



# Colchester Borough Council

## Statement of Accounts

2019/20

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## NARRATIVE STATEMENT

### Introduction

The Council continued to make effective progress in 2019/20 across all services to deliver the 2018-2021 Strategic Plan priorities, some examples this year have included:

#### **Growth – Ensuring all residents benefit from the growth of the borough**

- Museum visitor numbers were up over the year despite March 2020 Covid-19 closures
- Visit Colchester was chosen as one of four destinations nationally to take part in the 'Game of thrones UK Takeover'.
- A business plan for the Council's car parks passed political scrutiny ready for public consultation.
- North Station Road and Environs was designated as a Conservation Area in October 2019 supporting the 'Fixing the Link' scheme.
- 11 new apprentices were recruited in 2019/20 and 21 existing staff started new apprenticeship programmes.
- In August it was announced that the A120/A133 Link Road and Rapid Transit System (RTS) had been successful in securing funding.
- A range of multi-agency actions took place improving the diversity, vibrancy and safety of the town centre at night.

#### **Responsibility – Encouraging everyone to contribute to making our borough even better**

- The Council has provided training, working with community groups and parish councils to promote and enable sustainable resilient communities, build capacity and connections and empower people to take action on things that are important to them.
- The Council continues to promote waste minimisation, reduction and recycling to our residents, exceeding the recycling target this year.
- An Annual Partnership Plan was produced following partnership consultation and Strategic Assessment of Crime. Key Priorities were to tackle organised criminality, gangs and county lines, driving down anti-social behaviour and violent crime in public places and increasing confidence in identifying and reporting hidden harms.
- The Council has ensured walking and cycling measures are delivered through the planning process and via S106 contributions

#### **Opportunity – Promoting and improving Colchester and its environment**

- Colchester Museums have increased visitor numbers by 10% through a revitalised events programme and new income-generating initiatives.
- The Livewell model/ethos has been adopted by the Health and Wellbeing Alliance and the One Colchester Partnership, leading to greater focus on prevention and health and wellbeing across the system.
- The Charter Market has been transformed following the successful trials of alternative locations and a shift in emphasis to promote the market as an incubator for start-up businesses
- A DEFRA funded air quality project commenced in September 2019. The project focuses on encouraging no vehicle idling and supports behaviour change by encouraging cycling and walking.

#### **Wellbeing – Making Colchester an even better place to live and supporting those who need most help**

- Working with HE and health partners to develop insight and research to improve health outcomes for Colchester.
- The Local Delivery Pilot targets families with dependent children to reduce inactivity and improve health outcomes.

- Four mixed-tenure housing developments being undertaken by Colchester Amphora Homes Ltd (CAHL) have progressed well with construction due to start in 2020/21
- Homelessness was prevented for 223 households with 139 homeless households assisted to secure alternative accommodation.
- 158 people were provided with support, advice and assistance to help them move off the streets
- At Elfreda House 50% of existing tenants successfully re-homed, with empty units providing a temporary "Covid Protect" site. Plans for a 37-home scheme are being progressed as scheduled. 144 rough sleepers housed during the Covid 19 crisis response.
- Working with partner and community organisations to advance equality of opportunity and access to services for vulnerable groups.

### **Organisation of the Authority**

The Council operates under the Cabinet system. There is a Scrutiny Panel and Governance and Audit Committee.

The officer structure is headed by the Chief Executive and Senior Management Team – see note 31.

### **Organisations within the group accounts**

The Council's group accounts include Colchester Commercial Holdings Ltd (CCHL). The company is 100% owned by the Council. It was set up so that the Council could benefit from CCHL's commercial approach and freedoms. CCHL's activities include:

- Housing development through Colchester Amphora Housing Ltd
- Energy provision through Colchester Amphora Energy Ltd
- Events and careline through Colchester Amphora Trading Ltd

CCHL also manages some of the Council's Capital Programme. In 2019/20 the company's turnover was £4.378m. CCHL made a profit of £417m in 2019/20.

The group accounts also include Colchester Borough Homes Ltd that manages the Council's housing stock and provides some other housing services on behalf of the Council.

### **Council services**

The services provided by the Council are summarised in the Comprehensive Income and Expenditure Statement on page 19. The net cost of services was £27.556m.

### **Strategic plan and objectives**

The Council reviewed its strategic direction and agreed a new Our Colchester - Strategic Plan 2018-21 in February 2018. This sets out the Council's priorities under these four themes:

- Growth – Ensuring all residents benefit from the growth of the borough.
- Responsibility – Encouraging everyone to do their bit to making our borough even better.

- Opportunity – Promoting and improving Colchester and its environment.
- Wellbeing – Making Colchester an even better place to live and supporting those who need most help.

The Strategic Plan Action Plan is reported twice yearly to Cabinet.

In July 2019 the Council declared a Climate Emergency. This includes a commitment for the Council to become carbon neutral by 2030. This commitment will be a major factor in future years' budgets and capital programmes.

The Council also provided for New Strategic Priorities in setting the 2020/21 budget. These are being reviewed following the Covid-19 pandemic.

### Key performance indicators

The Council has 16 indicators which summarise its overall performance and are reported to Cabinet twice a year. The 2019/20 results are shown below. There are some issues on three of the indicators in 2019/20 but these are being confidently addressed for 2020/21 and are expected to revert to green status. Otherwise performance is at an excellent level.

Area	Indicator	RAG Status	
		2018/19	2019/20
<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	Green
	Affordable homes delivered (gross)	Green	Green
	Homelessness cases prevented	Green	Red
	Rent collected	Green	Green
	Average time to re-let council homes	Red	Green
<b>Planning</b>	Processing of planning applications (three indicators)	2 Green 1 Red	3 Green
<b>Resources and Organisational</b>	Council Tax collected	Green	Green
	Business Rates (NNDR) collected	Green	Green
	Sickness rate in working days	Red	Green
<b>Waste and Recycling</b>	Residual household waste per household	Red	Red
	Household waste reused, recycled and composted	Green	Green
	Number of weekly missed collections	Green	Red



The Housing Benefit team has posted a very positive performance which has exceeded target. Eligible benefit has been distributed quickly to residents. Processing speed is in the top quartile nationally.

On Housing only one indicator was red with performance being good in other areas:

- Delivery of additional homes was 1,124 against the 920 target. The March 2020 slowdown arising from the Covid-19 pandemic did not affect the result.
- There was a significant increase in affordable housing delivery in 2019/20 with 237 affordable homes completed. Of the 237, a total of 35 homes were purchased by the Council. This brings the total delivery to 362 homes against an increased target of 400 affordable homes by the end of the three-year period.
- The indicator for homelessness has been reset to 30% for 2020/21 after analysis of the data suggested the current target was not realistically achievable.
- Rent collection was excellent at 99.1% (Target 97.7%)
- Time taken to let voids showed great improvement and met the target of 25 days

The processing of planning applications was excellent. On major applications 97% were determined within time compared to an 80% target. 94% of minor applications were determined within time compared to a 90% target.

