (835) | (1,892) |
| Gains on revaluation | | | - | |
| Losses on revaluation | | | 41 | |
| Loss arising on revaluation of financial assets | | | 41 | 41 |
| Net loss/(gain) for the year | 3,238 | (1,057) | (726) | 1,455 |
| Adjusted via SMGFB-premiums/discounts | 200 | - | - | 200 |
| Impact on balances | 3,438 | (1,057) | (726) | 1,655 |
| Born by:- | | | | |
| General Fund | 429 | (979) | (726) | (1,276) |
| Housing Revenue Account | 3,009 | (78) | - | 2,931 |
| | 3,438 | (1,057) | (726) | 1,655 |

The average interest rate on all financial liabilities - borrowings (including short term borrowing) for 2007/08 was 5.92% (2006/07 = 6.22%).

In 2006/07 we used Fund Managers for a major part of our investments and the loss/(gains) from these are shown under "Available for sale financial assets". In 2007/08 we ceased using Fund managers with all investments being managed internally for the major part of the year and the main loss/(gains) were thus shown under "Loans and receivables".

31. 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 and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31 March 2008 | |
|-----------------------|--------------------------|---------------------|
| | Carrying amount £000s | Fair value £000s |
| Financial liabilities | 59,377 | 67,187 |

The fair value 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.

| | | |
|-----------------------|----------|----------|
| Loans and receivables | (35,131) | (35,131) |
|-----------------------|----------|----------|

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

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are made with banks and financial institutions with reference to independent credit ratings. Limits are placed on the value of the investments and the length of maturity. The Council's approach to managing credit risk is by having limits on individual investments commensurate with the level of credit risk. For example, limits of £10m are used for Government securities and other local authorities, whereas limits with independently rated banks and building societies vary from £1m to £7.5m, the upper limit only being for the higher rated organisations. In addition limits are placed on the total level of investment in certain sectors and for all investments there are limits placed on the length of the investment.

Loans to Customers (see note 24, page 40) are secured against the property and represent only a modest proportion of the total property value.

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

| | Amount at 31 March 2008 £000S | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2008 % | Estimated maximum exposure to default and uncollectability £000S |
|--|-------------------------------------|---|---|---|
| | A | B | C | (A X C) |
| Deposits with banks and financial institutions | 35,131 | 0 | 0 | 0 |
| Customers | 426 | 0 | 0 | 0 |
| | | | | <u>0</u> |

No credit limits were exceeded during the reporting period and the authority does not expect any 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.

Liquidity risk

As the authority 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:

| | £000s |
|----------------------------|---------------|
| Less than one year | - |
| Between one and two years | 5,038 |
| Between two and five years | - |
| Between five and ten years | 5,538 |
| Over ten years | 48,801 |
| | <u>59,377</u> |

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

Market risk

Interest rate risk

The authority 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 authority has a number of strategies for managing interest rate risk. Our policy is to aim to keep a maximum of 50% of its 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 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000s |
|---|--------------|
| Increase in interest payable on new fixed rate borrowings | 25 |
| Increase in interest receivable on short term investments made in year | (384) |
| Increase in government grant receivable for financing costs | - |
| Impact on Income and Expenditure Account | <u>(359)</u> |
| Share of overall impact debited to the HRA (net) | <u>-</u> |
| Decrease in fair value of 'available for sale assets' | - |
| Impact on STRGL | <u>-</u> |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL) | 8,346 |
| Decrease in fair value of investments (loans and receivables) (no impact on I+E account or STRGL) | <u>130</u> |

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

Price risk

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

Foreign exchange risk

The authority has no financial assets (investments) or liabilities (borrowings) denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates on these. The Council has secured European funding to support some projects and these can be denominated in Euros. Therefore, there is a modest exchange risk on outstanding balances of this funding. However, at 31 March 2008, the estimated sums outstanding in sterling in respect of this funding were £232,000 so the risk is limited.

33. Provisions

| Category of Provision | Balance at 1 April 2007 £'000 | Contribution From Revenue in the Year £'000 | Payments In the Year £'000 | Balance at 31 March 2008 £'000 |
|-----------------------|-------------------------------------|--|----------------------------------|--------------------------------------|
| Insurance | 306 | 21 | 4 | 323 |

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 42, page 50)

The major risks covered at present are:

- (1) **Housing Stock** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with general properties, for any one period of insurance, of £100,000. Subsidence since October 1998 with an excess of £1,500.
- (2) **General Properties** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with Housing stock, for any one period of insurance, of £100,000.
- (3) **All Risk Items** – Accidental damage or any loss associated with theft which is excluded from our external theft policy but qualifies under the provision policy.
- (4) **Car Loan Guarantee** – Covers any unrecoverable amount in the event of payment default.

34. Capital Contributions Deferred

| | Government £'000 | 2007/2008 Developers £'000 | Other £'000 | Total £'000 | 2006/2007 Total £'000 |
|--------------------------|---------------------|----------------------------------|----------------|----------------|-----------------------------|
| As at 1 April: | | | | | |
| Applied Contributions | 8,877 | 917 | 3,883 | 13,677 | 8,024 |
| Unapplied Contributions | 17 | 4,890 | 398 | 5,305 | 4,113 |
| Total at 1 April | 8,894 | 5,807 | 4,281 | 18,982 | 12,137 |
| As at 31 March: | | | | | |
| Applied Contributions | 13,750 | 1,874 | 9,951 | 25,575 | 13,677 |
| Unapplied Contributions | 49 | 5,779 | 1,307 | 7,135 | 5,305 |
| Total at 31 March | 13,799 | 7,653 | 11,258 | 32,710 | 18,982 |

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 21, page 38). Once applied the contributions are written out to revenue against asset depreciation over the life of the assets.

35. Discounts

The balance of deferred discounts has been transferred to the Financial Instruments Adjustment Account. (See note 39, page 50 and the note to the Statement of Total Recognised Gains and Losses, page 21.)

