

Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ
Tuesday, 22 June 2021 at 18:00**

The Governance and Audit Committee considers and approves the Council's Statement of Accounts and reviews the Council's annual audit letter. The Committee also deals with the Council's governance, risk management and audit arrangements. To make recommendations to the Council on functions such as Elections and bye laws, and determine Community Governance Reviews.

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 (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

Have Your Say!

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Access

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Governance and Audit Committee - Terms of Reference (but not limited to)

Accounts and Audit

To consider and approve the Council's Statement of Accounts and the Council's financial accounts, and review the Council's external auditor's annual audit letter.

Governance

To consider the findings of the annual review of governance including the effectiveness of the system of internal audit and approve the signing of the Annual Governance Statement.

To have an overview of the Council's control arrangements including risk management and in particular with regard to the annual audit plan and work programme, and to approve the policies contained in the Council's Ethical Governance Framework.

Other regulatory matters

To make recommendations to Council on functions such as elections, the name and status of areas and individuals, and byelaws.

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

To consider reports from the Monitoring Officer on the effectiveness of the Members' Code of Conduct, and to advise the Council on the adoption or revision of the Code.

To receive referrals from the Monitoring Officer into allegations of misconduct and to create a Hearings Sub-Committee to hear and determine complaints about Members and Co-opted Members referred to it by the Monitoring Officer.

To conduct hearings on behalf of the Parish and Town Councils and to make recommendation to Parish and Town Councils on improving standards or actions following a finding of a failure by a Parish or Town Councillor.

To inform Council and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints.

To grant dispensations, and to hear and determine appeals against refusal to grant dispensations by the Monitoring Officer.

To make recommendations to Council regarding the appointment of Independent Persons.

General

To review of the Constitution including governance issues around formal meetings, processes and member training and to make recommendations to Council.

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 22 June 2021 at 18:00

The Governance and Audit Committee Members are:

Councillor Dennis Willetts	Chairman
Councillor Leigh Tate	Deputy Chairman
Councillor Kevin Bentley	
Councillor Michelle Burrows	
Councillor Adam Fox	
Councillor Chris Hayter	
Councillor David King	
Councillor Steph Nissen	
Councillor Gerard Oxford	

The Governance and Audit Committee Substitute Members are:

All members of the Council who are not Cabinet members or members of this Panel.

AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)

Please note that Agenda items 1 to 6 are normally dealt with briefly.

Welcome and Announcements

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, audio-recording of the meeting. Councillors who are members of the committee will introduce themselves.

Substitutions

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

Urgent Items

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

Declarations of Interest

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.

Minutes of Previous Meeting

The Councillors will be invited to confirm that the minutes of the meeting held on 23 March 2021 are a correct record.

Draft minutes - 23-03-2021

7 - 16

Have Your Say!

The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff.

Draft Annual Statement of Accounts 2020/2021

17 - 132

The Committee will be asked to note the draft 2020/2021 statement of accounts.

Year End Internal Annual Audit Assurance Report

133 -
142

The Committee will consider a report summarising the findings of the Internal Audit function for the financial year 2020-2021.

Review of the Governance Framework and Draft Annual Governance Statement

143 -
154

The Committee will consider a report outlining the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the 2020/2021 financial year, which is required for the 2020/2021 Statement of Accounts.

Financial Regulations 2022-23

155 -
200

The Council is required to adopt Financial Regulations as part of its annual budget process.

Financial Monitoring Report - End of Year 2020/21

201 -
224

The Committee will consider a report setting out the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2020/21.

Capital Expenditure Outturn 2020/21 225 -
The Committee will consider a report setting out the Council's 236
Capital Programme against budget for the financial year 2020/21.

Work Programme 2020-2021 237 -
The Committee will consider a report setting out the proposed work 240
programme for the forthcoming municipal year.

Exclusion of the Public (not Scrutiny or Executive)

In accordance with Section 100A(4) of the Local Government Act 1972 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).

Part B
(not open to the public including the press)

GOVERNANCE AND AUDIT COMMITTEE

23 March 2021

Present:- Councillor Nick Barlow, Councillor Paul Dundas, Councillor Sam McCarthy, Councillor Chris Pearson (Chairman), Councillor Dennis Willetts, Councillor Barbara Wood

Substitutions:

Also Present: -

250. Minutes of the previous meeting

RESOLVED That the minutes of the meeting held on 19 January 2021 be confirmed as a correct record.

251. Audit Plan year ended 31 March 2021

Mark Jarvis, Finance Manager, attended the meeting to present the report and Assist the Committee with their enquiries. The Committee were advised of relevant deadline dates for the closure of the Colchester Borough Council's (the Council) accounts, hearing that in previous years the Council had been required to produce draft accounts by 31 May, with a final signed version produced by 31 July. This year, however, the dates had changed and the Council was required to produce draft accounts by 31 July 2021, with a final signed version by 1 September 2021. The Council had been working with its external auditors, BDO, to meet these deadline dates and to find ways to simplify the accounts to increase their comprehensibility.

The Committee were addressed by Lisa Clampin of BDO, who advised that Aphrodite Lefevre was taking over as the responsible individual for the Council's audit, and she would be responsible for signing the statement of accounts and supervising the audit. Lisa advised the Committee that there had been no real change in materiality, and the movement in the number displayed was due to the use of estimated numbers ahead of the production of the draft financial statements. The risk profile of the Council was considered to be similar to the last two years in audit terms. The Committee heard that the risks that had been identified were similar to those identified in previous audit plans, which was considered to be a good thing as it demonstrated that the organisation was operating in a stable manner. The risk of management override of controls was highlighted to the Committee, and it was

explained that this was a standard significant risk associated with all audit programmes.

The Council's new housing system, Northgate, was introduced as a new risk for this year as the migration of data into the new system mid-way through the year needed to be complete as the system produced information that was material for the accounts.

The fees that were to be charged by BDO were discussed, and it was explained that there would be an increase in the fees payable by the Council as the result of a number of additional areas of work that had been undertaken, including the consolidation of the accounts of Colchester Commercial Holdings Limited, and it was noted that the Committee had been made aware of the increase by Paul Cook, Head of Finance, at its last meeting.

The Department of Housing, Communities and Local Government (DHCLG) had set the deadline for the publication of the statement of accounts by 30 September 2021, and the Committee were advised that the requirement in the legislation was for the publication of audited financial statements, or the publication of unaudited financial statements with an explanation as to why the audit had not been completed by that time. It was explained to the Committee that there was significant pressure on audit resources at that time, and one hundred and forty seven audits were still outstanding from the previous year, representing approximately 30% of Council audits uncompleted. BDO had responded to a consultation by DHCLG and indicated that they considered that 30 September was a challenging deadline, given the amount of work that remained from previous years. It was, however, considered that Colchester Borough Council had good processes and a good, stable, audit profile, and it was hoped that the audit completion report could still be presented to the meeting of this Committee in September 2021, following close work between BDO and Officers. The Committee were, however, still advised that it was unlikely that all of the audits would be delivered by 30 September 2021.

The use of resources was highlighted to the Committee, and it was explained that a new Code of Audit Practice had been issued in 2020 by the National Audit Office (NAO) which contained significant changes in the methodology for delivering 'use of resources work' which would impact this, and future, years. Auditors were being asked to consider a much broader range of factors, including financial and risk management and governance arrangements, project management and procurement procedures, which would require more discussion with a wider range of Officers than had previously been necessary. Given the difficulties in the audit arena, the NAO was considering implementing the new methodology over an extended period, and also allowing use of resources work to be concluded after the deadline had passed for the publication of the audited statement of accounts. The Council would no longer receive a 'value for money' conclusion, and would instead receive a new Annual Report which would be much more narrative in its nature, and would seek to give more context to the work undertaken, together with recommendations to address any weaknesses identified. It was considered likely that the Annual Report would take the place of the annual audit letter which was usually presented to this Committee,

and BDO indicated that they would work more closely with Internal Audit at the Council to take advantage of areas of work that overlapped.

Councillor Willetts enquired whether the consolidation costs of the audit were reflected back into the accounts of the subsidiary companies. He further expressed his opinion that the timescales that had been proposed could be considered to be ambitious, and wondered whether, in reality, the Council would be able to meet them, particularly in the light of the number of unfinished audits that had already been brought to the Committee's attention. He sought assurance that it would be possible for the proposed timescales to be met, and for the financial statements to be presented as having been fully audited. A further query was raised in relation to the risk that had been identified in relation to the pension fund, and Councillor Willetts asked whether this risk could be considered to be a generic risk, or whether information was to hand that had given rise to specific concerns in his regard. Referring to the identified risk of management overriding control mechanisms, he wondered whether it was possible to suggest any measures which could be taken to reduce the possibility of management overriding control mechanisms without being so onerous as to make the financial reporting systems at the Council non-functioning.

In response to Councillor Willetts, Lisa Clampin confirmed that the pension fund related risk formed part of a theoretical risk identification process which was used to drive the audit strategy in an attempt to ensure that material risks could be avoided. Further explanation was offered that the pension fund liability was based on an estimate and therefore inherently risky from an audit point of view as it could be the subject of a judgement exercised by management or an actuary in the future. Even a small change to the assumptions that underly that judgement could generate a large difference in the monetary value associated with that liability. The Committee were advised that as part of their audit processes, BDO sought an assurance letter from the pension fund auditor, together with engaging an auditor specialist who carried out detailed work on all of the actuaries to give assurances that the actuarial firms who value pension liabilities for Local Government bodies had been sound in their assumptions. Following this work, BDO then assess the level of risk that is associated with the valuation being materially mis-stated, and although the risk is theoretical in nature, its assessment allows BDO to put in place processes which will give assurances that the statement of accounts would be materially accurate. With regard to the concern that had been raised about management overriding controls, the Committee were advised that in practice it was not possible to implement a control measure to prevent this that in turn could not be overridden. Steps were, however, taken to look in detail at transactions which displayed risk attributes and these were then investigated further. It was agreed that the timetable proposed for the approval of the financial statements was ambitious, and an exercise in resource management was being carried out by BDO. Praise was offered to the financial team at the Council for the quality of their work supporting BDO, and tentative hope was offered that it may be possible to meet the deadline.

Mark Jarvis addressed the issue of the cost of the audit work undertaken in relation to the Council's commercial companies, and confirmed that this was not passed on to the subsidiaries but was treated as a Colchester Borough Council cost.

Councillor King, Portfolio Holder for Business and Resources addressed the Committee and offered his thanks to Officers and BDO for the positive attitude that they had displayed, and he expressed his view that early analysis and learning was key to the work being undertaken.

Councillor Willetts raised a further query regarding the move away from providing a 'value for money statement', noting that the Council was a political organisation with Officers working for Cabinet. He noted the inherent difficulty associated with Officers stepping forward to express the view that a project had not been value for money, and therefore had always welcomed the view that was expressed by an outside organisation on this point. He wondered whether the loss of the 'value for money' element of the reporting process would lead to this work lacking efficacy in the future. Lisa Clampin explained that both the 'value for money' statement and the new methodology both sought to examine the arrangements that were in place, and neither sought to give a statement that said the Council had achieved value for money. Instead, it was the arrangements that were in place to ensure value for money had been obtained which were examined and the new report would deal with a wider array of arrangements allowing useful recommendations to be made on how continuous improvements could be achieved. Councillor Pearson clarified that it was the management of the finances that BDO would comment on, as opposed to how the resources had been spent, as different groups would have different opinions on what constituted value for money, a view that was supported by Councillor King who emphasised the need for robust processes across the Council.

Councillor Dundas noted the number of audits which were carried out across the country, and queried the frequency with which it was determined that value for money was not being delivered. Lisa Clampin explained that under the old methodology it was not unusual for an 'except for' value for money conclusion to be delivered, highlighting a particular set of arrangements which were not operating in an optimal manner, usually caused by financial pressures. It was, however, much rarer for an adverse opinion to be delivered, where the auditor could not offer assurances that arrangements would deliver value for money.

The Committee were advised that there was no statutory deadline for completing the audit, the only deadline was placed upon Councils to publish their financial statements, either audited or published unaudited with an explanatory note. The Committee were assured that BDO placed the quality of its work foremost, and opinions would not be given without proper assurances being in place to support them.

RESOLVED that the Audit Plan for the year ended 31 March 2021 be agreed, the risk assessment outlined with the audit plan be acknowledged, and the changes as part of the code in relation to best value be acknowledged.

252. Financial Monitoring Report – April to December 2020

Darren Brown, Finance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee were advised that the Council's core budgets had been impacted by Covid-19, however government funding and the use of reserves had mitigated this impact. A number of briefings on the Council's financial position had been carried out throughout the year to ensure that Councillors were kept up to date with the current financial position. The general fund was showing an adverse position of £3.9m against the profile service budgets, and income was below targets in a number of areas including sports and leisure, museums and parking services. The forecast outturn position for the general fund before government funding and use of reserves was an overspend deficit of just under £9.3m, however, following the use of reserves and government funding, the forecast outturn would be on budget. A number of accounting adjustments would be carried out at year end to ensure that expenditure and income was located in the right place, and the final position would be reported for scrutiny purposes in the new financial year.

The Housing Revenue Account (HRA) was showing a net underspend of £330,000 to date, primarily relating to profiling of budgets and timing of expenditure, with less income being received than was budgeted for due to the timing of right to buy sales and the Council's acquisitions programme. The forecast would be on budget at year end for this account, with any underspend or overspend being used to fund a greater or lesser portion of the housing capital programme.

Councillor Dundas noted that in respect of the HRA, there had been an underspend of £185,000 on water and utility costs and queried whether this was related to the lack of use of Council offices. He further enquired what resources £177,000 spent on recycling had provided, and sought clarification in relation to the likelihood of recovering £531,000 commercial investment income loss. Darren Brown explained that the HRA underspend was in fact related to the Council's housing stock, and was caused by the timing and profiling of expenditure, as the costs associated with this stock had not been affected by Covid-19 as all the stock was still in use. The recycling resources that had been procured consisted of bags and green boxes that had been distributed to residents. With regard to the commercial properties, it was confirmed that it was not intended to write off any income due from the Council's commercial portfolio, and some of the income loss could be attributed to extensions and holiday periods given in relation to the payment of this income.

Councillor Goacher enquired how the overspend deficit of approximately £9m was being met, and what proportion of this was being met by use of the Council's reserves. Darren confirmed that approximately £8m was being received via government funding, and it was intended to use approximately £1.8m from reserve funds. The position was, however, changing on a monthly basis as it was possible to claim some of the Council's income losses back from the government and the position may improve in the future.

Councillor Willetts noted that in a normal year the overspend of approximately £9m would be cause for alarm, but given the transparency that accompanied the expenditure he was satisfied that even if not all the expenditure could be recouped from government, good value for money had been obtained. He questioned what assurances could be given in relation to the accuracy of the figures that were provided in the financial monitoring report, noting that the processes were the subject of internal and external audit. Councillor Pearson reminded the Committee that it was the responsibility of Councillors to ensure that the necessary systems were in place, and this was obtained both through the audit and consideration of figures provided throughout the year, in addition to Officers providing reports to this Committee, Scrutiny Panel, Cabinet and Full Council. Councillor King confirmed that the Council operated under very clear accounting codes and conventions, and offered the Committee his assurance that in his time as Portfolio Holder, he had not seen anything that gave him cause for concern about the accuracy of figures and he further cited the robust internal and external audit procedures in place, noting that substantial assurances were obtained from BDO.

Dan Gascoyne, Chief Operating Officer, addressed the Committee and offered his assurances that the key financial systems and processes were audited annually, in addition to a large amount of scrutiny, both formally and informally, at Officer and Member level.

RESOLVED that the forecast budget overspend of £9.283m on the General Fund before Government funding and the use of reserves be noted.

253. Internal Audit Plan 2021/2022

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The report presented to the Committee set out the Council's normal five year Internal Audit Plan, concentrating on the coming year 2021/2022. The Plan had been thoroughly reviewed by the Council's Senior Management Team, and the Committee were invited to consider the audit areas that would be covered during the course of the Plan, which would be subject to change over the course of the Plan as circumstances changed, together with the functions performed by the Council. It was for this reason that the Committee would be presented every year with the Audit Plan for the forthcoming financial year, so that the planned audit work could be examined in more detail to ensure that the requirements of the Committee were met in terms of giving assurance for the governance arrangements that were in place. The Committee were reminded that Internal Audit would look at areas of governance that would not be picked up by the external auditors. The Committee were advised that the Plan was slightly different to previous Plans that had been presented, and was structured more strategically, with some smaller items of very little financial benefit, such as cashing up at some smaller sites, removed altogether. This work would still be undertaken informally, but would no longer form part of the Audit Plan, as the 275

hours of auditing days per year needed to be focussed towards areas that were key to giving assurances that the organisation was being properly governed. It was intended to perform a management review of how the Covid-19 pandemic had been handled, to include decision making processes and the long term impact of Covid, in addition to the initial response review that had already been carried out. It was proposed to the Committee that light touch audits would be carried out every other year in respect of systems which had achieved a substantial assurance rating in the past and had not changed subsequently, and this was indicated by the notation 'LT' on the Plan. If there was any future change in the system, or if any issues were detected, then full audits would be carried out. Some of the proposed audits included Colchester Borough Homes, as although the company had its own audit programme, it also delivered services on behalf of the Council, and there would also be some joint audits with Colchester Commercial Holdings Ltd (CCHL). The audits carried out on CCHL would not be directly reported to this Committee, but would form part of the CCHL annual report which was presented to the Committee.

Councillor Dundas, welcomed the work that had been programmed in, in relation to information technology and cyber security, but wondered whether it would be more appropriate to look at these areas as a whole, rather than spread out over the coming five years. Hayley confirmed that discussions had taken place with the company that provided internal audit services, and the view was that separate reviews should be carried out in this area, however, when these reviews were carried out, they would also look at the wider environment. Areas like cyber security were mentioned in the Key Risk Register, and it was appropriate to review this individually as it was such an important area, particularly in the light of changing working practices such as working from home.

RESOLVED that the suggested Internal Audit plan for 2021/22, shown in appendix 1 to the report, be agreed.

254. Update on Remote (Digital) Council Meetings

Richard Clifford, Lead Democratic Services Officer attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that a review of remote meetings had been presented to its meeting in October 2020 which had led to a number of recommendations being made to Cabinet. Decision making meetings had continued to be held remotely, and the Committee's attention was drawn to data from the Council's YouTube channel which showed there had been considerable engagement with meetings, particularly related to some of the more high profile meetings. Following a recommendation from the Committee more flexible voting arrangements had been introduced, with named votes only being taken where necessary for significant decisions or when required to do so, for example at Full Council. Committee Chairs were offered the opportunity to Chair meetings while in a room with Officers physically present to support them, but this had only been taken up in respect of Full Council and a Licensing Sub-Committee hearing. The Leader of

the Council, together with the Group Leaders, had written to the Secretary of State to request that the remote hearing regulations be extended to allow remote working to continue. Notwithstanding this, the current position was that the regulations which allowed remote meetings would expire on 6 May 2021, after which all decision making meetings would need to be held physically. The Committee were advised that there had been significant lobbying of government to attempt to reach a solution, and a claim had been lodged in the High Court on behalf of the groups Lawyers in Local Government and the Association of Democratic Services Officers, and a hearing date was awaited. Officers were carefully considering the position in relation to holding physical meetings, particularly with regard to the upcoming Annual Meeting scheduled for 26 May 2021, and the report set out the position with each of the meeting rooms in the Town Hall. It was considered that the only meeting room that would be large enough to hold most meetings would be the Moot Hall, taking into account the necessary social distancing requirements on spacing and ventilation. However, with regard to the upcoming meeting of Full Council, Officers were of the opinion that even the Moot Hall was not large enough to safely accommodate fifty one Councillors, supporting Officers and members of the public safely with the required social distancing, and therefore alternative venues were being considered, including Charter Hall. The Committee heard that the Moot Hall did not have the necessary audio or visual functionality to enable live streaming of meetings to take place without hiring in additional microphone equipment, which would either mean that the current streaming function would be lost, or meetings would have to revert to being audio streamed only. Work had been carried out with the market leader in broadcasting Council meetings, and if the necessary equipment to enable live streaming was leased over a five year period, the cost to the Council would be approximately £15,000 per annum. Work was also being undertaken with the Council's own Information Technology team to explore the possibility of acquiring a suitable system to support live streaming from the Moot Hall.

Councillor Pearson praised the viewing figures that had been achieved, and expressed his opinion that the previous twelve months had demonstrated what was achievable in terms of making Council meetings more accessible to the residents of Colchester. He commended the Officers for their work in supporting the new ways of working, and expressed his concern that government may not be able to extend the regulations to allow the continuation of remote meetings. He noted that the Council had to be mindful of Members, Officers and members of the public who may have underlying health conditions, and he considered that although £15,000 per annum was not an insignificant sum of money, it may be a worthwhile price to pay to be able to continue providing meetings that were as accessible as possible.

Councillor Goacher suggested that it may be possible to continue to broadcast the meetings live via Zoom, with all Councillors present in the same room broadcasting from their own devices in a similar manner to how meetings were currently being run.

Councillor Dundas explained that he had encountered issues with two people using Zoom to connect to a meeting while in the same house, and he considered that microphone conflict and the resulting feedback issues may make Councillor Goacher's suggestion unworkable. He confirmed that he supported the decision

suggested in the report, and said that his stance on remote meetings had not changed and he would like to see the regulations that allowed remote meetings to take place extended, even if just for a short while. Even if the regulations were not extended, he requested a full review of how all Councils conducted their business in the future, to bring in what had been learned over the past year.


In response to a question from Councillor Dundas, Richard Clifford confirmed that the Annual General Meeting would be scheduled to start at 10.30am. with regard to the points raised around broadcasting a Zoom meeting with all Councillors in the same room, it was confirmed to the Committee that this would require all attendees to wear headphones, and adopt rigid microphone discipline to prevent feedback or unwanted comments being broadcast. It was explained that when such meetings had taken place in the past this had proved very difficult even with a small number of people participating, and to attempt to hold such a meeting with fifty one Councillors present would be extremely challenging.

RESOLVED that the update on remote (digital) meetings be noted, and that:

- (a) arrangements for the Annual Meeting on 26 May be agreed by the Mayor, in consultation with the Group Leaders.
- (b) arrangements for other formal decision-making meetings at the start of the 2021-22 municipal year be agreed by the Leader of the Council, in consultation with the Group Leaders.
- (c) an update report be provided to Full Council in July 2021.
- (d) briefing meetings for Committee Chairs and Group Spokespersons continue to be held remotely.

255. Work Programme

Councillor Pearson introduced the item and offered his heartfelt thanks to all the Officers for their hard work during what he considered would be the most difficult twelve months that the Council was likely to face. He commended the speed with which necessary changes had been made to Council systems to cope with the enforced changes, and he offered his hope that the residents of Colchester were aware of how well the Council had coped with the pandemic over the past twelve months, in a variety of different ways, to keep residents and staff as safe as was possible.

	Governance & Audit Committee 22 June 2021		Item 7
Report of	Assistant Director – Corporate and Improvement		
Title	Draft Statement of Accounts 2020/21		
Wards affected	Not applicable	Author	Paul Cook

1 **Action required**

- 1.1 To note the draft 2020/21 statement of accounts.

2 **Recommendations**

- 2.1 To note the draft statement of accounts.

3 **Background**

- 3.1 The 2015 Accounts and Audit Regulations have been amended because of the Coronavirus pandemic with the following effect.

Element	Normal Arrangement	2020/21 Accounts
Approval of accounts and publication by the Council	Not later than 31 July	Not later than 30 September
Public Inspection	Period to include the first 10 working days of June	Must commence on or before the first working day of August

- 3.2 Following discussions with BDO – the Council’s external auditors – the Council has closed its accounts on the normal timetable. This will enable finance resources to be focused on the budget challenges ahead.
- 3.3 The draft statement of accounts was signed by the Head of Finance 11 June 2020 and published on the Council’s website.
- 3.4 The 30 working days period for public inspection will commence after the approval of the Annual Governance Statement by 22 June Governance and Audit Committee. Public inspection will be undertaken electronically.
- 3.5 BDO have already undertaken some interim audit work and are now auditing the statements.
- 3.6 It is expected that BDO will not be prepared to sign the accounts at the conclusion of the audit until close to the long stop publication date of 30 September 2021. The closest planned Governance and Audit Committee is 7 September 2021.
- 3.7 The Narrative Statement sets out key achievements during 2020/21 and also considers the impact of Covid-19 on the Council and future financial issues.

- 3.8 More detailed reports on the 2020/21 revenue and capital outturns are included on this agenda.
- 1.2 **Strategic Plan references**
- 4.1 The Council's expenditure is aligned to the Strategic Plan.
- 5 **Financial implications**
- 5.1 Within this report
- 6 **Environmental and Sustainability Implications**
- 6.1 Future years' statements of accounts will reflect the Council's declaration of a Climate Emergency and its commitment to becoming carbon neutral by 2030. The environmental and sustainability implications of individual programmes will be thoroughly assessed with reference to the definition of sustainable development set out in the National Planning Policy Framework.
- 7 **Equality and Diversity Implications**
- 7.1 Equality and diversity issues for individual projects are assessed in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.
- 8 **Risk management implications**
- 8.1 As set out in the statement of accounts
- 9 **Other standard references**
- 9.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.
- 10 **Background papers**
- 10.1 Accounts and Audit Regulations 2015
- 10.2 Accounts and Audit Regulations 2021
- 10.3 Draft Statement of Accounts 2020-21



STATEMENT OF **ACCOUNTS**



2020 | 2021



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If you need any help understanding this document, please contact us via email mark.jarvis@colchester.gov.uk or by telephone ☎ 01206 282774.

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Narrative Statement

Introduction

In 2020/21 the Council was able to reprioritise quickly its services to tackle the Covid-19 pandemic. It has played a leading role in coordinating the community response to ensure those most in need are supported. The Council quickly distributed 10,754 government grants worth £53.116m and granted £35.326m in new business rate reliefs to 1,256 recipients.

Significant reductions in sales, fees and charges income and increased service costs were offset by special Government grants. The Council had a net overspend of £0.038m in 2020/21. The Council's capital programme was significantly delayed by Covid impacts.

Review of 2020-21

Covid Recovery Programme

The Council's Recovery Plan was guided by Local Government Information Unit good practice.

- the need to 'build back better' by increasing resilience in the economy.
- the consideration of innovative and transformational delivery models.
- developing key role players and shared ownership and partnerships and aligning these across funding streams and to prioritise activity.

A Cabinet report of 3 June 2020 set out a four 'cell' model - Economy, Community, Council and Customer. Each cell area was owned by an Assistant Director with sponsorship by Executive Management Team. Governance, development and oversight was directed by portfolio holders and major decisions were brought to Cabinet.

A cross party 'Leadership Assembly' made up of all-party Group Leaders met regularly to provide policy input, raise awareness, and communicate the development and progress of the Recovery Programme within political groups and to all Members. It also provided direction for the programme, supporting officers where appropriate and using learning from the pandemic to contribute to the direction of key community and delivery partnerships.

The effects of Covid-19 have been far reaching and had a profound impact on our economy and communities. In order to respond to this uncertainty

- the Council continually scans for, and receptive to analysis of the future effects of Covid-19 on the national and local economy and its communities
- delivering a plan that was agile and able to respond to negative effects as they arose and, conversely, to harness opportunities as a result of the pandemic or created through national policy.

The Recovery Plan was intelligence and insight driven. The Cabinet report of 3 June 2020 outlined the Council's objectives for each area and a set of emerging areas of activity and potential actions. Considerable work was undertaken after the 3 June 2020 Cabinet report to respond to the crisis to aid recovery and to develop and prioritise actions and associated timescales to support recovery in the medium term.

2020-23 Strategic Plan

The Council continued to make progress in 2020/21 across all services delivering the 2020-2023 Strategic Plan priorities. Some achievements and highlights include:

Tackling the climate challenge and leading sustainability.

- The Council is committed to reaching zero net carbon emissions by 2030 and to develop a Climate Emergency Action Plan
- Textile kerbside recycling collections started in partnership with Essex Textiles.
- With a £0.527m grant from the Public Sector Decarbonisation Scheme the Council will significantly reduce its carbon footprint by retro-fitting energy-efficient LEDs and an air source heat pump at the Council's Rowan House Offices.
- Development of green infrastructure using a fleet of 25 electric cargo bikes and five electric trailers in associated with the Energy Savings Trust for local businesses and organisations.
- DEFRA awarded the Council £0.249m to support its clean air campaign, to trial two shared sustainable transport hubs.
- The Council continued its Woodland and Biodiversity Project with ten public planting events including planting a Community Orchard at Colchester Cemetery. A total of 14,000 trees have been planted.
- A Park Active scheme, supported by the Department for Transport, is being piloted with reduced parking charges to walkers and cyclists to free up town centre parking for short stay shoppers and blue badge holders.

Creating safe, healthy and active communities

- The Council has acted as a hub for information during the pandemic, ensuring information is available to help residents and businesses, including the COVID-19 Community Response pack.
- Throughout the pandemic the Council has redeployed staff to provide non-clinical support for the NHS helping with running testing programmes and vaccination centres.
- Establishing One Colchester, to support residents in their daily life through the pandemic lockdowns and provide activities to improve wellbeing.
- On the back of the new digital infrastructure Colchester has completed a CCTV digital upgrade with high-definition cameras to add to residents' safety.
- A Level 3 Working Well accreditation award, aimed at improving health and wellbeing.
- Colchester Orbital online interactive map launched supporting the 15-mile walking and cycling route around the town.
- £28.9m Northern Gateway Sports Park completed.

Delivering homes for people who need them

- The A120/A133 Link Road and Rapid Transit System has been successful in securing funding.
- The Planning Inspectorate found the Tendring/Colchester Borders Garden Community sound. This enables joint local council working to facilitate high standards for delivery and infrastructure.
- Colchester celebrated the centenary of the Borough's first council homes. Colchester Borough Homes now manages homes to around 6,000 tenants and 1,000 leaseholders.
- Housebuilding plans for 8 new homes on a vacant site at Military Road
- Buying back 50 former Council properties using the "Right to Buy Back"
- Purchasing 100 properties on the open market.

- Redevelopment of the sheltered housing provision at Elfreda House.

Growing a fair economy so everyone benefits

- Colchester was awarded £18.500m for its Town Deal partnership
- 75km of ultrafast broadband already serving over 200 town centre businesses.
- Entrepreneurial Council of the Year in the LGC Awards 2020
- Colchester has administered over £50m grants to local businesses to help them get through the period of lockdown, strengthening support to small businesses through COLBEA.
- Click It Local Colchester launched a new virtual high street to support independent shops.

Celebrating our heritage and culture

- Virtual events and online resources to keep the community involved during the pandemic.
- Colchester's Creative Events Fund awarded 24 projects funding over a wide spectrum
- £1.000m Fast Track Towns Fund to revamp St Nicholas Square and Balcerne Gate
- £3.778m SELEP funding gained for a Creative and Digital Centre
- Collections Online access to the entire collections of Colchester and Ipswich Museums
- The Mercury Rising Project was completed by Mercury Theatre, Colchester Borough Council and Colchester Borough Homes working in partnership. After nearly a decade of planning and redevelopment work the theatre has been transformed into a cultural hub in one modern, accessible building, providing more opportunities for community engagement in theatre and the performing arts.
- Working with local artist Leroy a mural at St John's multistorey celebrating the Town's history.

Organisation of the Authority

The Council operates under the Leader and Cabinet system. There is a Scrutiny Panel and Governance and Audit Committee. During the Covid-19 pandemic the Council conducted virtual meetings in accordance with Government guidelines. The officer structure is headed by the Chief Executive and Senior Management Team.

Organisations within the group accounts

There have been no changes in the organisations consolidated in the group accounts.

The group accounts include Colchester Borough Homes. CBH was created in 2003 as an Arms Length Management Organisation. It provides landlord services to the Council's housing tenants including:

- tenancy management, housing support and older persons services
- managing and maintaining the Council's housing stock
 - routine and emergency repairs
 - planned maintenance
 - major refurbishment and improvement programmes
- facilities management and the housing options service.

The group accounts include Colchester Commercial Holdings Ltd (CCHL). CCHL is 100% owned by the Council. The Council benefits from CCHL's commercial approach and freedoms. Activities include:

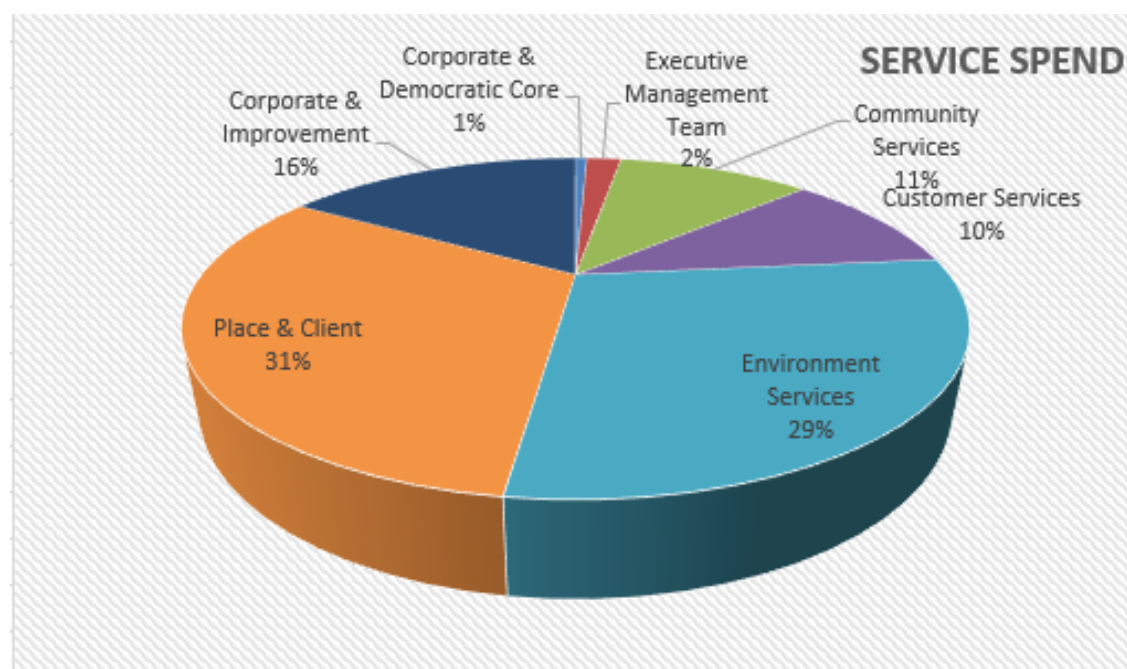
- Housing development through Colchester Amphora Housing Ltd
- Energy provision through Colchester Amphora Energy Ltd

- Events and Helpline through Colchester Amphora Trading Ltd

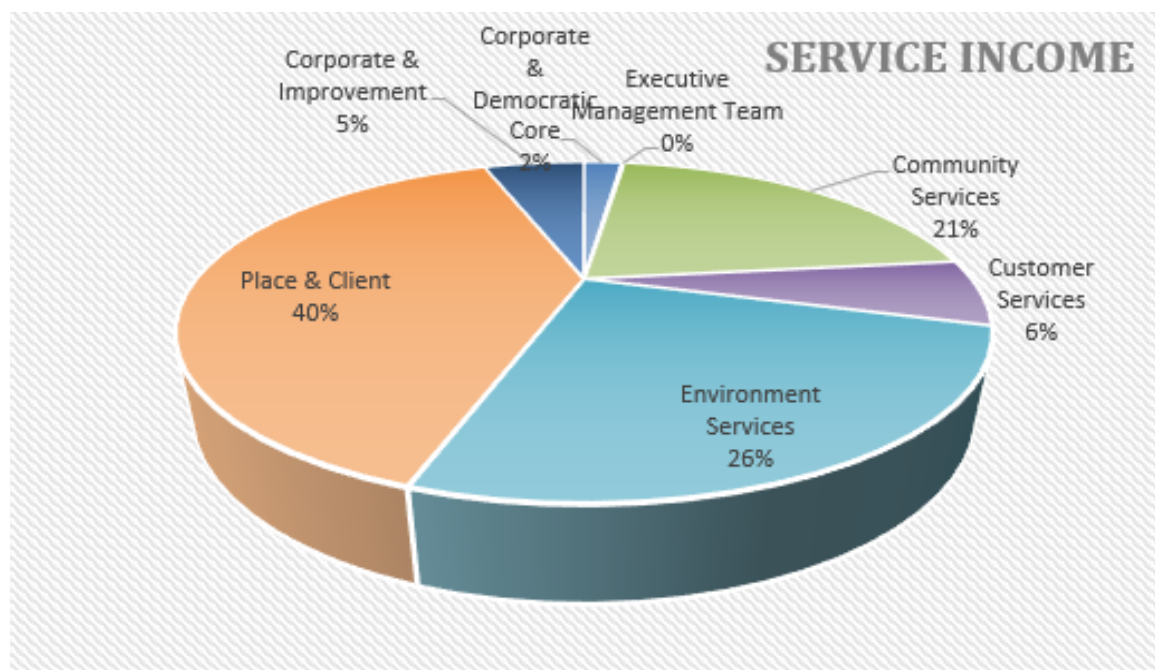
CCHL also manages some of the Council's Capital Programme. In 2020/21 the company's turnover was £3.560m generating a profit of £0.226m.

The Council's service costs and income

The services provided by the Council are summarised in the Comprehensive Income and Expenditure Statement on page 19. The net cost of these services was £26.122m and was funded by council tax, business rates, investment income and grants.



Net service costs reflect sales, fees, and charges income in areas such as parking, sport & leisure, commercial & investment properties, and museums. Due to pandemic impacts and lockdown regulations many of these services were curtailed. The Council received £7.720m less in direct income. The losses were largely offset by Income Loss Support Grant from the Government.



Strategic Plan and Objectives

The Council regularly reviews and updates its strategic direction. The Council approved The Better Colchester Strategic Plan 2020/23 in October 2020. The Plan sets out the Council's priorities under five themes:

- Tackling the climate challenge and leading sustainability.
- Creating safe, healthy, and active communities.
- Delivering homes for people who need them.
- Growing a fair economy so everyone benefits.
- Celebrating our heritage and culture.

Each theme has three priorities for the plan period that have been and continue to be addressed in the Council's financial planning. The Strategic Plan Action Plan is reported twice yearly to Cabinet.

Key performance indicators for 2020/21

The Council has 16 key performance indicators that are reported to Cabinet twice a year. 2020/21 performance is shown below.

Area	Indicator	RAG Status	
		2019/20	2020/2021
Housing Benefit	Time to process new claims and changes (two indicators)	2 Green	2 Green
Housing	Net additional homes provided	Green	Red
	Affordable homes delivered (gross)	Green	Green
	Homelessness cases prevented	Red	Red
	Rent collected	Green	Red
	Average time to re-let council homes	Green	Red
Planning	Processing of major planning applications	Green	Green
	Processing of minor planning applications	Green	Green
	Processing of other planning applications	Green	Green
Resources and Organisational	Council Tax collected	Green	Green
	Business Rates (NNDR) collected	Green	Red
	Sickness rate in working days	Green	Green
Waste and Recycling	Residual household waste per household	Red	Red
	Household waste reused, recycled and composted	Green	Red
	Number of weekly missed collections	Red	Green

The Housing Benefit team has performed exceptionally well during the pandemic year exceeding the target for processing housing benefit applications and changes. Housing benefit has been awarded quickly to residents to help them with financial difficulties. The Team's performance is ranked in the national top quartile and is the best in Essex. There has been a significant increase in the number of new applications and assessments due to the pandemic, and the team has processed these quickly to avoid financial hardship.

On Housing four of the five indicators are red with performance being impacted by the pandemic:

- Additional homes 694 against a 920 target, affected by lockdown and changes in construction methods. The housing market remains buoyant and delivery is expected to pick up in 2021-22.
- Affordable housing delivery on track to achieve the 3-year target. Only 15 affordable homes were delayed in 2020-2021 due to the pandemic and these are expected to be delivered in 2021-22.
- 185 households were accepted as homeless with a duty to house. The Covid pandemic reduced options for relieving homeless in the private sector. The number of presentations was comparable with previous years despite the temporary eviction ban introduced by the Government.
- Rent collection was close to the 98.2% target at 97.92% despite the difficulties imposed by the pandemic. The approach taken has been to "collect with care".
- 177 general needs lettings were made during the year (only 19 of which were 3 bed homes). Contractual delays and covid working requirements were experienced.