The Planning team achieved a consistently high level of decision making for other planning applications, with 1,067 applications determined. The other category includes householder extensions, changes of use, adverts and lawful development certificates. This category represents the highest number of applications and forms the bulk of planning work. Performance was 96% against the 90% target.

Council tax (97.8%) and business rates collection (98.7%) were on target despite Covid-19 impacts in March 2020.

Sickness was 8.8 days on average per employee below the 9 day target. This was achieved through a combination of pro-active sickness absence management and wellbeing initiatives.

Residual household waste has followed a similar pattern to last year, albeit slightly above the actual for each month. 2019/20 saw an increase of 1% above the end of year actual for 2018/19, which was 346.43kg. Regionally Colchester produces one of the lowest levels of residual waste.

The percentage of household waste recycled was again good being 53.3% against a 53% target.

An over reliance on agency staff and other difficulties had an impact on the missed collections target. However, the performance of the Service in this area in the last quarter of 2019/20 saw a marked improvement. Whilst cumulatively the average number of missed collections was 217, the monthly average for February and March were 148 and 149 respectfully compared to 346, the peak in July.

## **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.

The key strategic risks identified to January 2020 Governance and Audit Committee were:

- The impact of the withdrawal from the European Union.
- Loss or misuse of sensitive data.
- The potential impact of future central government decisions on public funding, including that of partners.
- Failure or inappropriate performance management of one or more strategic partnerships or key contracts.
- Inability to meet the objectives of the Garden Communities project.
- Staff shortages due to a buoyant jobs market and / or staff sickness
- The impact of suffering a successful cyber-attack on Council computer systems

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

The impact of withdrawal from the European Union has yet to be finalised.

In May 2020 the results of the Planning Inquiry into the North Essex Garden Communities was announced. Only Colchester Tendring Borders of the three garden communities was supported by the Inspector. A review of the North Essex Garden Communities project is being undertaken.

## **Governance**

The Council is required to produce an Annual Governance Statement which sets out its governance controls and identifies any improvements that need to be implemented. Governance and Audit Committee approves and monitors the Annual Governance Statement.

The Council's governance arrangements have not changed significantly for 2019/20. Full details are shown on the website at Annual Governance Statements, Corporate Governance and The Constitution.

## **Resource allocation**

### **The 2019/20 Revenue Budget Process**

The Revenue Budget for 2019/20 was prepared to meet the Council's Strategic Plan objectives despite significant financial pressures from reductions in Government funding. The balanced budget included a deliverable level of savings and income and provided for investment in key services. This was achieved through a budget strategy that resulted in:

- the delivery of savings through the service review process including delivering channel shift.
- making efficiencies through specific budget reviews and business plans.
- maximising new and existing income streams.
- recognising cost pressures and making decisions on budget changes where necessary.

The budget included savings of £1.486 million. The majority of the savings were based on proposals to work more efficiently and to maximise opportunities to increase income.

New Homes Bonus is a significant part of the Council's overall budget to fund capital investment and support services. The amount of the grant used to support the base budget was reduced in 2019/20 by £200k to £1.033m.

The 2019/20 budget included a significant level of investment. This included funding for projects to support the delivery of the Strategic Plan, deliver increased income and support the community.

### **Revenue spending 2019/20**

The General Fund outturn for 2019/20 shows an overspend of £197k.

- General Fund service budgets were £976k over budget.
- One-off technical items mitigated the service pressure including miscellaneous Government Grants, year-end banking adjustments and a review of the Insurance provision.
- Withholding the 2019/20 contribution to North Essex Garden Communities was a £350k favourable variance.
- £489k more income than budgeted was received.
- Measures to respond to Covid-19 during March had an impact on the outturn position.
- The outturn includes £300k of redundancy/pension strain costs and £190k of planning appeals costs

The 2020/21 budget assumes a favourable 2019/20. The final position therefore reflects a deterioration, and the additional impact on the Council's reserves and balances will be considered when the Cabinet reviews the impact of Covid-19.

### Housing Revenue Account (HRA)

The Council is the major provider of rented housing in the Borough and manages 5,892 properties. The Housing Revenue Account Financial Statement for 2019/20 shows a net reduction to balances for the year of £0.258 million. At the 2019/20 year-end the Housing Revenue Account balance is £4.306 million, a significant part of which is earmarked to support future capital spending.

### Capital spending

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. Capital spending for the 2019/20 financial year was £46.2 million (compared to £25.1 million in 2018/19). The expenditure can be broken down as:

Council Housing	£15.6m (including £7.7 million on the Housing Investment Programme and £6.4 million on the purchase of new properties)
Revolving Investment Fund (RIF)	£19.0m (including £17.4 million on the Northern Gateway Sports Park)
Other General Fund	£11.6m (including £3.8 million on the Mercury Theatre redevelopment, £2.9 million on loans and investment in the Council's trading companies, £2.5 million on the purchase of vehicles for the waste fleet, and £0.7 million on Disabled Facilities Grants)

### Capital funding

Of the total funding of the programme, £17.6 million was funded from borrowing, £2.0 million from the application of capital receipts, £8.9 million from external grants and contributions, with the remainder mainly coming from General Fund and HRA revenue funding (including £8.4 million from the Major Repairs Reserve, £5.3 million from HRA revenue, £1.9 million from the Capital Expenditure Reserve, and £2.3 million from the Right to Buy Retained Capital Receipts Reserve).

Capital Receipts continue to provide a significant resource to support capital spending plans, and sums received in 2019/20 totalled £5.8 million. Receipts from sales of Council houses received in 2019/20 were £3.5 million. Local authorities are able to retain a greater proportion of the income they receive from the sale of dwellings, 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. In 2019/20, £1.9 million has been reserved for new build, £0.8 million was reserved for other purposes and £0.5 million was pooled and paid over to the Government. Other capital receipts are fully available to the Council's Capital Programme, and £2.2 million was received in 2019/20 from the sale of various sites.

There is an accumulated balance of £0.95 million in the Capital Receipts Reserve, which will support capital spending from 2020/21 onwards. The Council continues to keep its asset portfolio under review and there are a number of planned land and property transactions which will generate sufficient capital receipts to support the planned Capital Programme.

During 2019/20 the Capital Programme has increased by £31 million. This includes annual funding for the Housing Investment Programme of £21.0 million (including £4.7 million for New Build and £7.4 million for the purchase of properties), £1.3 million for Disabled Facilities Grants, £2.0 million for the Northern Gateway sports project, £2.4 million for infrastructure works at Northern Gateway South, and £3.3 million for the Digital Strategy Project.

