



Colchester  
Borough Council

# STATEMENT OF **ACCOUNTS**

2020 | 2021



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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

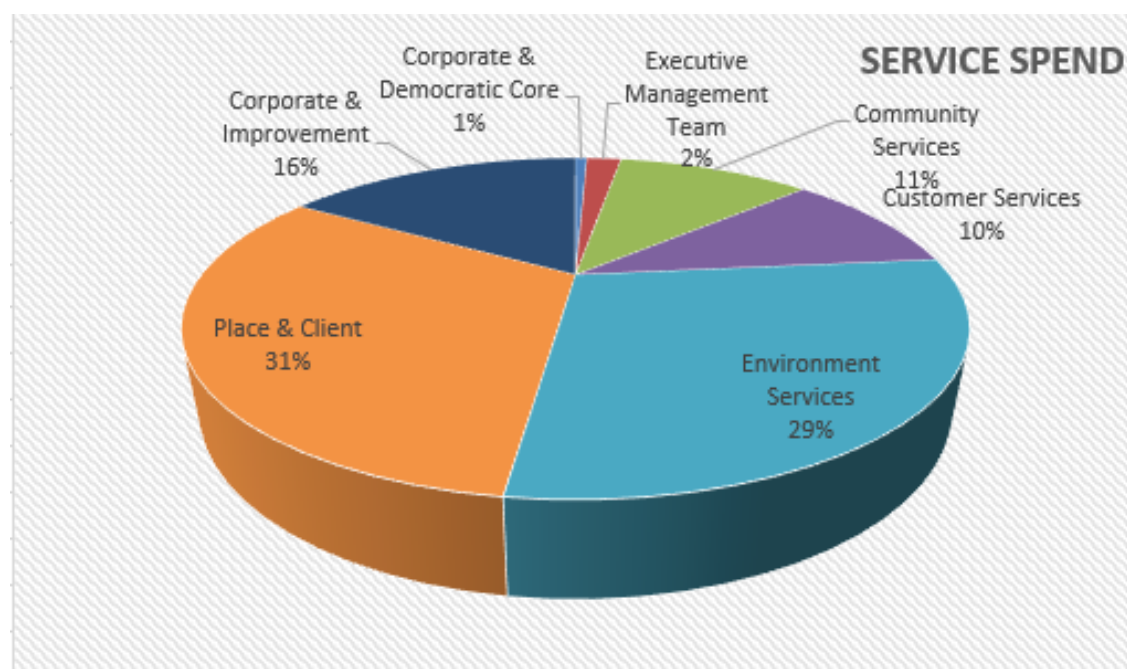


- Events and Helpline through Colchester Amphora Trading Ltd

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.

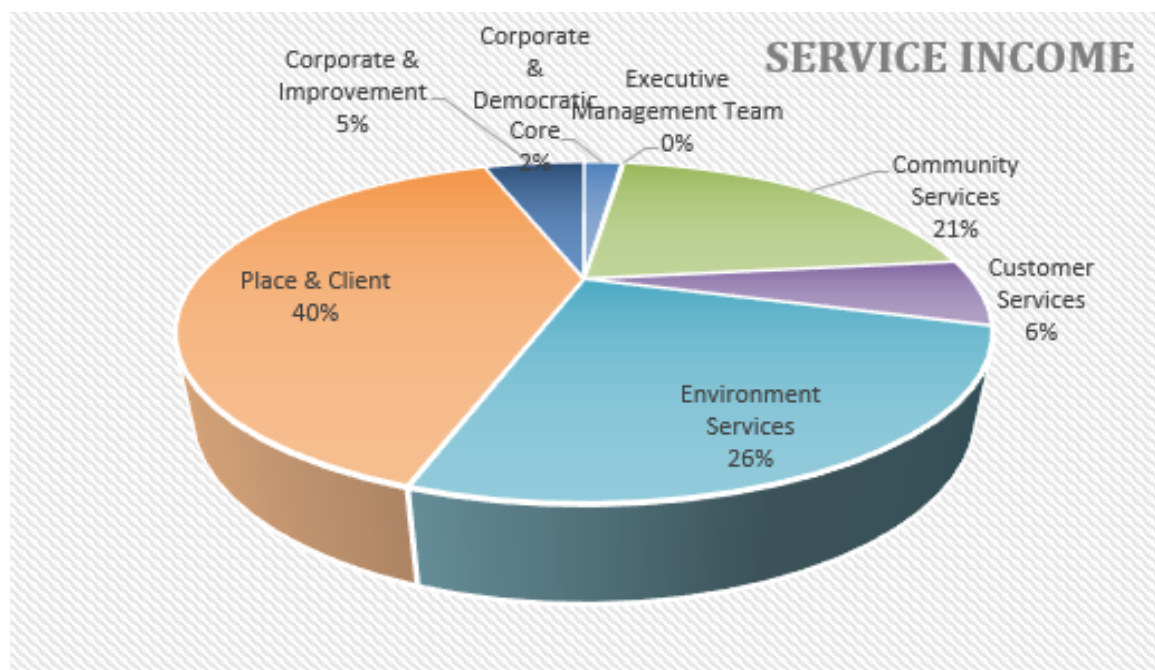
### The Council's service costs and income