36. 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 2007 £'000 | Net Movement in Year £'000 | Balance 31 March 2008 £'000 | Purpose of Reserve | Further Detail of Movements - Notes |
|---|-------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Revaluation Reserve (Formerly Fixed Asset Restatement Account) | - | 35,907 | 35,907 | Gains on revaluation of fixed assets not yet realised through sales | 37 |
| Capital Adjustment Account (Formerly Capital Financing Account) | 474,086 | (10,299) | 463,787 | Capital resources set aside to meet past expenditure | 38 |
| Financial Instruments Adjustment Account | | (1,306) | (1,306) | Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments | 39 |
| Usable Capital Receipts | 9,226 | 1,014 | 10,240 | Proceeds of fixed asset sales available to meet future capital investment | 40 |
| Deferred Capital Receipts | 129 | (21) | 108 | Sums due on fixed asset sales not yet received | 41 |
| Pensions Reserve | (39,595) | (15,676) | (55,271) | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet | 5 |
| Housing Revenue Account | 3,856 | (2,358) | 1,498 | Resources available to meet future running costs for council houses | HRA Statements, Note 15, page 62 |
| Major Repairs Reserve | 1,139 | (1,139) | - | Resources available to meet capital investment in council housing | HRA Statements, Note 5, page 59 |
| General Fund | 2,708 | 639 | 3,347 | Resources available to meet future running costs for non- housing services | Statement of Movement on the General fund Balance, page 20 |
| Collection Fund | 140 | 9 | 149 | Available to offset future Council Tax | Note 43 and Collection Fund Statements pages 63-66 |
| Other Reserves | 8,869 | 150 | 9,019 | Resources earmarked for particular spending plans | 42 |
| | 460,558 | 6,920 | 467,478 | | |

The Revaluation Reserve and Capital Adjustment Account cannot be called upon to support spending as these accounts are only realised on the disposal of assets. The Financial Instruments Adjustment Account cannot be called upon to support spending because it will be required to balance the adjustments over the life of the borrowings and investments. The Usable Capital Receipts Reserve can only be used to meet spending for capital purposes. The Pension Reserve is overdrawn reflecting the net pension liability set out in Note 5, page 26. The Revenue Reserves can be used to meet capital and revenue expenditure. Further information on these reserves is provided in the individual notes.

37. Revaluation Reserve (Formerly Fixed Asset Restatement Account)

| | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| Balance at the beginning of the Year | - | 349,981 |
| Add: Revaluation Increases/(Decreases) | 37,919 | 42,458 |
| | 37,919 | 392,439 |
| Less: Disposal of Fixed Assets | - | 8,570 |
| Transferred to Capital Adjustment Account (Note 38) :- | | |
| Depreciation/Impairment on revaluation gain element | 1 | - |
| Disposal of Fixed assets-revaluation gain element | 2,011 | - |
| Closing balance | - | 383,869 |
| Balance at the End of the Year | 35,907 | - |

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policies 1 and 4 pages 6/7) The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £384m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£90m credit balance) to form the new Capital Adjustment Account with a balance of £474m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The 2006/07 figures are for the former FARA and are thus not fully comparable to the new Revaluation Reserve entries but have been included for completeness. The Revaluation Reserve shows the amount by which the values of the assets owned by the Council are greater than the "historic cost" value at which they were held at 1 April 2007. The increase reflects the effect of:-

- The revaluation of some Land and Buildings
- The uplift in the value of Council dwellings to March 2008.

The account is written down by that part of depreciation charges that have only been incurred because assets have been revalued. When assets are disposed of any revaluation gain held in the reserve in respect of the asset disposed of is written out to the Capital Adjustment Account (previously the full book value was written out from the FARA).

38. Capital Adjustment Account (Formerly Capital Financing Account)

| | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| Balance at the beginning of the Year | 474,086 | 92,565 |
| Capital Financing | | |
| Capital Receipts | 4,698 | 4,188 |
| Revenue | 1,392 | 405 |
| Reserves | 5,416 | 3,070 |
| General Capital Contribution | 297 | 744 |
| Minimum Revenue Provision | 10 | (33) |
| Capital Contribution Deferred Written Down | 556 | 497 |
| Transferred from Revaluation Reserve (Note 37) :- | | |
| Depreciation/Impairment on revaluation gain element | 1 | - |
| Disposal of Fixed assets-revaluation gain element | 2,011 | - |
| Closing balance | - | 383,869 |
| | 488,467 | 485,305 |
| Less: Write Down of: | | |
| Intangible Assets and Deferred Charges – via revenue | 2,020 | 2,250 |
| Depreciation (non-housing) and Impairment | 7,681 | 1,952 |
| HRA Depreciation | 7,698 | 6,977 |
| Disposal of Fixed Assets | 7,244 | - |
| Long Term Debtors | 37 | 40 |
| Balance at the End of the Year | 463,787 | 474,086 |

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policies 1 and 4, pages 6/7). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £384m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£90m credit balance) to form the new Capital Adjustment Account with a balance of £474m. The Capital Adjustment Account has then been included in the Balance Sheet with a £474m opening balance.

The 2006/07 figures are for the former Capital Financing Account and are thus not fully comparable to the new Capital Adjustment Account entries but have been included for completeness. The Capital Adjustment Account contains the amount of resources set aside to finance capital expenditure (revenue, capital receipts etc). The account is reduced by:-

- the amounts provided for depreciation and impairment of assets
- assets disposed of.

After allowing for the transfers from the Revaluation Reserve the net impact is on the basis of the "historic cost" value at which they were held at 1 April 2007. (Previously the full book value of assets disposed of was written out from the FARA.) The balance on the account is also reduced as capital expenditure which does not produce a retained asset for the Authority is written out.

39. Financial Instruments Adjustment Account

| | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| Balance at the beginning of the Year | - | - |
| Prior period adjustments as at 1 April 2007:- | | |
| Deferred premiums on early repayment of debt | 1,758 | - |
| Deferred discounts on early repayment of debt | (509) | - |
| Soft loans – "loss" for interest forgone | 211 | - |
| | 1,460 | - |
| 2007/08 movements:- | | |
| Deferred premiums on early repayment of debt to revenue | (303) | - |
| Deferred discounts on early repayment of debt to revenue | 103 | - |
| Soft loans – adjustment for interest at market rate to revenue | (13) | - |
| Soft loans – "loss" for interest forgone on new advances | 59 | - |
| Balance at the End of the Year | 1,306 | - |

This is a new account created to meet the revised requirements of the SORP 2007. (See accounting policies 1 and 14-16, pages 6-11, and the note to the Statement of Total Recognised Gains and Losses, page 22.) The 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.

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 2007/08 the charge, £303,525 (2006/07 £303,525), and the benefit, £103,468 (2006/07 £103,468), have been included under interest charges within the Income and Expenditure Account (page 18).

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing (see note 24, page 40). These are secured against the property and repayable on sale. The "loss" for interest forgone is calculated based on the current market rate, at the end of the year in which the advance is recognised, for an equivalent loan and using an assumed average life for the loans. The balances thus created are cleared back through revenue over the life of the loans.