### **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 2019/20 the minimum prudent level of uncommitted balances required was £1.9 million., or 10% of net expenditure

As at 31 March 2020 the Council's General Fund balances stood at £1.900 million. Up to £8.350m of balances and earmarked reserves are expected to be used in response to the Covid-19 pandemic in 2020/21 and 2021/22.

### **Provisions and contingencies**

Provisions totalling £3.483 million (2018/19: £4.526 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 2019/20. The borrowing and investment activities undertaken in 2019/20 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 31.3.2020 was £164 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 2019/20 and the impact on future performance and policy will be reported to the Audit and Governance Committee in October 2020.

### **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 £89.9 million deficit at 31 March 2020. 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 assets and liabilities of Colchester Commercial Holdings were transferred to the Council in February 2020.

### **Strategy and outlook**

The Council continues to demonstrate prudence and robust financial management. It was therefore able to invest in New 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 were maintained at 2019/20 levels after several years' successive reductions.

The Council's also planned future investment in long term assets via its Capital Programme; Capital Strategy and Treasury Management Strategy for 2020/21. Following the Covid-19 pandemic the 2020/21 budget is being reviewed in year.

**Covid-19**

The Covid-19 pandemic is the major factor in assessing the Council's financial position. Colchester set its council tax and a balanced budget for 2020/21 before the financial impact of the pandemic became apparent. By the end of March 2020 Covid-19 had begun to have a significant financial impact and caused the Council to overspend its 2019/20 budget by £197k.

The Council has reacted quickly to assess the impact of the pandemic; help our citizens in safety through the crisis; and begin recovery. The expected impact on the Medium Term Financial Forecast is set out in the table below.

<b>Revised Medium Term Financial Forecast (£m)</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
Service costs	23.877	31.202	24.089	24.299	24.589
Covid Impacts	10.112	-7.978	-1.417	-0.700	0.000
Business rates	-5.885	-4.913	-4.956	-5.000	-4.544
Council tax	-12.448	-11.146	-13.029	-13.748	-14.508
Other funding	-6.925	-2.945	-2.940	-2.944	-2.944
Use of reserves	-8.731	-1.033	1.625	1.250	1.250
<b>Savings to find</b>	<b>0.000</b>	<b>3.187</b>	<b>3.372</b>	<b>3.157</b>	<b>3.843</b>

The Council therefore needs to begin transforming its services during 2020/21, recognising the significant budget challenges ahead. It is too early to say what the new operational model will be. The Council has an excellent record in delivering efficiencies and innovation and there is every expectation it will successfully address these problems.

Looking forward the key funding considerations for the Council are

- A Spending Review originally planned for 2019 that has been delayed at least until 2021.
- A Fair Funding Review
- Potential changes to business rates retention
- Potential changes to New Homes Bonus

The Government is implementing a Fair Funding Review. This was originally planned to come into operation in April 2020. The timetable is now uncertain. Any significant changes to national funding formulae may have a significant impact on the Council. Transition arrangements will be all important and these have yet to be clarified. The position on fair funding should be clearer after the next Spending Review.

The Government also plans to introduce 75 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 watch carefully 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 also plans to review New Homes Bonus, though the timetable is 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 2019/20 financial year from 1 April 2019 to 31 March 2020, and its financial position at the year end of 31 March 2020. 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 2019/20 and the Service Reporting Code of Practice 2019/20, which in turn are underpinned by International Financial Reporting Standards. A Glossary of key terms can be found at the end of this publication.

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.

### **Movement in Reserves Statement (page 18)**

This shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services; more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Account Statement (page 19)**

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.



### **Balance Sheet (page 20)**

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **Cash Flow Statement (page 21)**

This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

### **Expenditure and Funding Analysis (page 43)**

This shows how annual expenditure is used and funded from resources (e.g. government grants, rents, Council Tax and National Non Domestic Rates) in comparison with those resources consumed/earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

### **Housing Revenue Account Income and Expenditure Statement (page 123)**

This shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

### **Collection Fund Accounts (page 131)**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

### **Group Accounts (page 137)**

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 (<http://www.colchester.gov.uk/councillorsandmeetings>), from Council offices or by telephoning Colchester 282207.

## **Our Fairness Policy**

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

### **For more information about these accounts, please contact:**

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:

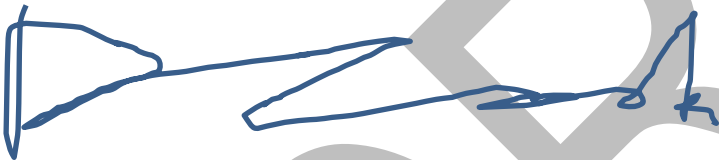
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

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 set out on pages 1 to 166 give a true and fair view of the financial position of the Council as at 31 March 2020 and its income and expenditure for the year then ended.



Paul Cook  
Head of Finance and Section 151 Officer  
11 June 2020

**MOVEMENT IN RESERVES STATEMENT**

	Revenue Reserves General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Reserves Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019 (Page 20)</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 (Page 20)</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>
<b>Balance at 31 March 2018</b>	<b>5,586</b>	<b>3,905</b>	<b>23,963</b>	<b>341</b>	<b>1,663</b>	<b>-</b>	<b>35,458</b>	<b>288,980</b>	<b>324,438</b>
Total Comprehensive Income and Expenditure	(11,361)	1,999	-	-	-	-	(9,362)	33,875	24,513
Adjustments between accounting basis and funding basis under regulations (Note 9)	10,414	(1,340)	-	2,462	1,990	-	13,526	(13,526)	-
Transfers to/from Earmarked Reserves	3,295	-	(883)	(2,412)	-	-	-	-	-
<b>Net Increase/(Decrease) in year</b>	<b>2,348</b>	<b>659</b>	<b>(883)</b>	<b>50</b>	<b>1,990</b>	<b>-</b>	<b>4,164</b>	<b>20,349</b>	<b>24,513</b>
<b>Balance at 31 March 2019 (Page 20)</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>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	2019/20			Gross Expenditure Restated £'000	2018/19 Gross Income Restated £'000	Net Expenditure Restated £'000
		Gross Expenditure £'000	Gross Expenditure £'000	Gross Expenditure £'000			
Corporate and Democratic Core		624	(1,289)	(665)	408	(791)	(383)
Executive Management Team		789	-	789	723	(2)	721
Communities		14,051	(5,370)	8,681	8,991	(4,134)	4,857
Customer		50,883	(47,746)	3,137	58,219	(54,766)	3,453
Environment		19,724	(11,217)	8,507	19,400	(11,197)	8,203
Housing Revenue Account (Page 123)		31,160	(30,135)	1,025	23,976	(29,934)	(5,958)
Policy and Corporate		28,067	(15,638)	12,429	32,881	(15,164)	17,717
Non-Distributed Costs		2,675	-	2,675	(1,054)	-	(1,054)
<b>Net Cost of Services</b>		<b>147,973</b>	<b>(111,395)</b>	<b>36,578</b>	<b>143,544</b>	<b>(115,988)</b>	<b>27,556</b>
Other operating income and expenditure	11	3,518	(1,537)	1,981	2,651	(2,396)	255
Financing and investment income and expenditure	12	11,467	(6,322)	5,145	10,470	(4,029)	6,441
Taxation and non-specific grant income	13	-	(34,742)	(34,742)	-	(24,890)	(24,890)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>2</b>	<b>162,958</b>	<b>(153,996)</b>	<b>8,962</b>	<b>156,665</b>	<b>(147,303)</b>	<b>9,362</b>
(Surplus)/Deficit on revaluation of non-current assets	27			(33,263)			(20,994)
Remeasurement of the net defined pension assets/(liabilities)	37			(12,982)			(12,881)
<b>Other Comprehensive (Income)/Expenditure</b>				<b>(46,245)</b>			<b>(33,875)</b>
<b>Total Comprehensive (Income)/Expenditure</b>				<b>(37,283)</b>			<b>(24,513)</b>