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
<b>Housing Benefit</b>	Time to process new claims and changes (two indicators)	2 Green	2 Green
<b>Housing</b>	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
<b>Planning</b>	Processing of major planning applications	Green	Green
	Processing of minor planning applications	Green	Green
	Processing of other planning applications	Green	Green
<b>Resources and Organisational</b>	Council Tax collected	Green	Green
	Business Rates (NNDR) collected	Green	Red
	Sickness rate in working days	Green	Green
<b>Waste and Recycling</b>	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
<b>Total Capital Programme</b>	<b>122.746</b>	<b>40.983</b>	<b>52.376</b>	<b>70.370</b>

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
<b>Service costs</b>	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)
<b>Savings to find</b>	-	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](http://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:

Mark Jarvis, Finance Manager (Technical), Policy and Corporate,  
Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester CO3 3WG  
Telephone: Colchester (01206) 282774  
E-mail: [mark.jarvis@colchester.gov.uk](mailto: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
<b>Balance at 31 March 2020</b>	<b>1,900</b>	<b>4,306</b>	<b>32,475</b>	<b>953</b>	<b>-</b>	<b>24</b>	<b>39,658</b>	<b>346,577</b>	<b>386,235</b>
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)	-	-	-	-	-
<b>Net Increase/(Decrease) in year</b>	<b>130</b>	<b>183</b>	<b>8,871</b>	<b>(284)</b>	<b>-</b>	<b>(18)</b>	<b>9,450</b>	<b>(6,060)</b>	<b>-</b>
<b>Balance at 31 March 2021</b>	<b>2,030</b>	<b>4,489</b>	<b>41,346</b>	<b>1,237</b>	<b>-</b>	<b>6</b>	<b>49,108</b>	<b>340,517</b>	<b>389,625</b>
<b>Balance at 31 March 2019</b>	<b>7,934</b>	<b>4,564</b>	<b>23,080</b>	<b>391</b>	<b>3,653</b>	<b>-</b>	<b>39,622</b>	<b>309,329</b>	<b>348,951</b>
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)	-	-	-	-	-
<b>Net Increase/(Decrease) in year</b>	<b>(6,034)</b>	<b>(258)</b>	<b>9,395</b>	<b>562</b>	<b>(3,653)</b>	<b>24</b>	<b>36</b>	<b>37,248</b>	<b>37,284</b>
<b>Balance at 31 March 2020</b>	<b>1,900</b>	<b>4,306</b>	<b>32,475</b>	<b>953</b>	<b>-</b>	<b>24</b>	<b>39,658</b>	<b>346,577</b>	<b>386,235</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	2020/21			2019/20		
		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
<b>Net Cost of Services</b>		<b>151,987</b>	<b>(97,981)</b>	<b>54,006</b>	<b>147,973</b>	<b>(111,395)</b>	<b>36,578</b>
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)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>168,072</b>	<b>(156,161)</b>	<b>11,911</b>	<b>162,958</b>	<b>(153,996)</b>	<b>8,962</b>
(Surplus)/Deficit on revaluation of non-current assets				(31,476)			(33,263)
Remeasurement of the net defined pension				16,175			(12,982)
<b>Other Comprehensive (Income)/Expenditure</b>	<b>25</b>			<b>(15,301)</b>			<b>(46,245)</b>
<b>Total Comprehensive (Income)/Expenditure</b>				<b>(3,390)</b>			<b>(37,283)</b>

\*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
<b>Total Non-Current Assets</b>		<b>645,473</b>	<b>614,149</b>
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
<b>Total Current Assets</b>		<b>95,887</b>	<b>76,570</b>
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)
<b>Total Current Liabilities</b>		<b>(69,669)</b>	<b>(72,788)</b>
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)
<b>Total Non-Current Liabilities</b>		<b>(282,066)</b>	<b>(231,696)</b>
<b>Total Net Assets</b>		<b>389,625</b>	<b>386,235</b>
Usable Reserves		(49,108)	39,658
Unusable Reserves	25	(340,517)	346,577
<b>Total Reserves</b>		<b>(389,625)</b>	<b>386,235</b>