The processing of planning applications was excellent.

- Major applications 97% were determined within time (80% target).
- 94% of minor applications were determined within time (90% target).
- 1,310 applications of all categories were determined.

The team have worked incredibly hard this year supporting those struggling to pay their council tax due to the pandemic.

- Council tax collection (97.8%) was on target despite Covid-19 impacts
- Collected an additional £4m compared to the previous year
- The tax base continues to increase significantly every year.
- Collection for business rates is significantly below target reflecting the impact of the pandemic on local businesses. Several large businesses have fallen into administration as well as many severely affected by the pandemic but not eligible for government grants or relief.
- The team have focused on distributing grants rather than formal recovery of late or no payments. A recovery plan is being developed and is being implemented during 2021-22.

Despite the pandemic, the Council's sickness absence reduced significantly in 2020/21 and is well within the target of 8 days.

On waste collection:

- Residual household waste has risen from 346.43kg 2019/20 to 384.75kg 2020/21. Pandemic safety measures impacted on some collection policies, increasing the amount of residual waste.
- More residents are working from home and there is an increase in shopping online. Normal recycling patterns are expected to be restored as lockdown is lifted.
- Household waste recycled at 51.67% close to target (53%) in a similar pattern to residual waste.
- Missed collections performance has been good with over 99% of collections achieved despite issue with working arrangements at the start of the pandemic.

Principal risks and uncertainties

The Council has a comprehensive risk management process that is embedded across the organisation. This includes a strategic risk register, which is the responsibility of the senior management team, operational risk registers which are produced by each service and specific risk mitigation initiatives.

Actions are identified for all strategic risks. Actions are monitored and reported to Governance and Audit Committee twice a year.

Governance

The key message from the Head of Internal Audit annual report for 2020/21 is that the Council's internal auditors TIAA are satisfied that Colchester Borough Council has reasonable and effective risk management, control and governance processes in place. There has been a marked increase in the number of individual audits achieving a substantial assurance rating.

The overriding governance issue during 2020/21 for CBC has been the impact of the pandemic - both in terms of the business continuity of ensuring services remained operative, where necessary, and also the shaping of future service requirements and delivery options.

In 2019/20 three areas for improvement were included in the Annual Governance Statement:

- Procurement and Purchasing
- IT social media
- Payment Controls

All of these areas have been monitored and progress has been reported to Governance and Audit Committee during 2020/21. There have been some IT breaches during 2020/21 - including cyber-attacks- that highlighted weaknesses in controls. Actions have been taken to resolve these weaknesses and are included in the Annual Governance Statement action plan for 2021/22.

The response to the pandemic highlighted the importance of effective partnership arrangements. A review of the Council's strategically important partnership arrangements is included in the action plan for 21/22.

The 2020/21 Revenue Budget Process

The Council having continued to demonstrate prudence and robust financial management was able to invest in strategic priorities and deliver a balanced revenue budget for 2020/21. This required a modest £4.95 (2.6%) increase in the Colchester Borough Council Tax for 2020/21. Grants to parish councils have been maintained at 2019/20 levels after several years' successive reductions.

The Council's budget and forward planning was centred around its obligation to provide high quality statutory and other services to the people of Colchester Borough, in accord with the Council's Strategic Plan. The Council's 2020/21 Budget and Medium-Term Financial Forecast sought to maintain or improve those essential services, supporting those helping others. The budget was intended to improve the facilities and opportunities available to the people of Colchester and the wider Borough, and visitors, through capital investment and New Strategic Priorities.

The budget included savings of £1.848m. The majority of the savings were based on the themes of commercialism (£0.753m), invest to save (£0.350m) and fees and charges (£0.301m).

Almost immediately after the finalisation of the 2020/21 budget the full impact of the Covid-10 pandemic began to become apparent. However whilst responding to Covid-19 the Council was able to continue delivering excellent services and work towards its strategic plan in 2020/21.

2020/21 General Fund Revenue Outturn

The Council was close to budget in 2020/21 despite the financial challenges of the Covid-19 pandemic. There was an overspend of £0.037m. A full report was made to 22 June 2021 Governance and Audit Committee.

- General Fund service budgets were £7.972m over budget. The Council also experienced one-off unbudgeted costs including redundancy payments and service-demand cost pressures. An increase in bad debts provision (£0.059m) was required. The Council also implemented a 2019/20 external audit recommendation making minimum revenue provision on our investment in Amphora Energy (£0.265m), pension costs (£0.072m) and the increase (£0.130m) to the General Fund minimum balances as agreed by Cabinet as part of the 2020/21 budget setting cycle.
- £7.720m less income than assumed within the budget was achieved for income earning services such as parking, sport & leisure, commercial & investment properties, museums and Amphora dividends.

Fortunately £8.9m of Government support for Coronavirus and miscellaneous Government Grants mitigated the impact of income losses and other cost pressures.

Collection Fund

The Council must operate a separate collection fund to account for business rates and council tax collected on behalf of the Council and other preceptors. The Collection Fund as a whole has a net deficit of £33.1m as at 31 March 2021. This reflects the high value of business rate reliefs granted in accordance with government regulations during the Covid pandemic. Specific grant funding has been received from the government towards this deficit, but under the accounting regulations this cannot be allocated directly to the Collection Fund. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

Housing Revenue Account (HRA) 2020/21

The HRA achieved a favourable variance of £0.491m. A full report was made to 22 June 2021 Governance and Audit Committee. There was considerable slippage of HRA capital expenditure into 2021/22. Accordingly less revenue resources were required to fund the 2020/21 Housing Investment Programme. The revenue underspend will be carried forward within the HRA balance and be used to fund the Housing Investment Programme in 2021/22.

£0.291m less income than budgeted was achieved due to rental and service charge income being lost from dwellings and garages because of voids and the level of Right to Buy. Acquisitions and additions were delayed. HRA interest on balances and reserves was reduced due to extremely low interest rates.

There was less expenditure than anticipated in a number of areas

- Premises costs
 - less expenditure on void repairs than assumed in the repairs and maintenance budget
 - lower utility costs, less expenditure on Council Tax on void properties
 - reduced contract cleaning and grounds maintenance work.
 - a lower contribution to the HRA Bad Debts Provision reflecting the amount of write-off's during the year and the level of rent arrears at the year-end.
- The CBH management fee increased due to the pensions actuarial review.
- Lower interest payable provided additional revenue resources to fund the 2020/21 Housing Capital Programme. This minimised new borrowing.

The HRA balance at 31 March 2021 was £4.489m of which £2.889m of this balance is currently committed to future years. The uncommitted HRA balance at £1.600m, is the recommended minimum prudent level of balances.

Capital Outturn

The 2020/21 capital outturn was reported to 22 June 2021 Governance and Audit Committee.

Service	Programme	20/21 Outturn	2020/21 Revised Programme	Future Years' Forecast
	£m	£m	£m	£m
Communities	9.464	5.200	4.706	4.758
Environment	3.488	0.877	1.457	2.031
Corporate & Improvement	41.654	2.114	3.714	37.940
Revolving Investment Fund	18.447	12.161	14.824	3.623
Housing Revenue Account	49.693	20.631	27.675	22.018
Total Capital Programme	122.746	40.983	52.376	70.370

The main funding sources were direct revenue contributions (£16.066m) and government grants and other contributions (£8.182m). 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.

Revenue 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. For 2020/21 the minimum prudent level of uncommitted balances required was £2.030 million, or 10% of net expenditure. This was achieved at 31 March 2021. Up to £8.350m of balances and earmarked reserves were originally expected to be used in response to the Covid-19 pandemic in 2020/21 and 2021/22. It is not now expected any reserves will be used for Covid-19 in 2020/21.

Provisions and contingencies

Provisions totalling £3,504 million (2019/20: £3.483 million) have been included within the Statement of Accounts to meet the estimated cost to the Council of Non-Domestic rating appeals, outstanding insurance claims and the costs to cover a pension fund deficit relating to former Council employees for which the actual cost of individual claims and the timing of payments are uncertain.

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'. This flexibility has been reinforced for the Housing Revenue Account (HRA), with the abandonment of the HRA 'debt cap', with the intention to support further investment in affordable housing nationally.

The Prudential Code looks to ensure affordability, prudence and sustainability in relation to locally determined borrowing limits. The Council determined the required Prudential Code indicators, Treasury Management Strategy and the Strategic Investment Strategy as part of the budget process for 2020/21. The borrowing and investment activities undertaken in 2020/21 are in accordance with these determinations.

The Council continues to use its internal resources to fund capital investment, as investment rates continue to

be below long-term borrowing rates. Value for money considerations indicated that new external borrowing should be avoided. This also had the advantage of reducing the Council's exposure to interest rate and credit risk on its investments. The total loan debt at 31.3.2021 was £169,944.xxx million. It is forecast that there will be a requirement to borrow over the coming years, especially for the need to finance the HRA capital programme.

The Council continues to maintain a low risk investment policy, achieving an average return on investments of 0.87%, this rate was achieved with investment opportunities provided through other local authorities, which provide short term investments at rates higher than the prevailing market. The Council continues with a policy of investing short term, with low risk counterparties; in line with its approved Treasury Management Policy.

In line with the governance requirements of the Council's Treasury Management Policy, a review of treasury management performance for 2020/21 and the impact on future performance and policy will be reported to the Governance and Audit Committee in October 2021.

Pension liabilities

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 £107.99m deficit at 31 March 2021. Whilst this figure is substantial it should be remembered that:

- It is not an immediate deficit rather a long term view of the future liabilities, both for existing pensioners and current employees who are accruing pension entitlement.
- Nationally many pension funds in both the private and public sectors exhibit a deficit.
- The Essex pension fund is valued triennially and additional contributions have already been initiated to address the problem over a period of years. The next triennial valuation will take place on 31 March 2022, where there will be more understanding of the COVID implications and its impact on the scheme.
- The pension scheme assets and liabilities include Colchester Commercial Holdings which were transferred to the Council with an effective date of 1 April 2019.

Strategy and outlook

The Council expects a gradual recovery from 2021/22 onwards and set its budget assuming a phased return to normal economic circumstances. The Medium Term Financial Forecast approved in budget setting is set out below.

Medium Term Financial Forecast (£m)	21/22	22/23	23/24	24/25
Service costs	25.028	22.583	23.123	24.313
Business rates	(6.120)	(5.580)	(5.123)	(4.667)
Govt - Covid Funding	(1.493)	-	-	-
Govt Grant	(0.622)	-	-	-
New Homes Bonus	(2.430)	(2.091)	(0.950)	(0.950)
Council Tax	(12.588)	(13.027)	(13.475)	(13.931)
Previously planned use of reserves	0.625	0.625	0.750	0.750
Covid use of reserves	(2.400)	(0.900)	(0.400)	(0.200)
Savings to find	-	1.610	3.925	5.315

- 6.1 The Council faces significant budget challenges over the coming years and plans to transform its services. The transformation programme aims to harness the positive changes and learning from the Council's responses to, and recovery from, the Covid pandemic and address the financial challenge highlighted in the MTFF.
- 6.2 The objectives of the transformation programme are to:
- 6.2.1 Enable delivery of the Council's priorities in the 2020-23 Strategic Plan, Covid recovery and new socio-economic norms.
 - 6.2.2 Achieve MTFF sustainability by reducing costs and increasing income.
 - 6.2.3 Engage with and value our staff, Members, customers, communities, and businesses to design improved ways of working.
 - 6.2.4 Work with system partners to integrate our activities, optimise resources and provide greater resilience.
 - 6.2.5 Agree recommendations to inform the 2022/23, 2023/24 and 2024/25 Budget Processes.
 - 6.2.6 To be ambitious, agile, inclusive, environmentally sustainable and digital by default.
- 6.3 To achieve these objectives, a vision and roadmap for transformation have been agreed, as follows:
- 6.3.1 ENABLING: A council which is focused on the future of its people, place and businesses, enabling its residents to improve their quality of life.
 - 6.3.2 INNOVATIVE: A council which is truly open in its thinking, embracing opportunities for change and innovative in delivery.
 - 6.3.3 COMMERCIAL: A council which works its assets, opens up further commercially minded opportunities and maximises its income earning potential.

Future funding

Looking forward some of the key funding considerations for the Council are

- The 2021 Spending Review.
- A Fair Funding Review or equivalent
- Potential changes to business rates retention
- Changes to New Homes Bonus

Any significant changes to national funding formulae may have a significant impact on the Council. Transition arrangements will be critically important and these have yet to be clarified. The position on fair funding should be

clearer after the 2021 Spending Review.

The Government has previously had plans to introduce 100 per cent Business Rates Retention for all local authorities though the timetable is uncertain. Key considerations will be:

- balancing risk and reward in the new system
- how often entitlements are reset to reflect authorities' business rates growth
- the use of funding safety nets

The Council will also need to carefully watch a large number of other technical factors

- how the Government realises its commitment to more rapidly reflect population changes in increased funding
- the impact on business rate pools as the Council is currently a member of the Essex Pool
- how will business rates growth be shared between the tiers of Government
- any changes to existing powers to levy a supplementary rate and any changes to the Business Improvement District arrangements.

The Government has consulted on changes to New Homes Bonus, though the timetable and final scheme remain uncertain. This is a significant funding source for the Council.

Basis of preparation

The Statement of Accounts summarises the Council's income and expenditure for the 2020/21 financial year from 1 April 2020 to 31 March 2021, and its financial position at the year end of 31 March 2021. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, which in turn are underpinned by International Financial Reporting Standards. A Glossary of key terms can be found at the end of this publication.

The accounts have been prepared on a going concern basis. This reflects the economic and statutory environment in which the council operates. It is expected that future funding levels following the impact of Covid-19 will reduce the level of funding however given Government's commitment to support loss in income and the balances held in reserves, this is not expected to influence the Council's ability as a going concern. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

For the purposes of determining whether the financial statements are free from material error, materiality is defined as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. This takes into account qualitative as well as quantitative considerations.

Explanation of Accounting statements

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS)** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations;
- **Expenditure Funding Analysis (EFA)** – This statement shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would be accounted by private sector bodies under generally accepted accounting practices.
- **Comprehensive Income and Expenditure Statement (CIES)** – This statement brings summarises the expenditure and income for the year.
- **Balance Sheet** – This records the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets and liabilities, and summarises information on the long-term assets held;
- **Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue;
- **Notes to the Financial Statements** – The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements;
- **Housing Revenue Account (HRA)** – This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority Housing;
- **Collection Fund** – The Authority is responsible for collecting council tax and non-domestic rates and the Council is responsible for keeping a separate account to detail the amounts owing to and from the Council, the GLA and the MHCLG.
- **Group Accounts** - These statements reflect not only the direct financial activities of the Council but also services provided by those bodies over which it has a formal controlling influence. The principal impact is to bring together and consolidate the financial position of the Council and its interest in Colchester Borough Homes Limited and Colchester Commercial Holdings Limited.

Other information

This Statement of Accounts is one of several publications giving information on the Council's performance. The various annual reports have been brought into one place here on the Council's website (www.colchester.gov.uk) for ease of reference.

The Council's online Datashare tool here enables you to view and download more than 70 datasets about Council performance and activities. These are held under 13 categories from businesses to street care, and include information required by the Local Government Transparency Code and the Publication Scheme.

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 on the Council's website.

Our Fairness Policy

We are committed to promoting equity and equal opportunities for access and participation for everyone, whatever their personal circumstances. This includes the use of all the services and facilities which we provide. We are committed to ensuring that everyone is treated with dignity and respect, and to eliminating all forms of harassment. We will allocate and spend money on services as fairly as possible according to the needs of local people.

For more information about these accounts, please contact:

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Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester CO3 3WG
Telephone: Colchester (01206) 282774
E-mail: mark.jarvis@colchester.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for preparing the Council's Statement of Accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate:

I certify that the accounts give a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year then ended.

Paul Cook
Head of Finance and S151 Officer
11 June 2021



The Council's Responsibilities

The Council must:

- make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Council, that officer is the Chief Financial Officer.
- manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

MOVEMENT IN RESERVES STATEMENT

	Revenue Reserves			Capital Reserves			Total Usable Reserves	Total Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	1,900	4,306	32,475	953	-	24	39,658	346,577	386,235
Total Comprehensive Income and Expenditure	(7,034)	(4,877)	-	-	-	-	(11,911)	15,301	3,390
Adjustments between accounting basis and funding basis under regulations (Note 9)	22,900	(5,626)	-	4,105	-	(18)	21,361	(21,361)	-
Transfers to/from Earmarked Reserves	(15,736)	10,686	8,871	(3,821)	-	-	-	-	-
Net Increase/(Decrease) in year	130	183	8,871	(284)	-	(18)	9,450	(6,060)	-
Balance at 31 March 2021	2,030	4,489	41,346	1,237	-	6	49,108	340,517	389,625
Balance at 31 March 2019	7,934	4,564	23,080	391	3,653	-	39,622	309,329	348,951
Total Comprehensive Income and Expenditure	(3,132)	(5,829)	-	-	-	-	(8,961)	46,245	37,284
Adjustments between accounting basis and funding basis under regulations (Note 9)	5,812	3,516	-	3,298	(3,653)	24	8,997	(8,997)	-
Transfers to/from Earmarked Reserves	(8,714)	2,055	9,395	(2,736)	-	-	-	-	-
Net Increase/(Decrease) in year	(6,034)	(258)	9,395	562	(3,653)	24	36	37,248	37,284
Balance at 31 March 2020	1,900	4,306	32,475	953	-	24	39,658	346,577	386,235

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2020/21			2019/20		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure *Restated	Gross Income *Restated	Net Expenditure *Restated
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core		629	(857)	(228)	624	(1,289)	(665)
Executive Management Team		981	(31)	950	789	-	789
Corporate & Improvement		15,688	(2,272)	13,416	8,178	(2,036)	6,142
Communities		13,647	(5,194)	8,453	14,051	(5,370)	8,681
Customer		46,579	(43,868)	2,711	50,789	(47,723)	3,066
Environment		21,468	(8,332)	13,136	19,724	(11,217)	8,507
Housing Revenue Account		31,497	(29,885)	1,612	31,160	(30,135)	1,025
Place and Client Service		21,405	(7,542)	13,863	19,983	(13,625)	6,358
Non-Distributed Costs		93	-	93	2,675	-	2,675
Net Cost of Services		151,987	(97,981)	54,006	147,973	(111,395)	36,578
Other operating income and expenditure	11	6,334	(5,101)	1,233	3,518	(1,537)	1,981
Financing and investment income and expenditure	12	9,751	(2,288)	7,463	11,467	(6,322)	5,145
Taxation and non-specific grant income	13	-	(50,791)	(50,791)	-	(34,742)	(34,742)
(Surplus)/Deficit on Provision of Services		168,072	(156,161)	11,911	162,958	(153,996)	8,962
(Surplus)/Deficit on revaluation of non-current assets				(31,476)			(33,263)
Remeasurement of the net defined pension				16,175			(12,982)
Other Comprehensive (Income)/Expenditure	25			(15,301)			(46,245)
Total Comprehensive (Income)/Expenditure				(3,390)			(37,283)

*2019/20 figures restated as a result of internal management restructures

BALANCE SHEET

	Notes	31 March 2021 £'000	31 March 2020 £'000
Property, Plant and Equipment	14	594,974	561,610
Heritage Assets		1,332	1,332
Investment Properties	15	40,811	42,597
Intangible Assets		5	20
Long Term Investments		6	6
Long Term Debtors	19	6,765	7,004
Investment in Subsidiaries		1,580	1,580
Total Non-Current Assets		645,473	614,149
Short Term Investments	18	40,520	25,600
Assets Held for Sale	20	2,158	-
Inventories		149	147
Short Term Debtors	21	34,686	18,265
Short Term Loans	18	1,560	16
Cash and Cash Equivalents	18	16,814	32,542
Total Current Assets		95,887	76,570
Bank Overdraft		-	-
Short Term Borrowing	18	(15,109)	(37,294)
Short Term Creditors	22	(47,416)	(25,611)
Short Term Provisions	23	(3,400)	(3,343)
Grants Receipts in Advance – Revenue	32	(3,744)	(6,540)
Total Current Liabilities		(69,669)	(72,788)
Long Term Creditors – Finance Leases	34	(104)	(297)
Long Term Provisions	23	(131)	(140)
Long Term Borrowing	18	(156,094)	(126,944)
Pension Scheme Liability	35	(107,975)	(89,988)
Grants Receipts in Advance – Capital	32	(17,745)	(14,310)
Other Long Term Liabilities		(17)	(17)
Total Non-Current Liabilities		(282,066)	(231,696)
Total Net Assets		389,625	386,235
Usable Reserves		(49,108)	39,658
Unusable Reserves	25	(340,517)	346,577
Total Reserves		(389,625)	386,235

These financial statements represent the unaudited statements certified by Paul Cook, Head of Finance and Section 151 Officer on 11th June 2021

CASH FLOW STATEMENT

	Notes	2020/21 £'000	2019/20 £'000
Net Surplus/(Deficit) on the Provision of Services		(11,911)	(8,962)
Adjustments to Net Surplus/(Deficit) on the Provision of Services for non-cash movements	26	58,213	40,655
Adjustments for Investing and Financing Activities:			
Capital grants credited to the Income and Expenditure Statement		(8,181)	(8,915)
Proceeds from the sale of non-current assets		(5,102)	(6,823)
Adjustments for Investing and Financing Activities		(13,283)	(15,738)
Net Cash Flows from Operating Activities		33,019	15,955
Investing Activities:			
Purchase of non-current assets		(35,308)	(37,382)
Purchase of short and long term investments		(84,600)	(62,080)
Proceeds from the sale of short and long term investments		68,500	69,500
Proceeds from the sale of non-current assets		5,124	5,773
Other payments and receipts		11,248	5,234
Net Cash Flows from Investing Activities		(35,036)	(18,955)
Financing Activities:			
Cash receipts of long term borrowing		37,500	21,350
Repayment of Short and Long Term Borrowing		(30,000)	-
Cash payments for the reduction of the outstanding finance lease liabilities		(527)	(737)
Other payments and receipts		(20,684)	(1,371)
Net Cash Flows from Financing Activities		(13,711)	19,242
Net Increase/(Decrease) in Cash and Cash Equivalents		(15,728)	16,242
Cash and Cash Equivalents at 1 April	26	32,542	16,300
Cash and Cash Equivalents at 31 March	26	16,814	32,542

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

AP 1 - General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code of Practice) and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS).

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

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

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

The accounting policies are presented as much as possible in the same order as the key financial statements in the Statement of Accounts.

AP 2 - Changes to Accounting Policies

There have been no changes to the Council's existing accounting policies in the 2020/21 financial year.

AP 3 - Accruals of Income and Expenditure

The Statement of Accounts has been prepared on an accruals basis for both income and expenditure on all revenue and capital transactions. This means that revenue (income) and expenditure (costs) are recognised as they are earned or incurred not as the money is received or paid. The Council has a £5,000 de minimis limit for accruals.

Estimates have been used where actual values are not available. 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 is accounted for in the year that the actual figure is determined. Estimation techniques are applied in particular to the calculation of depreciation, bad debt provisions, sums due to contractors and government grants.

AP 4 – Overheads and Support Services

The costs of overheads and support services are charged to internal services in accordance with the Council's arrangements for accountability and financial performance.

AP 5 - Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service.

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are adjusted by a transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

AP 6 - Revenue Expenditure Funded from Capital under Statute

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

AP 7 - Minimum Revenue Provision

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a statutory annual revenue charge (the Minimum Revenue Provision - MRP). It is also allowed to undertake additional voluntary payments if required.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the Council's MRP policy allows for the borrowing need (CFR) to be repaid on an equal instalment basis over a period of 50 years with effect from the 2016/17 financial year.

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

AP 8 – Council Tax and Business Rates

The Council acts as agent in relation to the Collection Fund (Billing Authority), collecting Council Tax and Non-Domestic Rates (NNDR) on behalf of the major preceptors (Essex County Council, Essex Police and Crime Commissioner, Essex Fire and Rescue and Central Government (for NNDR)) and, as principal, collecting Council Tax and NNDR for the Council itself.

The Council is required by statute to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of Council Tax and NNDR. Under the legislative framework for the Collection Fund, the Council, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NNDR collected by the Council could be less or more than predicted.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amounts of Council Tax and NNDR that must be included in the General Fund in year. Therefore, the difference between the accrued income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. The

proportions of transactions that relate to the other parties to the arrangement are shown as debtors or creditors due from/to these parties.

AP 9 – Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the relevant service line, or where applicable, to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits, or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

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

The liabilities of the pension fund attributable to the Council are included on the Council's Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on actuarial assumptions about mortality rates, employee turnover rates and projected earnings of current employees, etc. Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary that is based on the indicative rate on high quality corporate bonds. The discount rate is the annualised yield based on the year point on Merrill Lynch AA rated corporate bond yield curve reflecting the actuary's estimate of the duration of the pension fund.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price.
- unquoted securities – professional estimate.
- unitised securities – current bid price.
- property – market value.

The change in the net pension liability is analysed into the following elements:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year which is allocated to the relevant service lines in the Comprehensive Income and Expenditure Statement.

- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability/(asset) – the change in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Return on plan assets – are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the latest actuarial valuation, or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as part of Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense for the Council.

Statutory provisions require that the General Fund and the Housing Revenue Account are charged with the cash payable to the Pension Fund in the relevant financial year rather than the accrued amount calculated under the application of the relevant accounting standard. The adjustments between the accounting basis and funding basis under regulations are undertaken in the Movement in Reserves Statement.

AP 10 – Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument of another entity.

The Council recognises these transactions on the Balance Sheet when it becomes party to the contractual provisions of the instrument.

Financial Assets

As a result of the adoption and implementation by the Council of IFRS9 – Financial Instruments, on 1 April 2018; Financial Assets are classified into three separate categories:

- Loans and Receivables – initially recognised at Fair Value and subsequently measured at amortised cost. The amount reported in the Balance Sheet is the outstanding principal receivable plus any accrued interest;
- Fair Value through Profit and Loss – recognised and reported at Fair Value, with any movements being taken to 'Financing and Investment Income'; and
- Fair Value through Other Comprehensive Income – recognised and reported at Fair Value with any movements being taken to 'Other Comprehensive Income'.

Financial Liabilities

Financial Liabilities continue to be recognised at Fair Value and measured at amortised cost. Thus the value reported on the Balance Sheet is the outstanding principal, repayable plus any accrued interest. Financial Liabilities are derecognised when the obligation is discharged, cancelled or expires.

Impairment of Financial Assets

The standard requires that Financial Assets are impaired based on the 'expected credit loss model'. The impairment requirement applies to financial assets at amortised cost and Fair Value through other Comprehensive income; loans to third parties (including soft loans); loans to Local Authority Subsidiaries; shares in subsidiaries; financial guarantees and sundry debtors including trade receivables.

The following Financial Assets are outside the scope of the IFRS 9 impairment requirements:

- Financial Assets relating to UK Government Instruments and Lending to Other Local Authorities; and
- Statutory Debtors, for example Council Tax and Business Rate Arrears

An evaluation of the Council's Financial Assets and associated impairment under the 'expected credit loss model' was undertaken and the impairment was determined to be immaterial. Therefore, the Council has not accounted for an impairment provision for these investment assets.

AP 11 - Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

AP 12 – Property, Plant and Equipment

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.

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

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

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

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

- Plant, Vehicles, Furniture and Equipment assets, Infrastructure assets, Community assets and Assets under construction – Depreciated Historical Cost.
- Council dwellings – Current Value, determined on the basis of Existing Use Value for Social Housing (EUV-SH).
- Surplus assets – Fair Value, determined by the measurement of the highest and best use value of the asset. Refer to Note 17 for details of the Fair Value measurement of Surplus Assets.
- Other land and buildings – Current Value, determined as the amount that would be paid for the asset in its existing use (EUV).

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated as follows:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (Host building structure: 1 – 60 years, Mechanical and electrical 5 – 15 years)
- vehicles, plant, furniture and equipment – straight-line allocation over 3-10 years.
- infrastructure – straight-line allocation over 20 years.

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

All HRA assets are componentised. The significant components identified for HRA building assets are land and building components.

All General Fund building assets with carrying values of £1 million or above are componentised. Significant components are defined as those that represent 10% of the total carrying value of the building asset. The significant components of such assets have been identified as land, host building structure and mechanical and electrical components.

When a component of an asset is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting, and the new component reflected in the carrying value of the asset.

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

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, Investment Properties or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the

Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against Council Tax, as the cost of Property, Plant and Equipment assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

AP 13 – Heritage Assets

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

The heritage assets which the Council holds are its collections of civic regalia, Roman treasure, works of art, museum exhibits and Colchester Castle. The Council has not recognised the Castle as a heritage asset on its Balance Sheet as there are no records detailing the original cost of this asset. It has not been possible to obtain an appropriate valuation for the Castle from a review of insurance records or from liaison with external valuers.

AP 14 – Investment Properties

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

Investment properties are measured initially at cost. Subsequently they are valued on an annual basis at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length.

Investment properties are not depreciated.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses made on the disposal of investment properties.

Rentals received and direct operating expenses relating to investment properties are shown against the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

The accounting treatment for the disposal of investment properties is the same as that for Property, Plant and Equipment. See AP 12 for the disposal accounting policy applied to investment properties.

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

AP 15 – Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset must be actively marketed for sale and the sale should be expected to occur within the next 12 months; where this period is longer the Council must demonstrate that active steps that are being taken to sell the asset. The asset is revalued immediately before reclassification, and then carried at the lower of this amount and fair value less costs to sell.

Refer to Note 16 for details of the Fair Value measurement of Assets Held for Sale.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line of the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus/Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

The accounting treatment for the disposal of assets held for sale is the same as that for Property, Plant and Equipment. See AP 12 for the disposals accounting policy applied for the disposal of assets held for sale.

AP 16 – Fair Value Measurement

The Council measures its Surplus Assets, Investment Properties, Assets Held for Sale and some of its Financial Instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external property valuers and treasury management advisors to provide a valuation of its assets and liabilities in line with the highest and best use definition within International Financial Reporting Standard 13 (IFRS 13) – Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date. The Council does not hold any property assets that have quoted prices in active markets, and as such no assets have been categorised as Level 1 assets.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Significant observable inputs include inspection of the assets, review of the detailed lease terms, strength of covenant, review of the likelihood of voids and rental growth, yield evidence from comparable transactions adjusted appropriately and other inputs.
- Level 3 – unobservable inputs for the asset or liability. Significant unobservable inputs include yield evidence, repair and condition, unusual properties where little comparable evidence exists, estimation of the gross development values.

The Council recognises transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur.

AP 17 - Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a period of 90 days or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

AP 18 – Provisions

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

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

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

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

AP 19 - Reserves

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

Separate earmarked reserves are held by the Council for Repairs and Renewals, Insurance, Capital Expenditure, Asset Replacement, Revolving Investment Fund, Business Rates and Gosbecks Archaeological Park. Details of these are given in Note 10.

Certain reserves (Unusable reserves) are kept to manage the accounting processes for non current assets, retirement benefits, local taxation and employee benefits. These do not represent usable resources at the Council's disposal. These reserves are explained and disclosed in Note 25.

AP 20 – Leases

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

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

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

Finance Leases – The Council as Lessee

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

Finance lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Finance Leases – The Council as Lessor

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

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

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

Finance lease rentals receivable are apportioned between:

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

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

the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Usable Capital Receipts Reserve.

AP 21 – Contingent Liabilities

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

AP 22 - Interests in Companies

Where the Council has material interests in companies that have the nature of subsidiaries, these interests require the Council to prepare group accounts.

Group Accounts are currently prepared to include the accounts of the wholly owned subsidiaries of the Council - Colchester Borough Homes Limited and Colchester Commercial Holdings Limited. Where material the Group Accounts for future years are expected to also include the accounts of the Council's proportionate share of North Essex Garden Communities Limited.

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

AP 23 – Joint Operations

Jointly controlled operations are arrangements whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The Council currently operates a joint operation in terms of its parking service (NEPP North Essex Parking Partnership)

The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and adjusts the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the income it earns from the activities of these operations.

AP 24 - Value Added Tax (VAT)

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

The Council is allowed to recover VAT incurred on expenses where income from the activity is exempt, provided it is 'insignificant'. The current test for insignificance is that the VAT incurred and recovered on exempt activities is less than 5% of the total VAT that is incurred on all the Council's activities. If the amount exceeds the limit then none of the tax can normally be recovered.

2. Expenditure Funding Analysis

2020/21				Adjustments between Funding and Accounting Basis				
	Council Year-end Management report	Adjustments	Net Expenditure chargeable to GF and HRA Balances	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Net Expenditure in the CIES
	£'000	(Note 2a) £'000	£'000	(Note 2b) £'000	(Note 2b) £'000	(Note 2b) £'000	(Note 9) £'000	£'000
Corporate and Democratic Core	(140)	(88)	(228)	-	-	-	-	(228)
Executive Management Team	893	(1)	892	-	52	6	58	950
Corporate and Investment	6,671	6,148	12,819	20	548	29	597	13,416
Communities	536	1,133	1,669	6,134	627	23	6,784	8,453
Customer	3,483	(1,295)	2,188	-	508	15	523	2,711
Environment	8,180	1,005	9,185	2,798	1,121	32	3,951	13,136
Housing Revenue Account	(183)	(10,377)	(10,560)	12,138	33	1	12,172	1,612
Place and Client	6,499	938	7,437	5,822	569	34	6,425	13,862
Non-Distributed Costs	-	3,900	3,900	(23)	(3,784)	-	(3,807)	93
Net Cost of Services	25,939	1,363	27,302	26,889	(326)	140	26,703	54,005
Other operating income and expenditure (Note 11)			2,094				(861)	1,233
Financing and Investment income and expenditure (Note 12)			21,374				(13,911)	7,463
Taxation and Non Specific Grant income (Note 13)			(56,133)				5,342	(50,791)
(Surplus)/Deficit on Provision of Services			(5,363)				17,273	11,910
Opening General Fund and HRA Balances			(6,206)					
(Surplus)/Deficit on Provision of Services			(5,363)					
Transfers to Earmarked Reserves			5,050					
Closing General Fund and HRA Balances			(6,519)					

2019/20				Adjustments between Funding and Accounting Basis				
	Council Year-end Management report	Adjustments	Net Expenditure chargeable to GF and HRA Balances	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Net Expenditure in the CIES
	£'000	(Note 2a) £'000	£'000	(Note 2b) £'000	(Note 2b) £'000	(Note 2b) £'000	£'000	£'000
Corporate and Democratic Core	(328)	(337)	(665)	-	-	-	-	(665)
Executive Management Team	717	1	718	-	70	1	71	789
Corporate & Improvement	-	5,316	5,316	218	610	(1)	827	6,143
Communities	1,241	1,002	2,243	5,691	753	(6)	6,438	8,681
Customer	3,767	(1,345)	2,422	-	664	(21)	643	3,065
Environment	5,648	(186)	5,462	1,817	1,260	(32)	3,045	8,507
Housing Revenue Account	259	(11,376)	(11,117)	12,107	33	2	12,142	1,025
Place and Client Services	-	3,355	3,355	2,317	679	7	3,003	6,358
Policy and Corporate	7,894	-7,894	-	-	-	-	-	-
Non-Distributed Costs	-	490	490	191	1,994	-	2,185	2,675
Net Cost of Services	19,198	(10,974)	8,224	22,341	6,063	(50)	28,354	36,578
Other operating income and expenditure (Note 11)			1,885				96	1,981
Financing and Investment income and expenditure (Note 12)			14,289				(9,144)	5,145
Taxation and Non Specific Grant income (Note 13)			(24,764)				(9,978)	(34,742)
(Surplus)/Deficit on Provision of Services			(366)				9,328	8,962
Opening General Fund and HRA Balances			(12,498)					
(Surplus)/Deficit on Provision of Services			(366)					
Transfers to Earmarked Reserves			6,658					
Closing General Fund and HRA Balances			(6,206)					

2 a.) Adjustments between the Council's year end management report to the Net Expenditure chargeable to the General Fund and HRA Balances

This table shows how the figures in the provisional outturn report taken to the Council's Governance and Audit panel are adjusted to relate to the net expenditure chargeable to the General Fund and HRA balances.

- Services and Support services not in analysis –areas that are not reported as part of the service group expenditure in the management reports such as benefits payments and subsidy, joint committees and non-direct recharges to the HRA.
- Corporate & Technical adjustments –adjustments to non-distributed costs (including pension back funding, added years and strain payments), bad debt provisions, grant income and budgets held at a corporate level.
- Amounts not included in CIES –adjustments to reflect the difference in the management reporting of the General Fund and HRA, as well as items of income and expenditure in the year which are not reflected in the General Fund revenue account.

	2020/21			
	Services and Support Services not in Analysis £'000	Corporate & Technical Adjustments £'000	Amounts not included in the CIES £'000	Total Adjustments £'000
Corporate and Democratic Core	(438)	(27)	377	(88)
Executive Management Team	-	-	(1)	(1)
Corporate and Improvement	(1,095)	7,243	-	6,148
Communities	1,134	-	(1)	1,133
Customer	(1,295)	-	-	(1,295)
Environment	1,006	-	(1)	1,005
Housing Revenue Account	-	-	(10,377)	(10,377)
Place and Client	(999)	-	1,937	938
Non-Distributed Costs	-	3,900	-	3,900
Net Cost of Services	(1,687)	11,116	(8,066)	1,363

	2019/20			
	Services and Support Services not in Analysis £'000	Corporate & Technical Adjustments £'000	Amounts not included in the CIES £'000	Total Adjustments £'000
Corporate and Democratic Core	(410)	(280)	353	(337)
Executive Management Team	-	-	1	1
Corporate & Improvement	5,316	-	-	5,316
Communities	1,003	-	(1)	1,002
Customer	(1,344)	-	(1)	(1,345)
Environment	(186)	-	-	(186)
Housing Revenue Account	-	-	(11,376)	(11,376)
Place and Client Services	589	-	2,766	3,355
Policy and Corporate	(7,894)	-	-	(7,894)
Non-Distributed Costs	-	491	(1)	490
Net Cost of Services	(2,926)	211	(8,259)	(10,974)

2 b.) Note to the Expenditure and Funding Analysis – Adjustments between Funding and Accounting Basis

Adjustments for Capital Purposes – this column adds in depreciation, and impairment and revaluation gains and losses in the service line, as well as:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of asset and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing (i.e. Minimum Revenue Provision and other revenue contributions) are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under Generally Accepted Accounting Practices. Revenue grants are adjusted to reflect those receivable without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions, or for which condition were satisfied in the year.

Net Change for the Pension Adjustments – this column removes the pension contributions and replaces it with the IAS19 Employee Benefits related expenditure and income:

- Cost of services – this represents the removal of the employer pension contributions made by the Council as allowed by statute, and their replacement with current service costs and past service costs.
- Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Differences – between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- Cost of services – this relates to adjustments relating to the employee benefits accrual made in the accounts.
- Financing and investment income and expenditure – the other differences column recognises adjustments to the General Fund for the timing difference for premiums and discounts.
- Taxation and Non-specific grant income and expenditure – this represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses/Deficits on the Collection Fund.

Refer to Note 9 for further details on the adjustments made in the accounts.