**BALANCE SHEET**

	Notes	31 March £'000	31 March £'000
Property, Plant and Equipment	14	561,610	517,612
Heritage Assets	15	1,332	1,328
Investment Properties	16	42,597	41,891
Intangible Assets	18	20	152
Long Term Investments	20	6	6
Long Term Debtors	21	7,004	4,623
Investment in Subsidiaries		1,580	-
<b>Total Non-Current Assets</b>		<b>614,149</b>	<b>565,612</b>
Short Term Investments	20	25,600	34,640
Assets Held for Sale	22	-	1,100
Inventories		147	177
Short Term Debtors	23	18,265	13,202
Short Term Loans	20	16	477
Cash and Cash Equivalents	20	32,542	19,545
<b>Total Current Assets</b>		<b>76,570</b>	<b>69,141</b>
Bank Overdraft		-	(3,245)
Short Term Borrowing	20	(37,294)	(7,293)
Short Term Creditors	24	(25,611)	(22,489)
Short Term Provisions	25	(3,343)	(4,220)
Grants Receipts in Advance – Revenue	34	(6,540)	(2,868)
<b>Total Current Liabilities</b>		<b>(72,788)</b>	<b>(40,115)</b>
Long Term Creditors – Finance Leases	36	(297)	(711)
Long Term Provisions	25	(140)	(306)
Long Term Borrowing	20	(126,944)	(135,594)
Pension Scheme Liability	37	(89,988)	(94,608)
Grants Receipts in Advance – Capital	34	(14,310)	(14,453)
Other Long Term Liabilities		(17)	(15)
<b>Total Non-Current Liabilities</b>		<b>(231,696)</b>	<b>(245,687)</b>
<b>Total Net Assets</b>		<b>386,235</b>	<b>348,951</b>
Usable Reserves	26	39,658	39,622
Unusable Reserves	27	346,577	309,329
<b>Total Reserves</b>		<b>386,235</b>	<b>348,951</b>

These financial statements represent the unaudited statements certified by Paul Cook, Head of Finance and Section 151 Officer on 11 June 2020.

**CASH FLOW STATEMENT**

	Notes	2019/20 £'000	2018/19 £'000 (Restated)
<b>Net Surplus/(Deficit) on the Provision of Services</b>	Page 19	<b>(8,962)</b>	<b>(9,362)</b>
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>	28	<b>40,655</b>	<b>32,676</b>
<b>Adjustments for items included in Investing and Financing Activities:</b>			
Capital grants credited to the Surplus/Deficit on the Provision of Services		(8,915)	(1,840)
Proceeds from the sale of non-current assets		(6,823)	(5,172)
<b>Adjustments for items included in Investing and Financing Activities</b>		<b>(15,738)</b>	<b>(7,012)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>15,955</b>	<b>16,302</b>
<b>Investing Activities:</b>			
Purchase of non-current assets		(37,382)	(21,960)
Purchase of short and long term investments		(62,080)	(55,500)
Proceeds from the sale of short and long term investments		69,500	55,500
Proceeds from the sale of non-current assets		5,773	5,177
Other payments and receipts		5,234	7,540
<b>Net Cash Flows from Investing Activities</b>		<b>(18,955)</b>	<b>(9,243)</b>
<b>Financing Activities:</b>			
Cash receipts of long term borrowing		21,350	-
Cash payments for the reduction of the outstanding finance lease liabilities		(737)	(740)
Other payments and receipts		(1,371)	375
<b>Net Cash Flows from Financing Activities</b>		<b>19,242</b>	<b>(365)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>16,242</b>	<b>6,694</b>
Cash and Cash Equivalents at 1 April (including Bank Overdraft balance)	28	16,300	9,606
<b>Cash and Cash Equivalents at 31 March (including Bank Overdraft balance)</b>	28	<b>32,542</b>	<b>16,300</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 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 (the Code of Practice) and the Service Reporting Code of Practice 2019/20, 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 in order, as much as possible, of the corresponding 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 2019/20 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.

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 – Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **AP 6 - 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 7 - 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 8 - 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), although it is also allowed to undertake additional voluntary payments if required.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the Council's MRP policy 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 9 – 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 10 – 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.

### **Discretionary Benefits**

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award, and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **AP 11 – Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period on 31 March and the date when the Statement of Accounts are authorised for issue.

Two types of events can be identified:

- **Adjusting events** are those that provide evidence of conditions that existed at the Balance Sheet Date. Where material, the Statement of Accounts is adjusted to reflect the impact of such events.
- **Non-adjusting events** are those that are indicative of conditions that arose after the Balance Sheet Date. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, additional disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Statement of Accounts is authorised for issue are not reflected in this Statement of Accounts.

## **AP 12 – 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. Thus 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'.

In line with the new accounting standard, the Council has applied both the 'Business model' and 'Solely Payments of Principal and Interest' tests to reclassify its financial assets held at 1 April 2018. Note 20 to the Statement of Accounts details the impact of the reclassification as at 1 April 2018.

### **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 new 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 determined to be immaterial. Therefore, the Council has not accounted for an impairment provision for these investment assets.

### **AP 13 - 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 14 – 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.

### **Measurement**

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

Assets are 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.
- 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 15 – 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.