40. Usable Capital Receipts Reserve

| Notes | 2007/2008 £'000 | 2006/2007 £'000 |
|---|--------------------|--------------------|
| Balance at the Beginning of the Year | 9,226 | 7,277 |
| Capital Receipts in the Year: | | |
| Sale of Council Housing | 2,630 | 3,705 |
| Other Sales and Repayments of Loans | 4,968 | 5,101 |
| Total Capital Receipts in the Year | 7,598 | 8,806 |
| Capital Receipts Applied in the Year: | | |
| Financing of Capital Expenditure | 4,698 | 4,188 |
| Transferred to Consolidated Revenue Account | 1,886 | 2,669 |
| Total Capital Receipts Applied in the Year | 6,584 | 6,857 |
| Balance at the End of the Year | 10,240 | 9,226 |

We have to pay a proportion of capital receipts into a Government pool for redistribution. (See Note 4, page 26).

41. Deferred Capital Receipts

| | Balance at 31 March 2008 £'000 | Balance at 31 March 2007 £'000 |
|---------------------|--------------------------------------|--------------------------------------|
| Council House Sales | 108 | 129 |

42. Earmarked Reserves

| | Balance at 1 April 2007 £'000 | Transfer (to) From Revenue £'000 | Capital Financing £'000 | Balance at 31 March 2008 £'000 |
|-----------------------------|-------------------------------------|--|-------------------------------|--------------------------------------|
| Renewal & Repairs Fund | 3,370 | 195 | - | 3,565 |
| Insurance Reserve | 509 | 109 | - | 618 |
| Capital Expenditure Reserve | 3,203 | 15 | - | 3,218 |
| Regeneration Reserve | 692 | (27) | - | 665 |
| Asset Replacement Reserve | 169 | (134) | - | 35 |
| Heritage Reserve | 16 | (7) | - | 9 |
| Gosbecks Reserve | 452 | (22) | - | 430 |
| Other Reserves | 458 | 21 | - | 479 |
| | 8,869 | 150 | - | 9,019 |
| Major Repairs Reserve | 1,139 | 4,277 | 5,416 | - |
| Total Reserves | 10,008 | 4,427 | 5,416 | 9,019 |

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 33, page 46).

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.

43. Revenue Balances

| Notes | Balance at 1 April 2007 | Additions To Balances | Withdrawal from Balances | Balance at 31 March 2008 |
|-------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| General Fund | 2,708 | 639 | - | 3,347 |
| Housing Revenue Account | 3,856 | - | (2,358) | 1,498 |
| Collection Fund | 140 | 9 | - | 149 |
| Total Revenue Balances | 6,704 | 648 | (2,358) | 4,994 |

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

44. 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 2008 | 31 March 2007 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| General Fund | 465,980 | 456,702 |
| Housing Revenue Account | 1,498 | 3,856 |
| Total Net Worth | 467,478 | 460,558 |

The change in net worth in the Balance sheet matches that shown in the Statement of Total Recognised Gains and Losses (page 22).

45. 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 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 period to 31 March 2008. The accounts were prepared in accordance with the Companies Act 1985 and will be submitted for approval to the Board of Colchester Borough Homes on 29 July 2008.

The following summarised accounts are based on the draft accounts to be submitted for approval and cover the period 1 April 2007 to 31 March 2008. The company has adopted Financial Reporting Standard 17, Retirement Benefits (FRS17), in full.

| | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| Turnover | 5,109 | 4,886 |
| Less operating costs | 5,373 | 5,249 |
| | (264) | (363) |
| Add interest receivable | 44 | 38 |
| FRS17 interest adjustment | 100 | 63 |
| (Deficit)/Surplus on ordinary activities before taxation | (120) | (262) |
| Tax charge on (deficit)/surplus on ordinary activities | 10 | 7 |
| (Deficit)/Surplus for the Financial Period | (130) | (269) |

Balance Sheet

| | 31 March 2008 £'000 | 31 March 2007 £'000 |
|--|------------------------|------------------------|
| Current Assets | | |
| Debtors | 250 | 354 |
| Cash at bank and in hand | 287 | 257 |
| | 537 | 611 |
| Creditors: Amounts falling due within one year | (259) | (386) |
| Net Current Assets | 278 | 225 |
| Total Assets Less Current Liabilities | 278 | 225 |
| Provision for Liabilities and Charges | | |
| Other Provisions | 25 | 24 |
| Net assets excluding Pension Fund | 253 | 201 |
| Pension Fund Liability | (1,893) | (278) |
| | (1,640) | (77) |
| Reserves | (1,640) | (77) |

The following balances with the Council are included above:

| | £'000 | £'000 |
|-----------|-------|-------|
| Debtors | - | - |
| Creditors | 14 | 76 |

The accounts were audited by Scrutton Bland and an unqualified opinion was given. A copy of the Accounts may be obtained from the Company Secretary at the Registered Office, 6th Floor, Wellington House, 90-92 Butt Road, Colchester, Essex CO3 3DA.

Colchester Borough Homes has agreed to invest any surplus funds through the Council with interest payable at the market rate. At 31 March 2008 the cash at bank of £ 287,000 was consolidated with the Council's funds for investment purposes.

Further information is provided within the Group Accounts (Pages 75-87).

Net Pensions Asset/Liability

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

| | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---------------------------------|------------------------|------------------------|
| Estimated Liabilities in Scheme | 11,413 | 10,065 |
| Estimated Assets in Scheme | 9,520 | 9,787 |
| Net Liability | 1,893 | 278 |

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

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

Colchester Community Stadium Limited, created by the Council as an arms length company to manage the Community Stadium, is a limited company wholly owned by the Council. It was established with no share capital and limited by guarantee. The Council is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

Colchester Community Stadium Limited was incorporated on 1 June 2007 and its first set of accounts will be prepared for the period to 30 June 2008. The accounts will be prepared in accordance with the Companies Act 1985 and will be submitted for approval to the Board of Colchester Community Stadium.

46. Trust Funds

Details of the nature and amount of Trust funds are provided on pages 68 to 74.

47. Post Balance Sheet Events

These accounts were authorised for issue on 30 June 2008 by the Head of Financial Services (Page 13).

There are no items which have arisen after the closure of the 2007/08 accounts which would materially affect these accounts.

Pension Disclosure (Note 5, page 26)

The change from an estimated net liability of £39,595 million at 31 March 2007 to an estimated net liability of £55,271 million at 31 March 2008 is the net result of a number of factors (Note 5, page 26). Investments performed significantly worse than previously assumed over the year to 31 March 2008 and provided a lower than expected return. The disclosure at March 2008 takes account of the revised information available from the 2007 valuation and this has provided an improvement in the position on estimated liabilities. Furthermore, actuarial assumptions used for the liabilities calculation at 31 March 2008 were less conservative than those used as at 31 March 2007, driven by the yields on corporate bonds. However, the impact on estimated liabilities of taking account of increasing life expectancy has more than offset the other improvements on liabilities. The net result has been an increase in estimated liabilities which, along with the decline in asset performance, has led to a significant increase in the overall liability.