2 c.) Note to the Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	2020/21 £'000	2019/20 £'000
Employee related expenditure	32,439	31,133
Other services expenses	94,660	88,628
Support services recharges	3,800	3,346
Depreciation, amortisation and impairment	21,088	24,866
Interest payments	5,417	6,541
Precepts and levies	2,094	1,896
Payments to Housing Capital Receipts Pool	507	496
Pension Fund expenditure	2,138	2,299
Increase in bad debt provisions	174	535
Losses on the disposal of assets	3,733	1,126
Changes in the fair value of investment properties	1,887	1,999
Other expenditure	135	93
Total Expenditure	168,072	162,958
Fees, charges and other service income	(54,294)	(64,817)
Interest and investment income	(220)	(814)
Income from Council Tax and Non Domestic Rates	(4,643)	(18,393)
Government grants and contributions	(89,836)	(62,927)
Gains on the disposal of assets	(5,019)	(1,413)
Income in relation to investment properties	(1,841)	(2,229)
Changes in the fair value of investment properties	-	(2,602)
Decrease in bad debt provisions	-	(284)
Other income	(308)	(517)
Total Income	(156,161)	(153,996)
(Surplus)/Deficit on the Provision of Services	11,911	8,962

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

The following accounting standards have been issued that will be applied in the Code in the following year: Definition of a Business: Amendments to IFRS 3 Business Combinations, Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.. None of these standards are known to impact on the 2021/22 statements.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in the accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The following are the management judgements made in applying the accounting policies of the Council that have the most significant effect on the financial statements:

Classification of leases

The Council has undertaken an analysis to classify the leases it holds, both as lessee and lessor; as either operating or finance leases. The accountings standards in relation to leases have been applied and where there is a judgement that the arrangement is a finance lease, the asset is recognised on / derecognised from the Council's Balance Sheet.

Classification of investment properties

The Council has classified its investment properties based on the IFRS criteria of being solely held for rental income or for capital appreciation. This review and assessment may be subject to interpretation.

Valuation of Property, Plant and Equipment

The Council's non-current assets are valued on the Balance Sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- Properties classified as operational, excluding council dwellings are valued on the basis of net realisable value in existing use or, where an open market did not exist, on the basis of depreciated replacement cost.
- Council dwellings are valued in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance at open market value less a specified and notified percentage known as 'social housing discount factor'.
- Plant vehicles and equipment assets, community assets and Infrastructure assets are valued at depreciated historic cost.
- Properties classified as non-operational have been valued on the basis of market value for highest and best use.
- Council dwellings are revalued annually. All other non-current assets, with the exception of those valued at depreciated historic cost, are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years.

Heritage Assets

The Council holds a collection of museum exhibits and works of art which are not recognised in its Balance Sheet. The Council has concluded that the total cost of obtaining the relevant valuation information for these assets (collections held prior to 1 April 2011) outweighs the benefits to the users of the financial statements.

The Council owns Colchester Castle, which is held for its contribution to knowledge and culture. The Castle is not recognised as a heritage asset in the Council's Balance Sheet, because the original cost of the building of the castle is not available, and an appropriate valuation cannot be obtained due to the asset's unique nature.

Composition of Group Accounts

The Council undertakes its activities through a variety of undertakings, either under partnership or through ultimate control. Those considered to be material are included in the group accounts. Financial materiality is determined through an evaluation of each entities profit and loss, net worth and value of non-current assets as a percentage of the Council's single entity accounts. Turnover, assets and liabilities are considered individually. An entity could be material but not consolidated, where the group accounts are not materially different from the Council's single entity accounts. The materiality assessment also considers qualities materiality; for example, whether the Council depends significantly on the entity to deliver its statutory services or where there is a concern that the Council is exposed to commercial risk.

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

The preparation of financial statements requires the Council's management to make judgements, estimates and

assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date, and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Depreciation of Property, Plant and Equipment Assets

The Council's Property, Plant and Equipment assets are depreciated based on an estimate of the asset's useful life, that is based on the level of maintenance incurred in relation to the assets. The current economic climate makes it uncertain that the Council will be able to continue with the level of maintenance expected; resulting in uncertainty in the useful lives assigned to the assets by Valuers. If the useful life reduces, the depreciation charge will be higher than estimated. Due to the capital regulations applicable to Local Government accounting, there will be no impact on the General Fund balances.

Revaluation of Property, Plant and Equipment Assets

The Council's Property, Plant and Equipment assets are revalued on a periodic basis and reviewed annually for indications of impairment. Advice on revaluation is provided by the Council's external property valuers in line with the CIPFA Code of Practice and the relevant RICS guidance. If actual results differ, the value of the Property, Plant and Equipment assets on the Council's Balance Sheet as at 31 March 2021 will be under or overstated. The financial impact will be adjusted in the following financial year.

A valuation exercise on the properties and land owned by Colchester Borough Council was carried out with a valuation date of 31 March 2021. This valuation was undertaken by an external Valuer, NPS Property Consultants Ltd, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2020 ('Red Book'). In preparing the valuation, the Valuer has declared a 'material valuation uncertainty' in the valuation report.

Net Pension Liability

The estimation of the net liability to pay pensions, is dependent on a number of complex judgements; such as the discount rate applied, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and the rate of commuted pensions.

The effect on the net pension liability of changes in individual assumptions can be measured. For example a 0.1% increase in the discount rate assumption would lead to a decrease of £6.6 million in the net pension liability from £341 million to £334.4 million. See Note 35 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

Debt impairment

The Council has included a provision of £7.8 million for the impairment of doubtful debts as at 31 March 2021 in its accounts. Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, it is not certain that this provision will continue to be sufficient. If debtor collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision with a view to increasing the provision held by the Council.

Provision for Business Rates Appeals

The Council has made a provision for a reduction in business rate income due to appeals against the rateable values set by the Valuation office agency (VOA). Where appeals are against the 2010 valuation list, the estimate is based on information from the VOA on historic appeals in the past. The provision for appeals raised as part of the 2017 valuation is based on a percentage of the year end Business Rates rateable value. The percentage is

based on the change in the National Business Rates Multiplier for the year adjusted for local factors. The total provision as at the 31 March 2021 was £8.5m (of which £3.4m is Colchester Borough Council).

Provision for the impairment of Financial Instruments

At 31 March 2021, the Council held on its Balance Sheet a balance for its short and long term financial instruments. A review of these balances suggests that on occasion a bad debt provision is required. Where possible the assessment takes into account the impact of the current economic climate where applicable.

Fair value measurements

When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using appropriate valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).

Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. External valuers who are members of the Royal Institution of Chartered Surveyors were employed to value the Council's Investment Properties, Surplus Assets and Assets Held for Sale. External treasury advisors were employed to value the Council's Financial Instruments (financial assets and liabilities).

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is set out in Note 15 for Investment Properties, Surplus Assets and Assets Held for Sale, and Note 18 for Financial Instruments.

The Council uses a combination of valuation techniques to measure the fair value such as the discounted cash flow (DCF) model, Market valuation method and the Net Present Value approach.

The significant unobservable inputs used in the fair value measurement include factors such as management assumptions regarding rent yield levels and other factors. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets and liabilities.

6. Material items of income and expenditure

Material items of income and expenditure not specifically detailed on the face of the Comprehensive Income and Expenditure Statement and not specifically disclosed within other notes are as follows:

General Fund

The Council during the year revalued a sample of Land and Buildings Assets and Surplus Assets during the year and at the year end. These revaluations were performed by the Council's external valuers. The overall impact of these revaluations was £10.1m. During the year, the Council provided loan during the year to the value of £1.2m to Colchester Commercial Holdings Limited.

Housing Revenue Account

The Council's housing stock, garages and other HRA properties were revalued as at 31 March 2021 by the Council's external valuers on a book valuation basis using the 'Stock Valuation for Resource Accounting' guidance produced by the MHCLG. The overall impact was £18.8m.

In 2020/21 the Council incurred expenditure of £7.8 million on its housing stock, which related to the replacement of existing components of buildings in order to maintain the stock at the Decent Home Standard prescribed by the Government. Under the Code of Practice, the original cost of the components of £0.6 million has been derecognised in the 2020/21 accounts. The remaining balance of the expenditure has been treated as a revaluation loss, which has been taken to the Housing Revenue Account Income and Expenditure Statement. This expenditure has then been transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

7. Prior period adjustments

Changes made to 2019/20 Comparatives

In 2020/21 the Council undertook a review of the structure of its internal services and this has had an impact on the composition of the services across the Council. As a result of this internal restructure the 2019/20 comparative values in the lines within the Cost of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis were restated. There is no impact on the bottom line of the Council's core financial statements for 2019/20 as the adjustments made are reclassification amendments.

8. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on 11 June 2021. Events taking place after this date are not reflected in the financial statements or notes.

As a result of the Covid-19 pandemic on 23 March 2020 the government imposed a lockdown on the whole population. There is little certainty as to the full impact of the measures taken by government to control the pandemic on the resources available to the Council. Where impacts have created uncertainty of information included, this has been highlighted in the narrative statement and subsequent MTFF.

This event is therefore deemed to be a non-adjusting event for the purposes of the accounts for the year ending 31 March 2021.

9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied Account

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

	Usable Reserves				
2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred from the Pensions Reserve)	2,352	(540)	-	-	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(15)	-	-	-	-
Council tax and NNDR (transfers to or from Collection Fund)	13,506	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	142	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	17,399	19,903	-	-	-
Total Adjustments to Revenue Resources	33,384	19,363	-	-	-
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(265)	(4,755)	5,020	-	-
Capital receipts not linked to disposal of non-current assets	(82)	-	82	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)	507	-	(507)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(4,781)	-	4,781	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	(1,871)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	(612)	(15,453)	-	-	-
Total Adjustments between Revenue and Capital Resources	(2,323)	(24,989)	4,595	4,781	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(536)	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(4,781)	-
Application of capital grants to finance capital expenditure	(8,179)	-	-	-	-
Cash payments in relation to deferred capital receipts	18	-	46	-	(18)
Total Adjustments to Capital Resources	(8,161)	-	(490)	(4,781)	(18)
Total Adjustments	22,900	(5,626)	4,105	-	(18)

	Usable Reserves				
2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred from the Pensions Reserve)	8,387	(25)			
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(20)	-			
Council tax and NNDR (transfers to or from Collection Fund)	(1,063)	-			
Holiday pay (transferred to the Accumulated Absences Reserve)	(49)	-			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	13,919	18,948			
Total Adjustments to Revenue Resources	21,174	18,923	-	-	
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(2,175)	(3,455)	5,630	-	-
Capital receipts not linked to disposal of non-current assets	(124)	-	124	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)	507	-	(507)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(4,716)	-	4,716	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	(1,504)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	(2,080)	(7,236)	-	-	-
Total Adjustments between Revenue and Capital Resources	(5,376)	(15,407)	5,247	4,716	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(2,007)	-	
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(8,369)	-
Application of capital grants to finance capital expenditure	(8,892)	-	-	-	-
Cash payments in relation to deferred capital receipts	(1,094)	-	58	-	24
Total Adjustments to Capital Resources	(9,986)	-	(1,949)	(8,369)	24
Total Adjustments	5,812	3,516	3,298	(3,653)	24

10. Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Retained Right to Buy Receipts Reserve	11,467	(2,279)	2,747	11,935	(10,686)	3,821	5,070
Reserve to Support Future Year's Budget	-	-	5,703	5,703	(1,688)	4,881	8,896
Pension Fund Deficit	-	-	3,214	3,214	(3,465)	1,595	1,344
Revenue Grants Unapplied Reserve	2,943	(1,158)	1,126	2,911	(3,246)	3,508	3,173
Repairs and Renewals Fund	2,105	(438)	788	2,455	(293)	683	2,845
Business Rates Reserve	1,443	(539)	791	1,695	(1,613)	15,793	15,875
Decriminalisation Parking Reserve	1,458	(232)	286	1,512	(681)	256	1,087
Revolving Investment Fund Reserve	1,292	(106)	250	1,436	(90)	250	1,596
Capital Expenditure Reserve	1,448	(1,949)	1,221	720	(990)	707	437
Insurance Reserve	471	(10)	105	566	-	86	652
Gosbecks Reserve	171	(20)	1	152	(18)	-	134
Other Reserves	282	(119)	13	176	(122)	183	237
Total	23,080	(6,850)	16,245	32,475	(22,892)	31,763	41,346

The **Retained Right to Buy Receipts Reserve** is maintained as a result of Government changes to the national scheme. It provides finance for HRA debt redemption and the provision of replacement housing.

The **Reserve to Support Future Year's Budget** is maintained to provide funding for agreed items of expenditure which will occur in a future year, as well as funding allocated to support future years cost pressures.

The **Pension Fund Deficit Reserve** has been created to earmark the lump sum payment in as part of the pension triennial valuation.

The **Repairs and Renewals 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.

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

The **Revolving Investment Fund Reserve** has been created to support the delivery of income-producing development schemes and regeneration/economic growth projects. The three main sources of funding into the RIF are existing capital programme allocations, capital receipts and revenue funding. Revenue funding will be held in this reserve until it is required for future capital schemes or revenue expenditure as necessary.

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

The **Business Rates Reserve** is maintained to cover the risks and volatility resulting from the Local Business Rates Retention scheme.

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

The **Decriminalisation Parking Reserve** is maintained to retain the 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.

Other Reserves include:

- Support to spending on the Mercury Theatre building.
- Support to future Section 106 monitoring activity.
- Funding for the repair, maintenance and continuing development of ancient and historical monuments.

11. Other Operating Income and Expenditure

	2020/21 £'000	2019/20 £'000
Parish Council precepts	2,094	1,896
Payments to the Government housing capital receipts pool	507	496
(Gains)/Losses on the disposal of non-current assets	(1,286)	(287)
Capital receipts not linked to disposals	(82)	(124)
Total Other Operating (Income)/Expenditure	1,233	1,981

12. Financing and Investment Income and Expenditure

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	5,417	6,541
Interest receivable and similar income	(220)	(814)
Net interest on the pension scheme liability	2,025	2,242
Pension administration costs	174	57
Income and expenditure in relation to investment properties	113	(2,136)
Changes in the fair value of investment properties	(1,706)	(603)
Net movement in bad debt provisions	1,887	251
Other investment income	(227)	(393)
Total Financing and Investment Income and Expenditure	7,463	5,145

13. Taxation and Non-Specific Grant Income

	2020/21 £'000	2019/20 £'000
Council Tax	(14,471)	(14,030)
Non-Domestic Rates	9,828	(5,428)
Non ringfenced Government grants	(37,984)	(6,369)
Capital grants and contributions	(8,164)	(8,915)
Total Taxation and Non-Specific Grant Income	(50,791)	(34,742)

14. Property, Plant and Equipment

2020/21	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2020	367,325	137,199	21,306	7,211	399	27,281	23,125	583,846
Additions	17,678	908	1,655	-	-	-	14,518	34,759
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,238)	(2,683)	-	-	-	-	-	(6,921)
Revaluations to Revaluation Reserve	20,183	10,932	-	-	-	445	-	31,560
Revaluations to (Surplus)/Deficit	(10,274)	(5,232)	-	-	-	23	-	(15,483)
Derecognition – disposals	(2,981)	(721)	(460)	-	-	-	(21)	(4,183)
Derecognition - other	(605)	(59)	-	-	-	-	-	(664)
Reclassified from/(to) Assets held for Sale	-	-	-	-	-	(2,171)	-	(2,171)
Reclassified within PPE categories	51	22,050	-	8,226	-	(1,822)	(28,505)	-
At 31 March 2021	387,139	162,394	22,501	15,437	399	23,756	9,117	620,743
Accumulated Depreciation and Impairment								
At 1 April 2020	(2)	(7,246)	(12,077)	(2,910)	-	(1)	-	(22,236)
Depreciation charge	(4,271)	(3,454)	(1,946)	(314)	-	-	-	(9,985)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,238	2,683	-	-	-	-	-	6,921
Acc. Impairment written out to GCA	-	-	-	-	-	-	-	-
Impairment losses to Revaluation Reserve	(85)	-	-	-	-	-	-	(85)
Impairment losses to (Surplus)/Deficit	(892)	-	(1)	-	-	-	-	(893)
Derecognition – disposals	20	38	392	-	-	-	-	450
Derecognition – other	-	59	-	-	-	-	-	59
Reclassified within PPE categories	-	-	-	-	-	-	-	-
At 31 March 2021	(992)	(7,920)	(13,632)	(3,224)	-	(1)	-	(25,769)
Net Book Value:								
At 31 March 2021	386,147	154,474	8,869	12,213	399	23,755	9,117	594,974
At 1 April 2020	367,323	129,953	9,229	4,301	399	27,280	23,125	561,610

2019/20	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2019	361,166	132,499	21,310	7,186	399	12,436	4,667	539,663
Additions	14,622	894	2,713	25	-	13	19,702	37,969
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,327)	(2,528)	-	-	-	-	-	(6,855)
Revaluations to Revaluation Reserve	9,615	7,952	-	-	-	15,692	-	33,259
Revaluations to (Surplus)/Deficit	(10,928)	(97)	-	-	-	(185)	-	(11,210)
Derecognition – disposals	(2,137)	(1,254)	(3,090)	-	-	(575)	(12)	(7,068)
Derecognition - other	(621)	(110)	-	-	-	-	-	(731)
Reclassified from/(to) Assets held for Sale	-	-	-	-	-	-	-	-
Reclassified from/(to) Investment Properties	-	(222)	-	-	-	(100)	(859)	(1,181)
Reclassified within PPE categories	(65)	65	373	-	-	-	(373)	-
At 31 March 2020	367,325	137,199	21,306	7,211	399	27,281	23,125	583,846
Accumulated Depreciation and Impairment								
At 1 April 2019	(119)	(6,494)	(12,769)	(2,594)	-	(75)	-	(22,051)
Depreciation charge	(4,224)	(3,402)	(2,098)	(316)	-	(6)	-	(10,046)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,212	2,528	-	-	-	-	-	6,740
Acc. Impairment written out to GCA	115	-	-	-	-	-	-	115
Impairment losses to Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-	-
Derecognition – disposals	13	13	2,790	-	-	10	-	2,826
Derecognition – other	-	110	-	-	-	-	-	110
Reclassified within PPE categories	-	-	-	-	-	70	-	70
Other Movements	1	(1)	-	-	-	-	-	-
At 31 March 2020	(2)	(7,246)	(12,077)	(2,910)	-	(1)	-	(22,236)
Net Book Value:								
At 31 March 2020	367,323	129,953	9,229	4,301	399	27,280	23,125	561,610
At 1 April 2019	361,047	126,005	8,541	4,592	399	12,361	4,667	517,612

Revaluations

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

The revaluations performed in 2020/21 were:

- A sample of General Fund properties as at 1 December 2020.
- Council dwellings and Homeless properties to their fair value as at 31 March 2021.
- A sample of Council properties within the year-end portfolio review performed as at 31 March 2021.
- Ad-hoc revaluations of other assets throughout the 2020/21 financial year.

The following statement shows the effective dates of the revaluations for the Property, Plant and Equipment assets that are revalued in the Council's rolling programme of the revaluations. The basis for the valuations is set out in the accounting policies detailed above.

As at 31 March 2021	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	3,992	22,501	15,437	399	-	9,115	51,444
31 March 2016	-	-	-	-	-	-	-	-
31 March 2017	-	1,124	-	-	-	-	-	1,124
31 March 2018	-	107	-	-	-	52	-	159
31 March 2019	-	2,474	-	-	-	-	-	2,474
31 March 2020	-	6,084	-	-	-	-	-	6,084
31 March 2021	386,150	148,613	-	-	-	23,705	-	558,468
Gross Book Value	386,150	162,394	22,501	15,437	399	23,757	9,115	619,753

15. Investment Properties

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

	2020/21 £'000	2019/20 £'000
Rental income from investment properties	(1,841)	(2,229)
Direct operating expenses arising from investment properties	135	93
Net (gain)/loss on Investment Properties	(1,706)	(2,136)

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

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

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

The following table summarises the movement in the fair value of investment properties during the year in the Balance Sheet:

	2020/21 £'000	2019/20 £'000
Balance at 1 April	42,597	41,891
Additions	101	63
Disposals	-	(1,070)
Net gains/(losses) arising from fair value adjustments	(1,887)	602
Transfers (to)/from Property, Plant and Equipment	-	1,111
Balance at 31 March	40,811	42,597

Investment in subsidiaries

As at 31 March 2021 the Council provided £1.580m of equity investment into the following company:

	Class of share	2020/21 £'000	2019/20 £'000
Colchester Commercial Holdings Limited – Holdings 100%	Ordinary	1,580	1,580

16. Fair Value Measurement of Property Assets

Fair Value Hierarchy

Details regarding the fair value of the Council's Surplus Assets, Investment Properties and Assets Held for Sale are as follows:

Recurring fair value measurements:	2020/21			2019/20		
	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31 March 2021	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31 March 2020
	(Level 2)	(Level 3)		(Level 2)	(Level 3)	
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus Assets						
Commercial development sites	-	23,475	23,475	-	27,040	27,040
Residential development sites	-	80	80	-	80	80
Other	-	201	201	-	161	161
Total (Note 14)	-	23,756	23,756	-	27,281	27,281
Investment Properties						
Commercial units	-	21,661	21,661	-	19,677	19,677
Retail units	2,873	7,366	10,239	2,753	11,516	14,269
Car parks	59	1,836	1,895	59	1,910	1,969
Residential development sites	-	289	289	-	278	278
Offices	6,467	-	6,467	6,158	-	6,158
Other	221	39	260	215	31	246
Total (Note 15)	9,620	31,191	40,811	9,185	33,412	42,597
Assets Held for Sale						
Commercial development site	-	2,158	2,158	-	-	-
Total (Note 20)	-	2,158	2,158	-	-	-

The Council does not hold any property assets that have quoted prices in active markets for identical assets, and as such no assets have been categorised as Level 1 assets. No transfers have been made between Level 1 and 2 during the 2020/21 financial year.

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets and Investment Properties for the majority of these assets, the highest and best use of the properties is deemed to be their current use.

In the case of 1 Surplus Asset, the Council's external valuers have identified their highest and best uses to be as commercial/residential development sites rather than as their current uses.

Reconciliation of Fair Value Measurements using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy

Gains or losses arising from changes in the fair value of Surplus Assets are recognised in the Non-Distributed Costs line within the Comprehensive Income and Expenditure Statement.

Investment Properties Level 3					
	Commercial Units	Retail Units	Car Parks	Residential Development Sites	Other
	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019	18,542	12,286	1,913	281	126
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	(53)	-	(97)
Gains/(Losses) taken to the Surplus/Deficit during the year	1,135	(770)	49	(3)	2
Balance as at 31 March 2020	19,677	11,516	1,909	278	31
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Gains/(Losses) taken to the Surplus/Deficit during the year	1,985	(4,151)	(74)	11	7
Balance as at 31 March 2021	21,662	7,365	1,835	289	38

Gains or losses arising from changes in the fair value of Investment Properties are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

17. Capital Expenditure and Capital Financing

Movements in Capital Financing Requirement in the year

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase to the Capital Financing Requirement (CFR), which is the total historic capital expenditure that has not been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The movement in the CFR is analysed in the second part of this note.

	2020/21 £'000	2019/20 £'000
Opening Capital Financing Requirement at 1 April	177,610	161,680
Capital Expenditure		
Property, Plant and Equipment	34,758	37,968
Investment Properties	101	63
Heritage Assets	5	15
Intangible Assets	0	7
Revenue Expenditure Funded from Capital under Statute	4,932	5,252
Equity Investment	0	1,580
Long Term Debtors	1,291	1,357
Total Capital Expenditure	41,087	46,242
Less Sources of Finance		
Capital Receipts	536	2,007
Government Grants and Other Contributions	8,182	8,892
Major Repairs Reserve	4,780	8,369
Direct Revenue Contributions	16,066	9,316
Minimum Revenue Provision	1,602	1,504
Write-off of Finance Lease Creditor	247	224
Total Sources of Finance	31,413	30,312
Closing Capital Financing Requirement at 31 March	187,284	177,610
Explanation of movements in year:		
Increase in underlying need to borrowing (unsupported by government financial assistance)	11,418	17,647
Assets acquired under finance leases	105	11
Minimum Revenue Provision	(1,602)	(1,504)
Write-off of Finance Lease Creditor	(247)	(224)
Increase/(Decrease) in the Capital Financing Requirement	9,674	15,930

Capital Commitments

At 31 March 2021, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The significant commitments over £500k of

contract value are disclosed below:

	Total Contract Value	Outstanding at 31 March 2021	Outstanding at 31 March 2020
Scheme	£'000	£'000	£'000
Mercury Theatre	7,700	910	3,438
CNG The Walk	3,356	1,508	-
New Build Garage Sites	2,209	1,938	-
LFFN Broadband	1,832	671	-
Council House New Builds	1,445	1,257	-
Decent Homes and upgrades to Council Stock	970	937	1,885

18. Financial Instruments

Categories of Financial Instruments

The following categories of Financial Instruments are included in the Council's Balance Sheet:

	Long Term		Short Term	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£'000	£'000	£'000	£'000
Financial Assets:				
Financial Assets valued at amortised cost	-	-	40,520	25,616
Financial Assets measured at fair value through other comprehensive income	6	6		-
Cash and cash equivalents	-	-	-	-
Cash held by the Council	-	-	7	7
Bank current accounts	-	-	6,196	2,524
Short term deposits	-	-	16,814	30,009
Financial Assets carried at contract amount	-	7,004	6,438	16,328
Total Financial Assets	6	7,010	69,975	74,484
Financial Liabilities:				
Bank Overdraft	-	-		-
Borrowings				
Public Works Loan Board	(132,094)	(104,594)	-	-
Money Market	(24,000)	(22,350)	(23,350)	(37,294)
Financial Liabilities carried at contract value		-	(11,659)	(14,940)
Finance Lease liabilities	(104)	(290)	(53)	(287)
Total Financial Liabilities	(156,198)	(127,234)	(35,062)	(52,521)

Items of Income, Expense, Gains and Losses

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

	2020/21			2019/20		
	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	5,417	-	5,417	6,539	-	6,539
Total expense in Surplus/Deficit on Provision of Services	5,417	-	5,417	6,539	-	6,539
Interest income		(220)	(220)	-	(814)	(814)
Other investment income – Dividends		(227)	(227)	-	(393)	(393)
Total income in Surplus/Deficit on Provision of Services		(447)	(447)	-	(1,207)	(1,207)
Net (gain)/loss for the year	5,417	(447)	4,970	6,539	(1,207)	5,332

Fair Value of Financial Assets and Liabilities

The fair value disclosures for Financial Assets and Liabilities, are used as a comparison to the carrying value disclosed in the Council's Balance Sheet; providing the market value of such assets and liabilities at the end of the financial year.

The fair values are estimated by calculating the present value of cashflows that will take place over the remaining term of the financial instrument (Fair value hierarchy level 2). The applicable discount rates were provided by the Council's Treasury Management Advisors – Link Asset Services Limited.

The fair values calculated are as follows:

Financial Assets	31 March 2021		31 Mar 2021	
	Carrying Amount	Carrying Amount	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Short term investments	40,520	40,520	25,600	25,600
Cash and cash equivalents	16,814	16,814	32,542	32,542
Short term debtors (Note 1 below)	6,438	6,438	8,189	8,189
Short term loans	1,560	1,560	16	16
Long term debtors	6,764	6,764	7,010	7,010
Total Financial Assets	72,096	72,096	73,357	73,357

Note 1 – The short term debtors balance disclosed above excludes the following debtor balances – NNDR,

Council Tax, Housing Benefits, balances with Her Majesty's Revenue & Customs and Payments made in advance.

Financial Liabilities	31 March 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Bank overdraft	-	-	-	-
PWLB debt	(132,094)	(162,388)	(104,594)	(129,735)
Market debt	(37,850)	(48,046)	(57,850)	(66,612)
Short term creditors (Note 2 below)	(11,659)	(11,659)	(11,629)	(11,629)
Short term finance lease liabilities	(53)	(53)	(290)	(290)
Long term finance lease liabilities	(104)	(104)	(287)	(287)
Total Financial Liabilities	(181,760)	(222,250)	(174,650)	(208,553)

Note 2 – The short term creditors balance disclosed above excludes the following creditor balances – NNDR, Council Tax, Housing Benefits, balances with Her Majesty's Revenue & Customs and Receipts made in advance.

The fair value of the Council's financial assets is the same as the carrying value of its investments; this reflects the Council's low risk investment strategy as approved by the Council in February 2020.

The fair value of the Council's borrowings is greater than the carrying value because this reflects the fact that the average interest rate (3.1%) is higher than the current interest rate of similar loans in the market at the Balance Sheet date for new borrowings.

Short term debtors and creditors are carried at cost, as this is fair approximation of their value as the Council does not extend credit terms to customers.

Impairment on Financial Assets

A default assessment has been made on the Council's investments in line with IFRS 9 – Financial Instruments, due to both the low risk and short term nature of investments; the financial impact of default is deemed to be immaterial.

Council debtors as reported in Notes 19 and 21 have also been evaluated for economic default and the bad debt provisions have been altered as appropriate.

Soft Loans

The Council has made the following interest free loans:

- Loans to private sector occupiers for home improvements
- Loan to 'Our Colchester' – the company for the Colchester Business Improvement District

Loans to Private Sector Occupiers

Loans are advanced to private sector occupiers for home improvements under the Council's Financial Assistance policy. The loans are secured against the relevant property and repayable on sale.

In line with the Council's accounting policies, on the advance of a new loan, the Comprehensive Income and Expenditure Account is charged with the interest foregone over the life of the loan; and associated notional interest receivable credited to the Comprehensive Income and Expenditure Account.

Nature and Extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedure for managing risk

The Council'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

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. They are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is reported in a mid-year update, and at the end of each financial year

The annual Treasury Management Strategy and Long Term Capital Strategy was approved by Council on 24 February 2021 and is available on the Council's website.

Risk management is carried out by the Technical Accounting team, under policies approved by the Council in the annual Treasury Management Strategy. The Council approves written principles for overall risk management, as well as approving 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 Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category

The Council uses the creditworthiness service provided by Link Asset Services Ltd. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies (Fitch, Moody's and Standard and Poor's) forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries;
- credit ratings of short-term F1, long-term A- (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;
- Building Societies that meet the ratings for banks

The full Investment Strategy for 2020/21 was approved by Full Council on 24 February 2021 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £40,520 million (2019/20 £56,831 million). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2021 and the financial impact of potential default was immaterial, due to the low risk nature of the Council's investment policy.

The impact of Covid-19 has created additional risks and uncertainty within the economy however these risks are mitigated due the Council's Treasury Management Strategy. The full Investment Strategy for 2020/21 was approved by Full Council on 24 February 2021 and is available on the Council's website.

The Council does not generally allow credit for customers. The gross outstanding debt, is analysed by age as follows:

	31 March 2021 £'000	31 March 2020 £'000
Less than twelve months	14,108	11,088
More than twelve months	1,404	1,579
Total	15,512	12,667

In line with the requirements of IFRS 9 - Financial instruments, an assessment has been made on the impact of economic default for any Council debt outstanding, and the provision for bad debts increased accordingly.

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to

cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its long term commitments under financial instruments

All sums owing on investments of £40,520 million (2019/20 £56,831 million) are due to be paid in less than one year.

Refinancing and Maturity risk

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

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

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

The maturity analysis of financial liabilities showing the maximum and minimum limits for fixed interest rates maturing in each period (as approved by the Council as part of the Treasury Management Strategy) is as follows:

	Actual 31 March 2021 £'000	Actual 31 March 2021 %	Actual 31 March 2020 £'000	Actual 31 March 2020 %
Less than 1 year	8,350	4.9	35,500	21.8
Between 1 and 2 years	15,000	8.8	3,350	2.1
Between 2 and 5 years	700	0.4	10,000	6.2
Between 5 and 10 years	3,000	1.8	700	0.4
Between 10 and 20 years	22,700	13.4	21,900	13.5
Between 20 and 30 years	38,000	22.3	36,000	22.2
Between 30 and 40 years	36,894	21.7	35,394	21.7
Between 40 and 50 years	36,300	21.4	10,600	6.5
More than 50 years	9,000	5.3	9,000	5.6
Total	169,944	100	162,444	100

This analysis assumes that the maturity dates for the Council's LOBO (Lender Option Borrower Option) loans is the next call date. They are therefore all included as short-term debt.

Market risk

Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	31 March 2021 £'000	31 March 2020 £'000
Increase in interest payable on new fixed rate borrowings	16,270	11
Increase in interest receivable on short term investments made in year	(689)	(611)
Impact on Surplus or Deficit on the Provision of Services	(15,581)	(600)
Share of overall impact credited to the HRA (net)	(157)	(183)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	787	26,194

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

19. Long Term Debtors

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

2020/21	Balance at 31 March 2020 £'000	Interest adjustment £'000	Advances in the year £'000	Repayment in the year £'000	Other movements £'000	Balance at 31 March 2021 £'000
Improvement of Private Sector Houses	956	14	91	(24)		1,037
Finance Lease Debtors	4,691			(45)		4,646
Colchester Amphora Energy Limited	826	40	100	-	100	1,066
Colchester Amphora Homes Limited	500				(500)	-
Other Loans	31	-	-	(16)	-	15
Total	7,004	54	191	(85)	(400)	6,764

2019/20	Balance at 31 March 2019 £'000	Interest adjustment £'000	Advances in the year £'000	Repayment in the year £'000	Other movements £'000	Balance at 31 March 2020 £'000
Improvement of Private Sector Houses	917	21	57	(39)	-	956
Finance Lease Debtors	3,658	-	1,070	(37)	-	4,691
Colchester Amphora Energy Limited	-	26	800	-	-	826
Colchester Amphora Homes Limited	-	-	500	-	-	500
Other Loans	47	-	-	(16)	-	31
Total	4,622	47	2,427	(92)	-	7,004

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The 'loss' for interest foregone is calculated based on the current market rate at the end of the year in which the advance is recognised for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see the disclosures regarding the Financial Instruments Adjustment Account in Note 25).

20. Assets Held for Sale

	2020/21 £'000	2019/20 £'000
Balance at 1 April	-	1,100
Assets reclassified as held for sale from Property, Plant and Equipment	2,171	-
Disposals	-	(1,100)
Revaluation Losses	(13)	-
Balance at 31 March	2,158	-

21. Short Term Debtors

	2020/21 £'000	2019/20 £'000
Grants and Taxes	4,907	6,114
Trade Debtors	5,148	2,188
Prepayments	1,901	1,826
Housing Benefit Overpayments	539	722
NNDR ratepayers' arrears	1,661	699
Council Tax ratepayers' arrears	520	683
Other Debtors	20,010	6,033
Total Short Term Debtors	34,686	18,265

The above short-term debtor values are presented net of impairments (allowances for non-collection). The Council's total provision for non-collection of debt is £7.8 million as at 31 March 2021 (£7.6 million as at 31 March 2020).

22. Short Term Creditors

	2020/21 £'000	2019/20 £'000
Trade Creditors	(8,799)	(12,807)
Covid Restriction Grants – Agency	(6,286)	
Receipts in Advance	(3,819)	(2,837)
Other Taxes and Social Security	(1,473)	(475)
Collection Fund Agency	(22,406)	(5,743)
NNDR Prepayments	(792)	(578)
Council Tax Prepayments	(434)	(396)
Other Creditors	(3,407)	(2,775)
Total Short Term Creditors	(47,416)	(25,611)

23. Provisions (Short and Long Term)

	2020/21 £'000	2019/20 £'000
Non-Domestic Ratings Appeals Provision (see below)	(3,400)	(3,293)
Insurance Provision	(131)	(140)
Other Provision	-	(50)
Balance at 31 March	(3,531)	(3,483)

Non-Domestic Ratings Appeals Provision

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(3,293)	(4,178)
RV list amendments charged against provision for appeals	938	723
Changes in provision for appeals	(1,045)	162
Balance at 31 March	(3,400)	(3,293)

As part of the Business Rates Retention scheme introduced from 1 April 2013, authorities are expected to meet the financial impact of successful appeals made against rateable values as defined by the Valuation Office Agency. As such, authorities are required to make a provision for these amounts.

The adjustments to the provision made in 2020/21 are based on appeals against 2010 valuations that were shown as being outstanding on the Valuation Office list of March 2017, and an estimate of likely appeals against the 2017 valuations.

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement.

25. Unusable Reserves

Unusable reserves do not represent usable resources for the Council. These reserves are kept by the Council to manage specific accounting processes.

Unusable Reserves	Opening Balance 01 April 2020	Other Comprehensive Income and Expenditure 2020/21 (CIES)	Revenue Resources	Transfers Between Revenue and Capital Resources	Capital Resources	Closing Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(119,416)	(28,938)	-	-	-	(148,354)
Capital Adjustment Account	(312,720)	(2,538)	37,302	(17,936)	(13,472)	(309,364)
Financial Instruments Adjustment Account	353	-	(15)	-	-	338
Pensions Reserve	89,988	16,175	1,812	-	-	107,975
Deferred Capital Receipts Reserve	(4,669)	-	-	-	22	(4,647)
Collection Fund Adjustment Account	(508)	-	13,506	-	-	12,998
Accumulated Absence Account	395	-	142	-	-	537
Total	(346,577)	(15,301)	52,747	(17,936)	(13,450)	(340,517)

Revaluation Reserve

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

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

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets, and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

This account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

This account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. It contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2020/21 £'000	2019/20 £'000
Balance at 1 April	312,720	311,614
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(9,985)	(10,045)
Derecognition of components of non-current assets	(605)	(621)
Revaluation losses on property, plant and equipment	(15,620)	(12,487)
Revaluation losses on heritage assets	(5)	(15)
Revaluation losses on assets held for sale	(13)	-
Reversal of previously recognised revaluation losses	138	1,278
Charges for impairment of non-current assets	(893)	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,733)	(6,413)
Amortisation of intangible assets	(15)	(139)
Revenue expenditure funded from capital under statute	(4,932)	(5,252)
Write off of Finance Lease Creditors	247	224
Long Term Debtors	(24)	(39)
Adjusting amounts written out of the Revaluation Reserve	2,537	3,924
Net written out amount of the cost of non-current assets consumed in the year	(32,903)	(29,585)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	536	2,007
Use of the Major Repairs Reserve to finance new capital expenditure	4,781	8,369
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,164	8,892
Capital grants and contributions transferred from the Capital Grants Unapplied Reserve	18	-
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,871	1,504
Capital expenditure charged against the General Fund and HRA balances	16,065	9,316
Capital financing applied in year	31,435	30,088
Movements in the fair value of investment properties	(1,887)	603
Balance at 31 March 2021	309,365	312,720

Pension Reserve

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

Deferred Capital Receipts Reserve

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

Collection Fund Adjustment Account

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

26. Cash flow Statement Notes

Cash Flows from Operating Activities

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

	2020/21 £'000	2019/20 £'000
Interest Received	199	833
Interest Paid	(5,942)	(6,626)
Dividends Received	227	393

Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements

	2019/20 £'000	2019/20 £'000
Depreciation	9,985	10,045
Impairments and downward valuations	17,135	9,986
Reversal of previously recognised revaluation losses	(138)	1,238
Movement in the fair value of Investment Properties	1,887	(603)
Carrying value of non-current assets and assets held for sale sold and derecognised	3,733	7,034
Amortisation	15	139
Increase/(Decrease) in Creditors	24,975	7,762
(Increase)/Decrease in Debtors	(1,221)	(2,274)
(Increase)/Decrease in Inventories	(3)	30
Contributions to/(from) Provisions	47	(1,043)
Movement in the pension liability	1,812	8,362
Other non-cash movements	(14)	(21)
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	58,213	40,655

Cash and Cash Equivalents

	2019/20 £'000	2019/20 £'000
Cash held by the Council	7	7
Bank current accounts	6,307	2,525
Short term deposits	10,500	30,010
Cash Flow Statement - Total Cash and Cash Equivalents	16,814	32,542

Reconciliation of Liabilities arising from Financing Activities

	01 April 2020 £'000	Financing cash flows £'000	Non-cash changes £'000	31 March 2021 £'000
Short Term Borrowings	37,294	(31,793)	9,608	15,109
Long Term Borrowings	126,944	37,500	(8,350)	156,094
Finance Lease Liabilities	580	(527)	104	157
Total Liabilities arising from Financing Activities	164,818	5,180	1,362	171,360

	01 April 2019 £'000	Financing cash flows £'000	Non-cash changes £'000	31 March 2020 £'000
Short Term Borrowings	7,293	8,207	21,794	37,294
Long Term Borrowings	135,594	11,350	(20,000)	126,944
Finance Lease Liabilities	1,391	(737)	(74)	580
Total Liabilities arising from Financing Activities	144,278	18,820	1,720	164,818

27. Trading Operations

The Council has established various trading units where the service is required to operate in a commercial environment by generating income from other parts of the Council, other organisations or the public in order to either offset expenditure incurred, or in certain instances, operate within an approved level of subsidy. The significant operations of a trading nature included within the Comprehensive Income and Expenditure Statement (CIES) are set out below:

Description	Line of the CIES	2020/21			2019/20		
		Income £'000	Expenditure £'000	(Surplus) / Deficit £'000	Income £'000	Expenditure £'000	(Surplus) / Deficit £'000
Colchester Leisure World	Policy & Corporate	(1,190)	5,170	3,980	(4,544)	5,432	888
Trade Refuse	Environment	(481)	505	24	(534)	580	46
Building Control Chargeable Account	Communities	(362)	530	168	(401)	561	160
Land Charges	Customer	(269)	279	10	(200)	216	16
Cemetery & Crematorium	Communities	(1,700)	1,026	(674)	(1,497)	928	(569)
Off Street Parking	Environment	(1,010)	1,017	7	(1,003)	998	(5)
Net (Surplus) / Deficit on Trading Operations		(5,012)	8,527	3,515	(8,179)	8,715	536

28. Members' Allowance and Expenses

The Council paid the following amounts to Members of the Council during the year, and these are included within the 'Corporate and Democratic Core' line in the Comprehensive Income and Expenditure Statement.