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

## CASH FLOW STATEMENT

	Notes	2020/21 £'000	2019/20 £'000
<b>Net Surplus/(Deficit) on the Provision of Services</b>		<b>(11,911)</b>	<b>(8,962)</b>
<b>Adjustments to Net Surplus/(Deficit) on the Provision of Services for non-cash movements</b>	26	<b>58,213</b>	<b>40,655</b>
<b>Adjustments for Investing and Financing Activities:</b>			
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)
<b>Adjustments for Investing and Financing Activities</b>		<b>(13,283)</b>	<b>(15,738)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>33,019</b>	<b>15,955</b>
<b>Investing Activities:</b>			
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
<b>Net Cash Flows from Investing Activities</b>		<b>(35,036)</b>	<b>(18,955)</b>
<b>Financing Activities:</b>			
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)
<b>Net Cash Flows from Financing Activities</b>		<b>(13,711)</b>	<b>19,242</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(15,728)</b>	<b>16,242</b>
Cash and Cash Equivalents at 1 April	26	32,542	16,300
<b>Cash and Cash Equivalents at 31 March</b>	26	<b>16,814</b>	<b>32,542</b>

## 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
<b>Net Cost of Services</b>	<b>25,939</b>	<b>1,363</b>	<b>27,302</b>	<b>26,889</b>	<b>(326)</b>	<b>140</b>	<b>26,703</b>	<b>54,005</b>
Other operating income and expenditure (Note 11)			<b>2,094</b>				<b>(861)</b>	<b>1,233</b>
Financing and Investment income and expenditure (Note 12)			<b>21,374</b>				<b>(13,911)</b>	<b>7,463</b>
Taxation and Non Specific Grant income (Note 13)			<b>(56,133)</b>				<b>5,342</b>	<b>(50,791)</b>
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(5,363)</b>				<b>17,273</b>	<b>11,910</b>
<b>Opening General Fund and HRA Balances</b>			<b>(6,206)</b>					
(Surplus)/Deficit on Provision of Services			(5,363)					
Transfers to Earmarked Reserves			5,050					
<b>Closing General Fund and HRA Balances</b>			<b>(6,519)</b>					

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
<b>Net Cost of Services</b>	<b>(1,687)</b>	<b>11,116</b>	<b>(8,066)</b>	<b>1,363</b>

	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
<b>Net Cost of Services</b>	<b>(2,926)</b>	<b>211</b>	<b>(8,259)</b>	<b>(10,974)</b>

## 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
<b>Total Expenditure</b>	<b>168,072</b>	<b>162,958</b>
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)
<b>Total Income</b>	<b>(156,161)</b>	<b>(153,996)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>11,911</b>	<b>8,962</b>

## 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
<b>Adjustments to the Revenue Resources:</b>					
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	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>33,384</b>	<b>19,363</b>	-	-	-
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)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(2,323)</b>	<b>(24,989)</b>	<b>4,595</b>	<b>4,781</b>	-
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)
<b>Total Adjustments to Capital Resources</b>	<b>(8,161)</b>	-	<b>(490)</b>	<b>(4,781)</b>	<b>(18)</b>
<b>Total Adjustments</b>	<b>22,900</b>	<b>(5,626)</b>	<b>4,105</b>	-	<b>(18)</b>

	Usable Reserves				
2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources:</b>					
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			
<b>Total Adjustments to Revenue Resources</b>	<b>21,174</b>	<b>18,923</b>	-	-	
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)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,376)</b>	<b>(15,407)</b>	<b>5,247</b>	<b>4,716</b>	-
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
<b>Total Adjustments to Capital Resources</b>	<b>(9,986)</b>	-	<b>(1,949)</b>	<b>(8,369)</b>	<b>24</b>
<b>Total Adjustments</b>	<b>5,812</b>	<b>3,516</b>	<b>3,298</b>	<b>(3,653)</b>	<b>24</b>

## 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
<b>Total</b>	<b>23,080</b>	<b>(6,850)</b>	<b>16,245</b>	<b>32,475</b>	<b>(22,892)</b>	<b>31,763</b>	<b>41,346</b>

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)
<b>Total Other Operating (Income)/Expenditure</b>	<b>1,233</b>	<b>1,981</b>

## 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)
<b>Total Financing and Investment Income and Expenditure</b>	<b>7,463</b>	<b>5,145</b>

## 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)
<b>Total Taxation and Non-Specific Grant Income</b>	<b>(50,791)</b>	<b>(34,742)</b>