### **Collection of Civic Regalia**

The Council's civic regalia collection is relatively static and acquisitions are rare. Acquisitions are initially recognised at their cost, and subsequently revalued at their insurance valuations.

Civic regalia assets are valued as at 1 April and a full revaluation of this collection is carried out every five years to ensure that the valuations remain current. The assets are valued at their insurance valuations. Revaluation gains and losses made on these assets are treated in accordance with the Council's accounting policy on Property, Plant and Equipment.

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

At each year end the civic regalia assets are reviewed for any impairment. These impairment reviews are performed to identify any physical damage, deterioration or issues that relate to the authenticity of the assets in the collection. Any impairments are recognised and measured in accordance with the Council's general policy on impairment (see AP 14).

### **Collection of Roman Treasure**

The Council's Roman treasure collection has been valued and capitalised at its insurance value as at 1 September 2015. It is not planned by the Council to undertake future periodic valuations for this collection due to its specialised nature and any change in their valuation is unlikely to have a material impact on the total value of the Council's heritage assets.

Depreciation is not charged on items in this collection as they are considered to have indefinite lives.

At each year end the items in this collection are reviewed for any impairment. These impairment reviews are performed to identify any physical damage, deterioration or issues that relate to the authenticity of the assets in the collection. Any impairments are recognised and measured in accordance with the Council's general policy on impairment (see AP 14).

### **Collection of Museum Exhibits and Works of Art**

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

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

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

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

At each year end the collection items capitalised on the Council's Balance Sheet are reviewed for any impairment. These impairment reviews are performed to identify any physical damage, deterioration or issues that relate to the authenticity of the assets in the collection. Any impairments are recognised and measured in accordance with the Council's general policy on impairment (Refer to AP 14).

### **Colchester Castle**

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

## **AP 16 – 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 14 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 17 – Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance (for example software licences), but are controlled by the Council as a result of past events, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost and are subsequently carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement (CIES).

Impairment losses are also posted to the relevant service line in the Comprehensive Income and Expenditure Statement and appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement and appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

Any sales proceeds greater than £10,000 are charged to the Other Operating Expenditure and Income line of the CIES and appropriated to the Capital Receipts Reserve from the General Fund Balance via the Movement in Reserves Statement.

## **AP 18 – 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 17 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 14 for the disposals accounting policy applied for the disposal of assets held for sale.

## **AP 19 – 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.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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 20 - 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 100 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 21 – 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 22 - 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 27.



## **AP 23 – 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.

### **Operating Leases – The Council as Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

## **Finance Leases – 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.

## **Operating Leases – The Council as Lessor**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

## **AP 24 – 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 25 - Interests in Companies**

Where the Council has material interests in companies that have the nature of subsidiaries, and 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 26 – 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.

These operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the participants rather than the establishment of a separate entity to run the operations.

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 27 – Business Improvement District**

In accordance with the provisions of the Business Improvement District Regulations (England) 2004 a ballot of local businesses within the Colchester town centre resulted in the creation of a Business Improvement District. Business ratepayers in this area pay a levy in addition to their Business Rates to fund a range of specified additional services which are provided by the company Our Colchester Limited. This

company was specifically set up for this purpose.

In line with Code guidance the Council has determined that it acts as agent on behalf of the Business Improvement District company: Our Colchester Limited. Therefore neither the proceeds of the levy nor the payments made to the Business Improvement District company are shown in the Council's Comprehensive Income and Expenditure Statement.

#### **AP 28 - 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 and Funding Analysis

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
		(Note 2a)		(Note 2b)	(Note 2b)	(Note 2b)	(Note 9)	(Page 19)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	1260	(32)	3,045	8,507
Housing Revenue Account	259	(11,376)	(11,117)	12,107	33	2	12,142	1,025
Policy and Corporate	7,894	715	8,609	2,535	1,276	9	3,820	12,429
Non-Distributed Costs	-	490	490	191	1,994	-	2,185	2,675
<b>Net Cost of Services</b>	<b>19,198</b>	<b>(10,974)</b>	<b>8,224</b>	<b>22,341</b>	<b>6,063</b>	<b>(50)</b>	<b>28,354</b>	<b>36,578</b>
Other operating income and expenditure (Note 11)			1,885				96	1981
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)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(366)</b>				<b>9,328</b>	<b>8,962</b>
<b>Opening General Fund and HRA Balances (Page 18)</b>			<b>(12,498)</b>					
(Surplus)/Deficit on Provision of Services			(366)					
Transfers to Earmarked Reserves			6,658					
<b>Closing General Fund and HRA Balances (Page 18)</b>			<b>(6,206)</b>					

2018/19 (restated)

	Council Year-end Management Report	Adjustments  (Note 2a)	Net Expenditure chargeable to GF and HRA Balances	Adjustments between Funding and Accounting Basis				Net Expenditure in the CIES  (Page 19)
				Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	
				(Note 2b)	(Note 2b)	(Note 2b)	(Note 9)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	(407)	24	(383)	-	-	-	-	(383)
Executive Management Team	657	1	658	-	78	(15)	63	721
Communities	1,674	478	2,152	2,017	678	10	2,705	4,857
Customer	4,091	(1,427)	2,664	97	707	(15)	789	3,453
Environment	4,673	285	4,958	2,023	1,208	14	3,245	8,203
Housing Revenue Account	(659)	(11,044)	(11,703)	5,727	18	-	5,745	(5,958)
Policy and Corporate	9,323	392	9,715	6,774	1,260	(32)	8,002	17,717
Non-Distributed Costs	-	706	706	78	(1,838)	-	(1,760)	(1,054)
<b>Net Cost of Services</b>	<b>19,352</b>	<b>(10,585)</b>	<b>8,767</b>	<b>16,715</b>	<b>2,112</b>	<b>(38)</b>	<b>18,789</b>	<b>27,556</b>
Other operating income and expenditure (Note 11)			2,005				(1,750)	255
Financing and Investment income and expenditure (Note 12)			14,084				(7,643)	6,441
Taxation and Non Specific Grant income (Note 13)			(24,568)				(322)	(24,890)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>288</b>				<b>9,074</b>	<b>9,362</b>
<b>Opening General Fund and HRA Balances (Page 18)</b>			<b>(9,491)</b>					
(Surplus)/Deficit on Provision of Services			288					
Transfers to Earmarked Reserves			(3,295)					
<b>Closing General Fund and HRA Balances (Page 18)</b>			<b>(12,498)</b>					

## 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 Scrutiny Panel are adjusted to relate to the net expenditure chargeable to the General Fund and HRA balances.

- Services and support services not in Analysis – these include areas that are not reported as part of the service group expenditure in the management reports such as Benefits payments and subsidy and joint committees and non-direct recharges to the HRA.
- Corporate & technical adjustments – these include adjustments to non-distributed costs (including pension back funding, added years and strain payments), bad debt provisions, grant income and budgets that are held at a corporate level within technical areas.
- Amounts not included in CIES – these include 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.