	2020/21 £'000	2019/20 £'000
Allowances	524	526
Expenses	-	4
Total	524	530

29. Officers Remuneration

2020/21

Post holder	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service)	106,783	-	106,783
Executive Director (Note 1)	97,309	5,292	102,601
Executive Director	109,655	20,835	130,490
Executive Director	91,765	-	91,765
Assistant Director for Communities	87,458	16,617	104,075
Assistant Director for Customer	87,458	16,467	103,925
Assistant Director for Environment	78,628	14,939	93,567
Assistant Director for Corporate & Improvement	87,458	16,617	104,075
Assistant Director for Place & Client	78,671	14,914	93,585
Monitoring Officer	78,092	14,838	92,930
Section 151 Officer (Note 2)	33,333	6,333	39,676

Note 1: The Executive Director reduced their hours to 0.8 FTE as of 1 July 2020, along with leaving the pension scheme on 20 June 2020. Their full-time salary equivalent is £115,797.63.

Note 2: An interim Section 151 Officer was contracted to fulfil this role for period from 1 March 2020 until 31 October 2020. As of the 1 November 2020 the interim Section 151 Officer was made a permanent employee for Colchester Borough Council. Payments to the recruitment agency in respect of the interim placement totalled £132,997.80 (including VAT) in 2020/21. The normal recruitment and contract processes were undertaken for the engagement of the interim consultant.

2019/20

Post holder	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service)	104,463	-	104,463
Executive Director	107,222	16,191	123,413
Executive Director (Note 1)	100,675	15,203	115,878
Executive Director	85,883	-	85,883
Assistant Director for Policy or Corporate (Note 1)	1,519	229	1,748
Assistant Director for Communities	81,170	12,257	93,427
Assistant Director for Customer	81,170	12,026	93,196
Assistant Director for Environment (Note 2)	67,344	10,169	77,513
Assistant Director for Environment (Note 2)	18,280	2,760	21,040
Assistant Director for Policy & Corporate (Note 3)	39,194	5,826	45,020
Assistant Director for Corporate & Improvement (Note 4)	13,826	2,088	15,914
Assistant Director for Place & Client (Note 5)	18,417	2,741	21,158
Monitoring Officer	72,803	10,993	83,796
Section 151 Officer (Note 6)	-	-	-
Returning Officer	11,475	-	11,475

Note 1: This position was vacant until 8 April 2019.

Note 2: This position was subject to a transition period from 6 January 2020 until 2 February 2020.

Note 3: This post was vacant between 8 April 2019 until 3 June 2019 and covered temporary until the 31 December 2019. On the 31 December 2019, this post ended and was replaced by two Assistant Director positions Assistant Director for Corporate and Improvement, and Assistant Director for Place and Client. These figures include the 7 months remuneration for the position, the annualised salary would have been between £55,768 and £86,722 as per the grade of the position and the CBC Employee Pay Scales.

Note 4: This position was created on 1 January 2020 to replace the Assistant Director for Policy and Corporate. This position was vacant until an officer was appointed on 3 February 2020.

Note 5: This position was created on 1 January 2020 to replace the Assistant Director for Policy and Corporate and figures include the first 3 months remuneration.

Note 6: The role of Section 151 Officer remained vacant during the year and was covered by agency at a cost of £144,372 (excluding VAT).

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

Remuneration Band	Number of Employees	
	2020/21	2019/20
£50,000 - £54,999	4	2
£55,000 - £59,999	7	9
£60,000 - £64,999	3	2
£65,000 - £69,999	2	2
£70,000 - £74,999	3	-

30. Termination Benefits (Exit Packages)

The total cost of exit packages includes the payments made to individuals and payments to the pension fund authority in respect of strains on the pension fund (curtailment costs).

Total cost of exits includes payments to individuals of £125,244 in 2020/21 (£250,951 in 2019/20) and payments to the pension fund authority of £69,792 in 2020/21 (£143,347 in 2019/20) in respect of strains on the pension fund.

2020/21 Exit packages cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages £s
£0 - £20,000	1	4	5	62,461
£20,001 - £40,000	1	2	3	89,450
£40,001 - £60,000	-	1	1	41,983
£60,001 - £80,000	-	-	-	-
Total cost included in bandings	2	7	9	193,894
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				1,142
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				195,036

2019/20 Exit packages cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages £s
£0 - £20,000	5	3	8	51,199
£20,001 - £40,000	4	3	7	197,544
£40,001 - £60,000	-	1	1	50,416
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	1	1	92,908
Total cost included in bandings	9	8	17	392,067
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				2,231
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				394,298

31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors. Non-audit services relating to the National Fraud Initiative were provided by the Cabinet Office.

	2020/21 £'000	2019/20 £'000
External audit services	48	48
Certification of grant claims and returns	18	18
Other – Public Sector Audit Appointments Ltd rebate from previous audit ⁽¹⁾	-	(6)
Total	64	60

(1). additional cost from previous years audit yet to be finalised.

32. Grant Income

Credited to services:

	2020/21 £'000	2019/20 £'000
Department for Work and Pensions - Rent Allowances	26,372	28,821
Department for Work and Pensions - Rent Rebates	12,957	13,767
Department for Work and Pensions – Administration	486	442
Department for Work and Pensions – Other	606	493
Ministry of Housing, Communities and Local Government (MHCLG)	2,291	2,201
Ministry of Housing, Communities and Local Government (MHCLG) Business Rates & Council Tax	391	394
Arts Council	231	199
Joint Finance Contributions	940	1,167
Essex County Council	3,147	2,702
Essex Police and Crime Commissioner	121	97
Essex Fire and Rescue	31	38
Other Local Authorities	569	1,682
Colchester Primary Care Trust	785	191
Other Governmental / Non-Governmental Agencies	304	491
Other Miscellaneous Grants	478	339
Total	49,709	53,024

Credited to Taxation and Non Specific Grant Income:

	2020/21 £'000	2019/20 £'000
Revenue Support Grant	-	-
New Homes Bonus	3,602	3,415
Business Rates Section 31 Grants	16,657	2,787
New Burdens & Other	249	168
COVID-19 Hardship Fund	1,152	-
COVID-19 Local Authority Support	2,838	-
Sales Fees & Charges Support Grant	6,098	-
Local and Additional Restrictions Grant	6,639	-
Job Retention Scheme	749	-
Capital Grants received from:		
Ministry of Housing, Communities and Local Government	825	744
Arts Council England	1,553	907
Section 106 Developer Contributions	1,340	1,281
Department for Business, Energy and Industrial Strategy	111	69
Essex County Council	-	2,040
Homes and Communities Agency	2,017	2,236
European Regional Development Fund	-96	600
Department for Digital, Culture, Media and Sport	1,393	540
Colchester Amphora Energy Ltd	-	202
Other	354	173
Ministry of Housing, Communities and Local Government	137	100
Total	45,618	15,262

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

Current Liabilities

Grants Receipts in Advance – Revenue

	2020/21 £'000	2019/20 £'000
Commuted sums received from developers	(2,608)	(2,576)
Other grants	(1,136)	(3,964)
Total	(3,744)	(6,540)

Long Term Liabilities

Grants Receipts in Advance – Capital

	2020/21 £'000	2019/20 £'000
Section 106 developer contributions	(12,531)	(10,305)
Other grants	(5,214)	(4,005)
Total	(17,745)	(14,310)

33. Related Parties

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

Disclosure of these transactions and arrangements show the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to operate freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for the statutory framework under which the Council operates, provides funding in the form of grants and prescribes the terms for many of the Council's material transactions with other parties (for example Council Tax billing, Business Rates billing, Housing Benefit administration). Grants received from Central Government are disclosed at Note 32.

Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Total Members' allowances and expenses are disclosed in Note 28.

In 2020/21 the Council awarded excavation work on various sites to Colchester Archaeological Trust to the value of £102,218. Councillor Cyril Liddy ceased being a Director of Colchester Archaeological Trust in April of the financial year the works were awarded.

Senior Officers at the Council

Senior officers at the Council are able to influence the Council's financial and operational policies, within the provisions of the Council's regulations and schemes of delegation. Remuneration of the Council's senior officers is shown in Note 29.

Transactions with related parties that are not fully disclosed elsewhere in the Statement of Accounts arose as follows:

	2020/21			2019/20		
	Expenditure £'000	Income £'000	Loans £'000	Expenditure £'000	Income £'000	Loans £'000
Colchester Commercial Holdings Limited	1,837	854	-	1,890	643	-
Colchester Amphora Trading Limited	473	180	-	401	357	-
Colchester Amphora Homes Limited	162	45	1,545	201	20	400
Colchester Amphora Energy Limited	169	40	1,066	175	153	926
Colchester Community Stadium Limited	-	2	-	-	154	-
Colchester Mercury Theatre Limited	168	38	-	168	12	-
Colchester Primary Care Trust	-	-	-	-	-	-
Parish Councils	2,829	96	-	1,962	49	-
Essex County Council	642	3,147	-	679	4,742	-
North Essex Gardens Communities Limited	254	254	-	179	-	-

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

The Council's interest in Colchester Borough Homes Limited and Colchester Commercial Holding Limited is considered to be material in both financial and qualitative terms. Therefore, the company's transactions have been accounted for within the Council's Group accounts.

The Council is a member of the Colchester and Ipswich Museum Service Joint Committee, which was formed with Ipswich Borough Council on 1 April 2007. The Council is the lead authority for this arrangement. The Council has accounted for this Joint Committees as Jointly Controlled Operations as all the parties are bound by contractual arrangements that give all of them joint control of the arrangements.

34. Leases

Finance Leases – Council as Lessee

The Council has acquired a number of vehicles and a car park under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment assets in the Balance Sheet at the following net carrying amounts:

	31 March 2021 £'000	31 March 2020 £'000
Other Land and Buildings	173	802
Vehicles, Plant, Furniture and Equipment	272	426
Total	445	1,228

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

	31 March 2021 £'000	31 March 2020 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	53	280
Non-current	104	297
Finance costs payable in future years	15	1,148
Minimum Lease Payments	172	1,725

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Not later than one year	61	337	53	281
Later than one year and not later than five years	111	179	104	79
Later than five years	-	1,209	-	217
Total	172	1,725	157	577

Finance Leases – Council as Lessor

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

	31 March 2021 £'000	31 March 2020 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	53	38
Non-current	4,685	4,726
Unearned finance income	70,990	71,270
Unguaranteed residual value of property	17	17
Gross investment in the lease	75,745	76,051

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

	Gross Investment		Minimum Lease Payments	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Not later than one year	292	269	292	269
Later than one year and not later than five years	1,188	1,190	1,171	1,173
Later than five years	74,265	74,592	74,265	74,592
Total	75,745	76,051	75,728	76,034

Operating Leases – Council as Lessor

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

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

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

	31 March 2021 £'000	31 March 2020 £'000
Not later than one year	1,531	1,589
Later than one year and not later than five years	4,824	5,145
Later than five years	69,738	70,620
Total	76,093	77,354

The minimum lease payments receivable does not include rents that are contingent on events taking place after the leases were entered into, such as adjustments following rent reviews. In 2020/21 a total of £1.4 million was

recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2019/20: £1.4 million).

35. Defined Benefit Pension Scheme

Participation in the Local Government Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the costs of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments and to disclose them at the time the employees earn their future entitlement.

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

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of Essex County Council. Policy is determined in accordance with Pension Fund Regulations. Day-to-day administration of the fund is undertaken by a team within Essex County Council, and where appropriate some functions are delegated to the Fund's professional advisors.

Essex County Council consults with the fund actuary and other relevant parties in order to prepare and maintain the scheme's Funding Strategy Statement and the Statement of Investment Principles. These statements are amended when appropriate based on the scheme's performance and funding levels.

The principal risks to the Council of the scheme are considered to be:

- Investment risk – The fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, their short term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk – The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities, the values of the assets and liabilities may not move in the same way.
- Inflation risk – All of the benefits under the fund are linked to inflation and so deficits may emerge as the value of the fund assets are not linked to inflation.
- Longevity risk – a deficit could emerge if members of the scheme live longer than assumed in the actuarial estimations.
- Orphan liability risk – this emerges when employers leave the fund and there are insufficient assets to cover their pension obligations. This difference may then fall on the remaining employers within the scheme.

Costs of curtailments arise from the payment of unreduced pensions on the early retirement of Council employees. These costs are calculated at the point of exit of the employees by the scheme's actuary. Interest is applied to the accounting date and is accounted for separately from the curtailment costs.

Settlement costs arise when members are transferred from one employer to another during the financial year. The liabilities are settled at a cost that is different from the IAS 19 reserve, which results in gains or losses being made.

Transactions relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

	2020/21 £'000	2019/20 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	7,279	7,011
Past Service Cost	91	1,810
Liabilities assumed/(extinguished) on settlements	77	6,098
Settlements price received/(paid)	(65)	(5,275)
Financing and Investment Income and Expenditure:		
Net interest expense	2,025	2,242
Pension fund administration expenses	113	57
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	16,175	(12,982)
Total charged to the Comprehensive Income and Expenditure Statement	25,695	(1,039)
Movement in Reserves Statement		
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(9,520)	(11,943)
Employer's contributions payable to the scheme	7,708	3,581
Total charged to the Movement in Reserves Statement	(1,812)	(8,362)

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2020/21 £'000	2019/20 £'000
Present value of the defined benefit obligation	(341,008)	(269,802)
Fair value of plan assets	233,033	179,814
Net liability	(107,975)	(89,988)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The Council is 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.

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

	2020/21 £'000	2019/20 £'000
Balance at 1 April	(269,802)	(279,528)
Current service cost	(7,279)	(7,011)
Interest cost	(6,268)	(6,655)
Change in financial assumptions	(71,924)	26,933
Change in demographic assumptions	4,463	1,839
Experience loss/(gain) on defined benefit obligation	3,688	(4,004)
Liabilities assumed/(extinguished) on settlements	(77)	(6,098)
Benefits paid net of transfers in	7,465	7,476
Past service costs	(91)	(1,810)
Contributions by scheme participants	(1,565)	(1,333)
Unfunded pension payments	382	389
Balance at 31 March	(341,008)	(269,802)

Reconciliation of the movements in fair value of the scheme assets:

	2020/21 £'000	2019/20 £'000
Balance at 1 April	179,814	184,920
Interest on assets	4,243	4,413
Return on assets less interest	47,598	(14,453)
Other actuarial gains/(losses)	-	2,667
Administration expenses	(113)	(57)
Contributions by employer	7,708	3,581
Contributions by scheme participants	1,565	1,333
Benefits paid net of transfers in	(7,847)	(7,865)
Settlement prices received/(paid)	65	5,275
Balance at 31 March	233,033	179,814

Local Government Pension Scheme assets comprised:

	31 March 2021		31 March 2020	
	£'000	%	£'000	%
Equities	143,992	62	105,252	59
Gilts	6,012	3	7,750	4
Other bonds	11,690	5	10,895	6
Property	16,591	7	16,170	9
Cash	10,996	5	7,474	4
Alternative assets	26,922	12	20,712	12
Other managed funds	16,830	6	11,561	6
Total	233,033	100	179,814	100

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates being based on the latest full triennial valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary are:

	31 March 2021	31 March 2020
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	21.6 years	21.8 years
Women	23.4 years	23.7 years
Future pensioners retiring in 20 years		
Men	22.9 years	23.2 years
Women	24.7 years	25.2 years
Rate of RPI inflation	3.2% p.a.	2.7% p.a.
Rate of CPI inflation	2.8% p.a.	1.9% p.a.
Rate of increase in salaries	3.8% p.a.	2.9% p.a.
Rate of increase in pensions	2.8% p.a.	1.9% p.a.
Rate for discounting scheme liabilities	2.0% p.a.	2.4% p.a.

The amended International Accounting Standard 19 has replaced the expected rate of return and the interest cost with a single net interest cost. This effectively sets the expected return on assets equal to the discount rate applied to scheme liabilities.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all other assumptions remain constant. The assumptions in mortality for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below have not changed from those used in the previous financial year.

Sensitivity analyses on the Present Value of the Defined Benefit Obligation

Adjustments made to:	+ 1 year/ + 0.1% change £'000	No change £'000	- 1 year/ - 0.1% change £'000
Discount rate (increase/decrease by 0.1%)	334,414	341,008	347,739
Long term salary increase (increase/decrease by 0.1%)	341,573	341,008	340,448
Pension increases and deferred revaluation (increase/decrease by 0.1%)	347,114	341,008	335,018
Life expectancy assumptions (increase/decrease by 1 year)	358,532	341,008	324,406

Impact on the Council's Cash Flows

The objectives of the scheme are to keep the Council's contributions at as constant a rate as possible. The Council has agreed a funding strategy with the scheme's actuary to repay the deficit over the next 18 years and 6 months. Funding levels are monitored on an annual basis. The next triennial valuation will be based on data as at 31 March 2022 and will be implemented with effect from 1 April 2023

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2022 is £3.876 million.

The actuary's estimate of the duration of the Employer's liabilities for 2020/21 is 19 years (2019/20: 19 years).

HRA INCOME AND EXPENDITURE STATEMENT

	Notes	2020/21 £'000	2019/20 £'000
Dwelling rents		(26,316)	(26,310)
Non-dwelling rents	H3	(1,049)	(1,103)
Charges for services and facilities		(2,465)	(2,662)
Contributions towards expenditure		(54)	(60)
Total Income		(29,884)	(30,135)
Repairs and maintenance		4,643	5,190
Supervision and management		9,741	8,974
Rents, rates, taxes and other charges		131	122
Depreciation	H9	4,781	4,716
Impairment losses		892	-
Revaluation losses		10,641	11,456
Reversal of previously recognised revaluation losses		(3)	(1)
Derecognition of non-current assets		605	621
Amortisation		3	32
Debt management costs		64	50
Movement in the provision for bad debts		-	-
Total Expenditure		31,498	31,160
Net (Income)/Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement		1,614	1,025
HRA services share of Corporate and Democratic Core		377	355
Net (Income)/Expenditure for HRA Services		1,991	1,380
HRA share of the Other Operating Expenditure			
(Gain)/Loss on sale of HRA non-current assets		(1,772)	(1,331)
Capital Receipts not linked to sales		-	-
HRA share of the Financing and Investment Income and Expenditure			
Interest payable and similar charges	H8	4,490	5,639
Interest and investment income		(37)	(145)
Movement in the provision for bad debts		205	286
(Surplus)/Deficit for the year on HRA services		4,877	5,829

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

	Notes	2020/21 £'000	2019/20 £'000
Balance on the HRA at 1 April		4,306	4,564
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement		(4,877)	(5,829)
Adjustments between accounting basis and funding basis under statute	Note 9	(5,626)	3,516
Transfers (to)/from Earmarked Reserves		10,686	2,055
Increase/(Decrease) in the year on the HRA Balance		183	(258)
Balance on the HRA at 31 March		4,489	4,306

NOTES TO THE HOUSING REVENUE ACCOUNT

H1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2021, 1.74% of lettable properties were vacant (0.70% at 31 March 2020).

The stock at the beginning and end of the year was made up as follows:

	31 March 2021	31 March 2020
Analysis by Type of Dwelling:		
Houses and Bungalows	2,959	2,956
Flats and Maisonettes	2,946	2,936
Total Dwellings	5,905	5,892
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,374	2,372
2 Bedrooms	1,758	1,754
3 Bedrooms	1,679	1,671
4 or more Bedrooms	94	95
Total Dwellings	5,905	5,892
The change in stock can be summarised as follows:		
Stock at the beginning of the year	5,892	5,900
Add: New Build, Acquisitions, Conversions etc.	60	35
Deduct: Sales, Demolitions, Conversions, etc.	(47)	(43)
Stock at the end of the year	5,905	5,892

The most recent valuation of HRA dwellings that has been prepared was at 31 March 2021 and this is reflected in the valuation shown below:

Balance Sheet valuation of HRA Assets	31 March 2021 £'000	31 March 2020 £'000
Council Dwellings	386,150	367,326
Other Land and Buildings	10,586	9,849
Vehicles, Plant, Furniture and Equipment	34	56
Surplus Assets	50	50
Total	396,820	377,281

H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2021 was £1,019.2 million (£969.3 million as at 1 April 2020). The value represents the Council's estimate of the total sum that it would receive if all its dwellings were sold on the open market. The Balance Sheet value disclosed in Note H1 is

calculated on the basis of rents receivable on existing tenancies and is lower than the vacant possession value. This is because the existing tenancy rents are lower than what would be obtainable on the open market. The difference between the two values represents the economic cost of providing Council housing at below market rents.

H3. Non-Dwelling Rents

	2020/21 £'000	2019/20 £'000
Garages and other charges	(961)	(1,020)
Land and other buildings	(88)	(83)
Total – Non-Dwelling Rents	(1,049)	(1,103)

H4. Charges for Services and Facilities

Income totalling £0.107 million from Supporting People charges in 2020/21 (2019/20: £0.109 million) is shown under Charges for Services and Facilities.

H5. Major Repairs Reserve

	2020/21 £'000	2019/20 £'000
Balance as at 1 April	-	3,653
Transfers in – depreciation (Note H9)	4,781	4,716
Capital Spending on Dwelling Stock met from Reserve	(4,781)	(8,369)
Balance as at 31 March	-	-

H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 37) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

H7. HRA Capital Financing

Capital Financing	2020/21 £'000	2019/20 £'000
HRA Capital Expenditure		
Dwelling Stock	8,132	8,799
New Build - Council Dwellings	1,670	441
Dwelling Acquisitions	10,828	6,408
Total	20,630	15,648
Financed by:		
Capital Grants	25	23
Capital Receipts	372	20
Revenue Contributions	4,766	5,181
Retained Right To Buy Receipts Reserve	10,686	2,055
Major Repairs Reserve	4,781	8,369
Total	20,630	15,648

Summary of HRA Capital Receipts – Right To Buy	2020/21 £'000	2019/20 £'000
Sale of Council Houses – Direct	4,542	3,353
Other (including shared ownership)	-	102
Total	4,542	3,455

Receipts from the sale of Council houses have increased in 2020/21. 46 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2020/21 (31 in 2019/20).

Under the Capital Receipts Pooling regulations which came into effect from 1 April 2012, Local Authorities are able to retain a greater proportion of the income they receive from the sale of dwellings. This is dependent on these additional receipts being reinvested in the provision of new affordable housing, along with an allowance for the provision for repayment of HRA debt.

Of the total capital receipts of £4.542 million, £0.507 million was paid to the Secretary of State under the pooling arrangements.

There were no principal repayments paid to the Secretary of State under the terms of the Right To Buy Receipts retention agreement, which the Council entered into on 1 July 2012.

H8. Interest Payable

As part of the HRA reform arrangements in April 2012, the Council adopted a 'two pool' approach, which has resulted in the HRA being charged the actual borrowing rate for its attributable debt. This approach assumed that the HRA would be 'fully borrowed', however the Council's Treasury Management Strategy includes a policy of internal borrowing.

As the HRA is now borrowing to fund the Housing Investment Programme, it is recharged for the cost of new borrowing based on the average balance of unfinanced HRA debt during the year, using the PWLB variable rate as at 31 March of the previous year.

	2020/21 £'000	2019/20 £'000
HRA Interest Charge	4,490	5,639

H9. Depreciation charges

	2020/21 £'000	2019/20 £'000
Council Dwellings	4,271	4,223
Other Land and Buildings	489	453
Vehicles, Plant and Equipment	21	40
Total Depreciation	4,781	4,716

H10. Rent Arrears

The arrears at 31 March 2021 totalled £1.333 million. This excludes prepayments of £0.756 million and is analysed as follows:

	2020/21 £'000	2019/20 £'000
Due from Current Tenants	937	718
Due from Former Tenants	396	428
Total Rent Arrears	1,333	1,146
Prepayments	(756)	(646)
Net Rent Arrears	577	500

These arrears include all charges due from tenants and leaseholders i.e. rent, service charges and other charges. The HRA has been setting aside funds into a provision to meet irrecoverable debts in respect of such arrears. At 31 March 2021 the provision totalled £0.966 million (2019/20: £0.865 million).

H11. Revenue Balances

Out of the revenue balance of £4.489 million, a sum of £2.889 million has already been committed for future use.

	2020/21 £'000	2019/20 £'000
Revenue Balance at 1 April	4,306	4,564
Adjust: Housing Revenue Account Surplus/(Deficit)	183	(258)
Revenue Balance at 31 March	4,489	4,306
Less: Committed Sum		
Investment in Housing Stock 2021/22 and Future Years	(2,335)	(2,344)
Estimate Balance Carried Forward	(554)	(362)
Uncommitted Balance	1,600	1,600

H12. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing that have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£2.335 million) will be used to support spending in future years.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	2020/21			2019/20		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Income						
Council Tax	(115,788)	-	(115,788)	(112,040)	-	(112,040)
Transitional Relief, S31A(1)(C)	(1,140)	-	(1,140)	-	-	-
Non-Domestic Rates	-	(30,858)	(30,858)	-	(65,583)	(65,583)
	(116,928)	(30,858)	(147,786)	(112,040)	(65,583)	(177,623)
Precepts Demands and Shares						
Central Government	-	32,091	32,091	-	31,036	31,036
Colchester Borough Council	14,596	25,675	40,271	13,969	24,829	38,798
Essex County Council	84,462	5,777	90,239	80,459	5,586	86,045
Essex Fire and Rescue	4,724	642	5,366	4,588	621	5,209
Police and Crime Commissioner for Essex	12,699	-	12,699	12,220	-	12,220
Charges to Collection Fund						
Transitional Protection Payment	-	436	436	-	435	435
Cost of Collection Allowance	-	243	243	-	241	241
Interest	-	-	-	-	-	-
Provision for Bad Debts including write offs	1,451	507	1,958	312	338	650
Provision for Appeals	-	268	268	-	(2,212)	(2,212)
Apportionment of Previous Year Surplus/(Shortfall)						
Central Government	-	(606)	(606)	-	721	721
Colchester Borough Council	(55)	(485)	(540)	306	576	882
Essex County Council	(318)	(109)	(427)	1,753	130	1,883
Essex Fire and Rescue	(18)	(12)	(30)	101	14	115
Police and Crime Commissioner for Essex	(48)	-	(48)	242	-	242
	117,493	64,427	181,920	113,950	62,315	176,265
Movement on the Collection Fund Balance						
(Surplus)/Deficit for the year	565	33,569	34,134	1,910	(3,268)	(1,358)
(Surplus)/Deficit at the beginning of the year	339	(1,376)	(1,037)	(1,571)	1,892	321
(Surplus)/Deficit as at 31 March	904	32,193	33,097	339	(1,376)	(1,037)

NOTES TO THE COLLECTION FUND ACCOUNTS

C1. General

The Collection Fund is an agent's statement that shows the transactions of the Council as the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR), and its distribution to local government bodies and Central Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund, therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Rates. The administrative costs associated with the collection process are charged to the General Fund.

The Collection Fund as a whole has a net deficit of £33.1m as at the 31 March 2021. Specific grant funding has been received towards the deficit, but under the accounting regulations this cannot be allocated directly to the Collection Fund. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

C2. Income from Council Tax

Council Tax comes from charges raised according to the value of residential properties, which have been classified into 9 valuation bands A-H. The individual charge is calculated by estimating the amount of income required from the Collection Fund for the year ahead and dividing this by the Council Tax Base (the equivalent numbers of Band D dwellings).

The Council Tax base for 2020/21 was 63,933 (63,331 in 2019/20). For the year ended 31 March 2020, the band D Council Tax was set at £1,817.67 (£1,749.93 in 2019/20). The tax base for 2020/21 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,464	6/9	5,643
B	21,304	7/9	16,570
C	19,684	8/9	17,497
D	14,625	9/9	14,625
E	8,395	11/9	10,261
F	358	13/9	517
G	2276	15/9	3,793
H	149	18/9	298
Contributions in lieu for Ministry of Defence Properties			772
Total Band D			69,976
Net effect of premiums and discounts			(6,043)
Council Tax Base for the calculation of Council Tax			63,933

C3. Income from Business Ratepayers

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency, multiplied by a uniform business rate set nationally by Central Government.

As of 2020/21, Colchester were part of the 50% retention and the local shares are as follows

- Central Government 50%
- Colchester Borough Council 40%
- Essex County Council 9%
- Essex Fire and Rescue 1%.

The total Non-Domestic Rateable value at the 2020/21 year end was £163.177 million (2019/20: £164.920 million) and the Standard Non-Domestic rate multiplier for the year was 51.2p (2019/20: 50.4p).

Income from Non-Domestic Rates

	31 March 2021 £'000	31 March 2020 £'000
Gross NNDR due in year	81,617	80,925
Less: allowance and other adjustments	50,759	15,342
NNDR income	30,858	65,583

C4. Council Tax and NNDR Surplus/Deficit

Any surplus or deficit on the Fund is shared between the relevant precepting bodies in their respective proportions. Likewise, deficits are proportionately charged to the relevant precepting bodies in the following years. The cumulative surplus / deficit at the end of March 2021 will be distributed in proportion to the value of the respective precepts as shown below:

	2020/21			2019/20		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Colchester Borough Council	114	12,877	12,991	43	(550)	(507)
Central Government	-	16,097	16,097	-	(688)	(688)
Essex County Council	654	2,897	3,551	245	(124)	121
Essex Fire and Rescue	36	322	358	14	(14)	-
Police and Crime Commissioner for Essex	100	-	100	37	-	37
Total (Surplus)/Deficit	904	32,193	33,097	339	(1,376)	(1,037)

C5 Debtors for Local Taxation

The past due but not impaired amount for local taxation (Council Tax and Non-domestic rates) can be analysed by as follows -

	2020/21 £'000	2019/20 £'000
Less than one year	5,809	3,466
More than one year	7,160	6,395
Total Debtors for Local Taxation	12,969	9,861

GROUP ACCOUNTS

1. Introduction

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

The IFRS based Code of Practice on Local Authority Accounting sets out comprehensive requirements for Group Accounts. These require local authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures.

A review was undertaken in 2020/21 of the Council's relationship with other bodies, and it is clear that the Council should account for its interests in Colchester Borough Homes Limited and Colchester Commercial Holdings as wholly owned subsidiaries and prepare Group Accounts.

The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes Limited & Colchester Commercial Holdings Limited) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line-by-line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. Inter-group balances and transactions have been eliminated during the consolidation of the Group Accounts.

2. Accounting Policies

The accounting policies reported in note 1 have been adopted by the Council in preparing the group accounts.

GROUP MOVEMENT IN RESERVES STATEMENT

	Revenue Reserves			Capital Reserves						
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	1,900	4,306	31,796	953	-	24	(7,498)	31,481	346,577	378,058
Total Comprehensive Income and Expenditure	(6,355)	(4,877)	-	-	-	-	(4,559)	(15,791)	15,301	(490)
Dividends Payable	-	-	-	-	-	-	(226)	(226)	-	(226)
Other adjustments	-	-	-	-	-	-	-	-	-	-
Adjustments between accounting basis and funding basis under regulations	22,900	(5,626)	-	4,105	-	(18)	-	21,361	(21,361)	-
Transfers to/from Earmarked Reserves	(16,415)	10,686	9,550	(3,821)	-	-	-	-	-	-
Increase/(Decrease) in year	130	183	9,550	284	-	(18)	(4,785)	5,344	(6,060)	(716)
Balance at 31 March 2021	2,030	4,489	41,346	1,237	-	6	(12,283)	36,825	340,517	377,342
Balance at 31 March 2019	7,934	4,564	22,794	391	3,653	-	(9,143)	30,193	309,329	339,522
Total Comprehensive Income and Expenditure	(3,525)	(5,829)	-	-	-	-	424	(8,930)	46,245	37,315
Dividends Payable	-	-	-	-	-	-	(394)	(394)	-	(394)
Transfer of Pension Liability	-	-	-	-	-	-	1,615	1,615	-	1,615
Adjustments between accounting basis and funding basis under regulations	5,812	3,516	-	3,298	(3,653)	24	-	8,997	(8,997)	-
Transfers to/from Earmarked Reserves	(8,321)	2,055	9,002	(2,736)	-	-	-	-	-	-
Increase/(Decrease) in year	(6,034)	(258)	9,002	562	(3,653)	24	1,645	1,288	37,248	38,536
Balance at 31 March 2020	1,900	4,306	31,796	953	-	24	(7,498)	31,481	346,577	378,058

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2020/21			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	Restated £'000	Restated £'000	Restated £'000
Corporate and Democratic Core	629	(857)	(228)	624	(1,289)	(665)
Executive Management Team	981	(31)	950	789	-	789
Communities	15,688	(2,272)	13,416	14,051	(5,370)	8,681
Customer	13,647	(5,194)	8,453	50,883	(47,746)	3,137
Environment	46,579	(43,868)	2,711	19,724	(11,217)	8,507
Housing Revenue Account	21,468	(8,332)	13,136	33,951	(31,497)	2,454
Policy and Corporate	32,213	(30,550)	1,663	28,067	(15,245)	12,822
Corporate and Improvement	0	0	0	-	-	-
Place and Client	23,125	(9,582)	13,543	73	(539)	(466)
Non-Distributed Costs	93	0	93	2,675	-	2,675
Net Cost of Services	154,423	(100,686)	53,737	150,837	(112,903)	37,934
Other operating income and expenditure	6,334	(5,101)	1,233	3,518	(1,537)	1,981
Financing, investment income and expenditure	9,944	(2,062)	7,882	11,665	(6,348)	5,317
Taxation and non-specific grant income	-	(50,698)	(50,698)	-	(34,677)	(34,677)
Group (Surplus)/Deficit on Provision of Services	170,701	(158,547)	12,154	166,020	(155,465)	10,555
(Surplus)/Deficit on revaluation of non-current assets			(31,476)			(33,263)
Net actuarial losses/(gains) on pension fund assets and liabilities			20,576			(14,607)
Other Comprehensive (Income)/Expenditure			(10,900)			(47,870)
Total Group Comprehensive (Income)/Expenditure			1,254			(37,315)

GROUP BALANCE SHEET

	Notes	31-Mar-21 £'000	31-Mar-20 £'000
Property Plant and Equipment		596,629	563,476
Heritage Assets		1,332	1,332
Investment Properties	15	40,811	42,597
Intangible Assets		4	20
Long Term Investments		6	6
Long Term Debtors	19	5,699	5,678
Total Long Term Assets		644,481	613,109
Short Term Investments	18	40,520	25,600
Assets Held for Sale	20	2,158	-
Inventories		2,219	1,116
Short Term Debtors	G7	35,501	17,784
Short Term Loans		16	16
Cash and Cash Equivalents	G8	20,545	36,010
Total Current Assets		100,959	80,526
Bank Overdraft		-	-
Short Term Borrowing		(15,109)	(37,294)
Short Term Creditors	G9	(48,818)	(27,110)
Short Term Provisions		(3,665)	(3,573)
Grants Receipts in Advance – Revenue	32	(3,744)	(6,540)
Total Current Liabilities		(71,336)	(74,517)
Long Term Creditors – Finance Leases	35	(104)	(297)
Long Term Provisions		(131)	(140)
Long Term Borrowing		(156,094)	(126,944)
Pension Scheme Liability	G14	(122,234)	(98,799)
Grants Receipts in Advance – Capital	33	(17,745)	(14,310)
Other Long Term Liabilities		(454)	(570)
Total Long Term Liabilities		(296,762)	(241,060)
Total Net Assets		377,342	378,058
Usable Reserves		36,825	31,481
Unusable Reserves		340,517	346,577
Total Reserves		377,342	378,058

GROUP CASH FLOW STATEMENT

	2020/21 £'000	2019/20 £'000
Net Surplus/(Deficit) on the Provision of Services	(12,154)	(10,555)
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements (Note G11)	59,400	42,139
Adjustments for items included in Investing and Financing Activities:		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(8,181)	(8,915)
Proceeds from the sale of non-current assets	(5,102)	(6,823)
Adjustments for items included in Investing and Financing Activities:	(13,283)	(15,738)
Net Cash Flows from Operating Activities	33,963	15,846
Investing Activities:		
Purchase of non-current assets	(35,339)	(38,202)
Proceeds from the sale of short and long term investments	(84,600)	69,500
Purchase of short and long term investments	68,500	(59,728)
Proceeds from the sale of non-current assets	5,124	5,773
Other payments and receipts	10,854	5,234
Net Cash Flows from Investing Activities	(35,461)	(17,423)
Financing Activities:		
Cash receipts of long term borrowing	37,500	21,350
Cash payments for the reduction of the outstanding finance lease liabilities	(781)	(990)
Other payments and receipts	(50,685)	(1,371)
Net Cash Flows from Financing Activities	(13,966)	18,989
Net Increase/(Decrease) in Cash and Cash Equivalents	(15,464)	17,412
Cash and Cash Equivalents at 1 April (including Bank Overdraft balance) (Note G11)	36,009	18,597
Cash and Cash Equivalents at 31 March (including Bank Overdraft balance) (Note G11)	20,545	36,009

NOTES TO THE GROUP FINANCIAL STATEMENTS

G1. General

Specific notes for the Group Financial Statements are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Financial Statements are set out from note 2 and the Group Financial Statements are cross referenced to them where relevant.

G2. Prior year adjustments

During the review of the Council's Group entities undertaken in 2020/21 it was concluded that that the accounts for Colchester Commercial Holdings Limited would be consolidated into the Council's Group accounts. As such prior period adjustments have been made to the 2019/20 comparatives in the Group accounts to include the consolidated accounts of this entity.

G3. Subsidiary Companies consolidated into the Group Accounts

Colchester Borough Homes Limited & Colchester Commercial Holdings Limited are wholly owned subsidiaries of the Council. The Council is represented on the Board of the company. The Council and the Board agrees the annual delivery plans for the companies.

G4. Consolidation of Operating Income and Expenditure

The operating income and expenditure of Colchester Borough Homes Limited & Colchester Commercial Holdings Limited has been included within the 'Housing Revenue Account' line in the Group Comprehensive Income and Expenditure Statement.