## 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
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2020</b>	<b>367,325</b>	<b>137,199</b>	<b>21,306</b>	<b>7,211</b>	<b>399</b>	<b>27,281</b>	<b>23,125</b>	<b>583,846</b>
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)	-
<b>At 31 March 2021</b>	<b>387,139</b>	<b>162,394</b>	<b>22,501</b>	<b>15,437</b>	<b>399</b>	<b>23,756</b>	<b>9,117</b>	<b>620,743</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2020</b>	<b>(2)</b>	<b>(7,246)</b>	<b>(12,077)</b>	<b>(2,910)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(22,236)</b>
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	-	-	-	-	-	-	-	-
<b>At 31 March 2021</b>	<b>(992)</b>	<b>(7,920)</b>	<b>(13,632)</b>	<b>(3,224)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(25,769)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2021</b>	<b>386,147</b>	<b>154,474</b>	<b>8,869</b>	<b>12,213</b>	<b>399</b>	<b>23,755</b>	<b>9,117</b>	<b>594,974</b>
<b>At 1 April 2020</b>	<b>367,323</b>	<b>129,953</b>	<b>9,229</b>	<b>4,301</b>	<b>399</b>	<b>27,280</b>	<b>23,125</b>	<b>561,610</b>

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
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2019</b>	<b>361,166</b>	<b>132,499</b>	<b>21,310</b>	<b>7,186</b>	<b>399</b>	<b>12,436</b>	<b>4,667</b>	<b>539,663</b>
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)	-
<b>At 31 March 2020</b>	<b>367,325</b>	<b>137,199</b>	<b>21,306</b>	<b>7,211</b>	<b>399</b>	<b>27,281</b>	<b>23,125</b>	<b>583,846</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2019</b>	<b>(119)</b>	<b>(6,494)</b>	<b>(12,769)</b>	<b>(2,594)</b>	<b>-</b>	<b>(75)</b>	<b>-</b>	<b>(22,051)</b>
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)	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>(2)</b>	<b>(7,246)</b>	<b>(12,077)</b>	<b>(2,910)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(22,236)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2020</b>	<b>367,323</b>	<b>129,953</b>	<b>9,229</b>	<b>4,301</b>	<b>399</b>	<b>27,280</b>	<b>23,125</b>	<b>561,610</b>
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
<b>Gross Book Value</b>	<b>386,150</b>	<b>162,394</b>	<b>22,501</b>	<b>15,437</b>	<b>399</b>	<b>23,757</b>	<b>9,115</b>	<b>619,753</b>

## 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
<b>Net (gain)/loss on Investment Properties</b>	<b>(1,706)</b>	<b>(2,136)</b>

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
<b>Balance at 31 March</b>	<b>40,811</b>	<b>42,597</b>

### 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
<b>Surplus Assets</b>						
Commercial development sites	-	23,475	23,475	-	27,040	27,040
Residential development sites	-	80	80	-	80	80
Other	-	201	201	-	161	161
<b>Total (Note 14)</b>	-	<b>23,756</b>	<b>23,756</b>	-	<b>27,281</b>	<b>27,281</b>
<b>Investment Properties</b>						
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
<b>Total (Note 15)</b>	<b>9,620</b>	<b>31,191</b>	<b>40,811</b>	<b>9,185</b>	<b>33,412</b>	<b>42,597</b>
<b>Assets Held for Sale</b>						
Commercial development site	-	2,158	2,158	-	-	-
<b>Total (Note 20)</b>	-	<b>2,158</b>	<b>2,158</b>	-	-	-

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
<b>Balance as at 31 March 2019</b>	<b>18,542</b>	<b>12,286</b>	<b>1,913</b>	<b>281</b>	<b>126</b>
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
<b>Balance as at 31 March 2020</b>	<b>19,677</b>	<b>11,516</b>	<b>1,909</b>	<b>278</b>	<b>31</b>
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
<b>Balance as at 31 March 2021</b>	<b>21,662</b>	<b>7,365</b>	<b>1,835</b>	<b>289</b>	<b>38</b>

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
<b>Opening Capital Financing Requirement at 1 April</b>	<b>177,610</b>	<b>161,680</b>
<b>Capital Expenditure</b>		
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
<b>Total Capital Expenditure</b>	<b>41,087</b>	<b>46,242</b>
<b>Less Sources of Finance</b>		
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
<b>Total Sources of Finance</b>	<b>31,413</b>	<b>30,312</b>
<b>Closing Capital Financing Requirement at 31 March</b>	<b>187,284</b>	<b>177,610</b>
<b>Explanation of movements in year:</b>		
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)
<b>Increase/(Decrease) in the Capital Financing Requirement</b>	<b>9,674</b>	<b>15,930</b>

### 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
<b>Financial Assets:</b>				
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
<b>Total Financial Assets</b>	<b>6</b>	<b>7,010</b>	<b>69,975</b>	<b>74,484</b>
<b>Financial Liabilities:</b>				
Bank Overdraft	-	-		-
<b>Borrowings</b>				
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)
<b>Total Financial Liabilities</b>	<b>(156,198)</b>	<b>(127,234)</b>	<b>(35,062)</b>	<b>(52,521)</b>