	2019/20				2018/19 (restated)			
	Services and Support Services not in Analysis	Corporate & Technical Adjustments	Amounts not included in the CIES	Total Adjustments (page 43)	Services and Support Services not in Analysis	Corporate & Technical Adjustments	Amounts not included in the CIES	Total Adjustments (page 44)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	(410)	(280)	353	(337)	(457)	99	382	24
Executive Management Team	-	-	1	1	-	-	1	1
Communities	1,003	-	(1)	1,002	478	-	-	478
Customer	(1,282)	-	(1)	(1,283)	(1,428)	-	1	(1,427)
Environment	(186)	-	-	(186)	289	-	(4)	285
Housing Revenue Account	-	-	(11,376)	(11,376)	-	-	(11,044)	(11,044)
Policy and Corporate	(2,051)	-	2,766	715	(2,366)	-	2,758	392
Non-Distributed Costs	-	491	(1)	490	-	706	-	706
<b>Net Cost of Services</b>	<b>(2,926)</b>	<b>211</b>	<b>(8,259)</b>	<b>(10,974)</b>	<b>(3,484)</b>	<b>805</b>	<b>(7,906)</b>	<b>(10,585)</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:

		<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Employee related expenditure		31,133	26,969
Other services expenses		88,628	91,634
Support services recharges		3,346	3,662
Depreciation, amortisation and impairment		24,866	21,278
Interest payments		6,541	6,592
Precepts and levies		1,896	1,748
Payments to Housing Capital Receipts Pool		496	773
Pension Fund expenditure		2,299	2,613
Increase in bad debt provisions		535	171
Losses on the disposal of assets		1,126	130
Changes in the fair value of investment properties		1,999	1,043
Other expenditure		93	52
<b>Total Expenditure</b>	<b>Page 19</b>	<b>162,958</b>	<b>156,665</b>
Fees, charges and other service income		(64,817)	(61,694)
Interest and investment income		(814)	(681)
Income from Council Tax and Non Domestic Rates		(18,393)	(17,153)
Government grants and contributions		(62,927)	(62,030)
Gains on the disposal of assets		(1,413)	(2,148)
Income in relation to investment properties		(2,229)	(2,372)
Changes in the fair value of investment properties		(2,602)	(319)
Decrease in bad debt provisions		(284)	(372)
Other income		(517)	(534)
<b>Total Income</b>	<b>Page 19</b>	<b>(153,996)</b>	<b>(147,303)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>Pages 19, 43 and 44</b>	<b>8,962</b>	<b>9,362</b>

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

The Code of Practice requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2019/20 Code of Practice.

The accounting changes that's are introduced by the 2020/21 Code of Practice include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

### **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.

### **Market loans**

The CIPFA Treasury Management Code of Practice requires the maturity profile for Lender Option/Borrower Option (LOBO) loans to be shown as the next call date. The Council has a number of long term LOBO loans totalling £5.5 million which are subject to six monthly calls. Therefore, in line with the Code, these loans have been classed as short-term loans.

### **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 2020 will be under or over stated. The financial impact will be adjusted in the following financial year.

## **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. Actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied.

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 £5.2 million in the net pension liability from £269.8 million to £264.6 million. See Note 37 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 £7.634 million for the impairment of doubtful debts as at 31 March 2020 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.

## **Provision for the impairment of Financial Instruments**

At 31 March 2020, 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 17 for Investment Properties, Surplus Assets and Assets Held for Sale, and Note 20 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 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 £21.4m.

During the year, the Council invested £1,580m in Colchester Commercial Holdings Limited and provided a loan of £1.300m.

### **Housing Revenue Account**

The Council's housing stock, Garages and other HRA properties were revalued as at 31 March 2020 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 £7.6m.

In 2019/20 the Council incurred expenditure of £8.3 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 2019/20 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 2018/19 Comparatives**

In 2019/20 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 2018/19 comparative values in the lines within the Cost of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. There is no impact on the bottom line of the Council's core financial statements for 2018/19 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 10 June 2020 (see page 17). Events taking place after this date are not reflected in the financial statements or notes.

There are no items which arose after the year end of 31 March 2020 that would materially affect these accounts, and as such no adjustments have been made to the figures included within the financial statements or notes.

## **9. Adjustments between accounting basis and funding basis under regulations**

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

### **General Fund Balance**

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.

2019/20	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account
		£'000	£'000	£'000	£'000	£'000
Amounts by which income and expenditure included in the Comprehensive and Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transfers to/from Pensions Reserve)	27	8,387	(25)	-	-	-
Financial Instruments (to/from Financial Instruments Adjustment Account)	27	(20)	-	-	-	-
Council Tax and NNDR (to/from Collection Fund Adjustment Account)	27	(1,063)	-	-	-	-
Holiday pay (to/from Accumulated Adjustment Account)	27	(49)	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (to/from Capital Adjustment Account)		13,919	18,948	-	-	-
<b>Total Adjustments to the Revenue Resources</b>		<b>21,174</b>	<b>18,923</b>	<b>-</b>	<b>-</b>	<b>-</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)	27	(1,504)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	27	(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>	<b>-</b>
Use of Capital Receipts Reserve to finance capital expenditure		-	-	(2,007)	-	-
Use of 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>-</b>	<b>(1,949)</b>	<b>(8,369)</b>	<b>24</b>
<b>Total Adjustments (Page 18)</b>		<b>5,812</b>	<b>3,516</b>	<b>3,298</b>	<b>(3,653)</b>	<b>24</b>