				Adjustments between Funding and Accounting Basis				
2020/21	Council Year End Management Report	Adjustments	Net Expenditure chargeable to GF, HRA and Subsidiary Balances	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Net Expenditure in the Group CIES
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	(140)	(88)	(228)	0	0	0	0	(228)
Executive Management Team	893	(1)	892	0	52	6	58	950
Communities	6,671	6,148	12,819	20	548	29	597	13,416
Customer	536	1,133	1,669	6,134	627	23	6,784	8,453
Environment	3,483	(1,295)	2,188	0	508	15	523	2,711
Housing Revenue Account	8,180	1,005	9,185	2,798	1,121	32	3,951	13,136
Corporate and Improvement	(183)	(10,326)	(10,509)	12,138	33	1	12,172	1,663
Place and Client	6,499	619	7,118	5,822	569	34	6,425	13,543
Non-Distributed Costs	0	3,900	3,900	(23)	(3,784)	0	(3,807)	93
Net Cost of Services	25,939	1,095	27,034	26,889	(326)	140	26,703	53,737
Other operating income and expenditure			2,094				(861)	1,233
Financing and Investment income and expenditure			21,793				(13,911)	7,882
Taxation and Non Specific Grant income			(56,040)				5,342	(50,698)
(Surplus)/Deficit on Provision of Services			(5,119)				17,273	12,154
Opening GF, HRA and Subsidiary Balances				1,292				
(Surplus)/Deficit on Provision of Services				(5,119)				
Other Comprehensive Income and Expenditure				-				
Other Adjustments				3,862				
Transfers to Earmarked Reserves				5,729				
Closing GF, HRA and Subsidiary Balances				5,764				

G5 Expenditure and Funding Analysis

2019/20	Council Year End Management Report £'000	Adjustments £'000	Net Expenditure chargeable to GF, HRA and Subsidiary Balances £'000	Adjustments between Funding and Accounting Basis				
				Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000	Net Expenditure in the Group CIES £'000
Corporate and Democratic Core	(328)	(337)	(665)	-	-	-	-	(665)
Executive Management Team	717	1	718	-	70	1	71	789
Communities	1,241	1,002	2,243	5,691	753	(6)	6,438	8,681
Customer	3,767	(1,283)	2,484	-	677	(24)	653	3,137
Environment	5,648	(186)	5,462	1,817	1,260	(32)	3,045	8,507
Housing Revenue Account	259	(9,947)	(9,688)	12,107	33	2	12,142	2,454
Policy and Corporate	7,894	1,108	9,002	2,535	1,276	9	3,820	12,822
Corporate and Improvement	-	-	-	-	-	-	-	-
Place and Client	-	(466)	(466)	-	-	-	-	(466)
Non-Distributed Costs	-	490	490	191	1,994	-	2,185	2,675
Net Cost of Services	19,198	(9,618)	9,580	22,341	6,063	(50)	28,354	37,934
Other operating income and expenditure			1,885				96	1,981
Financing and Investment income and expenditure			14,461				(9,144)	5,317
Taxation and Non Specific Grant income			(24,699)				(9,978)	(34,677)
(Surplus)/Deficit on Provision of Services			1,227				9,328	10,555

Opening GF, HRA and Subsidiary Balances	(3,355)
(Surplus)/Deficit on Provision of Services	1,227
Other Comprehensive Income and Expenditure	394
Other Adjustments	(3,240)
Transfers to Earmarked Reserves	6,266
Closing GF, HRA and Subsidiary Balances	1,292

G5 a.) Note to the Group Expenditure and Funding Analysis – Group Expenditure and Income Analysed by Nature

	2020/21 £'000	2019/20 £'000
Employee related expenditure	43,853	42,827
Other services expenses	85,682	79,798
Support services recharges	3,800	3,346
Depreciation, amortisation and impairment	21,088	24,866
Interest payments	5,417	6,541
Precepts and levies	2,094	1,896
Payments to Housing Capital Receipts Pool	507	496
Pension Fund expenditure	2,331	2,497
Increase in bad debt provisions	174	535
Losses on the disposal of assets	3,733	1,126
Changes in the fair value of investment properties	1,887	1,999
Other expenditure	135	93
Total Expenditure	170,701	166,020
Fees, charges and other service income	(56,998)	(66,325)
Interest and investment income	(220)	(840)
Income from Council Tax and Non Domestic Rates	(4,643)	(18,393)
Government grants and contributions	(89,836)	(62,927)
Gains on the disposal of assets	(5,019)	(1,413)
Income in relation to investment properties	(1,841)	(2,229)
Changes in the fair value of investment properties	-	(2,602)
Decrease in bad debt provisions	-	(284)
Other income	10	(452)
Total Income	(158,546)	(155,465)
Group (Surplus)/Deficit on the Provision of Services	12,154	10,555

G6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on 11 June 2021. Events taking place after this date are not reflected in the financial statements or notes.

There are no other additional items which arose after the year end of 31 March 2021 that would materially affect these Group accounts, and as such no adjustments have been made to the figures reported in the Group financial statements or notes.

G7. Short Term Debtors

	31 March 2021 £'000	31 March 2020 £'000
Grants and Taxes	4,909	8,626
Trade Debtors	6,006	1,430
Prepayments	2,041	2,002
Housing Benefit Overpayments	539	723
NNDR rate payers arrears	1,661	699
Council Tax rate payers arrears	520	683
Other debtors	19,825	3,621
Total Short Term Debtors	35,501	17,784

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

G8. Cash and Cash Equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash in hand held by the group	7	7
Bank current accounts	10,038	5,993
Short term deposits	10,500	30,009
Total Cash and Cash Equivalents	20,545	36,009

G9. Short Term Creditors

	31 March 2021 £'000	31 March 2020 £'000
Trade creditors	(9,794)	(12,097)
Covid Restriction Grants	(6,286)	-
Receipts in advance	(3,819)	(2,191)
Other taxes and social security	(2,154)	(1,453)
Collection Fund agency	(22,406)	(5,743)
NNDR prepayments	(792)	(578)
Council Tax prepayments	(434)	(396)
Other creditors	(3,133)	(4,652)
Total Short Term Creditors	(48,818)	(27,110)

G10. Usable Reserves

Subsidiaries Reserves	31 March 2021 £'000	31 March 2020 £'000
Colchester Borough Homes Limited:		
Income and Expenditure Account	1,830	1,165
Defined benefit pension scheme reserve	(14,259)	(8,811)
Colchester Commercial Holdings Limited:		
Income and Expenditure Account	146	148
Defined benefit pension scheme reserve	-	-
Total Subsidiaries Reserves	(12,283)	(7,498)

G11. Cash Flow Statement Notes

Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements

	2020/21 £'000	2019/20 £'000
Depreciation	10,228	10,292
Impairments and downward valuations	17,135	9,986
Reversal of previously recognised revaluation losses	(138)	1,238
Movement in the fair value of Investment Properties	1,887	(603)
Carrying value of non-current assets and assets held for sale sold or derecognised	3,733	7,034
Amortisation	15	139
Increase/(Decrease) in Creditors	25,561	8,168
(Increase)/Decrease in Debtors	(843)	(2,513)
(Increase)/Decrease in Inventories	(1,104)	(707)
Contributions to/(from) Provisions	82	(1,007)
Movement in pension liability	2,859	10,133
Other non-cash movements	(14)	(21)
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	59,401	42,139

Cash and Cash Equivalents

	2020/21 £'000	2019/20 £'000
Cash in hand held by the Council	7	7
Bank current accounts	10,038	5,993
Short term deposits	10,500	30,010
Bank overdraft	-	-
Group Cash Flow Statement - Total Cash and Cash Equivalents	20,545	36,010

G12. Officers' Remuneration

The remuneration paid to the senior officers within Colchester Borough Council is shown in Note 31.
The remuneration paid to the senior officers within Colchester Borough Homes Limited is as follows

Colchester Borough Homes Limited

	Financial Year	Salary, Fees and Allowances £	Employers Pension Contributions £	Total Remuneration £
Chief Executive	2020/21	106,902	21,265	128,167
	2019/20	104,409	17,004	121,413
Director of Business Improvements (Note 1 below)	2020/21	76,080	15,368	91,448
	2019/20	46,478	7,715	54,193
Director of Housing (Note 1 below)	2020/21	-	-	-
	2019/20	26,222	4,353	30,575
Director of Operations (Note 2 below)	2020/21	80,644	16,290	96,934
	2019/20	52,445	8,706	61,151
Director of Property Services (Note 3 below)	2020/21	-	-	-
	2019/20	-	-	-
Director of Resources (Note 4 below)	2020/21	-	-	-
	2019/20	-	-	-

Note 1: There was a restructure in 2019/20 and the two positions Director of Business Improvement and Director of Operations were created on 1 August 2019 to replace the three previous Director positions Director of Housing, Director of Resources and Director of Property Services. These figures include the 8 months remuneration for the year.

Note 2: This position ceased to exist on 31 July 2019 due to an in year restructure. These figures include the 4 months remuneration for the year 2019/20.

Note 3: The Director of Property Services left the company on 31 December 2018. This position remained vacant from this date and was covered by officers acting up during this period until it ceased to exist on 31 July 2019.

Note 4: The Director of Resources left the company on 29 June 2018. An interim consultant was contracted to fulfil this role until 6 September 2019. Due to the in-year restructure this position had ceased to exist. Payments to the recruitment agency in respect of this placement totalled £44,314.45 (including VAT) in 2019/20. The normal recruitment and contract processes were undertaken for the engagement of this interim consultant.

The remuneration paid to the senior officers within Colchester Commercial Holdings is as follows:

Colchester Commercial Holdings Limited

	Financial Year	Salary, Fees and Allowances £	Bonuses £	Employers Pension Contributions £	Total Remuneration £
Managing Director (Note 1 below)	2020/21	26,707	1,045	-	27,752
	2019/20	26,116	1,280	-	27,396
Assistant Director (Note 2 below)	2020/21	88,348	-	4,417	92,765
	2019/20	13,675	-	2,598	16,273
Group Commercial Director (Note 2 below)	2020/21	-	-	-	-
	2019/20	49,532	-	2,477	52,009

Note 1: The Managing Director of Colchester Commercial Holdings Limited works 1 day a week for the Group company whilst working as the Chief Executive of the Council.

Note 2: The Assistant Director role was vacant from 3rd June 2019 until the role ceased to exist in August and was replaced with the Group Commercial Director role which was filled on 27th August 2019

The Group's officers within the Council, Colchester Borough Homes Limited and Colchester Commercial Holdings Limited receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

Remuneration Band	Number of Employees	
	2020/21	2019/20
£50,000 - £54,999	6	2
£55,000 - £59,999	12	14
£60,000 - £64,999	7	4
£65,000 - £69,999	3	2
£70,000 - £74,999	3	1
£75,000 - £79,999	-	-

G13. Termination Benefits (Exit Packages)

The total cost of exit packages includes the payments made to individuals and payments to the pension fund authority in respect of strains on the pension fund (curtailment costs).

2020/21 Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
£0 - £20,000	1	7	8	90,426
£20,001 - £40,000	1	2	3	89,450
£40,001 - £60,000	-	1	1	41,983
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £120,000	-	-	-	-
Total cost included in bandings	2	10	12	221,859
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				1,142
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				£223,001

2019/20 Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
£0 - £20,000	5	3	8	£51,199
£20,001 - £40,000	5	4	9	£252,685
£40,001 - £60,000	-	1	1	£50,416
£60,001 - £80,000	-	-	-	£0
£80,001 - £100,000	-	1	1	£92,908
£100,001 - £120,000	-	1	1	£107,508
Total cost included in bandings	10	10	20	£554,716
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				£2,231
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				£556,947

G14. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council (CBC) and Colchester Borough Homes Limited (CBH) make contributions towards the cost of post-employment benefit. Although these benefits will not actually be payable until employees retire, there is a commitment for CBC and CBH to make the payments that need to be disclosed at the time that employees earn their future entitlement.

CBC and CBH participate in the Local Government Pension Scheme, which is administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the employers and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

Colchester Commercial Holdings Limited participated in the Local Government pension scheme in 2018/19. During the 2019/20, all assets and liabilities were transferred to the Council with all costs in relation the current services included in the council's accounts

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme

Comprehensive Income & Expenditure Statement	CBC 2020/21 £'000	CBH 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Cost of Services:				
Current service cost	7,279	1,969	9,248	9,522
Past Service Cost	91	16	107	1,810
Liabilities assumed/(extinguished) on settlements	77	-	77	6,098
Settlements price received/(paid)	(65)	-	(65)	(5,275)
Financing and Investment Income and Expenditure:				
Net interest expense	2,025	193	2,218	2,440
Pension fund administration expenses	113	20	133	67
Other Comprehensive Income and Expenditure:				
Re-measurement of the net defined benefit liability	16,175	4,401	20,576	(14,607)
Total charged to the Comprehensive Income & Expenditure Statement	25,695	6,599	32,294	55
Movement in Reserves Statement				
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(9,520)	(2,198)	(11,718)	(11,943)
Employer's contributions payable to the scheme	7,708	1,151	8,859	3,581
Total charged to the Movement in Reserves Statement	(1,812)	(1,047)	(2,859)	(8,362)

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	CBC 2020/21 £'000	CBH 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Present value of the defined benefit obligation	(341,008)	(56,791)	(397,799)	(310,911)
Fair value of plan assets	233,033	42,532	275,565	212,112
Net liability	(107,975)	(14,259)	(122,234)	(98,799)

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

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

	CBC 2020/21 £'000	CBH 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Balance at 1 April	(269,802)	(41,109)	(310,911)	(321,496)
Current service cost	(7,279)	(1,969)	(9,248)	(8,955)
Interest cost	(6,268)	(963)	(7,231)	(7,657)
Change in financial assumptions	(71,924)	(14,209)	(86,133)	32,136
Change in demographic assumptions	4,463	724	5,187	2,327
Experience loss / (Gain) on defined benefit obligations	3,688	(16)	3,672	(5,834)
Liabilities assumed/(extinguished) on settlements	(77)	622	545	(6,665)
Benefits paid net of transfers in	7,465	-	7,465	8,334
Past service costs	(91)	(383)	(474)	(1,810)
Contributions by scheme participants	(1,565)	-	(1,565)	(1,680)
Unfunded pension payments	382	512	894	389
Balance at 31 March	(341,008)	(56,791)	(397,799)	(310,911)

Reconciliation of the movements in fair value of the scheme assets:

	CBC 2020/21 £'000	CBH 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Balance at 1 April	179,814	32,298	212,112	218,223
Interest on assets	4,243	770	5,013	5,217
Return on assets less interest	47,598	8,572	56,170	(16,993)
Other actuarial gains / losses	-	(20)	(20)	2,971
Administration expenses	(113)	1,151	1,038	(67)
Contributions by employer	7,708	383	8,091	4,529
Contributions by scheme participants	1,565	(622)	943	1,680
Benefits paid net of transfers in	(7,847)	-	(7,847)	(8,723)
Settlement prices received/(paid)	65	-	65	5,275
Balance at 31 March	233,033	42,532	275,565	212,112

GLOSSARY OF TERMS

Accruals Concept

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

Actuarial Gains and Losses

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

Amortisation

A charge to the comprehensive income and expenditure statement which spreads the cost of an intangible asset over a number of years in line with the accounting policies.

Appropriations

The transfer of resources between revenue accounts, capital accounts and reserves.

Billing Authority for Council Tax and Non-Domestic Rates

Colchester Borough Council is responsible for invoicing and collecting the Council Tax from all residential properties within the borough. This is undertaken on behalf of Colchester Borough Council, Essex County Council, Essex Fire and Rescue, Police and Crime Commissioner for Essex and Parish and Town Councils. Colchester Borough Council is also responsible for invoicing and collecting Non-Domestic Rates on behalf of Colchester Borough Council, Central Government, Essex County Council and Essex Fire and Rescue.

Budget Requirement

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

Capital Expenditure

Expenditure incurred relating to the acquisition or enhancements of Property, Plant and Equipment, heritage assets and investment properties.

Capital Financing Requirement

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

Capital Programme

The Council's budget for capital expenditure and resources over the current and future years.

Capital Receipts

Income generated from the sale of capital assets and the repayment of grants/loans given for capital purposes. Capital receipts may be used to finance new capital expenditure or repay debt.

Carry Forwards

Budget provision for specific items that are not received in the financial year and for which there is no provision in the following year. Such budgets are 'carried forward' to the following year to match the committed or planned expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

This is the professional body for public services. CIPFA issues the Code of Practice on Local Authority Accounting (the Code), which sets down in detail how the accounting standards are to be applied to the preparation of statement of accounts for local authorities.

Collection Fund

All receipts of Council Tax and Non-Domestic Rates are paid into this Fund. The Council uses the Collection Fund to pay Council Tax precepts to Essex County Council, Essex Fire and Rescue and Police and Crime Commissioner for Essex and the demand by the Council's General Fund. It is also used to pay the relative shares of Non-Domestic Rates income to Central Government, Essex County Council and Essex Fire and Rescue. Any surplus or deficit is shared between the various authorities (excluding Parish and Town Councils) in the subsequent financial year, in accordance with their respective proportions.

Contingent Liabilities

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

Creditors

Amounts owed by the Council for goods, services and works that have been received by the Council in the financial year but have not been paid as at the financial year end.

Current Assets

Assets that will be realised, sold or consumed within the next financial year.

Current Liabilities

Amounts that will be settled or could be called in within the next financial year.

Debtors

Amounts owed to the Council for goods, services and works that have been provided by the Council in the financial year for which payments have not been received by the Council as at the financial year end.

Depreciation

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

Earmarked Reserves

Amounts set aside for specific future commitments or potential liabilities.

Effective Interest Rate

The rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instruments

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

General Fund

The main revenue fund of the Council, which summarises the cost of all services (except the Housing Revenue Account) provided by the Council.

Gross Book Value

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

Housing Revenue Account (HRA)

This ringfenced statutory account records the revenue expenditure and income relating to the provision of Council housing. It shows the major elements of housing revenue expenditure and how this is met through rents and other income.

IFRS (International Financial Reporting Standards)

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

Impairment

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

Intangible Assets

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

Investment Properties

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

Leases

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

Major Repairs Reserve (MRR)

An HRA capital reserve held for investment in the replacement of structures and components of the Council's Housing stock. This reserve is funded from the HRA by transferring in the total depreciation charge for the year. Sums are transferred out to meet the cost of capital expenditure. Any balance on the reserve is carried forward to be utilised in future years. Interest earned on the MRR balance is credited directly to the HRA.

Minimum Revenue Provision (MRP)

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

Ministry of Housing, Communities and Local Government (MHCLG)

The Ministry of Housing, Communities and Local Government is a UK Government ministerial department. It was renamed from the Department for Communities and Local Government (DCLG) in January 2018.

Net Book Value (NBV)

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

Non-Distributed Costs

These are overhead costs that provide no benefits to services and are therefore not distributed to services. These include pensions arising from discretionary added years' service.

National Non-Domestic Rates (NNDR)

Non-domestic rates are usually termed Business Rates. Business Rates contribute to the cost of providing local authority services. It is charged on the rateable value of each non-residential property multiplied by a uniform amount set annually by central government. Various reliefs are in operation. NNDR income is collected by the Council and is then shared with Central Government, Essex County Council and Essex Fire and Rescue.

Precept

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

Principal Amount

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

Property, Plant and Equipment (PPE)

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

A central government agency that offers long term loans to local authorities at interest rates marginally above the government's own cost of borrowing.

Revaluation

Revaluation is a technique used to adjust the value of certain classes of non-current assets to their fair value.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

Useful Life

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

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

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Governance and Audit Committee

22 June 2021

Item

8

Report of	Assistant Director of Policy & Corporate	Author	Hayley McGrath ☎ 508902
Title	Head of Internal Audit Annual Report 2020/21		
Wards affected	Not applicable		

1.0 Executive Summary

1.1 The report set out in Appendix 1 summarises the findings of the Internal Audit function for the financial year 2020/21.

1.2 The key messages from the report are:

- Despite the impact of the pandemic the new Internal Audit contractor was able to successfully commence the service from 01 April and has ensured that an effective internal audit service was provided during the 2020/21 financial year.
- Twenty-five audits were completed during the year.
- Eleven audits (44%) achieved a substantial assurance rating (previously full assurance), compared to twelve last year (33%).
- The number of limited assurance ratings decreased to one (4%) from nine (24%).
- Three urgent recommendations were made (previously level 1), compared to twenty-one last year.

2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 1 April 2020 to 31 March 2021.

3.0 Reason for Recommended Decision

3.1. The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. 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.

4.0 Alternative Options

4.1 None.

5.0 Background Information

- 5.1 At the end of each financial year the audit provider produces a 'Head of Internal Audit Report'. This is the overall assurance rating for the Council and is the evidence that supports the assessment of the internal control in the Annual Governance Statement.

The report for 2020/21 states 'TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place.'

- 5.2 2020/21 was the first year of the contract with the new provider, TIAA Ltd. The start of the contract was delayed by the pandemic and so far the auditors have not been able to meet officers on site. However, they have been able to complete the programme for 20/21, which was reviewed early in the year to ensure that it captured the emerging risks of the pandemic response. There have been no significant issues with the work undertaken by TIAA and it is felt that they have been able to establish a good working relationship with officers.
- 5.3 Each audit is given one of four assurance ratings – no, limited, reasonable and substantial – that indicates how well the system controls are working. The assurance rating is determined primarily by the number and level of recommendations made, which are classed as urgent, important or routine. The table in appendix 2 explains the assurance and recommendation levels in more detail.

6.0 Strategic Plan Implications

- 6.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

7.0 Risk Management Implications

- 7.1 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.

8.0 Environmental and Sustainability Implications

- 8.1 There are no environmental or sustainability implications as a result of this report.

9.0 Other Standard References

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

Key to Assurance Levels

Assurance Gradings

Internal Audit classifies internal audit assurance over four categories, defined as follows:

Assurance Level	Evaluation & Testing Conclusion
Substantial	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Recommendation Gradings

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

Priority level	Definition
1. Urgent	Fundamental control issue on which action should be taken immediately.
2. Important	Control issue on which action should be taken at the earliest opportunity.
3. Routine	Control issue on which action should be taken.
OEM – Operational Effectiveness Matter	Items that would be best practise / improvements, but do not impact on the effectiveness of the controls.

Colchester Borough Council

Internal Audit Annual Report

2020/21

May 2021

Internal Audit Annual Report

Introduction

This is the 2020/21 Annual Report by TIAA on the internal control environment at Colchester Borough Council. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report is designed to assist the Council in making its annual governance statement.

Limitations on our opinion arising from Covid-19

The impact of COVID-19 on all public sector services has been significant including changes to ways of working, reprioritising services, redeploying staff and stretching capacity; the impact has been present throughout the whole of 2020/21 in varying degrees.

For internal audit, it has raised the question of whether they have been able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) when issuing their annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the organisation relies on for its Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?
- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope.

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

What this means for Colchester Borough Council

No impact on the delivery of planned work

There has been minimal or no impact on the delivery of the internal audit work for 2020/21 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we are able to deliver the planned work by year-end (or shortly thereafter). There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Council from its various sources of assurance.

Internal Audit Planned Coverage and Output

The 2020/21 Annual Audit Plan approved by the Governance and Audit Committee was for 300 days of internal audit coverage in the year. During the year there were no changes to the Audit Plan.

The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

No extra work was carried out which was in addition that set out in the Annual Audit Plan.

Assurance

TIAA carried out 25 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Council's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	11	N/A
Reasonable Assurance	13	N/A
Limited Assurance	1	N/A
No Assurance	0	N/A

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2020/21.

Urgent	Important	Routine
3	35	42

Audit Summary

Control weaknesses: There was one area reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited assurance'. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted and will be implemented.

Recommendations Made: We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed			
Governance Framework	3	17	14
Risk Mitigation	0	0	0
Compliance	0	14	25
Delivery			
Performance Monitoring	0	3	2
Financial Constraint	0	0	1
Resilience	0	1	0

Operational Effectiveness Opportunities: One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
9

Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	95%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards and relevant guidance issued by the Accounts & Audit Regulations 2015.

Release of Report

The table below sets out the history of this Annual Report.

Date Report issued:	May 2021
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Annexes

Annex A

Actual against planned Internal Audit Work 2019/20

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
CBC2102 Business Support Grants – Part 1&2	Assurance	14	14	Substantial	
CBC2103 COVID-19 Deep Dive	Assurance	12	12	Substantial	
CBC2104 Housing	Assurance	7	7	Substantial	
CBC2106 Corporate Health and Safety	Assurance	10	10	Reasonable	
CBC2107 Contract Management	Assurance	10	10	Reasonable	
CBC2109 Budget Monitoring and Reporting	Assurance	12	12	Substantial	
CBC2111 CTAX and NNDR	Assurance	14	14	Substantial	
CBC2112 Housing Benefits and CTS	Assurance	18	18	Substantial	
CBC2124 Charter Hall Events	Assurance	12	12	Limited	
CBC2113 Performance Management	Assurance	10	10	Substantial	
CBC2131 Risk Management	Assurance	5	5	Reasonable	
CBC2108 Licensing	Assurance	12	12	Reasonable	
CBC2128 Management of Property	Assurance	6	6	Reasonable	
CBC2114 Planning and Development	Assurance	12	12	Substantial	
CBC2115 Key Financial Controls	Assurance	10	10	Reasonable	
CBC2110 Housing Rents	Assurance	6	6	Substantial	
CBC2116 HR and Payroll	Assurance	14	14	Reasonable	
CBC2117 Business Continuity	Assurance	14	14	Reasonable	
CBC2118 Accounts Receivable and Cash Collection	Assurance	12	12	Substantial	
CBC2119 Site Cash ups	Assurance	2	0	N/A	Days carried forward to 2021/22
CBC2120 Single Data Sets	Assurance	5	0	N/A	Days carried forward to 2021/22

CBC2121 Museums	Assurance	10	10	Reasonable	
CBC2122 Parking Services	Assurance	10	10	Reasonable	
CBC2123 Leisure World	Assurance	10	10	Reasonable	
CBC2126 CCHL / CBC Contract Management	Assurance	8	8	Substantial	
CBC2127 CCH Allocated Days 15 less 12	Assurance	3	0	N/A	Days carried forward to 2021/22
CBC2101 IT Network Resilience	Assurance	12	12	Reasonable	
CBC2105 IT Service Desk	Assurance	10	10	Reasonable	
Follow up		10	10		
Management		10	10		
Carry forward		0	10		
Total Days		300	300		

22 June 2021

Report of	Assistant Director of Corporate & Improvement Services	Author	Hayley McGrath 508902
Title	Review of the Governance Framework and Draft Annual Governance Statement		
Wards affected	Not applicable		

1.0 Executive Summary

This report relates to the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the 2020/2021 financial year, which is required for the 2020/2021 Statement of Accounts.

2.0 Recommended Decisions

- 2.1 To consider and note the review of the Council's compliance with the seven principles of good governance (CIPFA International Framework: Good Governance in the Public Sector 2014) including the review of effectiveness of the internal control arrangements.
- 2.2 To approve the Annual Governance Statement for 2020/21.

3.0 Reasons for Recommended Decisions

- 3.1 Regulation 3 of the Accounts and Audit Regulations 2015 states that:
'A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.'
- 3.2 Regulations 6(1) and (2) go on to place a requirement on the Council to conduct a review of the effectiveness of its system of internal control at least once a year, and to report the findings to this committee. Following the review, the committee must approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
- 3.3 The review of the system of internal control assesses the Council's compliance with the seven principals of good corporate governance, set out in the 2016 CIPFA / SOLACE guidance – Delivering Good Governance in Local Government, and the effectiveness of the policies and procedures that make up the Council's governance framework. The process also produces a management action plan to address any identified weaknesses.
- 3.4 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.

4.0 Alternative Options

- 4.1 None.

5.0 Background Information

5.1 Colchester Borough Council has adopted a Local Code of Corporate Governance based on the 'Delivering Good Governance in Local Government' guidance. The purpose of the AGS is to review compliance with the seven principles of good governance outlined in the guidance and the Council's Local Code of Corporate Governance.

5.2 The seven principles of Corporate Governance are:

- Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2: Ensuring openness and comprehensive stakeholder engagement.
- Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle 6: Managing risks and performance through robust internal control and strong public financial management.
- Principle 7: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.3 As part of the governance review the Council has to demonstrate the effectiveness of its internal control arrangements, and this is primarily evidenced by the Head of Internal Audit Report, produced by the Council's Internal Audit provider, TIAA. A copy of the report is available as a background paper. The key statement from this report is detailed below: -

From the Internal Audit work undertaken in compliance with the PSIAS (Public Sector Internal Audit Standards) in 2020/21, **TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place.**

5.4 A key consideration for this year's opinion, to ensure compliance with the Public Sector Internal Audit Standards, has been the impact of the pandemic on the ability of the auditor to undertake sufficient internal audit work to gain overall assurance of the Council's systems. The report states:

'There has been minimal or no impact on the delivery of the internal audit work for 2020/21 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we were able to deliver the planned work by year-end (or shortly thereafter).'

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

- 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 Annual Governance Statement for 2019/20.
- Review of the implementation of recommendations made by Internal Audit.
- Review of issues raised in External Audit reports, principally the Annual Audit Letter.

- Assessment that the financial arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

- 5.6 The AGS for 2020/21 is attached at appendix 1. 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.
- 5.7 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 2. The AGS should be an ongoing assessment and therefore a review of the progress against the recommendations will be reported to the Committee later in the financial year.

6.0 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.

7.0 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.

8.0 Environmental and Sustainability Implications

- 8.1 There are no environmental or sustainability implications as a result of this report.

9.0 Other Standard References

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

Appendices

Appendix 1 – The Annual Governance Statement for 2020/21

Appendix 2 – The Annual Governance Statement Action Plan for 2021/22

Background Papers

Head of Internal Audit report for the year ended 31 March 2021.

COLCHESTER BOROUGH COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the Council website at www.colchester.gov.uk or can be obtained from Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester, CO3 3WG.

This statement explains how the Council has complied with the code and meets the requirements of regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 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, processes, culture and values by which the Council is directed and controlled. Which in turn directs the activities through which it accounts to, engages with and leads the community. It enables the Council 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 the 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 Council's governance framework has been in place during the year ended 31 March 2020 and up to the date of the approval of the annual accounts.

Elements of the Framework

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

- **The Strategic Plan** – which identifies and communicates the Council’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 Council’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 procedure rules, financial procedure rules, 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 Member/Officer Relations
 - Media Protocol
 - Monitoring Officer Protocol
 - Chief Finance Officer Protocol
 - Resources Protocol
 - A whistle blowing policy for receiving and investigating complaints from the public and staff.
 - Gifts and Hospitality Guidance
- **The Chief Finance Officer Protocol** sets out the responsibilities to conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).
- **The operation of a Governance and Audit Committee** which undertakes the core functions of an audit committee, as identified in CIPFA’s document ‘Audit Committees – Practical Guidance for Local Authorities’. It also acts as the ‘client’ committee scrutinising the performance of the Colchester Commercial (Holdings) Limited and its subsidiary companies.
- **The operation of a 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.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A member training and development 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.
- **Treasury management practices and policies**

The post of the Section 151 Officer for Colchester Borough Council was held permanently by the Strategic Finance Manager until February 2019, when they ceased working for the Council. An interim Section 151 Officer has been appropriately appointed by full Council to fill the role, until a suitable permanent replacement can be made. The arrangements in place ensured that the Council's financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

The 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 Council 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 Local Government and Social Care Ombudsman, the Information Commissioner's Office, Equal Opportunities Commission, Lexcel, Investors In People, the Vehicle Inspectorate, DEFRA, East England Tourist Board and the Office of Surveillance Commissioners.

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. The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The services' compliance with the Public Sector Internal Audit Standards was independently assessed and verified in November 2016.
- **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 regular reporting to the Governance and Audit Committee.
- **A comprehensive risk management process** that ensures the key risks across the Council, both operational and strategic, are captured and reported to senior officers and Members.
- **The reports of the Chief Financial Officer** to Members and the senior management team including financial assessments of key projects and decisions.
- **Reporting of key performance issues** to the Scrutiny Panel.
- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A defined Monitoring Officer role** which sets out responsibility for ensuring all decisions comply with statutory requirements and are lawful.

The significant control issues found during the review are highlighted in the table at the end of the statement.

The Covid-19 pandemic had a significant impact on the Council during the financial year, and rapid changes to systems and processes were required to be able to respond to changes in legislation, development of Coronavirus support services (such as business support grants) and to continue to deliver existing services. It was acknowledged that to be able to respond so rapidly it was not always possible to verify that all control arrangements were embedded in processes, prior to their implementation.

However, the audit programme for 2020/21 was adjusted early in the year and several audits were added to assess the Council's response to the pandemic. These included an overall assessment as well as reviews of payment processes and support functions. Overall, the audits demonstrated that even with the rapid implementation of new and changed systems, there were no governance concerns, with systems of control working appropriately.

The pandemic continues to have an impact on the Council's working arrangements and appropriate audit reviews will be programmed in for the foreseeable future.

Effectiveness of Other Organisations

The Council owns six companies:

- Colchester Borough Homes (CBH) which was created in 2003,
- Colchester Community Stadium Limited (CCSL) created in 2007
- Colchester Commercial (Holdings) Limited (CCHL), and its three subsidiary companies –
 - Colchester Amphora Trading Limited,
 - Colchester Amphora Energy Limited and
 - Colchester Amphora Housing Limited.

It also leads two joint (with other local authorities) services:

- Colchester & Ipswich Museums Service (CIMS)
- North Essex Parking Partnership (NEPP)

As these are limited companies there is no requirement for them to produce Governance Statements in this format. However, it is recognised by the Council, that it is essential for these companies to operate effective governance procedures to ensure appropriate and cost-effective service provision and protection of Council assets.

Whilst CBH is an 'arms-length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants and that the Council's asset, the housing stock, is adequately protected. CBH have produced their own annual governance review that has been shared with the Council. There were no significant control weakness identified during the year that are required to be included in this statement.

A review of the management arrangements for CCSL was carried out as part of the preparation of this statement. Whilst CCSL is an 'arms-length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. There were no significant control weakness identified during the year that are required to be included in this statement.

The CCHL group was created to enable a more commercial approach to be taken to delivering revenue generating Council services and to develop innovative options for new services in the future, such as a heat exchange system for the Borough. Whilst the CCHL group are operating in a commercial environment, and therefore can take a different approach to service delivery, they are still delivering services on the Council's behalf. Therefore, it is necessary to ensure that it operates effectively to deliver the best possible outcomes for the Council. The activities of CCHL are monitored through the Council's Internal Audit programme and reported to the Council's Governance and Audit Committee. There were no significant control weaknesses, specific to CCHL, during 2020/21, that need to be included in this statement.

The Council is the lead partner in the Colchester & Ipswich Museum Service. Due to the nature of the arrangement, the joint museum service conducts its own annual governance review which includes an assessment of internal control. Therefore, it is not intended to include any details relating to this service within this statement.

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

Internal Audit Opinion

From the work undertaken in 2020/21, Internal Audit has provided reasonable assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2021 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.

Review of Actions from 2019/20 Statement

There were three actions included in the Annual Governance Statement for 2019/20:

- Procurement / Purchasing
- IT – Social Media
- Payment Controls

An independent review of the Council's strategic approach to procurement was commissioned and a procurement board was set up to steer the implementation of the recommendations. Social value and environmental impacts have been included in the procurement process and record keeping has been moved to an accessible site.

A follow up of the Social Media audit showed that the recommended control improvements had been implemented, including strengthening of password controls, completion of a business needs assessment for new social media platforms, use of external monitoring tools, inclusion of social media in the Information Security Policy and regular training of officers responsible for the social media accounts.

The payment controls audit identified concerns relating to the possibility of payment files being amended after authorisation, officers having more than one level of authorisation, weak password controls and the ability for payment runs to be authorised by only one officer. The recommended changes have now been implemented to resolve these concerns.

Conclusion & Significant Governance Issues

Overall, the control arrangements in place during the 2020/21 financial year have been effective and were appropriate. However, the review has identified some areas where actions are required to ensure that the Council 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 review process during 2021/22

No.	Issue	Action
1.	The Council, like many other organisations, was subjected to deliberate attempts to disrupt its IT processes and potentially access information during the year. The attempts were successfully defeated, however they did highlight some weaknesses in the controls around IT usage. It is also acknowledged that cyber attacks will continue to evolve and the system controls will need to be constantly refined to be able to provide adequate defence against them.	A review of system controls is already completed after any attempted cyber-attack, and any necessary changes are immediately implemented to resolve any weaknesses. However, resources need to be dedicated to ensuring that controls are continuously reviewed and developed to guard against new methods of attack.
2.	The response to the pandemic highlighted the importance of effective partnership arrangements. This has included joint planning to alleviate acute health and social care service pressures, partnerships providing business support to help with local economic recovery, and the delivery of community support across multiple agencies, including NHS partners and the community and voluntary sector (CVS). The Annual Governance Statement and Strategic Risk Register acknowledge the essential role of partnerships, but these have not been reviewed considering the Covid pandemic and the Council's strategic priorities and risks.	A review of the Council's partnership arrangements, including partnerships considered strategically important to the delivery of the Council's strategic priorities, is undertaken.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework, by the Governance and Audit 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

.....
Chief Executive

on behalf of Colchester Borough Council

DRAFT
Colchester Borough Council
Annual Governance Statement – Action Plan for 2021/22

Significant Internal Control Issues – Relating to 2020/21 Financial Year

No.	Issue	Action	Due Date	Responsible Officer	How this Issue was Identified
1.	The Council, like many other organisations, was subjected to deliberate attempts to disrupt its IT processes and potentially access information during the year. The attempts were successfully defeated, however they did highlight some weaknesses in the controls around IT usage. It is also acknowledged that cyber-attacks will continue to evolve, and the system controls will need to be constantly refined to be able to provide adequate defence against them.	A review of system controls is already completed after any attempted cyber-attack, and any necessary changes are immediately implemented to resolve any weaknesses. However, resources need to be dedicated to ensuring that controls are continuously reviewed and developed to guard against new methods of attack.	31/10/21	Head of Corporate & Improvement Services	Self-assessment, recognising that cyber crime is a key threat to the Council.
2.	The response to the pandemic highlighted the importance of effective partnership arrangements. This has included joint planning to alleviate acute health and social care service pressures, partnerships providing business support to help with local economic recovery, and the delivery of community support across multiple agencies, including NHS partners and the community and voluntary sector (CVS). The Annual Governance Statement and Strategic Risk Register acknowledge the essential role of partnerships, but these have not been reviewed considering the Covid pandemic and the Council's strategic priorities and risks.	A review of the Council's partnership arrangements, including partnerships considered strategically important to the delivery of the Council's strategic priorities, is undertaken.	31/12/21	Chief Operating Officer	Self-assessment, the response to the pandemic highlighted the need to be able to effectively utilise partnerships.



Report of	Chief Operating Officer	Author	Paul Cook
Title	Financial Regulations 2022-23		
Wards affected	Not applicable		

1 Executive Summary

1.1 To update the Financial Regulations for financial year 2022/23

2 Recommended Decision

2.1 To approve the Financial Regulations 2022.

2.2 To recommend approval of the Financial Regulations 2022 to Council

3 Reason for Recommended Decision

3.1 To update the financial regulations as part of the 2022/23 budget process.

4 Alternative Options

4.1 Not to change the Financial Regulations.

5 Background

5.1 The Council is required to adopt Financial Regulations as part of its annual budget process.

5.2 The Council's Financial Regulations have not been significantly revised since 2017 so a complete update is required.

5.3 The significant changes are set out in Section 6 of this report. Where the change is an updated job title this is not listed. (E.g. Heads of Service are now Assistant Directors.) The proposed Financial Regulations 2022 are attached as an Appendix.

6 Significant changes to the 2017 Financial Regulations

6.1 See table below.

Ref	2017 provision	2022 provision	Reason for proposed change
1.2.11	Write-off limits changed only with Council approval	Write-off limits increase annually with inflation	Decision of January 2021 Governance Audit Committee
1.2.13		Chief Executive can incur unbudgeted expenditure to avoid significant and unavoidable cost	Better use of resources

Ref	2017 provision	2022 provision	Reason for proposed change
2.1.2		System of internal control	Clearer statement of Accounts and Audit Regulations 2015
2.4.1	Portfolio Holders propose individual budgets to Cabinet	Deleted	The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy
2.5.1	Scrutiny Panel receives financial monitoring reports	Responsibility now Governance and Audit	Reflects Governance and Audit Workplan
2.6.1	Governance and Audit Committee receives financial monitoring reports	As above	Reflects Governance and Audit Workplan
2.8.1	Responsible Financial Officer maintains adequate and effective internal audit	Monitoring Officer maintains adequate and effective internal audit – covered in 4.5.5	Reflects current arrangements
2.9.2	S151 Officer a member of the Leadership Team	S151 works with Leadership Team	Correct status of the Head of Finance post.
2.12.1	Delegated authority records maintained by Responsible Financial Officer	Not required	Unnecessary bureaucracy
2.14.1	Accounting arrangements as per statutory Accounts and Audit Regulations	The same, but wording changed	Closer fit to the text of the Regulations
2.15.1	Revenue outturn reported to Scrutiny Panel. Panel makes recommendations to Cabinet on the Outturn and carry forwards	Revenue outturn reported to Governance and Audit Committee. Committee may make recommendations to Cabinet on the Outturn. Carry forwards rules determined by Responsible Financial Officer	Revised roles of Committees. Carry-forwards decided in the accounts closing process.
2.15.2	New in 2022	Revenue outturn reported to Cabinet in commencing the next year's budget strategy	Reflects current good practice.