## 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
<b>Total expense in Surplus/Deficit on Provision of Services</b>	<b>5,417</b>	<b>-</b>	<b>5,417</b>	<b>6,539</b>	<b>-</b>	<b>6,539</b>
Interest income		(220)	(220)	-	(814)	(814)
Other investment income – Dividends		(227)	(227)	-	(393)	(393)
<b>Total income in Surplus/Deficit on Provision of Services</b>		<b>(447)</b>	<b>(447)</b>	<b>-</b>	<b>(1,207)</b>	<b>(1,207)</b>
<b>Net (gain)/loss for the year</b>	<b>5,417</b>	<b>(447)</b>	<b>4,970</b>	<b>6,539</b>	<b>(1,207)</b>	<b>5,332</b>

## 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
<b>Total Financial Assets</b>	<b>72,096</b>	<b>72,096</b>	<b>73,357</b>	<b>73,357</b>

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)
<b>Total Financial Liabilities</b>	<b>(181,760)</b>	<b>(222,250)</b>	<b>(174,650)</b>	<b>(208,553)</b>

**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
<b>Total</b>	<b>15,512</b>	<b>12,667</b>

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
<b>Total</b>	<b>169,944</b>	<b>100</b>	<b>162,444</b>	<b>100</b>

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)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(15,581)</b>	<b>(600)</b>
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
<b>Total</b>	<b>7,004</b>	<b>54</b>	<b>191</b>	<b>(85)</b>	<b>(400)</b>	<b>6,764</b>

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
<b>Total</b>	<b>4,622</b>	<b>47</b>	<b>2,427</b>	<b>(92)</b>	<b>-</b>	<b>7,004</b>

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The 'loss' for interest foregone is calculated based on the current market rate at the end of the year in which the advance is recognised for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see 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)	-
<b>Balance at 31 March</b>	<b>2,158</b>	<b>-</b>

## 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
<b>Total Short Term Debtors</b>	<b>34,686</b>	<b>18,265</b>

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)
<b>Total Short Term Creditors</b>	<b>(47,416)</b>	<b>(25,611)</b>

## 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)
<b>Balance at 31 March</b>	<b>(3,531)</b>	<b>(3,483)</b>

### 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
<b>Balance at 31 March</b>	<b>(3,400)</b>	<b>(3,293)</b>

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
<b>Total</b>	<b>(346,577)</b>	<b>(15,301)</b>	<b>52,747</b>	<b>(17,936)</b>	<b>(13,450)</b>	<b>(340,517)</b>

### 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
<b>Balance at 1 April</b>	<b>312,720</b>	<b>311,614</b>
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
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(32,903)</b>	<b>(29,585)</b>
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
<b>Capital financing applied in year</b>	<b>31,435</b>	<b>30,088</b>
Movements in the fair value of investment properties	(1,887)	603
<b>Balance at 31 March 2021</b>	<b>309,365</b>	<b>312,720</b>

## 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)
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>	<b>58,213</b>	<b>40,655</b>

## 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
<b>Cash Flow Statement - Total Cash and Cash Equivalents</b>	<b>16,814</b>	<b>32,542</b>

## 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
<b>Total Liabilities arising from Financing Activities</b>	<b>164,818</b>	<b>5,180</b>	<b>1,362</b>	<b>171,360</b>

	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
<b>Total Liabilities arising from Financing Activities</b>	<b>144,278</b>	<b>18,820</b>	<b>1,720</b>	<b>164,818</b>

## 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	Expenditure	(Surplus) / Deficit	Income	Expenditure	(Surplus) / Deficit
		£'000	£'000	£'000	£'000	£'000	£'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)
<b>Net (Surplus) / Deficit on Trading Operations</b>		<b>(5,012)</b>	<b>8,527</b>	<b>3,515</b>	<b>(8,179)</b>	<b>8,715</b>	<b>536</b>

## 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
<b>Total</b>	<b>524</b>	<b>530</b>



## 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	-	-	-	-
<b>Total cost included in bandings</b>	<b>2</b>	<b>7</b>	<b>9</b>	<b>193,894</b>
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				-
<b>Total Exit Costs</b>				<b>195,036</b>

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
<b>Total cost included in bandings</b>	<b>9</b>	<b>8</b>	<b>17</b>	<b>392,067</b>
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				-
<b>Total Exit Costs</b>				<b>394,298</b>

### 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 <sup>(1)</sup>	-	(6)
<b>Total</b>	<b>64</b>	<b>60</b>

(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
<b>Total</b>	<b>49,709</b>	<b>53,024</b>