2018/19	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account
		£'000	£'000	£'000	£'000	£'000
Amounts by which income and expenditure included in the Comprehensive and Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transfers to/from Pensions Reserve)	27	4,766	(41)	-	-	-
Financial Instruments (to/from Financial Instruments Adjustment Account)	27	(54)	-	-	-	-
Council Tax and NNDR (to/from Collection Fund Adjustment Account)	27	1,518	-	-	-	-
Holiday pay (to/from Accumulated Adjustment Account)	27	(39)	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (to/from Capital Adjustment Account)		11,786	13,091	-	-	-
<b>Total Adjustments to the Revenue Resources</b>		<b>17,977</b>	<b>13,050</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve		-	(4,922)	4,922	-	-
Capital receipts not linked to disposal of non-current assets		(248)	-	248	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)		517	-	(517)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		-	(4,533)	-	4,533	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	27	(1,322)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	27	(4,670)	(4,935)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>		<b>(5,723)</b>	<b>(14,390)</b>	<b>4,653</b>	<b>4,533</b>	<b>-</b>
Use of Capital Receipts Reserve to finance capital expenditure		-	-	(2,280)	-	-
Use of Major Repairs Reserve to finance capital expenditure		-	-	-	(2,543)	-
Application of capital grants to finance capital expenditure		(1,840)	-	-	-	-
Cash payments in relation to deferred capital receipts		-	-	89	-	-
<b>Total Adjustments to Capital Resources</b>		<b>(1,840)</b>	<b>-</b>	<b>(2,191)</b>	<b>(2,543)</b>	<b>-</b>
<b>Total Adjustments (Page 18)</b>		<b>10,414</b>	<b>(1,340)</b>	<b>2,462</b>	<b>1,990</b>	<b>-</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 1 April 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000
Retained Right to Buy Receipts Reserve	10,834	(1,779)	2,412	11,467	(2,279)	2,747	11,935
Reserve to Support Future Year's Budget	-	-	-	-	-	5,703	5,703
Pension Fund Deficit	-	-	-	-	-	3,214	3,214
Revenue Grants Unapplied Reserve	3,389	(1,693)	1,247	2,943	(1,158)	1,126	2,911
Repairs and Renewals Fund	1,973	(362)	494	2,105	(438)	788	2,455
Business Rates Reserve	843	-	600	1,443	(539)	791	1,695
Decriminalisation Parking Reserve	1,199	(185)	444	1,458	(232)	286	1,512
Revolving Investment Fund Reserve	1,202	(167)	257	1,292	(106)	250	1,436
Capital Expenditure Reserve	3,615	(3,758)	1,591	1,448	(1,949)	1,221	720
Insurance Reserve	432	(31)	70	471	(10)	105	566
Gosbecks Reserve	189	(19)	1	171	(20)	1	152
Other Reserves	287	(39)	34	282	(119)	13	176
<b>Total</b>	<b>23,963</b>	<b>(8,033)</b>	<b>7,150</b>	<b>23,080</b>	<b>(6,850)</b>	<b>16,245</b>	<b>32,475</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 (See Note 25).

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

	2019/20 £'000	2018/19 £'000
Parish Council precepts	1,896	1,748
Payments to the Government housing capital receipts pool	496	773
(Gains)/Losses on the disposal of non-current assets	(287)	(2,018)
Capital receipts not linked to disposals	(124)	(248)
<b>Total Other Operating (Income)/Expenditure</b>	<b>1,981</b>	<b>255</b>

**12. Financing and Investment Income and Expenditure**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Interest payable and similar charges	6,541	6,592
Interest receivable and similar income	(814)	(681)
Net interest on the pension scheme liability	2,242	2,541
Pension administration costs	57	72
Income and expenditure in relation to investment properties	(2,136)	(2,320)
Changes in the fair value of investment properties	(603)	724
Net movement in bad debt provisions	251	(201)
Other investment income	(393)	(286)
<b>Total Financing and Investment Income and Expenditure</b>	<b>5,145</b>	<b>6,441</b>

**13. Taxation and Non Specific Grant Income**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Council Tax	(14,030)	(13,371)
Non-Domestic Rates	(5,428)	(3,782)
Non ringfenced Government grants	(6,369)	(5,897)
Capital grants and contributions	(8,915)	(1,840)
<b>Total Taxation and Non Specific Grant Income</b>	<b>(34,742)</b>	<b>(24,890)</b>

**14. Property, Plant and Equipment**

<b>2019/20</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles Plant and Equip.</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2019</b>	<b>361,166</b>	<b>132,500</b>	<b>21,310</b>	<b>7,186</b>	<b>399</b>	<b>12,437</b>	<b>4,666</b>	<b>539,664</b>
Additions	14,622	894	2,713	25	-	13	19,701	37,968
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>137,200</b>	<b>21,306</b>	<b>7,211</b>	<b>399</b>	<b>27,282</b>	<b>23,123</b>	<b>583,846</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2019</b>	<b>(117)</b>	<b>(6,497)</b>	<b>(12,769)</b>	<b>(2,593)</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>-</b>	<b>(7,249)</b>	<b>(12,077)</b>	<b>(2,909)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(22,236)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2020</b>	<b>367,325</b>	<b>129,951</b>	<b>9,229</b>	<b>4,302</b>	<b>399</b>	<b>27,281</b>	<b>23,123</b>	<b>561,610</b>
At 1 April 2019	361,049	126,003	8,540	4,593	399	12,362	4,666	517,612

2018/19	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equip.	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 2018</b>	<b>344,203</b>	<b>128,056</b>	<b>19,707</b>	<b>6,993</b>	<b>399</b>	<b>16,076</b>	<b>1,603</b>	<b>517,037</b>
Additions	9,850	4,637	2,239	185	-	-	5,451	22,362
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,032)	(2,452)	-	-	-	(17)	-	(6,501)
Revaluations to Revaluation Reserve	18,146	5,583	-	-	-	(2,608)	-	21,121
Revaluations to (Surplus)/Deficit	(4,603)	(2,644)	-	-	-	85	-	(7,162)
Derecognition – disposals	(1,861)	(39)	(636)	-	-	-	-	(2,536)
Derecognition - other	(600)	(134)	-	-	-	-	(81)	(815)
Reclassified from/(to) Assets held for Sale	-	-	-	-	-	(1,100)	-	(1,100)
Reclassified from/(to) Investment Properties	-	(445)	-	-	-	-	(2,298)	(2,743)
Reclassified within PPE categories	63	(63)	-	8	-	-	(8)	-
<b>At 31 March 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>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2018</b>	<b>-</b>	<b>(5,186)</b>	<b>(11,349)</b>	<b>(2,289)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(18,833)</b>
Depreciation charge	(4,047)	(3,444)	(2,012)	(305)	-	(23)	-	(9,831)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,032	2,452	-	-	-	17	-	6,501
Impairment losses to Revaluation Reserve	(6)	(121)	-	-	-	-	-	(127)
Impairment losses to (Surplus)/Deficit	(110)	(335)	-	-	-	(60)	-	(505)
Derecognition – disposals	13	5	592	-	-	-	-	610
Derecognition – other	-	134	-	-	-	-	-	134
Reclassified within PPE categories	(1)	1	-	-	-	-	-	-
<b>At 31 March 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>
<b>Net Book Value:</b>								
<b>At 31 March 2019</b>	<b>361,047</b>	<b>126,005</b>	<b>8,541</b>	<b>4,592</b>	<b>399</b>	<b>12,361</b>	<b>4,667</b>	<b>517,612</b>
At 1 April 2018	344,203	122,870	8,358	4,704	399	16,067	1,603	498,204



## Depreciation

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

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

- Council Dwellings and Homeless Properties: 60 years
- Other Land and Buildings – components:
  - Host building structure 1 – 60 years
  - Mechanical and electrical 5 – 15 years
- Vehicles, Plant, Furniture and Equipment: 3 – 10 years
- Infrastructure: 20 years

## 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 2019/20 were:

- A sample of General Fund properties as at 1 December 2019.
- Council dwellings and Homeless properties to their fair value as at 31 March 2020.
- A sample of Council properties within the year-end portfolio review performed as at 31 March 2020.
- Ad-hoc revaluations of other assets throughout the 2019/20 financial year.