Ref	2017 provision	2022 provision	Reason for proposed change
2.16.4	Timetable for draft accounts as then applied	New timetable for draft accounts 20/21 and 21/22 as per revised Accounts and Audit Regulations	Regulatory requirement
2.16.7	New in 2022	Governance and Audit Committee approves external audit plan	Reflects current good practice.
2.16.8	New in 2022	Governance and Audit Committee appoint external auditors on advice of Responsible Financial Officer	Reflects current good practice.
2.16.9	Responsible Financial Officer sets external audit timetable and facilitates external audit access to systems	The same, improved wording	Reflects current good practice.
2.16.10	New in 2022	New timetable for final accounts with opinion 20/21 and 21/22 as per revised Accounts and Audit Regulations	Regulatory requirement
2.17.1	Rules on virements	Simpler 'budget transfer' terminology	Rewording
2.17.2	Rules on virements	Simpler 'budget transfer' terminology	Rewording
2.17.3	Rules on virements	Simpler 'budget transfer' terminology	Rewording
2.17.4	Assistant Director virement limit £10k within same service and portfolio.	Assistant Director virement limit £40k within same portfolio	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk as transfer within an existing budget.
2.17.4	Assistant Director virement limit £25k (after consultation with Responsible Financial Officer) between services in the same portfolio.	Assistant Director virement limit £100k (after consultation with Responsible Financial Officer) between services	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk as transfer within an existing portfolio and Responsible Financial Officer agreement required.

Ref	2017 provision	2022 provision	Reason for proposed change
		in the same portfolio	
2.17.5	Portfolio Holder virement limit within their portfolio (after consultation with Responsible Financial Officer) or between portfolios with the agreement of the holders £50k.	Portfolio Holder virement limit within their portfolio (after consultation with Responsible Financial Officer) or between portfolios with the agreement of the holders £200k.	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk and Responsible Financial Officer agreement required.
2.17.6	Cabinet virement limit following Assistant Director and Responsible Financial Officer report £250k	Cabinet virement limit following Assistant Director and Responsible Financial Officer report £1m	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk. Assistant Director and Responsible Financial Officer agreement required.
2.17.10	Technical budget transfers by Responsible Financial Officer excluded from above limits.	The same	Simplified wording
2.18	Rules on carry forwards	Simplified	Simplified wording
3.1.2	Portfolio Holders each report a separate budget to Cabinet	Sets out the process and timetable now used. The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy	Reflects current good practice.
3.3.1	Financial Planning and Control	More emphasis on a sustainable long term budget	Reflects current good practice.
3.3.2	Scope of the MTFF 3 years	Scope of the MTFF 4 years	Reflects current good practice.
3.3.3	Budget monitoring by Scrutiny Panel	Budget monitoring by Governance and Audit Committee	Change of Committee responsibility. Scrutiny Panel retains the power to scrutinise the budget.
3.4.1	Council sets budget format	Not required as covered in Budget Strategy report to Cabinet	Reflects current good practice.

Ref	2017 provision	2022 provision	Reason for proposed change
3.5.1	Scope of the MTFF 3 years	Scope of the MTFF 4 years	Reflects current good practice.
3.5.2	Budget strategy	Budget Strategy set by Cabinet	Reflects current good practice.
3.5.3	Cabinet sets Portfolio Target budgets	Cabinet sets overall budget strategy	The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy
3.5.4	Development of Portfolio Target budgets	Not required	The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy
3.5.5.	Development of Portfolio Target budgets	Role of Scrutiny Panel in Budget setting.	Reflects current good practice.
3.6.1	Responsible Financial Officer monitors budgets	Budget holder responsibility and use of corporate systems and timetable	Reflects current good practice.
3.6.2	Responsible Financial Officer provides financial monitoring information to Assistant Directors	Budget holder responsibility and use of corporate systems and timetable	Reflects current good practice.
3.6.3	Budget responsibility delegated by Assistant Directors	Assistant Directors accountable for budgets	Reflects current good practice.
3.7.1	Responsible Financial Officer to operate resource allocation system	Deleted	Budget process covered in other sections
3.7.2	Budget role of heads of service	Deleted	Budget process covered in other sections
3.8.1	Definition of Capital programme	Cabinet to set programme timetable	Reflects current good practice.
3.8.2	Preparation of capital programme	Existing practice clarified	Reflects current good practice.
3.8.4	Capital programme variations need Council approval	Council approves annual programme. In-year updates by Cabinet.	Reflects current good practice.
3.8.5	All new schemes require a project justification to Cabinet	Covered by role of Portfolio Holder	Reflects current good practice. Will allow more efficient management of Capital programme.
3.8.7	Revenue implications of approved capital	Already covered by 3.8.2 so deleted	No substantive change

Ref	2017 provision	2022 provision	Reason for proposed change
	schemes allowed in the MTFF		
3.8.8	Feasibility and initial costs require a Cabinet scheme approval	Not required	Reflects current good practice. Will allow more efficient management of Capital programme.
3.8.9	No expenditure on a scheme unless in the capital programme	Already covered by other sections. Responsible Financial Officer to determine capitalisation policies.	Reflects external audit finding on 2019/20 accounts.
3.8.11	Additional costs and use of capital contingency	Reworded as no capital contingency operated	Reflects current good practice.
3.8.12	Cabinet requires detailed report on proposed scheme	Not required	Reflects current good practice. Will allow more efficient management of Capital programme.
3.8.13	Assistant Director responsibility to monitor capital programme	Use of corporate systems and timetable emphasised	Reflects current good practice. Will allow more efficient management of Capital programme.
3.18.14	Capital monitoring reports to Scrutiny Panel	Capital monitoring reports to Governance and Audit Committee	Change of Committee responsibility
4.6.1	Audit Commission appoints external auditor	Obsolete, auditor appointment covered in other sections	Regulatory update
4.6.2	Role of external auditor	Reflects current legislation	Regulatory update
5.1.1	Asset Register	Now an Amphora responsibility jointly with Responsible Financial Officer	Reflects current good practice.
5.1.3	Assistant Director control of assets	Now an Amphora responsibility jointly with Assistant Directors	Reflects current good practice.
5.1.5	Asset disposals	Now an Amphora responsibility jointly with Assistant Directors	Reflects current good practice.
5.4.2	Treasury Management Reporting	Treasury monitoring by Governance and Audit Committee	Change of Committee responsibility. Scrutiny Panel retains the power to scrutinise Treasury activities.
6.8.3	VAT	Responsible Financial Officer	Reflects current good practice.

Ref	2017 provision	2022 provision	Reason for proposed change
		remit codified on partial exemption and electing to tax on sites.	
6.8.4	New 2022	Responsible Financial Officer to be consulted on tax implications of any new service development	Will allow more efficient management of services.
6.9.3	Need for trading accounts to be determined by Responsible Financial Officer	To be exercised in liaison with Assistant Directors	Will allow more efficient management of services.
6.10.1	Retention of files	New wording	Reflects current good practice.
7.1.2	Partnerships	Financial regulations in Amphora and Colchester Borough Homes must be equivalent to the Council's	Will allow more efficient management of Amphora and Colchester Borough Homes.
7.1.3	Operations of Amphora and Colchester Borough Homes	Responsible Financial Officer to oversee their accounting arrangements as consolidated in the Council's group statement of accounts	Will allow more efficient management of Amphora and Colchester Borough Homes.
7.2.2	External funding	Responsible Financial Officer may set a pre-application checklist	Will allow more efficient management of grant claims.
8	Financial limits	Revised values on virements as set out above	Will allow more efficient management of services.

7 Environmental and Sustainability Implications

- 7.1 The Financial Regulations support the Council's declaration of a Climate Emergency and its commitment to becoming carbon neutral by 2030. The efficient financial management of services is fundamental to achieving this result.

8 Equality and Diversity Implications

- 8.1 The proposed change will improve Council efficiency and allow more resources to be devoted to addressing equality and diversity issues.

9 **Risk management implications**

9.1 Covered in the main report.

10 **Other standard references**

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

11 **Background papers – None**

Colchester Borough Council
Financial Regulations 2022-23

Approved Governance and Audit Committee 22 June 2021
To be approved by the Council

1 INTRODUCTION

1.1 Background

1.1.1 The Council is required by law, section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015, to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to. Part of this process is the establishment of Financial Regulations, which set out the financial policies of the Council.

1.1.2 The Council is further required by the Local Government and Housing Act 1989 to make proper arrangements for its financial affairs and secure that one of its officers, the Responsible Financial Officer, has responsibility for the administration of those affairs. That officer is to be a member of one or more of the accountancy bodies specified in the Act.

1.1.3 Financial Regulations provide clarity about the accountabilities of individuals, Members, the Head of Paid Service (Chief Executive), the Monitoring Officer (Strategic Governance Manager), the Responsible Financial Officer (Head of Finance and S151 Officer), Executive Management Team and Assistant Directors.

1.1.4 Officers should link the Financial Regulations with other documents which form part of the Council's Constitution:

- Contract Procedure Rules
- Schemes of Delegation
- The roles of the Executive and Scrutiny Panel
- Officers' and Members' Codes of Conduct
- Protocol on Member/Officer Relations.

Consideration should also be given to the Council's policies relating to Anti-Fraud and Corruption, Anti-Money Laundering, Whistle-blowing, Procurement and Employment.

1.1.5 These Financial Regulations may only be amended by resolution of the Council.

1.2 Purpose and Status of Financial Regulations

1.2.1 Financial Regulations provide the framework for managing the Council's financial affairs. They also form an important element in the Council's overall Corporate Governance Framework.

1.2.2 Financial Regulations apply to every Member and Officer of the Council and anyone acting on its behalf.

- 1.2.3 Arrangements for controlling financial activity within the Council are hierarchical. At the highest level Financial Regulations set out the financial responsibilities of the Full Council, Cabinet, Members, the Chief Executive, the Monitoring Officer, the Responsible Financial Officer and other senior officers.
- 1.2.4 The Financial Regulations set out the responsibilities and expectations of:
- Members
 - Executive Management Team, Assistant Directors and their staff
 - The Responsible Financial Officer
 - Organisations acting on behalf of the Council
- 1.2.5 Financial Regulations are approved by the Council on the recommendation of the Governance and Audit Committee.
- 1.2.6 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money.
- 1.2.7 The Responsible Financial Officer is responsible for:
- maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Governance and Audit Committee for recommendation to the Council for approval;
 - reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Cabinet or the Scrutiny Panel;
 - issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.
- 1.2.8 Heads of Service are responsible for ensuring that all appropriate staff in their service areas are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. Any disagreement arising over the interpretation, intention or application of the Financial Regulations shall be determined by the Responsible Finance Officer.
- 1.2.9 It may be considered a disciplinary offence if any officer fails to comply with these Financial Regulations. Employees have a duty to report apparent breaches of Financial Regulations to an appropriate senior manager. The senior manager should report breaches of the Regulations to the Responsible Finance Officer and the Monitoring Officer who will decide what, if any, further action needs to be taken.

- 1.2.10 If an officer is in any doubt about the appropriate action required, they should consult their senior manager in the first instance. Advice should also be sought from the Responsible Financial Officer before proceeding.
- 1.2.11 Financial limits are specified in Section 8. They will be reviewed and where appropriate revised by the Council as necessary before the start of the financial year to which they relate as a part of the budget setting process. The limit for write-offs is increased annually in line with inflation.
- 1.2.12 The Chief Executive when acting in their capacity as District Controller in emergency matters has authority to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.
- 1.2.13 The Chief Executive has authority to incur urgent expenditure outside amounts included within budgets or the capital programme and after consultation with the Leader or relevant Portfolio Holder without recourse to the requirements of these Financial Regulations where to do so would avoid significant and unavoidable additional cost to the Council.

2 FINANCIAL MANAGEMENT

2.1 The Full Council

2.1.1 The Council is responsible for:

- the adoption and revision of these Financial Regulations.
- the determination of the policy framework and annual revenue budget and capital programme within which the Cabinet operates.
- approving and monitoring compliance with the Council's overall framework of accountability as set out in its constitution and monitoring compliance with agreed policy and reporting decisions taken.
- providing the Council's Responsible Financial Officer with the resources necessary to carry out their statutory duties.

2.1.2 The Council must ensure that it has a sound system of internal control which

- facilitates the effective exercise of its functions and the achievement of its aims and objectives.
- ensures that the financial and operational management of the authority is effective.
- includes effective arrangements for the management of risk.

2.2 The Cabinet

2.2.1 The Cabinet is responsible for controlling the Council's financial resources, proposing the revenue budget and capital programme to the Council, and discharging executive functions in accordance with the Policy Framework, revenue budget and capital programme.

2.3 Portfolio Holder for Resources and Deputy Leader of the Council

2.3.1 The Portfolio Holder for Resources and Deputy Leader of the Council is responsible for reviewing the adequacy and efficiency of the arrangements for all matters relating to the financial administration of the Council.

2.4 Portfolio Holders

2.4.1 Portfolio Holders are responsible for

- reviewing the financial administration of the services covered by their portfolio including the administration of revenue budgets and capital programme.
- monitoring the financial performance of services within their portfolio.

2.5 Scrutiny Panel

2.5.1 The Scrutiny Panel is responsible for:

- reviewing the corporate strategies.

- ensuring that the actions of the Cabinet accord with the policies and budget of the Council.
- monitoring and scrutinising the financial performance of the Council, performance reporting and to make recommendations to the Cabinet particularly in relation to annual revenue and capital guidelines, bids and submissions.
- reviewing the Council's spending proposals against its policy priorities and reviewing the progress towards achieving those priorities against the Strategic and Implementation Plans.
-
- reviewing and scrutinising the executive decisions made by Cabinet, the North Essex Parking Partnership Joint Committee (in relation to decisions relating to off street matters only) and the Colchester and Ipswich Joint Museums Committee which have been made but not implemented and referred to the Scrutiny Panel pursuant to the Call-In procedure.
- reviewing and scrutinising the executive decisions made by Portfolio Holders and key decisions taken by officers which have been made but not implemented and have been referred to the Scrutiny Panel pursuant to the Call-In Procedure.
- reviewing and scrutinising the decisions made, or other action taken, in connection with the discharge of functions which are not the responsibility of the Cabinet.

2.6 Governance and Audit Committee

2.6.1 The Governance and Audit Committee is responsible for:

- considering and approving the Council's Statement of Accounts and the Council's financial accounts and reviewing the Council's external auditor's annual audit letter.
- considering the findings of the annual review of governance including the effectiveness of the system of internal audit and approving the signing of the Annual Governance Statement.
- having an overview of the Council's control arrangements including risk management and in particular the annual audit plan and work programme, and approving the policies contained in the Council's Ethical Governance Framework.
- considering the reports from the Monitoring Officer on the effectiveness of the Members' Code of Conduct and advising the Council on the adoption or revision of the Code.
- reviewing the financial performance of the Council and making recommendations to the Cabinet in relation to financial outturns, revenue and capital expenditure monitors.

Statutory Officers

2.7 The Head of Paid Service

2.7.1 The Chief Executive is the Head of Paid Service and is responsible for the corporate and overall strategic management of the Authority as a whole. They must report to and provide information for the Cabinet, the full Council,

Scrutiny Panel and other Committees and Panels. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

2.8 The Monitoring Officer

- 2.8.1 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and for reporting any actual or potential breaches of the law or maladministration and for ensuring that the procedures for recording and reporting key decisions are operating effectively. The Monitoring Officer is responsible for advising all Members and officers about who has the authority to take a particular decision and whether a decision is likely to be considered contrary to the policy framework. The Monitoring Officer and the Responsible Financial Officer are also responsible for advising the Cabinet or Full Council if a decision could be considered contrary to the budget. An example of such a decision would be promoting a new policy without thought as to the budget implications.

2.9 The Responsible Financial Officer

- 2.9.1 The Council's Responsible Financial Officer under Section 151 of the Local Government Act 1972 has overall responsibility for the financial affairs of the Council including the promotion of good financial management throughout the organisation, so that public money is safeguarded at all times, and used appropriately, economically, efficiently and effectively.
- 2.9.2 The Responsible Financial Officer helps the Leadership Team to develop and implement strategy and to resource and deliver the organisation's objectives for the long term and in the public interest. They are actively involved in, and able to bring influence to bear on all material business decisions, to ensure that the immediate and longer term implications, opportunities and risks are fully considered, and consistent with the overall financial strategy.
- 2.9.3 After consulting with the Head of the Paid Service and the Monitoring Officer, the Responsible Financial Officer will report to the Full Council or to the Cabinet in relation to a Cabinet function and the Council's external auditor if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- 2.9.4 The Responsible Financial Officer, if necessary in conjunction with the Chief Executive and after consultation with the Leader of the Council, shall have the powers to take any action necessary to safeguard the interests of the Council.
- 2.9.5 The Responsible Financial Officer has responsibility for the proper administration of the Council's financial affairs. This includes setting and monitoring compliance with financial management standards, advising on the corporate financial position and on key financial controls, providing financial

advice, advising on preparation of revenue and capital budgets, and treasury management.

- 2.9.6 These responsibilities are set out in statute such as section 151 of the Local Government Act 1972. They refer to the totality of the financial affairs of the Council in all its dealings.
- 2.9.7 The Responsible Financial Officer is responsible for reviewing and making recommendations as to the financial limits set out in the financial procedure rules not less than annually in advance of the year to which they relate and making arrangements to bring the financial procedure rules to the attention of officers likely to be involved in financial matters.
- 2.9.8 The Responsible Financial Officer is responsible for advising committees on all financial matters. They must be consulted on all financial matters and given adequate opportunity to provide written comments in any report with financial implications.
- 2.9.9 Where the urgency procedures set out in the Council's Constitution are to be invoked, the Responsible Financial Officer must first be consulted on financial and other resource implications.

2.10 Chief Operating Officer and Executive Directors

- 2.10.1 The Chief Operating Officer and the Executive Directors are responsible for advising/consulting with Assistant Directors and Portfolio Holders on the financial implications of cross-cutting proposals.

2.11 Assistant Directors

- 2.11.1 Assistant Directors must operate efficient systems of financial control and are responsible for

- financial administration of the services under their control in accordance with the provisions of these Financial Regulations, and guidance on the application of Financial Regulations as may from time to time be issued by the Responsible Financial Officer ;
- timely provision of such information on the financial affairs of their services as the Responsible Financial Officer may request.
- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Responsible Financial Officer.
- Consulting with the Responsible Financial Officer and seeking their approval on any matter that could materially affect the Authority's financial position before any commitments are incurred.
- Notifying the Responsible Financial Officer of any situation that may create a contingent liability, potential claim or litigation.
- Signing contracts on behalf of the Council within the approved Scheme of Delegation and Contract Procedure rules.

2.12 Delegated Authority

- 2.12.1 The Chief Executive, Executive Directors and Assistant Directors are required to carry out tasks in accordance with these financial regulations. These officers may authorise other officers to carry out tasks for which they have responsibility as set down by these financial regulations.

2.13 Money Laundering Reporting Officer

- 2.13.1 The Monitoring Officer is appointed as the Money Laundering Reporting Officer. They are responsible for notifying the National Criminal Intelligence Service (NCIS) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulation related to the post.

Other Financial Accountabilities

2.14 Accounting Arrangements

- 2.14.1 The Responsible Financial Officer is responsible for determining the accounting and supporting records of the Council and its financial control system.
- The Responsible Financial Officer must ensure the financial control systems are observed and the accounting records are kept up to date.
 - The accounting records must contain;
 - entries from day to day of all sums of money received and expended by the Authority and the matters to which its income and expenditure or receipts and payments relate.
 - a record of the assets and liabilities of the Authority.
 - The financial control systems determined by the Responsible Financial Officer must include measures;
 - to ensure that the financial transactions of the Authority are recorded as soon as, and as accurately as, reasonably practicable.
 - to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records.
 - to ensure that risk is appropriately managed.
 - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.
- 2.14.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles as determined by the Responsible Financial Officer. Accounting procedures will be reviewed as necessary by the Responsible Financial Officer in consultation with Assistant Directors to ensure that they provide the information required by professional practices and local accounting principles without duplication of records.

- 2.14.3 No change to existing accounting procedures may be made without prior consultation with the Responsible Financial Officer.
- 2.14.4 The Responsible Financial Officer must examine and certify where required any submission, estimate, or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant or funding.
- 2.14.5 The Responsible Financial Officer must examine and certify where required any financial return to a Government Department or other body.

2.15 Financial Outturn

- 2.15.1 The Revenue and Capital Outturn is reported to Governance and Audit Committee after the financial year-end.
- 2.15.2 The Revenue and Capital Outturn is reported to the next appropriate Cabinet after the financial year-end as part of commencing the Budget Strategy for the subsequent financial year and including any recommendations from Governance and Audit Committee on the outturn.

2.16 Annual Statement of Accounts

- 2.16.1 The Responsible Financial Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).
- 2.16.2 The Responsible Financial Officer shall advise the Leadership team of any accounting changes that are likely to have a significant impact on the Council's financial position or any requirements for additional information or record keeping.
- 2.16.3 Following appropriate consultation, the Responsible Financial Officer shall issue a closing programme before the financial year end. All officers are required to support the closing programme and to alert the Responsible Financial Officer to any issues or delays in achieving the timetable.
- 2.16.4 For financial years 2020/21 and 2021/22 the Responsible Financial Officer shall publish the draft accounts on the Council's website not later the first working day of August following the financial year
- 2.16.5 The Responsible Financial Officer shall advertise the audit and public inspection rights to commence not later the first working day of August following the financial year.

- 2.16.6 The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.
- 2.16.7 Governance and Audit Committee shall approve the external audit plan for the financial year.
- 2.16.8 Governance and Audit Committee are responsible for the appointment of external auditors on the advice of the Responsible Financial Officer. Governance and Audit are responsible for approving the external audit fee.
- 2.16.9 The Responsible Financial Officer shall liaise with the external auditors to set the detailed external audit timetable. The Responsible Financial Officer shall ensure the external auditors have the facilities and systems access necessary to complete their audit.
- 2.16.10 The Responsible Financial Officer shall report the audited statement of accounts for 2020/21 and 2021/22 to the Governance and Audit Committee prior to 30 September following the financial year. The Committee shall also consider the external audit letter and the letter of representation. The Committee shall approve the statement of accounts on behalf of the Council. The Responsible Financial Officer must then publish the statement of accounts on the Council's website.

2.17 Budget Transfers (Virement)

- 2.17.1 Transfers between budgets are an integral and important feature of budgetary control. They provide the Assistant Directors and Budget Managers with the flexibility to adapt expenditure patterns to meet changing locally determined service needs and objectives, or respond to unforeseen cost increases. Virements should not be made to balance over and underspends that have occurred.
- 2.17.2 Budget transfers can be for a single financial year only or permanent. Permanent virements require an adjustment to the base budget. Transfers may be made where the management responsibility for a service has changed.
- 2.17.3 Budget transfers will be allowed only where they are within the overall policy framework. They must not create an increasing commitment in future years which cannot be contained within existing approved budget allocations.
- 2.17.4 Assistant Directors may authorise a virement of up to £40,000 (Financial Limit 1) within services within the same portfolio.

- 2.17.5 Assistant Directors after consultation with the Responsible Financial Officer, may make a virement of up to £100,000 (Limit 2) between services within the same portfolio.
- 2.17.6 A Portfolio Holder, after consultation with the Responsible Financial Officer, may authorise a virement of up to £200,000 (Limit 3) within their Portfolio or between Portfolios with the consent of the relevant Portfolio Holders.
- 2.17.7 The Cabinet may make a virement of between £200,000 to £1,000,000 (Limit 4) following a written report by the relevant Assistant Director(s) and Responsible Financial Officer.
- 2.17.8 The Council shall determine requests which fall outside of these criteria.
- 2.17.9 Assistant Directors will notify the Responsible Financial Officer of all revenue virement decisions before expenditure is committed.
- 2.17.10 The authorisation limits set out above do not apply to technical budget transfers necessitated by proper accounting practice that may be authorised by the Responsible Financial Officer.

2.18 Carry Forwards

- 2.18.1 A use of virement is the ability to carry forward over or under spending into the next financial year. It prevents the rush to spend up to budget at the end of the financial year, which can lead to poor spending decisions.
- 2.18.2 Carry forwards may be permitted where it is known that material budgeted expenditure will not now be incurred until the next financial year. Carry forwards will be determined in accordance with guidelines issued by the Responsible Financial Officer, considering the Authority's overall financial interest.

2.19 Financial Training

- 2.19.1 Assistant Directors are responsible for ensuring that staff receive appropriate training to undertake their financial responsibilities, in accordance with any standards set by the Responsible Financial Officer.

2.20 Use of Capital Receipts

- 2.20.1 All capital receipts will be treated as corporate capital receipts unless specific approval is obtained from the Cabinet or a Committee of the Cabinet for an alternative treatment.

3. FINANCIAL PLANNING AND CONTROL OF EXPENDITURE

3.1 Policy Framework

3.1.1 The Council is a complex organisation responsible for delivering a wide variety of services. The budget is the financial expression of the Council's plans and policies. The Council has adopted an integrated planning framework the key components of which are the Medium Term Financial Forecast (MTFF), revenue budget and capital programme. The financial planning framework is aligned to the Strategic Plan and Performance Management Framework. The Framework enables scarce resources to be allocated in accordance with priorities.

3.1.2 The Framework allocates responsibilities as follows:

- The February Budget Council is responsible for approving the following year's revenue budget and capital programme and setting the council tax
- The Cabinet is responsible for
 - Determining the budget strategy
 - Approving detailed budget proposals
 - Agreeing the capital programme
 - recommending the revenue budget and capital programme and council tax to the Council.
- The Scrutiny Panel is responsible for scrutinising the Cabinet's budget proposals at all stages and making recommendations to Cabinet.

3.2 Performance Plans

3.2.1 Performance Management is a key element of the management of the organisation. It involves setting objectives, priorities, targets and plans, including financial plans, for all key service areas.

3.2.2 Performance against objectives, priorities and targets is monitored regularly with a view to achieving an integrated planning and review process across the Council. Appropriate action is taken to address the areas that are highlighted by monitoring as needing attention.

3.2.3 The Strategic Plan sets out the Council's objectives for the next three years. An annual action plan sets out how the Council will achieve the outcomes and overall actions that are set out in the Strategic Plan.

3.2.4 The Chief Executive is responsible for proposing the strategic plan to the Cabinet for consideration before its submission to the Full Council for approval.

3.3 Financial Planning and Control

3.3.1 To deliver the Strategic Plan the available money must be allocated in the most effective way. The Council must have a sustainable Medium Term Financial Forecast. A robust challenge process must be in place to ensure that the decisions made are achieving value for money. The budget process is an integral part of performance management.

3.3.2 Forward planning requires:

- planning four years ahead
- linking resources to the strategic plan
- ensuring that a balanced budget will be delivered
- looking at opportunities for efficiencies and income.

3.3.3 Managing the current budget requires:

- regular reporting of the budget; monthly to Performance Management Board and quarterly to Governance and Audit Committee to look at areas of potential over and under spend and progress on income generation
- checking that value for money is being achieved e.g. comparing costs and looking at procurement practice and opportunities.

3.4 Spare

3.4.1 Spare

3.5 Revenue Budget Preparation

3.5.1 The Responsible Financial Officer is responsible for ensuring that a revenue budget for the coming year and a medium term financial forecast for the three subsequent financial years are prepared for consideration by the Cabinet. The budget and the medium term financial forecast are both driven by the strategic plan.

3.5.2 The Cabinet is responsible for setting the budget strategy and timetable on the recommendation of the Portfolio Holder for Resources and Deputy Leader of the Council including the advice of the Responsible Financial Officer and the Senior Management Team. The budget strategy will reflect the Council's financial position taking account of potential government funding, council tax and business rates and medium term financial issues.

3.5.3 The Cabinet is responsible for developing and delivering the budget strategy on the recommendation of the Portfolio Holder for Resources and Deputy Leader of the Council and in accordance with the approved budget timetable including the advice of the Responsible Financial Officer and the Senior Management Team.

3.5.4 Spare

3.5.5 The budget strategy and timetable will allow opportunities for Scrutiny Panel to review any aspect of the budget proposals.

3.5.6 The Cabinet will then recommend a budget for the forthcoming financial year and the Medium Term Financial Forecast to the Budget Council for approval.

3.5.7 An Authority is legally obliged to set a balanced budget. Under section 25 of the Local Government Act 2003 the Responsible Financial Officer is responsible for reporting to the full Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

3.5.8 The Responsible Financial Officer is responsible for providing advice on the available funding options for the budget. This includes advice on central government funding, general grant, area based grant and other grants, options for borrowing and any other opportunities including income generation.

3.6 Budget Monitoring

3.6.1 Managers are responsible for controlling and monitoring their revenue budget. Budget monitoring must be undertaken monthly in accordance with the timetable issued by the Responsible Financial Officer. Monitoring information should be input by managers to the My Budget system. Forecasts will be reviewed by Finance Business Partners. Quarterly monitoring reports will be made to Governance and Audit Committee by the Responsible Financial Officer.

3.6.2 It is the responsibility of Assistant Directors to control income and expenditure within their area and to monitor performance using corporate financial systems. Assistant Directors must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. They should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation. Assistant Directors must alert the Responsible Financial Officer to any significant financial variation not previously reported in budget monitoring. The notification must also include an explanation of how the Assistant intends to ensure that any adverse variance is minimised. Assistant Directors must report any problem in delivering previously agreed savings in a format determined by the Responsible Financial Officer.

3.6.3 Spare

3.6.4 All budgets, unless otherwise specifically identified, will be set on a cash limited basis and may be changed only by means of a supplementary estimate or virement.

3.6.5 An Assistant Director shall not incur a liability which would cause expenditure to exceed an approved budget head unless this can be met by way of a supplementary estimate or virement. The necessary approval must be obtained in advance of the relevant commitment being made.

3.6.6 Any proposal which, if adopted, is likely to involve expenditure or future commitments not provided for in the existing revenue budget shall be the subject of a special report to the Cabinet. This report shall detail all the financial consequences and state whether sufficient financial provision is available in the budget for the proposal in current and future years and what action is proposed if such provision is not available.

3.7 Spare

3.7.1 Spare

3.8 Preparation of the Capital Programme

3.8.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, major items of plant and equipment, vehicles or new technology. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs. The Cabinet is responsible for setting the capital programme timetable on the recommendation of the Portfolio Holder for Resources and Deputy Leader of the Council including the advice of the Responsible Financial Officer and the Senior Management Team.

3.8.2 The Portfolio Holder for Resources and Deputy Leader of the Council with the advice of the Senior Management Team and Responsible Financial Officer is responsible for:

- Recommending the Capital Programme covering the next four financial years to Cabinet.
- Reprofile schemes already in the approved programme
- Changing the budget for schemes already in the approved programme where appropriate
- Ensuring that the capital programme is consistent with corporate, service and asset management objectives and priorities.
- Ensuring that schemes to be recommended for inclusion in the capital programme have been evaluated using a robust gateway and business case process.
- Ensuring that the programme is fully funded and is affordable and sustainable in accordance with the CIPFA Prudential Code.
- Ensuring that the Medium Term Financial Forecast makes appropriate revenue provision for capital financing cost and other revenue implications of capital programme schemes.
- That external funding for projects is maximised as far is appropriate.
- That the Capital Programme is consistent with the recommended Treasury Management Strategy.

3.8.3 The Chief Operating Officer, Executive Directors and Assistant Directors must not enter into credit arrangements, such as leasing agreements, without the prior approval of the Responsible Financial Officer and, if applicable, approval of the scheme should be included as part of the capital programme.

3.8.4 The Cabinet will

- recommend the Capital Programme to the Annual Budget Council.
- Approve variations to the Capital Programme and the addition of new projects during the financial year.

3.8.5 Spare

3.8.6 The Capital Programme is approved annually by the Council.

3.8.7 Spare

3.8.8 Assistant Directors may incur expenditure on the preliminary planning and feasibility of a Capital Scheme subject to the agreement of the Responsible Financial Officer providing sufficient provision is available within the Revenue Budget and/or

Capital Programme and/or Portfolio Capital Contingency to meet the estimated cost of the preliminary works. In the event the scheme is approved in due course as part of the capital programme, the Responsible Financial Officer will determine whether all or part of the planning and feasibility costs of the project incurred may be added to the capital cost.

3.8.9 The Responsible Financial Officer shall determine accounting policies on capitalisation in the Council's accounts. This will apply to any company or organisation incorporated in the Group statement of accounts.

3.8.10 Inclusion of a Capital Scheme within the Capital Programme will authorise the relevant Assistant Director to seek tenders to undertake the work subject to:

- the provisions of Contract Procedure Rules being observed.
- the Cabinet not having placed a specific requirement to report back prior to the issuing of tender documents.

3.8.11 Where the current estimated cost of a capital scheme is greater than the amount provided for in the Capital Programme, then, prior to tenders being sought, the relevant Head of Service is to report to the appropriate Portfolio Holder and the Responsible Financial Officer identifying the current estimated cost and the reason(s) for the excess. Progress shall be conditional on the Portfolio Holder's approval and the identification of sufficient funding resources from within the Capital Programme, and that the revenue cost (where appropriate) can be contained within the Revenue Budget. Where these requirements cannot be met, approval for the increased cost will be required from the Cabinet.

3.8.12 Spare.

3.8.13 Assistant Directors are responsible for the control of expenditure against the approved Capital Programme. Progress must be reported monthly to Project Delivery Group. Financial monitoring information must be input to My Budget and will be reported monthly to Project Management Board. Assistant Directors will report every three months to the Portfolio Holder on the progress of Capital Schemes.

3.8.14 The Responsible Financial Officer will present consolidated reports on quarterly expenditure against the approved Capital Programme to Governance and Audit Committee.

3.9 Determination of Affordable Borrowing

3.9.1 It is the responsibility of the Responsible Financial Officer to provide the Council with a written report on affordable levels of borrowing. This report is to be presented at the meeting when the annual budget is set and should have regard to the Prudential Code for Capital Finance issued by the Chartered Institute of Public Finance and Accountancy. The report will contain a number of prudential indicators that demonstrate that capital spending plans are affordable, prudent and sustainable.

3.10 Maintenance of Reserves

3.10.1 It is the responsibility of the Responsible Financial Officer to provide the Cabinet with a written report on levels of reserves that are considered prudent. This advice will be informed by an annual risk assessment of the Authority.

3.10.2 The Authority's Medium Term Financial Forecast should address reaching or maintaining the recommended level of reserves.

4. Risk Management and Internal Control

4.1 Responsibilities

4.1.1 The Chief Executive, Chief Operating Officer and Executive Directors are responsible for promoting the Council's Risk Management Policy Statement.

4.1.2 The Strategic Governance Manager is responsible for:

- preparing the Council's Risk Management Policy Statement and developing risk management controls in conjunction with Heads of Service.
- arranging and administering insurance cover.
- assisting the Council to put in place an appropriate control environment and effective internal controls.

4.1.3 Assistant Directors are responsible for:

- ensuring that there are regular reviews of risk within their service areas.
- notifying the Strategic Governance Manager of matters related to insurance requirements or claims.
- managing processes to ensure that established controls are being adhered to and to evaluate their effectiveness.
- reviewing controls in the light of changes affecting the Council and implementing new ones as necessary with guidance from the Strategic Governance Manager.

4.2 Risk Management

4.2.1. All organisations face risks to their people, property, finances, services, reputation and continued operations. Risk management is about systematically identifying and actively managing these risks. It is an integral part of good business practice and is essential to securing the Council's assets and to ensuring continued financial and organisational wellbeing.

4.2.2. Risk can be mitigated by:

- transferring the risk to a third party, e.g. through insurance.
- implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas).
- establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption.

4.2.3 The Strategic Governance Manager is responsible for preparing and promoting the Authority's risk management policy and strategy, securing the endorsement of the Council, and maintaining the strategic risk register; the Chief Operating Officer, Executive Directors and Assistant Directors are responsible for ensuring that there is a continuous review of exposure to risk within their service areas, maintaining detailed risk registers and action plans, and maintaining business continuity plans. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and integrated service and financial planning, budget monitoring and performance management, programme and project management, procurement and contract management.

4.3 Insurance

4.3.1 The Council maintains insurance cover to deal with the financial consequences of any incident which may give rise to a claim being made by/against the Council or result in financial cost or loss which may not otherwise be provided for. The extent to which the Council “self-insures” is informed by the perceived risk and the Council’s claims history.

4.3.2 The Strategic Governance Manager is responsible for effecting corporate insurance cover, through external insurance and internal funding, and negotiating all claims in consultation with other officers, where necessary and for arranging suitable Fidelity Guarantee insurance in respect of all employees.

4.3.3 Assistant Directors should notify the Strategic Governance Manager immediately of:

- Any loss, liability or damage that may lead to a claim being made by/against the Council. Heads of Service should ensure that employees, or anyone covered by the authority’s insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. It is imperative that officers comply with the timescales for investigating claims and the insurer’s conditions. Failure could directly affect the authority’s ability to make or defend a claim or could result in financial penalties being imposed on the authority.

- All new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

4.3.4 Assistant Directors will ensure that the Strategic Governance Manager has prompt access to all records and documents and receives from any officer, agent or contractor such information and explanations as may be necessary during the conduct of an insurance claim.

4.3.5 Assistant Directors should consult the Strategic Governance Manager and seek legal advice on the terms of any indemnity that the authority is requested to give.

4.4 Internal Control

4.4.1 Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:

- achievement of business objectives and performance standards.
- compliance with plans, policies, procedures, codes of conduct, laws and regulations.
- the reliability, integrity, timeliness and usefulness of information.
- the legality of transactions and compliance with approved budgets and procedures.
- the safeguarding of people, property, finances, services, continued operations and reputation.

4.4.2 Internal controls are an essential part of the Council’s risk management arrangements and should be reviewed on a regular basis. Control systems should provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.

4.4.3 The Strategic Governance Manager is responsible for assisting the Authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial

stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.

4.4.4 The Account and Audit Regulations 2015 require the publication of an Annual Governance Statement. The statement represents the end result of a review of internal control and risk management, and includes a description and evaluation of the internal control environment, the review process, and any significant issues. The Governance and Audit Committee should seek to satisfy itself that it has obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval the statement is signed by the Chief Executive and the Leader of the Council.

4.5 Internal Audit

4.5.1 Internal audit is an independent appraisal function that advises management on the effectiveness of their systems of internal control.

4.5.2 The key features of internal audit are:

- it is independent of service operations in its planning and operation.
- it has sufficient organisational status to facilitate effective discussion and negotiation of the results of its work.
- it utilises risk based methodologies in planning and delivering its work and does not have undue limitations placed on its scope.
- the Corporate Governance Manager has direct access to senior managers, elected members and the external auditor as appropriate.
- Internal auditors comply with guidance issued by professional bodies.

4.5.3 Internal auditors have the authority to:

- access Authority premises at reasonable times.
- access all assets, records, documents, correspondence and control systems.
- receive any information and explanation considered necessary concerning any matter under consideration.
- require any employee of the Authority to account for cash, stores or any other authority asset under his or her control.
- access records belonging to third parties, such as contractors, when required (note that contracts should specify access rights).
- Directly access the senior managers and elected members where appropriate.

4.5.4 The Strategic Governance Manager will maintain arrangements for an adequate and effective internal audit of the financial transactions of the Council.

4.5.5 The Strategic Governance Manager will ensure that the strategic and annual audit plans take account of the characteristics and relative risks of the activities involved.

4.5.6 The Chief Operating Officer, Executive Directors and Assistant Directors are required to notify the Strategic Governance Manager of new areas of risk which may need to be subject to audit review and ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and are provided with information and explanations that the auditors consider necessary for the purposes of their work.