**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	-
<b>Capital Grants received from:</b>		
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
<b>Total</b>	<b>45,618</b>	<b>15,262</b>

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)
<b>Total</b>	<b>(3,744)</b>	<b>(6,540)</b>

**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)
<b>Total</b>	<b>(17,745)</b>	<b>(14,310)</b>

### 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
<b>Total</b>	<b>445</b>	<b>1,228</b>

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
<b>Minimum Lease Payments</b>	<b>172</b>	<b>1,725</b>

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
<b>Total</b>	<b>172</b>	<b>1,725</b>	<b>157</b>	<b>577</b>

## 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
<b>Gross investment in the lease</b>	<b>75,745</b>	<b>76,051</b>

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
<b>Total</b>	<b>75,745</b>	<b>76,051</b>	<b>75,728</b>	<b>76,034</b>

## 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
<b>Total</b>	<b>76,093</b>	<b>77,354</b>

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
<b>Comprehensive Income and Expenditure Statement</b>		
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)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>25,695</b>	<b>(1,039)</b>
<b>Movement in Reserves Statement</b>		
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
<b>Total charged to the Movement in Reserves Statement</b>	<b>(1,812)</b>	<b>(8,362)</b>

## 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
<b>Net liability</b>	<b>(107,975)</b>	<b>(89,988)</b>

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
<b>Balance at 31 March</b>	<b>(341,008)</b>	<b>(269,802)</b>

#### 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
<b>Balance at 31 March</b>	<b>233,033</b>	<b>179,814</b>

#### 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
<b>Total</b>	<b>233,033</b>	<b>100</b>	<b>179,814</b>	<b>100</b>

## 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

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### 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)
<b>Total Income</b>		<b>(29,884)</b>	<b>(30,135)</b>
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		-	-
<b>Total Expenditure</b>		<b>31,498</b>	<b>31,160</b>
<b>Net (Income)/Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>1,614</b>	<b>1,025</b>
HRA services share of Corporate and Democratic Core		377	355
<b>Net (Income)/Expenditure for HRA Services</b>		<b>1,991</b>	<b>1,380</b>
<b>HRA share of the Other Operating Expenditure</b>			
(Gain)/Loss on sale of HRA non-current assets		(1,772)	(1,331)
Capital Receipts not linked to sales		-	-
<b>HRA share of the Financing and Investment Income and Expenditure</b>			
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
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>4,877</b>	<b>5,829</b>

## 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
<b>Balance on the HRA at 1 April</b>		<b>4,306</b>	<b>4,564</b>
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
<b>Increase/(Decrease) in the year on the HRA Balance</b>		<b>183</b>	<b>(258)</b>
<b>Balance on the HRA at 31 March</b>		<b>4,489</b>	<b>4,306</b>



## 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
<b>Analysis by Type of Dwelling:</b>		
Houses and Bungalows	2,959	2,956
Flats and Maisonettes	2,946	2,936
<b>Total Dwellings</b>	<b>5,905</b>	<b>5,892</b>
<b>Analysis by Number of Bedrooms:</b>		
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
<b>Total Dwellings</b>	<b>5,905</b>	<b>5,892</b>
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)
<b>Stock at the end of the year</b>	<b>5,905</b>	<b>5,892</b>

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
<b>Total</b>	<b>396,820</b>	<b>377,281</b>

### 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)
<b>Total – Non-Dwelling Rents</b>	<b>(1,049)</b>	<b>(1,103)</b>

### 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)
<b>Balance as at 31 March</b>	<b>-</b>	<b>-</b>

### 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
<b>HRA Capital Expenditure</b>		
Dwelling Stock	8,132	8,799
New Build - Council Dwellings	1,670	441
Dwelling Acquisitions	10,828	6,408
<b>Total</b>	<b>20,630</b>	<b>15,648</b>
<b>Financed by:</b>		
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
<b>Total</b>	<b>20,630</b>	<b>15,648</b>

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
<b>Total</b>	<b>4,542</b>	<b>3,455</b>

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
<b>Total Depreciation</b>	<b>4,781</b>	<b>4,716</b>

#### 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
<b>Total Rent Arrears</b>	<b>1,333</b>	<b>1,146</b>
Prepayments	(756)	(646)
Net Rent Arrears	<b>577</b>	<b>500</b>

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)
<b>Revenue Balance at 31 March</b>	<b>4,489</b>	<b>4,306</b>
Less: Committed Sum		
Investment in Housing Stock 2021/22 and Future Years	(2,335)	(2,344)
Estimate Balance Carried Forward	(554)	(362)
<b>Uncommitted Balance</b>	<b>1,600</b>	<b>1,600</b>