The £55,271 million net liability represents the difference between the value of the Authority's pension fund assets at 31 March 2008 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 2008 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in their full actuarial review of the Pension Fund as at 31 March 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 £2,074,500 for 2008/09 and this is expected to increase to £2,269,700 for 2010/11. The under funding is planned to be cleared over a twenty year period. The position is reviewed annually and the next full revaluation will be as at 31 March 2010. The results of the 2010 valuation will be implemented with effect from 1 April 2011.

48. Contingent Liabilities

We have received a claim in respect of a past event on an area of the Council's activities which could amount to a significant sum. It is not expected that this would exceed £0.4 million. It is not appropriate to disclose the nature of the item or the specific sum at this stage because the matters are sensitive being the subject of contractual negotiations with third parties and our insurance company. There could be a potential liability that could exceed indemnity levels available under the Council's insurance arrangements. No provision has been made in the accounts but the position is being monitored.

The new free fare pass concessionary travel scheme introduced from 1 April 2006 significantly increased the cost of providing concessionary travel. Bus operators have been reimbursed under a county wide scheme coordinated by Essex County Council and negotiated by advisors. Some operators have claimed additional sums and appealed to the Department for Transport. The Essex councils and their advisors do not accept the full level of the claims by the operators. The appeals for 2006/07 have been determined and payments made to operators but some operators are still seeking to challenge the decision. Some operators have also lodged appeals for 2007/08 and these have yet to be fully resolved. On the basis of advice received the accounts include the best assessment of the maximum sums payable. The sums included do not match the full sums claimed by the operators but it is difficult to quantify our share of the excess claims. Our share could amount to in the order of £0.5 million. However, it is not accepted that this excess sum is payable and thus it has not been provided for in the accounts.

The issues concerning potential disputes with contractors referred to in the 2006/07 accounts have been resolved. There is the potential for disputes with different contractors over the final sums payable under contracts for construction works in 2007/08. It is not appropriate to disclose the details of the items or the individual sums at this stage because the matters are sensitive being the subject of contractual negotiations. We have fully provided in the accounts for all sums that have been assessed as due under the terms of the contracts. However, it is possible that contractors will seek to pursue claims for further sums, in the order of £1.1 million, which we do not believe are justified.

The claim by Essex County Council, over user rights on an area of land owned by the Council, referred to in the 2006/07 accounts has been resolved. Following the adjudication hearing the sale of the land has been completed, the asset written out of the balance sheet and the proceeds included in the accounts for 2007/08.

49. Analysis of Government Grants

| | 2007/2008 | | 2006/2007 |
|---|-----------|---------------|---------------|
| | £'000 | £'000 | £'000 |
| Revenue Support Grant | | 1,717 | 1,860 |
| DWP Grants for Benefits | | | |
| Rent Allowances | 23,124 | | 19,663 |
| Rent Rebates | 12,708 | | 11,574 |
| Local Taxation | 8,640 | | 8,283 |
| Administration | 1,237 | | 1,110 |
| Local Housing Allowance preparation | 131 | | - |
| | | 45,840 | |
| Housing Subsidy (see note below) | | 116 | 21 |
| Homelessness | | 160 | 140 |
| Concessionary Fares scheme preparation | | 103 | - |
| Local Authority Business Growth Incentive | | 213 | 509 |
| DEFRA Waste Recycling | | 70 | 66 |
| Planning Delivery Grant | | 341 | 642 |
| Museums, Libraries and Archives | | 743 | 467 |
| Other | | 469 | 339 |
| Total Government Grants | | 49,772 | 44,674 |

Note

In 2007/08 we received the balance of our subsidy entitlement for earlier years. However we are required to make payments to the government for 2007/08 and £855,000 is included under "Other Operating Cash Payments" on page 24.

50. Reconciliation of Consolidated Revenue Account to Revenue Activities Cash Flow

| | Notes | 2007/2008 £'000 | 2006/2007 £'000 |
|---|---------|--------------------|--------------------|
| (Surplus)/Deficit per Statement of Movement on the General fund Balance | Page 20 | (639) | (711) |
| (Surplus)/Deficit per Collection Fund | Page 63 | (70) | (603) |
| Net (Surplus)/Deficit | | (709) | (1,314) |
| Interest | | (2,064) | (1,701) |
| Non-Cash Transactions: | | | |
| Contributions (to)/from provisions | | (27) | 117 |
| Contributions (to)/from Reserves | | (383) | (2,122) |
| Contributions to Capital | | (1,392) | (405) |
| Items on an Accruals Basis: | | | |
| Increase/(Decrease) in Stock and Work in Progress | | 50 | 11 |
| Increase/(Decrease) in Financial Instruments Accruals (note 52) | | 868 | - |
| Increase/(Decrease) in Debtors | | 127 | 1,754 |
| (Increase)/Decrease in Creditors | | (2,959) | 403 |
| Net Cash (Inflow)/Outflow from Revenue Activities | | (6,489) | (3,257) |

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

51. Reconciliation of the Net Cash Flow to the Movement in Net Debt

| | 2007/2008 £'000 | £'000 |
|---|--------------------|-----------------|
| Decrease in Cash in the Period | (71) | |
| Cash Inflow from Increase in Debt Financing | (3,500) | |
| Cash Inflow from Decrease in Liquid Resources | (1,060) | |
| Movement in Net Debt in the Period | | (4,631) |
| Net accrual movement on Financial Instruments (Note 52) | | 594 |
| Net Debt at 1 April 2006 | | (26,485) |
| Net Cash Flow | | (30,522) |

52. Analysis of Net Debt

| | Balance 31 March 2007 £'000 | Interest Accrual Movement | Cashflow Movement £'000 | Balance 31 March 2008 £'000 |
|--|-----------------------------------|------------------------------|-------------------------------|-----------------------------------|
| Cash Overdrawn | (931) | - | (71) | (1,002) |
| Debt Due after One Year | (55,857) | (20) | (3,500) | (59,377) |
| Short Term Investments | 30,303 | 614 | (1,060) | 29,857 |
| Net (Debt)/Investment | (26,485) | 594 | (4,631) | (30,522) |
| Net PWLB Premium Paid/Discount Received | | | - | - |
| Net Cash Flow | | | (4,631) | (30,522) |
| Long Term Investments | 20 | 274 | 5,000 | 5,294 |
| Increase/(Decrease) in Financial Instruments Accruals | | 868 | | |

In accordance with the revised guidance (See accounting policies 1, page 6) outstanding interest on borrowings and investments are now included with the financial instruments balances rather than with debtors/creditors (See notes 27/28, page 41) and the March 2007 comparatives have been restated.