4.5.7 The Chief Operating Officer, Executive Directors and Assistant Directors are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the agreed timescale and report on progress.

4.5.8 Each Assistant Director, Executive Director or the Chief Operating Officer or the Chief Executive must immediately notify the Responsible Financial Officer and Monitoring Officer of any matter which involves or is thought to involve any financial irregularity in the exercise of the functions of the Council and the Corporate Governance Manager shall carry out such audit investigations as they consider necessary.

4.6 External Audit

4.6.1 Spare

4.6.2 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. Duties are carried out in accordance with the code of audit practice issued by the National Audit Office . This requires the auditor to review and report upon:

- (a) that the accounts comply with the requirements of the enactments that apply to them,
- (b) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and
- (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4.6.3 The Responsible Financial Officer facilitates the development of the annual audit plan, leads on any negotiations related to the annual audit fee and advises the Cabinet, the Chief Operating Officer, Executive Directors and Assistant Directors on their responsibilities in relation to external audit and issues arising from the Annual Audit Letter.

4.6.4 The Chief Operating Officer, Executive Directors and Assistant Directors are required to ensure that external auditors are given access at all reasonable times to premises, personnel, documents, and assets, and provided with information and explanations which the external auditors consider necessary for the purposes of their work.

4.6.5 The Chief Operating Officer, Executive Directors and Assistant Directors are also required to consider and respond promptly to recommendations in audit reports, ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the external auditor, and report on progress.

4.7 Preventing Fraud and Corruption

4.7.1 The Council is responsible for substantial public funds and other assets and has a duty to demonstrate the highest standards of probity and stewardship in the day to day

management of its affairs. It is therefore essential to develop and maintain an anti-fraud culture and to create a working climate in which all staff and elected members remain alert to the potential for fraudulent or corrupt behaviour against the Council from outside or inside the organisation and are aware of the mechanisms available for the confidential reporting and investigation of any reported instances.

4.7.2 Responsibility for the prevention and detection of fraud and corruption rests with all Councillors and officers of the Council. The key controls regarding the prevention of financial irregularities are that:

- the authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption.
- internal control systems exist which minimise the risk of fraud and corruption occurring.
- all members and staff act with integrity and lead by example.
- senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are found to be corrupt.
- high standards of conduct are promoted amongst members by the Governance and Audit Committee.
- a formal code of conduct is established and widely publicised and, as part of this, a register of interests is maintained.
- whistle blowing procedures are in place and operate effectively.
- Legislation including the Public Interest Disclosure Act 1998 and the Freedom of Information Act is adhered to.

4.7.3 The Council's whistle blowing policy can be found on the intranet.

4.7.4 The Strategic Governance Manager is responsible for developing and maintaining an anti-fraud and corruption policy and ensuring that effective internal controls are in place to minimise the risk of fraud, corruption and financial irregularities.

4.7.5 The Strategic Governance Manager is responsible for ensuring that effective procedures are in place to identify fraud and investigate promptly any suspected fraud, including cases of both internal fraud and external fraud.

4.7.6 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that where financial impropriety is discovered or suspected, the Responsible Financial Officer and Monitoring Officer are informed immediately and take all necessary steps to prevent further loss and to secure records and documents against removal or alteration. The Chief Operating Officer, Executive Directors and Assistant Directors must ensure the full cooperation of senior management in any investigation and instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

4.8 Money Laundering

4.8.1 Money laundering involves the 'cleaning' of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, are introduced into the financial system where they are laundered enabling them to leave the system appearing to come from a legitimate source.

4.8.2 The Council could be subject to money laundering attempts when accepting payments by cash in relation to the payment of substantial bills.

4.8.3 The Strategic Governance Manager is required to have a robust process in place and a programme of awareness raising and training for the detection of money laundering and the reporting of any suspicious related activity. The Council's Anti-Money Laundering Policy is available on the intranet.

4.8.4 All staff have a duty to report any suspicions to the Money Laundering Reporting Officer (Monitoring Officer).

5. Property & Resources

5.1 Security and Control of Assets

5.1.1 The Head of Estates (Colchester Amphora Trading Limited) (in conjunction with the Responsible Financial Officer) shall:

- make adequate arrangements to maintain an asset register of all assets with a value in excess of £10,000 (Limit 5) and ensure that all assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, or such standards as may supersede it.
- issue guidelines for the disposal of assets.

5.1.2 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

5.1.3 Assistant Directors are responsible for ensuring that all assets in their control are appropriately maintained and shall:

- make adequate arrangements to maintain a property database in a form agreed with the Head of Estates (Colchester Amphora Trading Limited) for all properties, plant and machinery and moveable assets.
- ensure the security of all buildings and other assets, including cash, under their control;
- maintain inventories in a form determined by the Responsible Financial Officer.
- make arrangements with the Corporate Governance Manager to ensure that all items are appropriately insured against loss.

5.1.4 All Council assets should be clearly identified and marked as property of the Council where appropriate. No Council asset should be subject to personal use by an employee without prior authorisation.

5.1.5 The Head of Estates (Colchester Amphora Trading Limited) is responsible for all disposals of land and property and for identifying any revenue implications arising from the sale of assets. Assistant Directors may dispose of revenue assets through sale, donation or scrapping. They must assure themselves that the assets concerned are the property of the council (rather than a leasing company) before disposing of them. Assistant Directors must ensure that value for money is obtained for every disposal and maintain adequate records demonstrating value for money, the reasons for the disposal, and that the assets are obsolete or surplus to requirements. All assets to be disposed of over the value of £10,000 must be cleared with The Head of Estates (Colchester Amphora Trading Limited) before they can be disposed of.

5.1.6 Assistant Directors must ensure that legal and environmental issues are addressed when disposing of any assets and must ensure they take advice from the Assistant Director Corporate and Improvement on the appropriate method of disposal.

5.2 Leasing

5.2.1. The Responsible Financial Officer shall be responsible for the evaluation and arrangement of all Capital financing facilities. This excludes the short term hiring of equipment for periods of less than 12 months.

5.2.2. Assistant Directors must take appropriate advice from The Responsible Financial Officer and The Strategic Governance Manager before entering into any lease agreement.

5.3 Inventories

5.3.1 Assistant Directors are responsible for:

- ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council, and that stock levels are checked regularly and as a minimum as part of year end annual stock take procedures.
- ensuring that adequate arrangements are in place for their care and custody.
- writing off the value of obsolete stock in their service areas is in accordance with the procedures.

5.4 Treasury Management

5.4.1. The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services. The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Responsible Financial Officer.

5.4.2. For Treasury Management:

- The Council's Treasury Management Strategy is recommended to the Cabinet by the Portfolio Holder for Resources and Deputy Leader of the Council following the advice of the Responsible Financial Officer.
- The Scrutiny Panel will have the opportunity to scrutinise the proposed Treasury Management Strategy.
- The Council's Treasury Management Strategy is approved by Budget Council based on the recommendation of the Cabinet.
- The Responsible Financial Officer is responsible for reporting the mid-year Treasury position and the Treasury outturn to Governance and Audit Committee.

5.4.3 The Council has delegated responsibility for the implementation and monitoring of its Treasury Management Policies and Practices to the Responsible Financial Officer , who will act in accordance with the Council's Treasury Management Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

5.5 Staffing

5.5.1 Assistant Directors will ensure the sufficiency of employee budgets and shall exercise adequate control over staffing costs including overtime, training and temporary staff.

5.5.2 Accurate and effective systems must be in place and the following procedures and regulations must be followed:

- appointments are made in accordance with HR and payroll regulations.
- appointments are in accordance with the approved establishment and grade for the post.
- Payments are only authorised to bona fide employees and where there is a valid Entitlement.
- costs associated with early retirements, redundancy payments and other similar events must be met from within the employee budget of the service involved unless there exists a specific corporate provision for this purpose.

5.6 Use of Consultants

5.6.1 Assistant Directors must ensure that their staff understand the distinction between employment and a contract for consultancy services. If a consultant is brought in to cover a vacant post or carry out a role similar to that of a member of staff then it is likely that the Council will be required to treat them as employed for tax purposes and pay them via the payroll. In these circumstances the Council's recruitment policies should be applied.

5.6.2 Where a consultant is required to carry out a project which has a clear start and end date and is described in a brief or specification, and where the consultant will be taking on the risk and providing their own premises, equipment and insurance etc., then it is likely that the work will be governed by a contract and the consultant will be paid via the Accounts Payable system through the raising of an official order and goods receipt. In these circumstances the Council's contract procedure rules should be applied. The insurance requirements must be clear in the documentation supporting the contract and evidence that the policy is in place should be obtained from the consultant.

5.6.3 Assistant Directors must ensure that where payments are to be made to consultants other than through the Council's payroll system, that there is a clear justification for this and that there are no tax implications that may arise.

5.6.4 Assistant Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Strategic People and Performance Manager.

6. Financial Systems and Procedures

6.1 General Responsibilities

6.1.1 The Responsible Financial Officer is responsible for:

- issuing advice, guidance and procedures for officers and others acting on behalf of the Council in relation to its financial affairs.
- determining the accounting system, form of accounts and supporting financial records.
- establishing arrangements for the audit of the Council's financial affairs.
- approving any new financial systems to be introduced.
- approving any changes to existing financial systems including the format of a feeder file and system of reconciliation of any financial information being fed into the core accounting systems.

6.1.2 Assistant Directors are responsible for:

- ensuring that accounting records are properly maintained and are held securely.
- maintaining a complete management trail for financial transactions.
- ensuring that there is sufficient separation of duties to provide adequate internal control and minimise the risk of fraud or other malpractice.
- maintaining documented and tested business continuity plans.
- documenting systems and procedures and ensuring staff are trained in operations.
- ensuring that systems and records are registered in accordance with the Data Protection Act 1998 and Government Connect where relevant.
- ensure staff are aware of and comply with Freedom of Information legislation.

6.2 Income

6.2.1. The responsibility for the collection of all income due to the Council lies with the Assistant Director, Customer. The Assistant Director, Customer is responsible for approving procedures for collecting and writing off debts as part of the overall control framework of accountability and control.

6.2.2. The Council collects substantial amounts of income (council tax, business rates, rents, service charges and fees and charges) and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and that VAT is correctly accounted for. There is an overarching debt management policy which sets out how debt will be collected where a resident may have multiple debts, for example council tax and housing rent.

6.2.3. Wherever possible and appropriate income should be obtained in advance or at the point of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts.

6.2.4. The Responsible Financial Officer shall:

- authorise the write-off of individual bad debts up to £10,000 (Limit 6) where necessary. All requests for write off must be accompanied by a brief report giving the reasons for the request and supporting documentation. The relevant Portfolio Holder shall authorise the write-off of individual bad debts over £10,000 (Limit 7).
- agree the arrangements for the collection and banking of all income due to the Council and approve the procedures, systems and documentation for its collection.

- ensure that a proper record of debts written-off is maintained and that proper accounting entries are made after write-off.

6.2.5. Assistant Directors shall:

- Ensure that all income due is identified and that requests to raise a Sundry Debtors Invoice is submitted to the Collections and Control team in a timely manner
- establish charging strategies for the provision of goods and services, including the charging of the appropriate VAT in line with corporate policies and the budget strategy.
- establish and initiate appropriate systems for the identification, collection and recovery of sums due to the Council which separate, as far as possible, the responsibility for identifying amounts due and the responsibility for collection, and to agree the form of such systems with the Assistant Director, Customer
- ensure that income is paid fully and promptly into the appropriate Council bank account in the form that it is received and that the details are recorded on the paying-in slip.
- ensure that where income cannot be banked immediately it is stored securely and is insured against loss or theft.
- hold securely receipts, tickets and other records of income.
- recommend to the Responsible Financial Officer all debts to be written-off and receive the approval of the Responsible Financial Officer prior to submitting debts of a value greater than £10 000 (Limit 7) to the relevant Portfolio Holder for write-off.

6.3 Ordering and Paying for Goods and Services

6.3.1 The authority's procedures are designed to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's procurement strategy and Contract Procedure Rules.

6.3.2 Every officer and member of the authority must declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct.

6.3.3 Purchase Orders must be raised on the eProcurement System for all works, goods and services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash and purchase card purchases.

6.3.4 Commitments and accruals will be automatically recorded onto the Council's Financial System through the approval of the purchase order. This ensures that the finance system gives a true picture of the amount of expenditure incurred and the balance remaining against each budget head.

6.3.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

6.3.6 The Assistant Director, Customer shall:

- ensure that all systems for the ordering and payment of goods and services are sound and provide guidance on their administration.
- determine the form of official orders and associated terms and conditions.
- make payments from the Council's official funds on the authorisation of the relevant Assistant Directors that the expenditure has been duly incurred in accordance with Financial Regulations.

- make payments to contractors on the certificate of the appropriate Assistant Directors.

6.3.7 Assistant Directors shall:

- ensure the receipt of best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality and by utilising corporate purchasing arrangements where they exist.
- establish and maintain sound and efficient systems for the ordering, receipt, checking and payment of goods and services in a form approved by the Assistant Director, Customer and which incorporate, as far as possible, separation of duties between the ordering, receiving and payment process.
- maintain an up-to date list of those officers authorised to authorise official orders and/or authorise payment and supply a copy of the list to the Responsible Financial Officer. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials.
- ensure that official orders are used for all goods and services except where the prior written approval of the Responsible Financial Officer has been obtained.
- ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment.

6.4 Purchase Cards

6.4.1. Purchasing cards are available for use by Council staff for buying small value items or to address specific requirements such as the payment of court costs. Each Service Area has a number of card holders. Key controls are built into the system through card limits, merchant categories, defined suppliers, and other measures. The Assistant Director, Customer is responsible for issuing guidance on the use of purchasing cards.

6.4.2. Misuse of a purchasing card would normally constitute gross misconduct and could result in dismissal. Heads of Service are responsible for ensuring the cards are operated in a responsible manner and that they are only used where there is sufficient budget available to cover the cost of the transaction.

6.4.3. All lost or stolen cards must be reported immediately.

6.4.4. The purchasing card accounts are settled through the bank on a monthly basis. Statements are provided to enable cardholders to check transactions and coding.

6.5 Imprest and Petty Cash Accounts

6.5.1. An imprest or petty cash account must only be used where it is not appropriate to use a purchase order or purchasing card for the goods or services in question. It is the responsibility of Assistant Directors to ensure that systems are in place to monitor and control this.

6.5.2. Imprest and petty cash accounts can facilitate very minor items of expenditure where it would not be cost effective to use a purchasing card or purchase order. Imprest and petty cash accounts must not be used to reimburse employee expenses which will be made through Payroll.

6.5.3. The Council has a single petty cash account operated by Customer Services. There are a number of imprest holders across the Council. The establishment of and procedures for the operation of imprest accounts must be approved by the Responsible Financial Officer.

6.5.4. Officers must complete an official petty cash voucher to draw cash or a cheque from petty cash or an imprest account. Supporting documentation must be attached including VAT receipts and the voucher should be authorised to confirm that the expenditure is reasonable and there is sufficient budget provision to cover the expenditure.

6.5.5. Imprest holders must reconcile their accounts on a monthly basis or prior to seeking reimbursement. Imprest holders should seek reimbursement from the main petty cash account through Customer Services using the standard documentation and attaching supporting information. A certificate of value must be completed once a year and the cash/receipts must be produced on demand.

6.5.6. Imprest accounts must never be used to cash personal cheques or to make personal loans and the only payments into the account should be the reimbursement of the float and change relating to purchases where an advance may have been made on an exceptional basis.

6.6 Bank Accounts

6.6.1 The Responsible Financial Officer shall maintain and operate such bank accounts as they consider necessary. No bank account may be opened or closed except on the prior approval of the Responsible Financial Officer

6.6.2 The Assistant Director, Customer is responsible for managing the banking contract and the day to day administration and reconciliation of accounts.

6.6.3 Staff must not open accounts in the name of the Council, Members or officers unless they are acting on the instructions of the Responsible Financial Officer. Opening an unauthorised bank account is a disciplinary offence.

6.7 Payments to Councillors and Employees

6.7.1. Staff costs are the largest item of expenditure for most services. It is therefore important that payments are accurate, timely, and made only where they are due for services to the Authority, and that payments accord with an individual's conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Full Council.

6.7.2. The Assistant Director (Corporate and Improvement) is responsible for all payments of salaries and wages and expenses to staff, including payments for overtime, honoraria etc. and submission of tax returns to HM Revenue and Customs by their due date for the above. The Assistant Director (Corporate and Improvement) is also responsible for the timely provision of information, and the maintenance of sound financial controls to meet the responsibilities in connection with taxation issues arising from payments to employees.

6.7.3. The Assistant Director (Corporate and Improvement) shall:

- arrange and control secure and reliable payment of salaries, wages, compensation, other emoluments, expenses and allowances in accordance with procedures produced in agreement with the Responsible Financial Officer.
- record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions to the collecting authority.
- provide accounting records of all transactions in the form determined by the Responsible Financial Officer.

6.7.4 Assistant Directors shall:

- ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scales of pay and that budget provision is available.
- promptly notify the HR Service Centre of all appointments, terminations or variations which may affect the pay of an employee, in the form determined by the Assistant Director (Corporate and Improvement).
- maintain an up-to date list of those officers authorised to sign records and returns relating to payments to employees and councillors and supply a copy of the list to the Monitoring Officer and the Responsible Financial Officer. The list is to clearly show the financial limits of authority which apply to each officer together with specimen signatures and initials.
- ensure that all payments to employees and councillors, including all casual and temporary staff, are processed only through the payroll system.

6.8 Taxation

6.8.1 The Assistant Director (Corporate and Improvement) is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Heads of Service of their responsibilities under the scheme.

6.8.2 Assistant Directors are responsible for ensuring that the appropriate controls and procedures are operated within the service area in relation to taxation issues.

6.8.3 The Responsible Financial Officer is responsible for completing the monthly return of VAT (inputs and outputs) to HMRC. The Responsible Financial Officer will monitor the Council's partial exemption limit. The Responsible Financial Officer must be consulted by Assistant Directors on whether to opt to tax on any major project or land.

6.8.4 The Responsible Financial Officer should be consulted on the VAT and taxation implications of any new service development. The Responsible Financial Officer shall commission external VAT and taxation advice where appropriate.

6.9 Trading Accounts and Business Units

6.9.1 In some areas the Council may operate a trading account. This means that the costs and income from charges relating to the service are ring-fenced in the accounts. Any surplus or deficit is added to a reserve each year. The Responsible Financial Officer is responsible for ensuring that trading accounts are treated properly in the Council's accounts.

6.9.2 Assistant Directors are responsible for ensuring that, in line with the Local Government Act 2003, charges are set to recover costs without building up significant

surpluses, and that any changes in take up of the service which could result in a deficit are reported at an early stage. All charges must be reviewed on a regular basis and annually as a minimum as part of integrated service and financial planning.

6.9.3 The Responsible Financial Officer shall determine in liaison with Assistant Directors the need for the establishment and operation of trading accounts and business units.

6.10 Retention of Documents and Records

6.10.1 Assistant Directors shall be responsible for ensuring that records are carefully and systematically retained for inspection by the Monitoring Officer, Responsible Financial Officer or internal or external audit and agencies such as HM Revenue and Customs.

6.10.2 The minimum periods for the retention of financial records are set out below:

- mortgages, bonds, stocks and other holdings, insurance, contracts, pension information and transfer values should be held indefinitely.
- other contract documents including the final account where the contract is under seal should be retained for 12 years.
- The majority of accounting records should be retained for a period of six years following audit.

7. Projects, Partnerships, Companies & External Funding

7.1 Projects & Partnerships

7.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of the Borough.

7.1.2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. Governance and Audit Committee is the shareholder for the Amphora Group of companies. The Assistant Director (Place and Client) must ensure that the Amphora Group of companies and Colchester Borough Homes have in place financial regulations that are broadly equivalent to the Council's.

7.1.3 The Responsible Financial Officer must ensure that the accounting arrangements to be adopted relating to companies, partnerships and joint ventures are proper. The activities are likely to be consolidated in the Council's Statement of Accounts. Companies, partnerships and joint ventures must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

7.1.4 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that the full implications of any partnership are explored and that Finance and Legal officers are consulted at an early stage. The following issues should be addressed:

- Is a partnership the best vehicle for achieving the desired outcome?
- What are the objectives of the partnership and are they consistent with the Council's priorities?
- What is the legal status of the partnership and how will it be governed?
- What is the liability of the Council and the other partners?
- Are the roles and responsibilities clear?
- What are the risks and how will they be managed and monitored?
- How will the performance of the partnership be monitored and how will success be measured?
- How will the partnership be funded and who is responsible for the financial management, accounts and audit arrangements?
- Are there any taxation issues?
- Is there a robust business case?
- How will goods and services required by the partnership be procured?
- What are the resource implications in terms of staff, premises etc.?

7.1.5 Executive Directors and Assistant Directors are responsible for appropriate approvals before any commitment or agreement is entered into.

7.1.6 A partnership arrangement must not be used as a means of avoiding the Council's procurement rules.

7.2 External Funding

7.2.1 The Council bids for funds from government departments and other external agencies. Each funding regime is subject to its own rules and regulations and the process for submitting applications and drawing down funding varies.

7.2.2 It is important to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the Council are clearly understood. Executive Directors and Assistant Directors should:

- ensure that all applications for funding are consistent with the Council's priorities and approve them in principle before detailed work commences.
- ensure that the Council's project management framework is applied and that a project initiation document (PID) is completed where appropriate.
- consult the relevant Finance Manager when preparing applications to ensure that full costs are identified including any match funding required, and ongoing commitments are taken into account.
- ensure that the application is signed off by the Responsible Financial Officer or an appropriate officer in the Service and complete any pre-application checklist issued by the Responsible Financial Officer.
- where applications are successful, ensure that the expenditure and income budgets are amended as necessary.
- ensure that the rules and regulations for the particular funding stream are complied with at application stage and throughout the life of the project.
- ensure that all requirements relating to the delivery of outputs and spend are met in line with the approved bid or project plan.
- ensure that all funding notified by external bodies is claimed, received and properly recorded in the authority's accounts and complete any pre-claim checklist issued by the Responsible Financial Officer.
- check the audit requirements and notify the Responsible Financial Officer of any claims that must be audited by the Council's external auditor.

7.3 Work for Third Parties

7.3.1 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that work for third parties is Cabinet approved and is covered by a suitable contract or agreement so that the responsibilities of each party are clear.

7.3.2 Financial and legal advice should be sought at an early stage. This will ensure that the Council only carries out work that is within its legal powers, and that financial issues such as insurance and taxation are properly considered.

7.3.3 The Chief Operating Officer, Executive Directors and Assistant Directors must ensure that:

- the Council is not put at unnecessary risk from bad debts
- contracts are not subsidised by the Council.

7.3.4 The Chief Operating Officer, Executive Directors and Assistant Directors must provide appropriate information to the Responsible Financial Officer to enable a note to be entered into the Statement of Accounts where necessary.

7.4 Work by Third Parties

7.4.1 The Chief Operating Officer, Executive Directors and Heads of Service must ensure that work carried out by third parties (including Colchester Borough Homes and the Amphora Group of Companies) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

8 Financial Limits

Limit No.	Description	Cabinet	Portfolio Holder	Assistant Director	The Responsible Financial Officer	Head of Estates (CATL)	Limit (£)
1	Virement within a service			✓			40,000
2	Virement between services within the same portfolio			✓	✓		100,000
3	Virement within a portfolio/ between portfolios		✓		✓		200,000
4	Virement following Assistant Director and Responsible Financial Officer report	✓					1,000,000
5	Maintain an asset register of all assets with a value in excess of £10,000				✓	✓	10,000
6	Write-off bad debts				✓		10,000
7	Write-off bad debts		✓		✓		

22nd June 2021

Report of	Chief Operating officer	Author	Paul Cook ☎ 505861 Darren Brown ☎ 282891
Title	Financial Monitoring Report – End of Year 2020/21		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2020/21.

2. Action required

- 2.1 The committee is asked to note the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2020/21.

3. Reason for scrutiny

- 3.1 Monitoring of financial performance is important to ensure that:
 - Service expenditure remains within cash-limited budgets.
 - Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
 - Performance targets are being met.
- 3.2 This report also gives the committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

4. Background

- 4.1 The revenue budget position was last considered by Governance and Audit Committee on 23rd March 2021. This was as at Quarter 3, and showed a projected net overspend of £9.283m on the General Fund, before Government funding and the use of reserves. Within the report it recognised that there remained a number of potential changes to the forecast, meaning that it was expected the outturn would be broadly in line with the assumption made when setting the 21/22 budget, and that there would be an unplanned use of reserves of £1m. The Housing Revenue Account was being forecast to be on budget.
- 4.2 The accounts for 2020/21 have been signed and this report has been prepared using these figures, which are still subject to external audit.
- 4.3 All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.

5. General Fund – End of Year Position

- 5.1 In total the General Fund outturn shows a net deficit after carry-forwards of £0.038m. A number of the factors contributing to this position have been identified and reported during the year, but some of the key messages behind this figure are that:-
- General Fund service budgets (after carry-forwards, excluding benefits, CIMS & NEPP and including corporate savings targets) are **£7.972m over budget**.
 - Included within this, we have received a net £7.7m less income than assumed within the budget, the majority of which we have been forecasting all year as a result of Coronavirus from our key income earning services such as parking, sport & leisure, commercial & investment properties, museums and the Amphora dividend.
 - There are a number of one-off technical items which have mitigated this pressure, which primarily relate to £8.9m of Government support for Coronavirus as reported during the year, and miscellaneous Government Grants.
 - There have been one-off unforeseen/unbudgeted costs (e.g. redundancy costs) and service-demand cost pressures that have contributed to the outturn position.
 - There are a number of one-off technical items which have contributed to the cost pressures in-year, including; an increase in the level of bad debts provision required, an external audit recommendation to provide MRP on our investment in Amphora Energy, pension costs and the increase to the General Fund minimum balances as agreed by Cabinet as part of the 20/21 budget setting cycle.
- 5.2 The following table summarises the outturn position for each Service, the effect of the approved requests for carry forward into 2021/22, and a breakdown of the outturn position against the main non-service areas.

	Actual	Budget	Variance	c/f	Net
	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(140)	(262)	122	-	122
Executive Management Team	893	690	203	-	203
Corporate & Improvement	6,671	6,714	(43)	343	300
Customer	3,483	4,069	(586)	166	(420)
Community	536	619	(83)	229	146
Environment	8,180	5,113	3,067	455	3,522
Place & Client	6,499	4,003	2,496	1,604	4,100
Sub-Total Services	26,122	20,946	5,176	2,797	7,973
NEPP	1,164	1,162	2	(2)	-
CIMS	1,165	1,246	(81)	81	-
Benefits	(684)	(627)	(57)		(57)
General Fund / HRA	11,582	11,366	216		216
HRA Contingency (cost shown above)		60	(60)		(60)
Total Services	39,349	34,153	5,196	2,876	8,072
Pensions	72		72		72
MRP	1,601	1,501	100		100
CLIA	689	823	(134)		(134)
Provision for Bad Debts	(30)	(89)	59		59
Misc & Banking Adjustments	(26)		(26)		(26)
Gov't grants - Covid 19	(2,838)	(500)	(2,338)		(2,338)
Gov't grants - Covid 19 - Furlough	(749)	(141)	(608)		(608)
Gov't grants - Covid 19 - Income Support	(6,098)	(666)	(5,432)		(5,432)
Misc Gov't grants	(249)		(249)		(249)
LCTS Hardship Funding	1,140	1,152	(12)	12	-
Increase GF minimum balance (Nov 19 Cabinet)		(130)	130		130
General service related items		1,496	(1,496)	1,888	392
Business Rates Pool	(985)		(985)	985	-
Total (all)	31,876	37,599	(5,723)	5,761	38

5.3 The above table shows approved carry forward requests and other technical accounting adjustments totalling £5.761m. The key items include:-

- £0.960m in respect of specific Strategic Plan items within services
- £0.842m of Strategic Plan funded items yet to be allocated to service budgets
- £0.500m of 20/21 NHB allocated to support the impact of Covid-19
- £0.460m of Government grant towards impact of Covid additional restrictions
- £0.375m in respect of Hythe Quay River Wall repairs
- £0.985m in respect of the business rates pooling gain
- £0.300m for Investment & Corporate buildings supporting asbestos surveys, monitoring & remedial works, and refurbishment
- £0.460m of Covid Recovery and Transformation funding supporting projects in 21/22
- £0.243m in respect of New Homes Bonus Affordable Housing element
- £0.207m linked to various projects within Corporate & Improvement due to Covid-19, including marketing to promote Colchester and recovery, digital improvements to the Town Hall and the Rowan House refurbishment project
- £0.136m linked to various projects in Customer, including Dynamics and Northgate implementation, and electoral canvass reform processes
- £0.050m in respect of funding allocated for Local Development Framework

5.4 The following table provides an alternative view of the outturn position, and gives a breakdown by major expenditure and income variances.

Draft Outturn Summary:-	£'000	£'000
Cost Pressures:-		
• Covid related additional staffing costs (not charged to services)	245	
• Net Neighbourhoods (within waste service; Recycling credits / Employee & Contractor costs / Materials / Fleet costs)	1,301	
• Planning (cost of planning appeals)	61	
• Governance (net overspend across employee costs, Covid-related H&S expenditure, insurance & audit costs. Additional net income from CBH and civic events)	73	
• Finance (recruitment & agency / finance system upgrade costs)	155	
• ICT (net overspend mainly on employee costs, unbudgeted Covid IT costs, securing supply of laptops a year earlier than planned due to Covid, and more income from CBH on mobile phones)	126	1,961
Less income:-		
• Council Tax Sharing Agreement	104	
• Commercial & Investment	823	
• Amphora Dividend	301	
• Car Parking Income	2,220	
• Museums <i>net</i> shortfall in income due to Coronavirus	343	
• Sport & Leisure <i>net</i> shortfall in income	3,369	7,160
Underspends / income gains:-		
• Planning income	(240)	
• Corporate Asset Mgt (Utilities and Town Hall (ex-memoirs) refurbishment works, more income from CBH Management Fee)	(114)	
• Electoral Services (no elections held in 20/21 due to Covid, resulting in savings on staff costs, buildings and printing & postage, and unbudgeted IER grant for Registration)	(165)	
• Net Customer Benefits & Hub (underspends on employee and printing & postage costs, additional DWP income received)	(142)	
• Net Customer Digital & Systems (mainly on employee costs)	(81)	
• Bereavement (Employees/Grounds Mtce/Materials/Income)	(216)	(958)
Corporate / technical items		
• Govt grants - Covid support (net of transformation/recovery use)	(8,378)	
• Net Benefits gain	(57)	
• MRP on CAEL Investment (BDO Recommendation)	265	
• Net interest paid / received	(134)	
• Provision for Bad Debts increase	59	
• Pensions	72	
• Misc Govt grants	(249)	
• Increase GF minimum balance	130	
• Various service related and misc. technical items	167	(8,125)
Total	38	38

Service Budget Position

- 5.5 **Appendix A** details final direct expenditure and direct income for each service (excluding Benefits, NEPP & JMC), and **Appendix B** breaks this down by subjective group.
- 5.6 **Appendix C** details all major budget variances analysed between expenditure and income, including the agreed carry forwards against each area to provide some context. The majority of the more significant variances have been reported to Governance and Audit Committee during the year.
- 5.7 The overall position on services shows a lower net overspend from the forecast reported at Period 9. The largest changes include; less income from the Council Tax sharing agreement, more income and less expenditure than forecast from Bereavement services, less expenditure in Neighbourhoods, more net parking income than forecast, more Planning income and less net expenditure in Sport & Leisure.
- 5.8 Appendix B highlights there is less expenditure of £2.574m with less income of £7.750m. Expenditure savings primarily relate to sport & leisure, and those services where a carry forward has been agreed. Income shortfalls primarily relate to sport & leisure, parking and museums, which are as a result of Coronavirus and the impact of national lockdowns and have been reported during the year.

Technical / corporate items

- 5.9 In addition to Service budgets it is necessary to review the corporate and technical items in the budget. A number of these are one off such as:-
- £8.9m of Government grants to support the Covid pandemic, including additional cost pressures, the furlough scheme and Sales, Fees & Charges income losses (£0.5m of this has been allocated for transformation / recovery).
 - £100k pressure on MRP (one-off of £265k which relates to the loan element of our investment in Amphora Energy following an accepted external audit recommendation).
 - £134k gain from net interest paid/earned, as a result of the level of new borrowing required for the capital programme.
 - £59k cost from an increase in provision for bad debts and £72k cost relating to pensions.
 - Income of c£249k from ad hoc Government grant.
 - £130k cost relating to the Cabinet decision to increase the minimum level of the General Fund balance as part of the 20/21 budget setting cycle.
 - £12k balance of LCTS hardship funding which will be carried forward.
- 5.10 In respect of business rates, provisional pooling figures show we will receive £985k from the business rates pool and it is assumed that this will be carried forward within the Business Rates Reserve. The Medium-Term Financial Forecast assumes that £200k of this will be used to support the 22/23 budget.

Summary and impact on future years

- 5.11 Outturn variances are discussed with relevant service managers and the overall position is considered by Senior Management Team. One important issue is to consider the extent to which any budget variance is likely to be a recurring issue, and if so, has the 21/22 budget been adjusted to reflect this. This is particularly pertinent for the 20/21 outturn due to the significant impact Coronavirus has had on our income generating services, and any deviation that may arise from our assumptions when setting the 21/22 budget. Service managers are reviewing all outturn variances and any recurring issues will be reported alongside the emerging 2022/23 budget strategy.

- 5.12 The 2021/22 budget was based on the assumption that the 20/21 outturn would require an unplanned use of reserves of £1m. Given the position reflected in this report, we were not required to use unplanned reserves as part of the outturn, although we have used £38k of our uncommitted General Fund balance to fund the outturn deficit.

6. Housing Revenue Account

- 6.1 **Appendix D** sets out the pre-audit revenue outturn for the Housing Revenue Account (HRA).
- 6.2 The outturn position is showing a net surplus of £182k compared to a budgeted deficit of £863 for the year, a favourable variance of £1,045k. However, there are carry forwards that reduce this variation to a favourable variance of £491k. The outturn variance needs to be considered in the context of the forecast outturn position at Period 9, which was predicting the outturn position would be on budget, and also the predicted underspend for 2020/21 contained within the 2021/22 HRA budget setting papers considered by Cabinet at its meeting on 27 January 2021.
- 6.3 The revenue outturn position also needs to be considered alongside the outturn position for the Housing Investment Programme (Capital) shown elsewhere on the agenda. Given the slippage of capital expenditure into 2021/22, less revenue resources are required to fund the 2020/21 Housing Investment Programme (Capital), therefore the revenue underspend will be carried forward within the HRA balance and be used to fund the Housing Investment Programme in 2021/22 when the expenditure is incurred. The outturn position has arisen as a result of variances in several areas, and has been split between service and non-service elements.

Service Areas

- 6.4 We received £291k less income than budgeted. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisitions and additions to our housing stock. Furthermore, the HRA earned less interest on its balances and reserves, given the extremely low cash investment rates and the use of reserves in financing the Housing Investment Programme.
- 6.5 There was less expenditure than anticipated in a number of areas, the major ones being as follows; There was a net underspend on Premises costs, primarily due to less expenditure on void repairs than assumed in the repairs and maintenance budget, lower utility costs, less expenditure on Council Tax on void properties, along with underspends on other CBH delegated budgets such as contract cleaning and grounds maintenance work. There was a general underspend across most Supplies and Services budgets, which was primarily due to a lower contribution to our Bad Debts Provision than budgeted, reflecting the amount of write-off's during the year and the level of rent arrears at the year-end.
- 6.6 There was an overspend on Third Party payments, reflecting the funding provided in the CBH management fee to pay for the increased in-year employer pension contributions CBH now have to pay following the schemes actuarial review. The HRA receives recharges from a number of services and given the outturn within these areas, there is a resultant impact upon the HRA. Carry forward requests of £554k have been approved.

One-Off/Technical Items

- 6.6 Members will be aware from the 2021/22 Budget Report considered by Cabinet at its meeting of 27 January 2021, that an underspend on interest payable costs was forecast for 20/21, reflecting the level of borrowing required to support the 20/21 Housing Investment Programme, together with the very low PWLB borrowing rates available. As a direct result of the favourable variance in the HRA this financial year, we have been able to use some of these additional revenue resources to make an additional revenue contribution to fund the 2020/21 Housing Capital Programme. This has meant we have been able to minimise new borrowing, and therefore forego additional interest costs.
- 6.7 The HRA balance at 31st March 2021 is £4,489k. However, £2,889k of this balance is currently committed to future years in order to fund revenue expenditure committed to during 2020/21, together with future contributions to the Housing Investment Programme (Capital). This leaves the uncommitted HRA balance at £1,600k, which is the recommended minimum prudent level of balances. The level of balances at the year-end is in line with the estimate used when the 30-year HRA Business Plan was agreed by Cabinet in January 2021.
- 6.8 The HRA is a “ring-fenced” account which means that any underspend or overspend in a given year must be retained within the HRA. The effect of the 2020/21 outturn position will need to be reflected within the Medium-Term Financial Forecast (MTFF) for the HRA to establish the level of resources for future years. This will be reviewed as part of the forthcoming budget process for 2022/23.

7. Strategic Plan references

- 7.1 The priorities within the Strategic Plan are reflected in the Medium-Term Financial Forecast, albeit having been reviewed to deal with the impact of the Coronavirus. This makes assumptions regarding government grant/funding and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2020/21 revenue budget was prepared in accordance with the Strategic Plan’s priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

8. Financial implications

- 8.1 As set out above.

9. Environmental and Climate Change Implications

- 9.1. All budget measures will be assessed for their likely environmental impact, reflecting the Council’s commitment to be ‘carbon neutral’ by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council’s post-Covid recovery planning.

10. Risk management implications

- 10.1 Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2020/21 revenue budget report that was approved by Council in February 2020 took into consideration a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.