#### 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
<b>Income</b>						
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)
	<b>(116,928)</b>	<b>(30,858)</b>	<b>(147,786)</b>	<b>(112,040)</b>	<b>(65,583)</b>	<b>(177,623)</b>
<b>Precepts Demands and Shares</b>						
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
<b>Charges to Collection Fund</b>						
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)
<b>Apportionment of Previous Year Surplus/(Shortfall)</b>						
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
	<b>117,493</b>	<b>64,427</b>	<b>181,920</b>	<b>113,950</b>	<b>62,315</b>	<b>176,265</b>
<b>Movement on the Collection Fund Balance</b>						
(Surplus)/Deficit for the year	565	33,569	34,134	1,910	(3,268)	(1,358)
(Surplus)/Deficit at the beginning of the year	<b>339</b>	<b>(1,376)</b>	<b>(1,037)</b>	(1,571)	1,892	321
<b>(Surplus)/Deficit as at 31 March</b>	<b>904</b>	<b>32,193</b>	<b>33,097</b>	<b>339</b>	<b>(1,376)</b>	<b>(1,037)</b>

## 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
<b>Total Band D</b>			<b>69,976</b>
Net effect of premiums and discounts			(6,043)
<b>Council Tax Base for the calculation of Council Tax</b>			<b>63,933</b>

### 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
<b>NNDR income</b>	<b>30,858</b>	<b>65,583</b>

#### 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
<b>Total (Surplus)/Deficit</b>	<b>904</b>	<b>32,193</b>	<b>33,097</b>	<b>339</b>	<b>(1,376)</b>	<b>(1,037)</b>

#### 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
<b>Total Debtors for Local Taxation</b>	<b>12,969</b>	<b>9,861</b>



## 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
<b>Balance at 31 March 2020</b>	<b>1,900</b>	<b>4,306</b>	<b>31,796</b>	<b>953</b>	<b>-</b>	<b>24</b>	<b>(7,498)</b>	<b>31,481</b>	<b>346,577</b>	<b>378,058</b>
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)	-	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	<b>130</b>	<b>183</b>	<b>9,550</b>	<b>284</b>	<b>-</b>	<b>(18)</b>	<b>(4,785)</b>	<b>5,344</b>	<b>(6,060)</b>	<b>(716)</b>
<b>Balance at 31 March 2021</b>	<b>2,030</b>	<b>4,489</b>	<b>41,346</b>	<b>1,237</b>	<b>-</b>	<b>6</b>	<b>(12,283)</b>	<b>36,825</b>	<b>340,517</b>	<b>377,342</b>
<b>Balance at 31 March 2019</b>	<b>7,934</b>	<b>4,564</b>	<b>22,794</b>	<b>391</b>	<b>3,653</b>	<b>-</b>	<b>(9,143)</b>	<b>30,193</b>	<b>309,329</b>	<b>339,522</b>
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)	-	-	-	-	-	-
<b>Increase/(Decrease) in year</b>	<b>(6,034)</b>	<b>(258)</b>	<b>9,002</b>	<b>562</b>	<b>(3,653)</b>	<b>24</b>	<b>1,645</b>	<b>1,288</b>	<b>37,248</b>	<b>38,536</b>
<b>Balance at 31 March 2020</b>	<b>1,900</b>	<b>4,306</b>	<b>31,796</b>	<b>953</b>	<b>-</b>	<b>24</b>	<b>(7,498)</b>	<b>31,481</b>	<b>346,577</b>	<b>378,058</b>

## 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
<b>Net Cost of Services</b>	<b>154,423</b>	<b>(100,686)</b>	<b>53,737</b>	<b>150,837</b>	<b>(112,903)</b>	<b>37,934</b>
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)
<b>Group (Surplus)/Deficit on Provision of Services</b>	<b>170,701</b>	<b>(158,547)</b>	<b>12,154</b>	<b>166,020</b>	<b>(155,465)</b>	<b>10,555</b>
(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)
<b>Other Comprehensive (Income)/Expenditure</b>			<b>(10,900)</b>			<b>(47,870)</b>
<b>Total Group Comprehensive (Income)/Expenditure</b>			<b>1,254</b>			<b>(37,315)</b>

## 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
<b>Total Long Term Assets</b>		<b>644,481</b>	<b>613,109</b>
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
<b>Total Current Assets</b>		<b>100,959</b>	<b>80,526</b>
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)
<b>Total Current Liabilities</b>		<b>(71,336)</b>	<b>(74,517)</b>
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)
<b>Total Long Term Liabilities</b>		<b>(296,762)</b>	<b>(241,060)</b>
<b>Total Net Assets</b>		<b>377,342</b>	<b>378,058</b>
Usable Reserves		36,825	31,481
Unusable Reserves		340,517	346,577
<b>Total Reserves</b>		<b>377,342</b>	<b>378,058</b>