There has been an increase in the level of net debt which is reflected in the net cash inflow from management of liquid resources and financing activities.

53. Liquid Resources

These are short term investments of surplus cash and include those made by external cash fund managers for 2006/07 and part of 2007/08. All these investments are repayable within twelve months and are with approved organisations listed in the Council's Treasury Policy Statement.

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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 | 2007/2008 £'000 | 2006/2007 £'000 |
|--|-----------------|--------------------|--------------------|
| INCOME | | | |
| Gross Rent from Council Dwellings | 1 & 2 | 19,930 | 18,654 |
| Non-Dwelling Rents | 3 | 686 | 664 |
| Charges for Services and Facilities | 4 | 1,935 | 2,070 |
| Contributions towards Expenditure | | 210 | 234 |
| HRA Subsidy Receivable (including MRA) | 12 | 116 | 2 |
| Total Income | | 22,877 | 21,624 |
| EXPENDITURE | | | |
| Repairs and Maintenance | | 6,462 | 5,117 |
| Supervision and Management | | 8,030 | 7,316 |
| Rents, Rates and Taxes | | 102 | 99 |
| Negative HRA Subsidy Payable (including MRA) | 12 | 917 | 179 |
| Depreciation and Impairments of Fixed Assets | 9 & 10 | 12,876 | 6,977 |
| Intangible Assets and Deferred Charges written down | 11 | 157 | 300 |
| Debt Management Costs | | 35 | 63 |
| Increased provision for Bad or Doubtful Debts | 13 | 201 | 183 |
| Total Expenditure | | 28,780 | 20,234 |
| Net Cost of HRA Services per Income and Expenditure Account | | 5,903 | (1,390) |
| HRA services share of Corporate and Democratic Core | | 348 | 341 |
| Net Cost of HRA Services | | 6,251 | (1,049) |
| (Gain)/Loss on sale of HRA fixed assets | | (147) | (79) |
| Interest payable and similar charges | 8 | 3,012 | 2,809 |
| Premiums and discounts written down | | 200 | 200 |
| Interest and investment income | | (97) | (78) |
| (Surplus)/ Deficit for the Year | | 9,219 | 1,803 |

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 57).

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.

| | 2007/2008 £'000 | 2006/2007 £'000 |
|---|--------------------|--------------------|
| (Surplus)/ Deficit for the year on the HRA Income and Expenditure Account | 9,219 | 1,803 |
| Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year | (6,861) | (2,455) |
| (Increase)/Decrease in the Housing Revenue Account Balance | 2,358 | (652) |
| Housing Revenue Account balance brought forward | (3,856) | (3,204) |
| Housing Revenue Account balance carried forward | (1,498) | (3,856) |

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 | 2007/2008 £'000 | 2006/2007 £'000 |
|---|-------|--------------------|--------------------|
| Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year | | | |
| Intangible fixed assets written down | 11 | (157) | (300) |
| Impairment of Fixed Assets | 10 | (5,178) | - |
| Gain/(loss) on sale of HRA fixed assets | | 147 | 79 |
| Net charges made for retirement benefits in accordance with FRS 17 | 6 | (150) | (179) |
| | | (5,338) | (400) |
| Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year. | | | |
| Transfer to/(from) Major Repairs Reserve | 5 | (3,421) | (2,772) |
| Employers contributions payable to the ECC Pension Fund and retirement benefits payable direct to pensioners | 6 | 504 | 438 |
| Contribution to Insurance Fund | | 106 | 10 |
| Capital expenditure funded by the HRA | 16 | 1,288 | 269 |
| | | (1,523) | (2,055) |
| Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year | | (6,861) | (2,455) |

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 2008 0.8% 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 2008 | 1 April 2007 |
|---|---------------|--------------|
| Analysis by Type of Dwelling: | | |
| Houses & Bungalows | 3,108 | 3,120 |
| Flats & Maisonettes | 3,212 | 3,229 |
| Total Dwellings | 6,320 | 6,349 |
| Analysis by Number of Bedrooms: | | |
| Bedsitters/1 Bedroom | 2,582 | 2,593 |
| 2 Bedrooms | 1,848 | 1,854 |
| 3 Bedrooms | 1,796 | 1,808 |
| 4 or more Bedrooms | 94 | 94 |
| Total Dwellings | 6,320 | 6,349 |
| The change in stock can be summarised as follows: | | |
| Stock at the beginning of the Year | 6,349 | 6,395 |
| Add: Conversions | - | 1 |
| | 6,349 | 6,396 |
| Deduct: Sales, Demolitions, Conversions, etc. | 29 | 47 |
| Stock at the End of the Year | 6,320 | 6,349 |

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 2008 in the 2007/08 accounts and this is reflected in the valuation shown below:

| Balance Sheet Valuation of HRA Assets | At 31 March 2008 £'000 | At 1 April 2007 £'000 |
|--|-----------------------------------|----------------------------------|
| Operational Assets – Land, Houses and Other Property | 429,092 | 421,505 |
| Non Operational Assets | 94 | 1,059 |

2. Vacant Possession

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

| Vacant Possession Value | At 31 March 2008 £'000 | At 1 April 2007 £'000 |
|--------------------------------|-----------------------------------|----------------------------------|
| HRA Dwellings | 851,221 | 763,505 |

3. Non Dwelling Rents

These total £686,000 and are made up as follows:

| Non Dwelling Rents | 2007/2008 £'000 | 2006/2007 £'000 |
|---------------------------|--------------------|--------------------|
| Garages and other Charges | 605 | 589 |
| Land and Other Buildings | 81 | 75 |
| Total | 686 | 664 |

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 £781,000 from Supporting People charges in 2007/08 (2006/07 £761,000) is shown under Charges for Services and Facilities. This includes a figure of £711,000 (2006/07 £692,000) which is a grant receivable under the Supporting People Programme.