11. Other Standard References

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

Background Papers

None

Actual Outturn Expenditure and Income by Service Area – Direct Costs only

		Actual Outturn		
	Area	Spend	Income	Net
		£'000	£'000	£'000
	Corporate & Democratic Core	305	(445)	(140)
	Total	305	(445)	(140)
	Executive Management Team			
	EMT	648	-	648
	Coronavirus	276	(31)	245
	Total	924	(31)	893
	Community Services			
	Assistant Director Communities	157		157
	Licencing, Food & Safety	478	(464)	14
	Community Safety	622	(630)	(8)
	Environmental Health Services	614	(149)	465
	Building Control	348	(366)	(18)
	Community Initiatives	1,035	(778)	257
	Private Sector Housing	476	(296)	180
	Bereavment Services	738	(1,700)	(962)
	Cultural Services	641	(72)	569
	Colchester Museums	5	(123)	(118)
	Total	5,114	(4,578)	536
	Customer Services			
	Assistant Director Customers	154		154
	Accounts & Debt	705	(162)	543
	Local Tax & NNDR	540	(642)	(102)
	Benefits & Hub	1,086	(181)	905
	Contact & Support Centre	1,081	(23)	1,058
	Electoral Services	271	(48)	223
	Customer Digital & Systems	900	(61)	839
	Land Charges	132	(269)	(137)
	Total	4,869	(1,386)	3,483
	Environment Services			
	Assistant Director Environment	140		140
	Neighbourhood Services	12,606	(3,902)	8,704
	Car Parking	1,041	(1,705)	(664)
	Total	13,787	(5,607)	8,180

		Actual Outturn		
	Area	Spend	Income	Net
		£'000	£'000	£'000
	Policy and Corporate			
	Assistant Director Place & Client	138		138
	Place Strategy	862	(137)	725
	Housing	4,196	(2,752)	1,444
	Planning	1,258	(1,574)	(316)
	Sustainability & Climate Change	176	(34)	142
	Garden Communities	705	(271)	434
	Sub-Total	7,335	(4,768)	2,567
	<i>Company Related:-</i>			
	Client - Commercial Company	1,994	(227)	1,767
	Corporate Asset Management	1,748	(322)	1,426
	Commercial & Investment	479	(2,599)	(2,120)
	Sport & Leisure	3,559	(700)	2,859
	Total	15,115	(8,616)	6,499
	Corporate and Improvement			
	Assistant Director Corp & Improvement	132		132
	Finance	1,193	(106)	1,087
	ICT	1,927	(271)	1,656
	People And Performance	830	(160)	670
	Governance	3,079	(445)	2,634
	Communications	687	(195)	492
	Total	7,848	(1,177)	6,671
	Total (all)	47,962	(21,840)	26,122

End of Year – Subjective Analysis

Account Description	Actual £'000	Budget £'000	Variance (fav) / adv £'000
By Subjective Group			
Employees	24,481	25,137	(656)
Premises Related	7,814	8,185	(371)
Transport Related	1,483	1,713	(230)
Supplies & Services	8,229	10,045	(1,816)
Third Party Payments	5,449	5,147	302
Transfer Payments	489	293	196
Capital Financing Costs	17	16	1
Subtotal Expenditure	47,962	50,536	(2,574)
Government Grant	(2,512)	(2,460)	(52)
Other Grants & Reimbursements	(4,821)	(4,920)	99
Customer & Client Receipts	(14,285)	(22,005)	7,720
Income-Interest	(222)	(205)	(17)
Subtotal Income	(21,840)	(29,590)	7,750
Total General Fund Services	26,122	20,946	5,176

Major Outturn Variances

Note: Underspends and additional income variances are shown in brackets.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
Executive Management Team					
EMT	(42)	-	(42)	-	<ul style="list-style-type: none"> Underspend due to Director change of hours and no pension costs for 9 months offset slightly by pension strain costs (2%). Underspends across all general spend (79%).
Coronavirus	276	(31)	245	-	<ul style="list-style-type: none"> Net overspends due to a code being set up in the EMT budget to capture Covid costs of pay for those people who have worked additionally on Covid related roles (100%) this was done to capture the information in case we needed to make a claim to MHCLG for such costs.
Community					
Licensing and Food Safety	(52)	74	22		<ul style="list-style-type: none"> £38k underspend on staff due to vacant posts and savings on training costs (8%). Further savings on travel £4k (47%) and £9k on equipment and material. Income shortfall of £74k (13.8%) mainly in Licensing, impact of Covid-19 on businesses, some ceasing trading.
Community Safety	(140)	-	(140)	122	<ul style="list-style-type: none"> £16k of underspend due to focus on Covid related activities. Large part of the underspend relates to £122k being carried forward for future community safety initiatives and temporary Community Safety post staff allocation.
Environmental Health Services	(28)	13	(15)		<ul style="list-style-type: none"> £15k (3%) underspend on casual staff costs. Further underspend of £8k (100%) under Animal control – stray dog boarding and £5k (23%) across testing and supplies. £13k (8%) less income in Animal / Pest Control.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
Building Control	(58)	91	33		<ul style="list-style-type: none"> Employees underspend of £54k (15%) absorbing Vacancy factor savings against vacant posts. £5k (41%) savings on staff mileage costs. £91k (20%) shortfall in overall building control income.
Community Initiatives	(32)	(1)	(33)	20	<ul style="list-style-type: none"> Employees underspend of £18k (4%) due to savings on a vacant post. £2k (54%) underspend on staff mileage costs and £12k (2%) underspend across supplies and services of which £10k underspend from absorbing grant allocation costs into team. Carry forwards of £20k include £1k Locality budgets underspend and £19k Apprentice post to support NICS work.
Private Sector Housing	(22)	21	(1)		<ul style="list-style-type: none"> Employees underspend of £21k (4%) due to member of staff being on reduced hours, vacant Support Officer post in Healthy homes and mileage claims savings. Small pressure of £2k (24%) under IT software and legal fees. Shortfall in overall income of £21k (6.5%) from CBH to PSH, SLA not being renewed. More inspections income and civil penalties issued offset by a shortfall of legal notices served and redress penalty scheme income.
Bereavement Services	(101)	(115)	(216)		<ul style="list-style-type: none"> Small employees underspend of £5k (2%). £71k (18%) underspend on grounds and building repairs linked to Covid restrictions. £33k (28%) underspend on Premises running costs such as electricity, water and cleaning. £3k (22%) Net overspend on Assisted Funerals that had increased in numbers. £9k (9%) overspend across supplies and services mainly on ICT licensing and backdated broadband costs.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> £131k additional income.
Cultural Services	(63)	36	(27)	38	<ul style="list-style-type: none"> £8k (5%) staff underspend, mainly overtime and casual staff. £8k (91%) underspend on goods for resale is offset by £15k (84%) shortfall in sales income. Other savings of £10k (51%) on payments to coach companies is offset by £11k (99%) less income in agency fees. £5k additional grant to Arts Centre – match funding to ACE recovery grant. £4k less income in advertising and £6k in guided tours (74%). Carry forwards of £38k - £12k for Women Tour Cycling, £16k for Cultural Strategy consultancy and £10k of Cultural and Events fund.
Colchester Museums	(114)	408	294	49	<ul style="list-style-type: none"> £16k (54%) underspend on casual staff. £9k (100%) underspend on business development. Large income shortfall of £408k (77%) due to closure of the Castle and the limited capacity due to Covid restrictions. A significant proportion of the lost income had been claimed from the MHCLG under the income loss and compensation scheme. This is being recorded corporately. Carry forwards of £49k - £11.2k Heritage Live, £6k Capt Jones & Lt Pinto, £11.2k Priory security funding, £12.6k Arts and Heritage project officer post, £8k Roman Circus
Colchester and Ipswich Museums (CIMS)	(200)	119	(81)		<ul style="list-style-type: none"> CIMS is a ring-fenced budget. There is £89k (4%) underspend on employees. This is mainly due to some vacant posts and not use of casual staff due to venues closure. Small overspend on premisses of £5k (3%) relates to backdated NNDR bill and water charges pressure offset by savings on energy bills. £8k (85%) underspend on staff travel. £32k (£97%) loss of Event's income offset by additional £5k grant from BM.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> Net shortfall in Retail originally forecasted had been reduced by £38k income loss re-imbursement claim from MHCLG on behalf of CIMS. This resulted in overall £36k Net shortfall.
Customer					
Accounts & Debt	36	(6)	30		<ul style="list-style-type: none"> The overspend relates to redundancy and pension strain costs (100%). Income from MacMillan to offset costs incurred (100%).
Local Taxation & Business Rates	(49)	74	25		<ul style="list-style-type: none"> The underspend relates to in-year new burdens funding which offsets the costs of additional work associated with the Covid Business Grants rollout (64%) The reduced income relates to court fees recovered due the courts being closed since April 2020 (25%).
Benefits & Hub	(91)	(51)	(142)		<ul style="list-style-type: none"> Underspends on employee costs (£44k) due to CBC not operating out of the library/Community Hub and a vacant post in Benefits Processing (5%). Also underspends on print and postage costs (£34k) due to revenues and benefits customers converting to online (31%). Savings on print and post built into the 21/22 budget. The income variance relates to additional DWP one-off new burdens income received in-year (40%).
Contact & Support Centre	(75)	-	(75)		<ul style="list-style-type: none"> Underspends on employee costs (£45k) due to staff leaving and posts being held vacant for 2021/22 efficiency savings (4.09%). £30k underspends on supplies and services which includes MFD contract savings built in to the 2021/22 budget. (50.3%)

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
Electoral Services	(150)	(45)	(195)	30	<ul style="list-style-type: none"> Due to Covid 19 there were no elections held in 20/21 resulting in savings on staff costs, buildings, print and postage costs– this is a one-off saving. (75%) The income variance relates to unbudgeted IER grant for Electoral Registration (100%). Carry Forward: £30k IER Grant funding for election canvass - due to Covid different methods will be used for the annual canvass process and this may lead to higher costs.
Customer Digital & Systems	(217)	-	(217)	136	<ul style="list-style-type: none"> £87k underspend on employee costs due to staff changes and planned budget savings. (10.9%) Carry Forward: £30k employee funding was agreed by the Transformation Board in March 21 and is intended for 21/22 spend. £116k underspend on system software licences due to negotiated phasing of licensing costs in line with extended implementation into 21/22. (38.4%) Carry Forward: £106k due to Northgate's land and property product road map being revised some modules will now be delivered in 21/22. This also pushes additional licence costs and a legacy system cost extension into 21/22.
Land Charges	9	(20)	(11)		<ul style="list-style-type: none"> £19.8k additional income (7.9%.)
Benefits – Payments & Subsidy	2,312	(2,369)	(57)		<ul style="list-style-type: none"> HB payments and the main DWP subsidies were higher than the 2020/21 budget set for both private sector & housing tenants producing a net underspend for these areas of £51k. The LA Error Incentive income claimed is £6k lower than budget. The cost of homelessness was overspent by £64k, but this is offset by £59k funding from CBC Housing (Place & Client Services). DWP administration grant received in year was £106k higher than the budget set.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> Increased levels of recovery of HB overpayments have resulted in c£90k more than original budget, however, this has been offset by a technical adjustment to reflect the changing level of debt. The overall level of debt is falling because of Universal Credit, and the bad debt provision has been reduced and accounted for within the Technical Services area. The DWP DHP grant has been fully utilised in year.
Environment					
Neighbourhood Services	1,018	(172)	846	455	<ul style="list-style-type: none"> £271k overspend on Domestic Waste Collections Agency Staff to maintain services of which £114k relates specifically to absences due to Covid-19 (8.3%.) Recycling Kit stock levels were monitored against customer demand all year which resulted in a £147k overspend (66.7%.) Following a global downturn in the value of recycled paper and plastic £550k additional contractor costs were incurred to ensure materials collected could be moved and contamination levels minimised to achieve best value. Recycling Credit Claim income achieved £243k more than budget, this was partially offset by shortfalls across the service following the impact of Covid-19. Carry Forwards relate to spend committed in 21.22 on Trade Waste relaunch (£5k,) Colchester Woodland planting year 2 of 3 (£52k,) Signage project work (BID) (£23.6k) and failed steel piling work (£375k.)
Car Parking	(54)	2,274	2,220		<ul style="list-style-type: none"> The expenditure variance mainly relates to underspends on the landlord service charge (£44k) and NNDR savings (£7k) following the in-year surrender of the lease on Middleborough car park.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> Due to the impact of Covid 19, all parking income under-recovered during the year; Pay and Display was £2,208k under (59%), Season Tickets £27k under (49%) and PCN income £41k under (23%).
North Essex Parking Partnership (NEPP)	15	29	44		<ul style="list-style-type: none"> NEPP budgets are ring-fenced and operate within budget, with the deficit being transferred from the Decriminalised Parking Reserve at year-end.
Corporate & Improvement (incl. CDC)					
Corporate & Democratic Core	17	104	121	-	<ul style="list-style-type: none"> Overspends on Audit costs (10%) and Banking Transaction Charges (8%). Less income from Council Tax Sharing Agreement (19%).
Assistant Director Corporate & Improvement	(10)	-	(10)	-	<ul style="list-style-type: none"> Underspend on service training budget (58%) as staff have not been able to attend training due to Covid-19.
Finance	145	-	145	10	<ul style="list-style-type: none"> Overspends on employee costs due to agency costs to cover vacant posts, recruitment costs and redundancy, slightly offset due to vacant posts (11%). Unbudgeted costs due to the ABS system upgrade (100%). Overspends on asset valuation fees (64%) and subscriptions (36%). A carry forward has been approved for the delayed consultancy work for ABS to implement Capital onto the My Budget system.
ICT	120	(19)	101	25	<ul style="list-style-type: none"> Overspends across supplies and services mainly due to securing the supply of the laptops as a result of uncertainty due to Covid a year earlier than planned (100%), unbudgeted Covid IT costs (100%) and on employee costs mainly due to not having had sufficient vacant posts this year to achieve the budget target for vacancies (1%). A carry forward has been approved due to a delay in the delivery of the next phase of security and compliance for devices.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> More income received from CBH for their proportion of the mobile phone bundle (14%).
People & Performance	(134)	79	(55)	54	<ul style="list-style-type: none"> Underspends due to vacant posts (12%), shared payroll service (48%) and staff travel plan (81%) offsetting non budgeted spend on the Rowan House Space Planner (100%). Carry forwards have been approved for the Rowan House transformation project resource, Rowan House space planning consultancy costs and Equality and Diversity training. Less income from staff car parking due to home working (89%).
Governance	34	(24)	10	63	<ul style="list-style-type: none"> Overspends due to unbudgeted Covid spend mainly in Health and Safety (100%), on corporate redundancy costs (100%) and new insurance costs to include CBH premiums offset by income (100%). One off audit saving (21%) and underspends on Civic events (92%) Carry forwards have been approved for a budget towards digital improvements to the Town Hall (remote Committee Meetings), a Covid Memorial and a new board to record the Alderman's details. More income in insurance from CBH as CBC now manage their premiums offsetting costs incurred and a management fee (100%). Less income from Civic events (100%) and CBH for postage costs (75%).
Communications	(232)	(2)	(234)	191	<ul style="list-style-type: none"> Underspends relate mainly to all the carry forward requests for spending priorities, fixed term post, NSP budgets (94%) and core marketing budgets due to income generating services being closed due to lockdown (57%). Underspends also on employee costs (7%). Unbudgeted income from TCB for artwork package (100%).
Place & Client					

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
Assistant Director Place & Client	2	-	2		<ul style="list-style-type: none"> Small overspend against this new AD post related to the allocation of some corporate costs, which was offset by some savings on employees.
Place Strategy	(937)	(7)	(944)	897	<ul style="list-style-type: none"> Underspends mainly relate to the carry forward requests for Local Plan, LDF, additional restrictions grants, recovery funding work and orbital spending priorities. Underspends also across salaries due to vacant posts (7%). Small income which is offsetting costs incurred.
Housing	30	(331)	(301)	243	<ul style="list-style-type: none"> A carry forward has been approved for the underspend of the Affordable Housing New Homes Bonus as a project was unable to proceed this year. Small underspend on salaries due to a vacant post (6%). There is a overspend on homelessness of c£300k offset by an additional income. More income for rents from council dwellings (119%)
Planning	36	(240)	(204)	18	<ul style="list-style-type: none"> Overspend due to planning appeal costs (100%) and redundancy (100%). Underspends on salaries due to vacant posts (5%) offsetting overspend on consultancy to cover these vacant posts (100%). Carry forwards have been requested for the remaining New Homes Bonus Funded Heritage Project and Town Wall Spending Priorities Funding. More income received from planning fees (18%).
Sustainability & Climate Change	(190)	-	(190)	192	<ul style="list-style-type: none"> The underspend mainly relates to the carry forward requests for fixed term resource posts, Carbon Trust work, Fixing the Link 2, transport strategy spending priorities, E-cargo bike recovery funding and staff travel plan underspend.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
Client – Commercial Company	9	301	310		<ul style="list-style-type: none"> Amphora dividend was forecast at £300k less than budget, and this shortfall was accepted at Cabinet on 9 July 2020. This reduction reflects a loss of 90% of events income the impact of which has been offset by some savings on furlough, and some delays to capital projects for which CATL receive project management fees at milestones. A small overspend on employee costs against original budget.
Corporate Asset Management	(110)	(52)	(162)	48	<ul style="list-style-type: none"> Overall, this area has come in under budget by £114k (6%) which includes £48k of Town Hall one-off works that are subject to a carry forward request. Utilities overall were £56k (27%) lower than budget including savings on both Town Hall £50k (51%) and street lighting £21k (53%). Corporate PPM contracts were honoured during the various lockdown periods, and general repairs and maintenance works were undertaken on sites, once access was allowed, to ensure Health & Safety compliance of all corporate buildings were maintained. More income was received from CBH in relation to external works undertaken by the Engineering team £20k (50%) A carry forward has been requested relating to approved £48k Town Hall (ex-Memoirs) refresh works which were unable to start on site due to lockdown.
Commercial & Investment	108	519	627	196	<ul style="list-style-type: none"> Commercial properties ended up with a net shortfall of £556k against the budget at year end, which is in line with the £531k forecast made in year. Commercial & Investment income has ended up £501k (16%) less than the budget, which is in line with the forecast of 481k. The main shortfalls are in relation to the Culver Centre of £187k (44%), Community Stadium of £145k (100%) and two NCP car parks of

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<p>£143k (73%). There were other shortfalls totalling £132k which were partially offset by various gains totalling £101k.</p> <ul style="list-style-type: none"> Expenditure for these properties was a net £55k more than the budget which includes pressures on the costs of the covenant release on the Lion Walk activity centre of £50k and demolition of the United Way cottages of £30k. The outturn figures also include a net overspend / less income of £71k (71%) from other miscellaneous service areas. These include £17k (100%) on a delayed European project; £73k legal costs on regeneration areas (100%) and the digital broadband project is £56k over budget with £23k (100%) of unbudgeted costs and an income shortfall of £33k (66%) There are requests to carry forward £196k of remaining specific budget, including Housing Development work undertaken by Amphora on council-owned sites, and for the impact of current lease negotiations.
Sport and Leisure	(1,512)	4,871	3,359	10	<ul style="list-style-type: none"> The cost savings made this year include: £750k (24%) on employees, including both permanent and casual staff positions, any furlough savings have been taken corporately. Other savings include overall utility costs of £231k (39%) - electricity £69k (32%); gas £86k (37%) and water £76k (51%). NNDR savings of £114k (25%) relate mainly to delay in the completion of the CNG site. Further savings on Supplies and Services totalled £345k (52%), which include general operational equipment, materials and resaleable stock. The 2020/21 final outturn includes £188k (28%) start-up costs in relation to the new CNG site, but overall there was a saving on this site of £473k (72%) against the budget. A request to carry forward £10k of the budget is in relation to the installation of LEARN2 system (swimming enrolment) which was delayed in 2020/21 due to CV-19 lockdown.

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> An income shortfall of £4.9m (87%) which is as a direct result of closure of facilities due to Coronavirus, and in line with the loss forecast. The shortfall is broken down as follows: Lifestyles membership sales of £1.06m (87%), Pools £1.02m (84%), Aqua Springs £497k (99%), Swimming Lessons £440k (88%), Catering £296k (97%), Beauty Therapy £190k (90%), Dryside Activities £183k (87%), Fitness Centre £122k (96%), Welcome Zone (Zoggs) Sales £118k (90%), Highwoods and Tiptree JUSC £296k (88%), and other services totalling £152k (47%). CNG income was £489k (100%) down due to delays in completion of site for opening to the public in 2020/21.

End Of Year 2020/21

<u>Account Description</u>	<u>Actual for Year £'000</u>	<u>Budget for Year £'000</u>	<u>Variance (under) / over £'000</u>
HRA - Direct & Non-Direct			
EXPENDITURE			
Employees	305	192	113
Premises Related	6,035	6,532	(497)
Transport Related	1	0	1
Supplies & Services	1,485	1,836	(351)
Third Party Payments	3,847	3,679	168
Transfer Payments	164	198	(34)
Support Services	3,800	3,970	(170)
Capital Financing Costs	35,154	35,720	(566)
TOTAL EXPENDITURE	50,791	52,127	(1,336)
INCOME			
Other Grants & Reimbursements	(179)	(139)	(40)
Customer & Client Receipts	(29,651)	(29,885)	234
Income-Interest	(37)	(131)	94
Inter Account Transfers	(21,106)	(21,109)	3
TOTAL INCOME	(50,973)	(51,264)	291
TOTAL NET - HRA	(182)	863	(1,045)
<i>Technical Items:-</i>			
Carry Forwards		(554)	554
OVERALL - POSITION	(182)	309	(491)

22nd June 2021

Report of	Assistant Director Corporate and Improvement	Author Paul Cook Lily Malone
Title	Capital Expenditure Outturn 2020/21	
Wards affected	Not applicable	

1 Executive Summary

- 1.1 This report sets out the Council's Capital Programme against budget for the financial year 2020/21. The Capital Programme includes projects delivering General Fund services, the HRA Housing Investment Programme and the Revolving Investment Fund (RIF). It is a significant programme with a high level of investment benefitting the Borough, contributing towards the local economy, and working towards recovery.
- 1.2 In line with the Council's Financial Regulations a review of the schemes included in the capital programme is required on a quarterly basis.

2 Action Required

- 2.1 To review the progress on the Capital Programme as set out in this report, the associated spend for the financial year and the budget forecasts for future years. To review the RAG rating for each scheme as rated by the relevant project manager.

3 Reason for Scrutiny

- 3.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and the project delivery progress and outcomes.
- 3.2 The purpose of the report is to ensure:
- Spending on projects is within the agreed budgets,
 - Budgets are sufficient to enable timely project delivery and support the related service objectives.
 - The Council makes good use of its available capital resources, in accord with the Council's Treasury Management Strategy and associated statutory requirements.
 - Members have assurance that the key risks associated with the Capital Programme are being managed to ensure efficient and effective delivery of the programme.

4 Background Information

- 4.1 Since the revised 2020/21 programme was approved by Council, capital allocations have been increased for some projects.

The Capital Programme was reset for 2021/22 and later years as part of setting the 2021/22 Budget. This report does not include new schemes agreed in budget setting as they do not affect the 2020/21 outturn. They will be included in future reports for 2021/22. This report compares 2020/21 final expenditure to the revised 2020/21 Capital Programme, including any cost increases approved by Cabinet for schemes.

- 4.2 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across several years. Financial variances can occur as a result of:

- Reprofiting of scheme budgets into the following financial year to reflect scheme progress on site,
- Changes in timing of payments,
- Additional budget requirements due to changes in schemes or unforeseen costs.

5 Quarterly Capital Monitoring Position and 2020/21 Outturn

5.1 The table below provides a summary of the capital programme by service area:

Service	Programme	20/21 Outturn	2020/21 Revised Programme	Future Years' Forecast
	£'000	£'000	£'000	£'000
Communities	9,464	5,200	4,706	4,758
Environment	3,488	877	1,457	2,031
Corporate & Improvement	41,654	2,114	3,714	37,940
Revolving Investment Fund (RIF)	18,447	12,161	14,824	3,623
Housing Revenue Account	49,693	20,631	27,675	22,018
Total Capital Programme	122,746	40,983	52,376	70,370
<i>Total of proposed New Schemes (inc. the Town Deal projects) *</i>	224,685			224,685
Total on Resetting the Capital Programme*	347,431	40,983	52,376	295,055

* The Capital Programme is dynamic with forecast figures changing as individual projects develop.

5.2 Capital expenditure was £41m against a revised programme of £52.4m. This represents 78% of the projected budget. At a similar stage in 2019/20 capital expenditure was £46.2m and 87% of the budget.

5.3 Since the quarter 3 review of the programme by Cabinet in March 2021, the programme has increased.

5.4 The schemes with the largest underspends in 2020/21 are as below:

Scheme	Variation £'000	Reason
Property Purchase - 100 Homes	(3,747)	21 out of the 25 homes purchased in 20/21 still have outstanding repair work due to be completed on them at a value of £428k. A further 20 properties in the legal process of being purchased did not complete by year end (estimated value £4m).
Housing Improvement Programme	(1,916)	The HIP is multiple workstreams and each has a different reason attached. The main underlying issue is related to the first Covid lockdown during which the construction industry was effectively closed for 5 months. Once reopen the impact of the closure was felt for the remainder of the year in interrupted supply chains, unavailable staff resource and being unable to achieve social distancing and safe systems of work when working in tenants' homes.
CNGS - Infrastructure	(1,143)	This project has been put on hold awaiting outcome of a feasibility study of the microgrid

		which could have an impact on the energy requirements of the site.
LFFN Broadband	(947)	The delivery period for this project was extended by DCMS due to Covid-19's impact on suppliers and the ability to deliver works, with further elements of the project delayed to protracted difficulties in obtaining street works permits. It is anticipated that the entire assigned budget will have been spent by 30 June 2021, the extended deadline determined by DCMS.
Purchase of properties - HRA	(917)	2 properties did not complete before year-end (value £376k including works). 9 properties which were purchased still have repair work due to be completed. Outstanding works costs are estimated to be £409k
New Build on Garage Sites	(673)	There were restricted working pressures on the project sites due to Covid19. Covid19 also had an impact on the supply chain. Other delays on the sites were due to adverse weather and difficulties securing licences.

- 5.5 The schemes which are showing an overspend are being mitigated with additional funding as approved on the Resetting the Capital Programme Report presented to Cabinet in January 2021 and this will be reflected in the 2021/22 Capital Programme reporting.
- 5.6 The actual expenditure for the year and updated commentary from the budget holders is detailed in Appendix A.
- 5.7 Appendix A shows the actual expenditure for all schemes with a remaining budget of £100k or more. The Other Schemes section include feasibility projects which have had further budget approval as per the Resetting the Capital Programme Report and will be reflected in the 2021/22 Capital Programme reporting. These schemes are St Marks Community Centre and Queen Street Grow On Facility.
- 5.8 Appendix A includes a RAG (Red, Amber and Green) status of overall project performance against capital schemes. This has been updated with revised criteria showing an individual status for three aspects of a project – time, cost, and delivery. The criteria for the RAG is the corporate standard, and has been assessed by the project manager.
- 5.9 The current RAG position and comments against amber and red RAG rated schemes is detailed in Appendix A.

6 Strategic Plan references

- 6.1 The Council's Capital Programme is aligned to the Strategic Plan.

7 Financial Implications

- 7.1 Within the details of this report.

8 Risk Management Implications

- 8.1 Risk management issues are considered as part of individual capital projects. Currently the key risk within the Capital Programme as reported relates to the finalisation of funding arrangements to enable key schemes primarily within the RIF to progress. Relevant officers

are endeavouring to formalise funding arrangements where necessary. The position is being continuously monitored.

9 Consultation

- 9.1 The Capital Programme is part of annual budget setting is subject to the normal budget consultation.

10 Environmental and Climate Change Implications

- 10.1 All projects are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

11 Equality and Diversity Implications

- 11.1 Consideration will be given to equality and diversity issues in respect of the Capital Programme as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

12 Other Standard References

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

Background Papers – Resetting the Capital Programme, Cabinet, 27th January 2021

Appendix A

	Total Approved Budget	Previous Years Spend	Remaining Budget	Accrued spend to Q4	Forecast 2020/21	Spend against forecast	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	RAG Status		
	£000	£000	£000	£000	£000	%	£000	£000	£000	Deliver y	Time	Cost
Lending to new Council Housing Company	28,800	400	28,400	1,100	1,200	92%	19,800	7,400	0	G	G	G
Property Purchase - 100 Homes	22,000	N/A	22,000	4,753	8,500	56%	13,500	0	0	G	G	G
Housing Improvement Programme	8,747	N/A	8,747	6,831	8,747	78%	0	0	0	G	G	G
CNGN - Sports Park	28,838	20893	7,945	7,426	7,531	99%	339	75	0	A	A	G
Purchase of properties - HRA	6,992	N/A	6,992	6,075	6,992	87%	0	0	0	G	G	G
New Build on Garage Sites	6,160	N/A	6,160	927	1,600	58%	4,560	0	0	A	A	A
Equity Investment in CCHL	7,300	1500	5,800	0	300	0%	5,500	0	0	G	G	G
Council House New Build	4,358	N/A	4,358	743	400	186%	3,958	0	0	G	A	G
Mandatory Disabled Facilities Grants	3,966	N/A	3,966	825	721	114%	1,280	1,280	685	A	A	A
Colchester Northern Gateway Heat Network	4,407	512	3,896	111	100	111%	2,862	454	480	G	A	G
LFFN Broadband	3,436	250	3,186	2,239	3,186	70%	0	0	0	A	G	G
CNGS - The Walk	3,471	429	3,042	2,017	2,292	88%	600	150	0	A	A	A
Mercury Theatre Redevelopment Phase 2	8,067	5183	2,884	3,857	2,884	134%	0	0	0	G	G	G
Town Centre	4,836	2857	1,979	0	9	0%	1,970	0	0	A	A	A
Stanway Community Centre	1,892	48	1,844	143	450	32%	1,394	0	0	G	G	G
Facility Loan to CAEL	2,520	900	1,620	100	500	20%	700	420	0	G	G	G
CNGS - Infrastructure	1,320	65	1,255	112	1,255	9%	0	0	0	G	G	G
Shrub End Depot	1,056	44	1,012	23	312	7%	700	0	0	R	R	R
Sheltered Accommodation	740	N/A	740	829	740	112%	0	0	0	G	G	G
Light Fleet Replacement	726	N/A	726	0	0	N/A	726	0	0	A	A	G
Adaptations to Housing Stock	696	N/A	696	473	696	68%	0	0	0	G	G	G
Food Waste Vehicles	618	N/A	618	618	618	100%	0	0	0	G	G	A
Fleet Upgrade Caged Tipplers	520	N/A	520	0	40	0%	480	0	0	A	A	G
CCTV Monitoring	527	68	459	247	459	54%	0	0	0	A	G	G
Grants to Registered Providers (1-4-1 RTB Receipts Funded)	1,708	1261	447	0	447	0%	0	0	0	G	G	G
Private Sector Renewals - Loans and Grants	378	N/A	378	92	305	30%	73	0	0	A	A	A
Waste Fleet Vehicles	4,967	4647	320	151	320	47%	0	0	0	G	G	G

Pre development/feasibility funds	250	0	250	0	0	N/A	250	0	0	G	G	G
Laptops	232	N/A	232	232	232	100%	0	0	0	G	G	G
E-Cargo	137	N/A	137	137	137	100%	0	0	0	G	A	G
Castle Park Cricket Pavilion Extension S106	125	0	125	0	0	N/A	125	0	0	G	G	G
Leisure World Pool View	120	N/A	120	2	0	N/A	120	0	0	G	A	G
Sport & Leisure Asset Review	120	0	120	0	0	N/A	120	0	0	G	G	G
St Botolphs Public Realm	155	37	118	0	118	0%	0	0	0	A	A	A
LED Lighting - MSCP	116	N/A	116	85	116	73%	0	0	0	G	G	G
Rowan House EV Charging Points	114	N/A	114	0	0	N/A	114	0	0	A	A	G
Colchester Leisure World - Roof	140	37	103	98	103	95%	0	0	0	G	G	G
Other Schemes			1,321	737	1,066	69%	221	34	0			
Total			122,746	40,983	52,376	78%	59,392	9,813	1,165			

Comments on red rated schemes:

Shrub End Depot
Timing: Delays due to operational changes during the pandemic. Works expected during 2021/22 following Neighbourhood Services restructure and post-Covid operating model. Further strategic options for the depot may be developed as a second phase alongside future waste strategy options, the EV fleet transition plan and review of the grounds maintenance contract.
Cost: Forecast costs are over budget, to be reviewed in Q1 2021/22.
Delivery: Delivery impacted by pandemic response, consequent operational changes and revised planning assumptions to help 'future-proof' the project.
Approved Budget: External funding contribution £0 CBC funding contribution £1m Total £1m

Comments on amber rated schemes:

Lending to Housing Company
The comments below apply also to the later row equity investment in Colchester Commercial Holdings Limited.
Timing: Creffield Road gained permission in 2019 and completed a land transfer on 27 February 2020. The site is in full construction and will complete by end of June 2021.
The other two sites in the programme will be delivered but the advances will be made mainly in 2021/22.
There are delays in the determination of the Northern Gateway South planning application which includes the Mill Road housing site. There is an expectation to build 350 (105 affordable, 245 private) houses at Mill Road.
At St Runwald Street the initial scheme has been revised to 36 apartments, 30% will be affordable, but still needs to navigate the planning process prior to any land disposal and related equity investment. A Red book valuation is being prepared to establish a land value based upon the revised scheme.
Cost: Remains on budget.
Delivery: High due to the intrinsic links to the wider Northern Gateway and traffic modelling for this whole growth area.
Approved Budget: External funding contribution £0 CBC funding contribution £28.8m Total £28.8m
Property Purchase – 100 Homes
Timing: The project is still on track to deliver 100 homes by March 2022
Cost: The project is being delivered within budget. The underspend in this first year is partly due to profiling - 20 properties did not complete to full purchase by year-end; and partly due to outstanding works and repair costs to the properties that have been purchased.
Delivery: The purchases are in-line with the project plan of 100 homes purchased by the end of March 2022. 25 properties purchased since approval given in September 2020 and 20 properties in the process of being purchased but did not complete before year-end.

Approved Budget: External funding contribution £0 CBC funding contribution £22m Total £22m
Housing Improvement Programme
Timing: Planned accelerated delivery for 2021/22
Cost: There is an underspend for 2020/21
Delivery: Experiencing access issues to tenants' homes due to pandemic.
Approved Budget: External funding contribution £0 CBC funding contribution £8.7m Total £8.7m
Purchase of Properties - HRA
Timing: Acquisitions of properties are being delivered on time and in line with the project plan.
Cost: The acquisitions are being delivered within the predicted budget. The underspend is due to two properties not completing before year end and outstanding repair and work to bring the homes up to a lettable standard which had yet to be completed by year-end.
Delivery: 34 homes purchased in 2020/2021, exceeding the target of 30 properties.
Approved Budget: External funding contribution £0 CBC funding contribution £7m Total £7m
New Build on Garage Sites
Timing: Buffet/Scarfe Way completion September/October 21. Hardings Close completion June 2021.
Cost: Scope of services agreed with CBC. Currently within budget. However, may have to pay EOT costs to be negotiated with the contractor.
Delivery: There were restricted working pressures on the project sites due to Covid19. Covid19 also had an impact on the supply chain. Other delays on the sites were due to adverse weather and difficulties securing licences.
Approved Budget: External funding contribution £0 CBC funding contribution £6.2m Total £6.2m
Equity Investment in CCHL (CBC investment in Colchester Commercial Holdings Limited)
Timing: See comment on Lending to Housing Company
Cost: See comment on Lending to Housing Company
Delivery: See comment on Lending to Housing Company
Approved Budget: External funding contribution £0 CBC funding contribution £7.3m Total £7.3m
Mandatory Disabled Facilities Grants
Timing: Many applicants are in vulnerable groups and have chosen to delay works and inspections during the pandemic. Restrictions and social distancing measures have slowed contractors onsite. Social Care halted assessments during national lockdowns resulting in fewer referrals for adaptations.
Cost: Despite the pandemic, the team have increased spend on last financial year owing to ongoing process improvement work. The team have been progressing the paperwork for applications in lockdown, in readiness for the inspection phase.

Delivery: Only essential Fast-Track inspections could take place in national lockdowns. Additional resource has been brought in to progress the backlog of works caused by national lockdowns.

Approved Budget: External funding contribution £3.5m | CBC funding contribution £0.5m | Total £4m

LFFN Broadband (Local Full Fibre Network)

Timing: Project proceeding on schedule but there remains potential for delays in granting permits depending on Highways ability to reserve road space.

Cost: On budget at the current time.

Delivery: Complexities surrounding the street permitting applications and traffic management requirements currently affecting the overall delivery of the programme.

Approved Budget: External funding contribution £3.4m | CBC funding contribution £0m | Total £3.4m

Colchester Northern Gateway – The Walk

Timing: Site delays due to the vacating of Colchester Rugby Football Club. Some delays due to the procurement of resin for the bonded surface. This is due to a world shortage of resin due to a number of occurrences worldwide.

Cost: Costs on target, however this is dependant for the Hybrid application approval and virement from Colchester Amphora Homes Limited for infrastructure works installed.

Delivery: Project will still be delivered to the brief approved. There will be a difference in land heights near the former Clubhouse due to the underground infrastructure that is installed beneath The Walk but this is being planned for through the Community Centre project.

Approved Budget: External funding contribution £3.5m | CBC funding contribution £0 | Total £3.5m

Mercury Theatre Redevelopment Phase 2

Timing: Practical completion has been achieved. The Mercury are looking to a 26 June opening with public performances as part of a soft launch commencing on the 28 July.

Cost: This project is within budget as per the funding approval at January Cabinet, there is potential for further funding from external project partners, the additional funding will be reflected in the 2021/22 quarter 1 reporting.

Delivery: Building completed, Mercury working out of the production block and recruiting new staff, new groups starting again.

Approved Budget: External funding contribution £6.9m | CBC funding contribution £1.1m | Total £8m

Colchester Northern Gateway South Infrastructure

Timing: Project on hold pending stage 2 feasibility of the potential microgrid from Colchester Amphora Energy Limited, upon review and acceptance works to recommence feeding in the amended power consumption.

Cost: No costs to report, changes to the initial required power pending microgrid stage 2 works.

Delivery: Infrastructure will still be delivered as required, but some alternative options may become available shortly if the Microgrid is to be implemented.

Approved Budget: External funding contribution £0m | CBC funding contribution £1.3m | Total £1.3m

RAG Status Definition

Status	Definition	Action
Red	There are significant problems with the project and the project is not meeting expectations to date. The project requires corrective action to meet business objectives. The problem cannot be handled solely by the project manager.	The matter should be formally escalated to the project board. A remedial action plan to be implemented, including reviewing the frequency of progress reports.
Amber	Not meeting the expectations to date. There are mitigating circumstances in most cases and improvement is likely but risks are being flagged.	The project sponsor and owner must have early sight of the circumstances. All stakeholders are to be informed. Resolution options are to be investigated.
Green	Meeting expectations to date.	No action required.

Governance and Audit Committee

Item
13

22 June 2021

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2020-2021		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2021-2022 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Recommended Decision

- 2.1 The Committee is asked to note the contents of the Work Programme for 2021-2022.

3. Reason for Recommended Decision

- 3.1 The Work Programme of this Committee is kept under review throughout the municipal year to ensure that business is progressed and Members have the opportunity to review upcoming agenda items.

4. Alternative Options

- 4.1 This function forms part of the Committee's Terms of Reference and, as such, no alternative options are presented.

5. Background Information

- 5.1 The Governance and Audit Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.
- 5.2 The Committee's Work Programme will evolve as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the Work Programme to be reviewed and, if necessary, amended according to current circumstances.

6. Standard References

- 6.1 There are no particular references to publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety, environmental and sustainability implications or risk management implications.

7. Strategic Plan References

- 7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.
- 7.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

WORK PROGRAMME 2021-22

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - 22 June 2021
<ol style="list-style-type: none"> 1. Draft Annual Statement of Accounts 2020/2021 2. Year End Internal Audit Assurance Report 2020/2021 3. Review of the Governance Framework and Draft Annual Governance Statement 4. Financial Regulations 2022-2023 5. Financial Monitoring Report – End of Year 2020-2021 6. Capital Outturn – End of Year 2020-2021
Governance and Audit Committee - 27 July 2021
Governance and Audit Committee briefing followed by the following items -
<ol style="list-style-type: none"> 1. Review of digital meetings following Covid-19 2. Colchester Commercial Holdings Limited – Annual report 3. 2020/2021 Year End Review of Risk Management
Governance and Audit Committee - 7 September 2021

1. Colchester Borough Homes Annual Report and Governance Statement
2. Financial Monitoring Report – April to June 2021
3. Capital Expenditure Monitor 2021/2022
4. Treasury Outturn 2020/2021
5. Audited Annual Statement of Accounts 2020/201 and Annual Audit Letter

Governance and Audit Committee - 19 October 2021

1. Local Government and Social Care Ombudsman Annual Review 2020/2021
2. Health and Safety Policy and Annual Report
3. Review of digital meetings following Covid-19

Governance and Audit Committee – 23 November 2021

1. Treasury Management Report 2020-21
2. Review of the Council's Ethical Governance Policies
3. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
4. Review of Local Code of Corporate Governance
5. Review of Member/Officer Protocol
6. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees
9. Treasury Management – Half Yearly Update
10. Equality and Safeguarding Annual Update
11. Annual Audit Letter 2020/2021
12. Financial Monitoring Report June – September 2021
13. Capital Monitoring 2021/2022

Governance and Audit Committee - 18 January 2022

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2021/2022
4. CCHL Half-Year Performance Report (to include draft 3 year plan)
5. Annual Review of the Council's Companies' Business Plans
6. Annual Review of Business Continuity

Governance and Audit Committee - **8 March 2022**

1. External Audit Plan for year ending 31 March 2022 and Certification of Claims and Returns – Annual Report 2020/2021
2. Financial Monitoring Report October to December 2021
3. Capital Expenditure Monitor 2021/2022
4. Internal Audit Plan 2022/2023
5. Review of digital meetings Covid-19