## GROUP CASH FLOW STATEMENT

	2020/21 £'000	2019/20 £'000
<b>Net Surplus/(Deficit) on the Provision of Services</b>	<b>(12,154)</b>	<b>(10,555)</b>
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements (Note G11)</b>	<b>59,400</b>	<b>42,139</b>
<b>Adjustments for items included in Investing and Financing Activities:</b>		
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)
<b>Adjustments for items included in Investing and Financing Activities:</b>	<b>(13,283)</b>	<b>(15,738)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>33,963</b>	<b>15,846</b>
<b>Investing Activities:</b>		
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
<b>Net Cash Flows from Investing Activities</b>	<b>(35,461)</b>	<b>(17,423)</b>
<b>Financing Activities:</b>		
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)
<b>Net Cash Flows from Financing Activities</b>	<b>(13,966)</b>	<b>18,989</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(15,464)</b>	<b>17,412</b>
Cash and Cash Equivalents at 1 April (including Bank Overdraft balance) (Note G11)	36,009	18,597
<b>Cash and Cash Equivalents at 31 March (including Bank Overdraft balance) (Note G11)</b>	<b>20,545</b>	<b>36,009</b>

## 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
<b>Net Cost of Services</b>	<b>25,939</b>	<b>1,095</b>	<b>27,034</b>	<b>26,889</b>	<b>(326)</b>	<b>140</b>	<b>26,703</b>	<b>53,737</b>
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)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(5,119)</b>				<b>17,273</b>	<b>12,154</b>
<b>Opening GF, HRA and Subsidiary Balances</b>				<b>1,292</b>				
(Surplus)/Deficit on Provision of Services				(5,119)				
Other Comprehensive Income and Expenditure				-				
Other Adjustments				3,862				
Transfers to Earmarked Reserves				5,729				
<b>Closing GF, HRA and Subsidiary Balances</b>				<b>5,764</b>				

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
<b>Net Cost of Services</b>	<b>19,198</b>	<b>(9,618)</b>	<b>9,580</b>	<b>22,341</b>	<b>6,063</b>	<b>(50)</b>	<b>28,354</b>	<b>37,934</b>
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)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>1,227</b>				<b>9,328</b>	<b>10,555</b>

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

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

	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
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
<b>Total Expenditure</b>	<b>170,701</b>	<b>166,020</b>
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)
<b>Total Income</b>	<b>(158,546)</b>	<b>(155,465)</b>
<b>Group (Surplus)/Deficit on the Provision of Services</b>	<b>12,154</b>	<b>10,555</b>

**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
<b>Total Short Term Debtors</b>	<b>35,501</b>	<b>17,784</b>

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
<b>Total Cash and Cash Equivalents</b>	<b>20,545</b>	<b>36,009</b>

## 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)
<b>Total Short Term Creditors</b>	<b>(48,818)</b>	<b>(27,110)</b>

## G10. Usable Reserves

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

## 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)
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>	<b>59,401</b>	<b>42,139</b>

## 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	-	-
<b>Group Cash Flow Statement - Total Cash and Cash Equivalents</b>	<b>20,545</b>	<b>36,010</b>

## 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	-	-	-	-
<b>Total cost included in bandings</b>	<b>2</b>	<b>10</b>	<b>12</b>	<b>221,859</b>
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				-
<b>Total Exit Costs</b>				<b>£223,001</b>

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
<b>Total cost included in bandings</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>£554,716</b>
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				-
<b>Total Exit Costs</b>				<b>£556,947</b>

#### 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)
<b>Total charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>25,695</b>	<b>6,599</b>	<b>32,294</b>	<b>55</b>
<b>Movement in Reserves Statement</b>				
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
<b>Total charged to the Movement in Reserves Statement</b>	<b>(1,812)</b>	<b>(1,047)</b>	<b>(2,859)</b>	<b>(8,362)</b>

## 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
<b>Net liability</b>	<b>(107,975)</b>	<b>(14,259)</b>	<b>(122,234)</b>	<b>(98,799)</b>

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):**

	<b>CBC 2020/21 £'000</b>	<b>CBH 2020/21 £'000</b>	<b>Total 2020/21 £'000</b>	<b>Total 2019/20 £'000</b>
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
<b>Balance at 31 March</b>	<b>(341,008)</b>	<b>(56,791)</b>	<b>(397,799)</b>	<b>(310,911)</b>

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

	<b>CBC 2020/21 £'000</b>	<b>CBH 2020/21 £'000</b>	<b>Total 2020/21 £'000</b>	<b>Total 2019/20 £'000</b>
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
<b>Balance at 31 March</b>	<b>233,033</b>	<b>42,532</b>	<b>275,565</b>	<b>212,112</b>

## 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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