5. Major Repairs Reserve

| Major Repairs Reserve | 2007/2008 £'000 | 2006/2007 £'000 |
|---|--------------------|--------------------|
| Balance as at 1 April 2007 | 1,139 | - |
| Transfers in – depreciation (Note 10) | 7,698 | 6,977 |
| Transfers out to the HRA | (3,421) | (2,772) |
| Capital Spending on Dwelling Stock met from Reserve | (5,416) | (3,066) |
| Balance as at 31 March 2008 | - | 1,139 |

6. Pension Reserve

Under the full implementation of FRS17 (see Note 5, page 26) 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 | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| HRA Capital Expenditure | | |
| Dwelling Stock | 6,546 | 13,233 |
| Non Dwelling Works | 17 | 9 |
| Investment in Information Technology | 141 | 198 |
| | 6,704 | 13,440 |
| Financed by: | | |
| Supported Borrowing | - | 10,105 |
| Revenue Contributions | 1,288 | 269 |
| Major Repairs Reserve | 5,416 | 3,066 |
| Total | 6,704 | 13,440 |
| Summary of HRA Capital Receipts | | |
| Sale of Council Houses – Direct | 2,609 | 3,659 |
| Sale of Council Houses – Deferred | 21 | 46 |
| Other (including shared ownership) | - | - |
| Total | 2,630 | 3,705 |

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

Receipts from the sale of Council houses have decreased as 28 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme compared to 37 in 2006/07.

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 £2.630m, £1.886m was paid to the Secretary of State under the pooling arrangements. The retained balance of £0.743m can be used to finance capital expenditure (see Note 21, page 38 and Note 40, page 50).

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 | 2007/2008 £'000 | 2006/2007 £'000 |
|---------------------|--------------------|--------------------|
| HRA Interest Charge | 3,012 | 2,809 |

9. Depreciation

| Depreciation | 2007/2008 £'000 | 2006/2007 £'000 |
|------------------------|--------------------|--------------------|
| Land – not depreciated | - | - |
| Dwellings | 7,418 | 6,672 |
| Other Property | 280 | 305 |
| Total | 7,698 | 6,977 |

10. Impairment Charges

| Impairment | 2007/2008 £'000 | 2006/2007 £'000 |
|-------------------------------|--------------------|--------------------|
| Dwellings | 68 | - |
| Temporary Accommodation Units | 4,960 | - |
| Non-Operational Assets | 150 | - |
| Total | 5,178 | - |

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

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

However, under the revised requirements of the SORP 2007 (See accounting policies 1 and 4, pages 6/7) the Revaluation Reserve only holds revaluation gains accumulated since 1 April 2007. Therefore, for 2007/08 there were no previous revaluation gains accumulated and all reductions in values have been written off through the service revenue account. In earlier years general reductions in value were netted off against increases through the former Fixed Asset Restatement Account (note 37, page 48) rather than through the service revenue account.

The reduction for Temporary Accommodation Units arises out of a review currently underway and reflects a more recent assessment of their condition and value.

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 57).

11. Intangible Fixed Assets

| | 2007/2008 £'000 | 2006/2007 £'000 |
|------------------------------------|--------------------|--------------------|
| Housing Integrated Computer System | 157 | 300 |

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. Housing Subsidy

The 2007/08 subsidy calculation shows the continuation of the Rental Constraint Allowance which compensates Local Authorities for the effect of the rent restructuring review and the resultant capping of rent increases for 2006/07 and 2007/08. 2007/08 will be the final year for this allowance.

The Admissible Allowance, which was introduced as a transitional measure following the abolition of the Minimum Revenue Provision to allow Local Authorities to adjust to the impact this may have on subsidy entitlement, ceased in 2006/07.

| Housing Subsidy | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| Allowance for Management | 3,148 | 3,136 |
| Allowance for Maintenance | 6,358 | 6,180 |
| Allowance for Major Repairs | 4,276 | 4,206 |
| Rental Constraint Allowance | 447 | 144 |
| Admissible Allowance | - | 24 |
| ALMO Allowance | 2,857 | 2,857 |
| Charges for Capital | 2,077 | 2,141 |
| Rent | (20,070) | (18,854) |
| Interest on Receipts | (10) | (13) |
| Housing Subsidy (Payable)/ Receivable | (917) | (179) |

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

13. Rent Arrears

The arrears at 31 March 2008 totalled £1.380 million. This excludes prepayments of £0.204 million, and may be analysed as follows:

| Arrears | 2007/2008 | | 2006/2007 | |
|--------------------------|-----------|--------------|-----------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Due from Current Tenants | 691 | | 571 | |
| Due from Former Tenants | 689 | 1,380 | 727 | 1,298 |
| Prepayments | | (204) | | (228) |
| Net Arrears | | 1,176 | | 1,070 |

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 2008 the provision totalled £1.068 million.

14. Exceptional or Prior Year Items

There are none.

15. Revenue Balances

A major part of the accumulated revenue balance brought forward had been planned to support future expenditure. In 2007/08 some of this expenditure took place and the required sums have thus been released from balances. Out of the remaining revenue balance of £1.5 million a sum of £1.2 million has already been committed for future use. The uncommitted balance has fallen below the target prudent level agreed by the Council and action will be taken within budget plans for 2008/09 onwards to rebuild the balance to the target level.

| Revenue Balances | 2007/2008 | 2006/2007 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Revenue Balance at the beginning of the Year | 3,856 | 3,204 |
| Add: Housing Revenue Account Surplus | - | 652 |
| Less: Housing Revenue Account statutory deficit | (1,258) | - |
| Less: Use of Accumulated Balance for capital spending | (1,100) | - |
| Revenue Balance at the End of the Year | 1,498 | 3,856 |
| Less: Committed Sum | | |
| Investment in Housing Stock 2008/09 and Future Years | (1,021) | (2,462) |
| Estimate Balance Carried Forward | (171) | (162) |
| Uncommitted Balance | 306 | 1,232 |

16. Capital Expenditure Charged to 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. The £1.288 million (page 57) represents the cost of capital works spent on Council housing which have been funded from revenue. This includes £0.188 million provided from the 2007/08 annual budget and £1.1 million from accumulated balances. The revenue balances carried forward above (£1.021 million) will be used to support spending in future years.

Further Information

Arms Length Management Organisation (ALMO) - see Note 45 on page 51.

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

COLLECTION FUND ACCOUNTS 2007/2008

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 2008

| | Notes To Collection Fund | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------------------|--------------------|--------------------|
| INCOME | | | |
| Council Tax | 1 - 3 | 79,588 | 74,662 |
| Non-Domestic Rates | 4 | 49,249 | 47,979 |
| Total Income | | 128,837 | 122,641 |
| EXPENDITURE | | | |
| Precepts | 5 | 78,352 | 73,183 |
| Non-Domestic Rates: | | | |
| Payment to National Pool | 4 | 49,006 | 47,733 |
| Cost of Collection Allowance | | 243 | 246 |
| Bad and Doubtful Debts: | | | |
| Write off of Council Tax | | - | - |
| Provision for Council Tax Bad Debts | 6 | 699 | 496 |
| Total Expenditure | | 128,300 | 121,658 |
| (Surplus)/Deficit for the Year – Council Tax | 7 | (537) | (983) |
| Distribution/(Collection) of Previous Estimated Surplus/Deficit | 7 | 467 | 380 |
| Net adjustments for Previous Year's Community Charges | 8 | - | - |
| Contribution from Colchester Borough Council to estimated Collection Fund Deficit (Community Charge) | 9 | - | - |
| (Surplus)/Deficit for the Year | | (70) | (603) |
| Collection Fund Balance | | | |
| Balance at the Beginning of the Year | | (1,089) | (486) |
| (Surplus)/Deficit for the Year | | (70) | (603) |
| Balance at the End of the Year | | (1,159) | (1,089) |

NOTES TO THE COLLECTION FUND ACCOUNTS

1. Council Tax Income

The Council set an average Band D Council Tax, including parishes, of £1,354.93 with an estimated tax base of 57,828 Band D equivalent properties. The Council Tax income can be analysed as follows:

| | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| Council Tax Income | | |
| Tax Payers | 70,972 | 66,518 |
| Council Tax Benefits transferred from General Fund | 8,616 | 8,144 |
| | 79,588 | 74,662 |

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 | 8,619 | 6,512 | 6/9 | 4,341 |
| B | 18,355 | 15,390 | 7/9 | 11,970 |
| C | 18,254 | 15,868 | 8/9 | 14,105 |
| D | 12,179 | 10,903 | 9/9 | 10,903 |
| E | 7,037 | 6,467 | 11/9 | 7,904 |
| F | 3,467 | 3,284 | 13/9 | 4,743 |
| G | 2,156 | 1,978 | 15/9 | 3,297 |
| H | 134 | 103 | 18/9 | 207 |
| Contributions in lieu for Ministry of Defence Properties | | | | 942 |
| Total Band D | | | | 58,412 |
| 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 | | | | 584 |
| Council Tax Base | | | | 57,828 |

3. Band D Council Tax

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

| Authority | Population | Band D Council Tax |
|-------------------|----------------|--------------------|
| Colchester | 172,227 | 1,354.93 |
| Basildon | 170,452 | 1,416.55 |
| Chelmsford | 165,001 | 1,352.08 |
| Tendring | 149,367 | 1,344.09 |
| Braintree | 144,028 | 1,358.21 |
| Epping Forest | 123,543 | 1,131.70 |
| Castle Point | 88,960 | 1,393.10 |
| Rochford | 81,743 | 1,388.69 |
| Harlow | 77,880 | 1,415.61 |
| Brentwood | 71,669 | 1,345.44 |
| Uttlesford | 71,172 | 1,363.48 |
| Maldon | 63,218 | 1,374.74 |

4. National Non-Domestic Rate (NNDR) Income

Non-domestic rates are organised on a national basis. The Government specifies an amount (44.1p in 2007/08) 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.

| | 2007/2008 £'000 | 2006/2007 £'000 |
|--|--------------------|--------------------|
| NNDR Income | | |
| Bills Issued | 52,242 | 50,853 |
| Mandatory Reliefs | (2,713) | (2,628) |
| Discretionary Reliefs | (148) | (142) |
| Provision for Bad Debts | (208) | (174) |
| Net Income | 49,173 | 47,909 |
| General Fund contribution to Discretionary Reliefs | 76 | 70 |
| NNDR Income to Income & Expenditure Account | 49,249 | 47,979 |
| Cost of Collection Allowance | (243) | (246) |
| Amount Payable to NNDR Pool | 49,006 | 47,733 |

The total non-domestic rateable value at 31 March 2008 was £130,722,859; the multiplier for the year was 44.1p. The product of this is £57,649,000. 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.

| | 2007/2008 £'000 | 2006/2007 £'000 |
|----------------------------|--------------------|--------------------|
| Essex County Council | 58,056 | 54,201 |
| Colchester Borough Council | 10,096 | 9,433 |
| Essex Police Authority | 6,734 | 6,263 |
| Essex Fire Authority | 3,466 | 3,286 |
| Total Precepts | 78,352 | 73,183 |

6. Provision for Council Tax Bad Debts

Contributions are made to a provision for bad debts. During 2007/08 £201,000 of irrecoverable debts were written off (2006/07 £121,000).

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 £467,000 was shared as shown below.

| | 2007/2008 | 2006/2007 |
|----------------------------|------------------|------------------|
| | £'000 | £'000 |
| Essex County Council | 346 | 281 |
| Colchester Borough Council | 60 | 50 |
| Essex Police Authority | 40 | 32 |
| Essex Fire Authority | 21 | 17 |
| Total Surplus | 467 | 380 |

The cumulative surplus at the end of March 2008 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:

| | 2007/2008 | 2006/2007 |
|----------------------------|------------------|------------------|
| | £'000 | £'000 |
| Essex County Council | 859 | 807 |
| Colchester Borough Council | 149 | 140 |
| Essex Police Authority | 100 | 93 |
| Essex Fire Authority | 51 | 49 |
| Total Surplus | 1,159 | 1,089 |

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

8. Community Charge

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

9. Contribution from Colchester Borough Council

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

PORT HEALTH AUTHORITY ACCOUNTS 2007/2008

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 2008

| | 2007/2008 £ | 2006/2007 £ |
|-------------------------------------|----------------|----------------|
| Income: | | |
| Certificate of Deratting Fees | | 45 |
| Recovered from Riparian Authorities | | |
| Colchester Borough Council | 408 | 650 |
| Tendring District Council | 55 | 89 |
| Bank Interest | 37 | 16 |
| Total Income | 500 | 800 |
| Expenditure: | | |
| Paid to Riparian Authorities | | |
| Colchester Borough Council | | - |
| Tendring District Council | | - |
| Other expenditure | 500 | 800 |
| Gross Expenditure | 500 | 800 |
| Net Expenditure | - | - |

BALANCE SHEET AS AT 31 MARCH 2008

| | 2007/2008 £ | 2006/2007 £ |
|-----------------------------|----------------|----------------|
| Current Assets: | | |
| Cash at Bank | 2,526 | 1,689 |
| Cash in transit | | 800 |
| | 2,526 | 2,489 |
| Current Liabilities: | | |
| Colchester Borough Council | (1,845) | (1,753) |
| Tendring District Council | (681) | (736) |
| Net Current Assets | - | - |

TRUST FUND ACCOUNTS

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

1. The Resident Freemen's Fund

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

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2007

| | 2006/2007 | 2005/2006 |
|--|------------|------------|
| | £ | £ |
| Balance as at 1 October | 642 | 606 |
| Add: - Interest on Investments | 287 | 288 |
| - Bank Interest | 20 | 18 |
| - Other Income | 20 | 20 |
| | 969 | 932 |
| Less: - Administration and Distribution Expenses | 40 | 45 |
| - Subscription | 15 | 15 |
| - Distribution to Freemen | 282 | 230 |
| Balance as at 30 September | 632 | 642 |

BALANCE SHEET AS AT 30 SEPTEMBER 2007

| | 2006/2007 | 2005/2006 |
|--|--------------|--------------|
| | £ | £ |
| Assets: | | |
| Investments | 6,147 | 6,800 |
| Cash at Bank | 632 | 642 |
| Represented by Accumulated Fund | 6,779 | 7,442 |

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

2. Albert Museum and Art Gallery

The proceeds from the sale of this building, left in trust to the Council, have been invested; the interest is currently used to support the running costs of Tymperleys. The market value of the investments as at 31 March 2008 was £413,179. A further sum of £52,023 was held on deposit pending transfer to the Tymperleys' account.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2008

| | 2007/2008 | 2006/2007 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Balance as at 1 April | 54,155 | 51,813 |
| Add: - Interest on Investments | 15,713 | 14,261 |
| - Interest on Balance | 2,542 | 2,060 |
| | 72,410 | 68,134 |
| Less: - Distribution to Tymperleys | 14,512 | 13,979 |
| Balance as at 31 March | 57,898 | 54,155 |

BALANCE SHEET AS AT 31 MARCH 2008

| | 2007/2008 | 2006/2007 |
|--|----------------|----------------|
| | £ | £ |
| Assets: | | |
| Investments | 413,179 | 441,808 |
| Debtors | 5,875 | - |
| Cash at Bank | 52,023 | 62,442 |
| | 471,077 | 504,250 |
| Liabilities: | | |
| Creditors | - | (8,287) |
| Represented by Accumulated Fund | 471,077 | 495,963 |

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 2008

| | 2007/2008 | 2006/2007 |
|-------------------------------|--------------|--------------|
| | £ | £ |
| Balance as at 1 April | 4,922 | 4,594 |
| Add: - Interest Received | 78 | 48 |
| - Dividends | 310 | 300 |
| | 5,310 | 4,942 |
| Less: - Expenses | 20 | 20 |
| Balance as at 31 March | 5,290 | 4,922 |

BALANCE SHEET AS AT 31 MARCH 2008

| | 2007/2008 | 2006/2007 |
|--|---------------|---------------|
| | £ | £ |
| Assets: | | |
| Investments | 8,061 | 8,482 |
| Cash at Bank | 5,290 | 4,922 |
| Represented by Accumulated Fund | 13,351 | 13,404 |

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 2008

| | 2007/2008 | 2006/2007 |
|-------------------------------|--------------|--------------|
| | £ | £ |
| Balance as at 1 April | 7,805 | 7,510 |
| Add: - Interest received | 66 | 36 |
| - Dividends | 273 | 259 |
| Balance as at 31 March | 8,144 | 7,805 |

BALANCE SHEET AS AT 31 MARCH 2008

| | 2007/2008 | 2006/2007 |
|--|---------------|---------------|
| | £ | £ |
| Assets: | | |
| Investments | 7,874 | 8,508 |
| Cash at Bank | 7,114 | 6,776 |
| Represented by Accumulated Fund | 14,988 | 15,284 |

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. No grants were paid in 2007/2008.

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

| | 2007/2008 | 2006/2007 |
|-------------------------------|--------------|--------------|
| | £ | £ |
| Balance as at 1 April | 4,860 | 4,420 |
| Add: - Interest received | 92 | 56 |
| - Dividends | 727 | 692 |
| | 5,679 | 5,168 |
| Less: - Grants Paid | - | 308 |
| Balance as at 31 March | 5,679 | 4,860 |

BALANCE SHEET AS AT 31 MARCH 2008

| | 2007/2008 | 2006/2007 |
|--|---------------|---------------|
| | £ | £ |
| Assets: | | |
| Investments | 20,444 | 22,008 |
| Cash at Bank | 4,279 | 3,460 |
| Represented by Accumulated Fund | 24,723 | 25,468 |

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

6. Colchester New Theatre Trust

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

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

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

FINANCIAL ACTIVITIES STATEMENT YEAR ENDED 30 SEPTEMBER 2007

| | 2006/2007 | 2005/2006 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Fund Balances as at 1 October | 235,778 | 232,009 |
| Add: - Investment Income | 5,453 | 4,198 |
| | 241,231 | 236,207 |
| Less: - Management/Admin Expenses | 429 | 429 |
| Balance as at 30 September | 240,802 | 235,778 |

BALANCE SHEET AS AT 30 SEPTEMBER 2007

| | 2006/2007 | 2005/2006 |
|---|----------------|----------------|
| | £ | £ |
| Fixed Asset: | | |
| Mercury House (at Cost) and Mercury Theatre (nominal) | 83,384 | 83,384 |
| Current Assets: | | |
| Cash at Bank | 110,779 | 105,326 |
| Deposit – Colchester Mercury Theatre | 50,000 | 50,000 |
| Income Tax Recoverable | 12 | 12 |
| | 244,175 | 238,722 |
| Current Liabilities: | | |
| Sundry Creditors | 3,373 | 2,944 |
| Total Net Assets | 240,802 | 235,778 |
| Represented by: | | |
| Unrestricted Funds | | |
| Designated Funds: | | |
| Capital Reserve | 83,384 | 83,384 |
| Sinking Fund | 80,000 | 80,000 |
| Other Charitable Funds | 77,418 | 72,394 |
| | 240,802 | 235,778 |

7. Mayor of Colchester Charities Appeal Fund

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

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED MAY 2008

| | 2007/2008 | 2006/2007 |
|---------------------------------|---------------|---------------|
| | £ | £ |
| Income from functions | 44,158 | 38,311 |
| Less: Function related expenses | 9,655 | 6,434 |
| Net Income | 34,503 | 31,877 |
| Payments to Mayor's Charities | 34,503 | 31,877 |
| Net Surplus/(Deficit) | - | - |

BALANCE SHEET AS AT 31 MAY 2008

| | 2007/2008 | 2006/2007 |
|--------------------------------|-----------|-----------|
| | £ | £ |
| Current Assets | | |
| Sundry Debtors | 1,000 | 1,290 |
| Cash at Bank | - | - |
| | 1,000 | 1,290 |
| Current Liabilities | | |
| Sundry Creditors | - | - |
| Cash Overdrawn | (1,000) | (1,290) |
| Net Current Liabilities | - | - |