The Council dwellings and other HRA properties were revalued at 1 April 2015 at a gross value of £296 million. Council dwellings were revalued in line with the requirements of Resource Accounting for the Housing Revenue Account. Guidance on the valuation approach was provided by the MHCLG. The dwellings were valued on the basis of Existing Use Value – Social Housing (EUV-SH). The stock was broken down into archetype groups, with an average based on beacon values applied to each group. The figure applied per unit is based upon tenanted individual properties. The valuation for Council dwellings and other HRA properties has been adjusted to their values at 31 March 2020 using book valuations provided by the Council's external property valuers. This resulted in a net revaluation gain of £10.9 million.

Expenditure of £8.3 million was incurred in 2019/20 to maintain the Council's housing stock at the Decent Homes standard prescribed by the Government. This expenditure does not add additional value as it primarily relates to the replacement of existing components to keep the Council's housing at a decent level. The original cost of the components that were replaced has been estimated at £0.6 million, and this

has been derecognised in the accounts. The remaining expenditure balance of £7.7 million has been treated as a revaluation loss relating to Council housing at 31 March 2020.

The valuations were carried out by independent external valuers from NPS Property Consultants Limited, who are members of the Royal Institution of Chartered Surveyors (RICS).

The valuations were undertaken in accordance with the valuation principles in The RICS Global Standards 2017 (issued by RICS).

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

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

Where the Depreciated Replacement Cost (DRC) basis of valuation has been adopted, external works are deemed to include below ground drainage, hard standings, formal landscaping, site fencing and walls, all services on site, distribution and incoming supplies, and minor buildings as appropriate.

Exclusions from the valuations performed by the surveyors:

- Building and soil surveys have not been carried out, nor have mining subsidence reports been commissioned.
- Parts of the beacon properties which are covered, unexposed or inaccessible have not been inspected.
- Service installations have not been tested.
- No investigation has been carried out to determine the presence of contamination, deleterious or hazardous materials at any of the properties.
- No access audit has been undertaken

The valuations have been made by the surveyors using the following assumptions:

- That no high-alumina cement, asbestos, or other deleterious material was used in the construction of any property, and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings, and that good titles can be shown.
- That the properties and their values are unaffected by any matters that would be revealed by a local search or inspection of any register, and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause the surveyors to alter their opinion of value.
- That the land and properties are not contaminated, nor adversely affected by radon.
- That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

The following statement shows the effective dates of the revaluations for the Property, Plant and Equipment assets 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.

<b>As at 31 March 2020</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	-	2,953	21,306	7,211	399	-	23,123	54,992
Valued at fair value in the financial year ending:								
31 March 2015	-	-	-	-	-	-	-	-
31 March 2016	-	126	-	-	-	-	-	126
31 March 2017	-	3,148	-	-	-	-	-	3,148
31 March 2018	-	107	-	-	-	255	-	362
31 March 2019	-	4,581	-	-	-	-	-	4,581
31 March 2020	367,326	126,285	-	-	-	27,027	-	520,638
<b>Gross Book Value</b>	<b>367,326</b>	<b>137,200</b>	<b>21,306</b>	<b>7,211</b>	<b>399</b>	<b>27,282</b>	<b>23,123</b>	<b>583,847</b>

## 15. Heritage Assets

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

	Valuations				
	Civic regalia	Roman Treasure	Buildings	Museum Exhibits	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	<b>1,254</b>	<b>63</b>	-	<b>11</b>	<b>1,328</b>
Acquisitions at cost	-	-	16	-	16
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	-	-	(16)	-
<b>Balance at 31 March 2019</b>	<b>1,254</b>	<b>63</b>	-	<b>11</b>	<b>1,328</b>
Acquisitions at cost	-	-	15	-	15
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4	-	-	-	4
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	-	-	(15)	-
<b>Balance at 31 March 2020</b>	<b>1,258</b>	<b>63</b>	-	<b>11</b>	<b>1,332</b>

### Civic Regalia Collection

The Council's civic regalia collection includes fine examples of silver, gilt and civic gifts and donations. There are 89 individual assets in the collection. Of special interest is a silver model of a sixteenth century warship, designed for use as a vessel for table wine. The oldest item of insignia is the silver borough seal, which dates from about 1413. The collection also includes one of the largest maces in the country, which is used as a symbol of authority from the sovereign.

The civic regalia collection is managed by the Council's Town Serjeant, who holds a civic regalia book listing all of the assets held within the Council's collection. An annual audit of the collection is made by the Town Serjeant to confirm that all of the assets are in the possession of the Council, and to review their physical condition. At its completion, an internal register is signed off by the Town Serjeant with the outgoing and incoming mayors to evidence the review. The collection is held securely in the Town Hall and is only able to be viewed by the public on organised tours. Specific items of this collection are only taken out of the Town Hall on certain civic and

remembrance occasions. Acquisitions into this collection are very rare, and none have been made in the last 20 years. The Council does not dispose of any civic regalia items as it has a policy of maintaining and retaining all of the assets within its collection.

The Council's collection of civic regalia items is reported in the Balance Sheet at insurance valuation. This is based on replacing the items on an indemnity basis whereby the items would be replaced in the normal second hand art retail markets with items of comparable age, quality and condition. The civic regalia items were valued as at 1 April 2016 by external valuers, Reeman Dansie, who are members of the Royal Institution of Chartered Surveyors.

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

### **Roman Treasure Collection**

The 'Fenwick Hoard' treasure was unearthed by Colchester Archaeological Trust during an archaeological excavation underneath a store on the High Street in Colchester. The hoard is a collection of Roman silver and gold jewellery and coins which includes: 2 pairs of gold earrings, 1 gold bracelet, 2 gold armlets, 5 gold finger-rings, 1 silver chain and loop, 1 copper-alloy bulla, 1 silver armlet, 2 silver cuff bracelets, 1 glass intaglio, a collection of Roman republican coins, and the remains of a silver pyxis (jewellery box). These treasure items were passed over to the Council in 2015, and they are currently on display to the public at Colchester Castle.

The collection was examined and valued by an independent qualified valuer on 1 September 2015, and the total valuation reported for insurance purposes was £63,000. The collection has been capitalised at this value as at 1 September 2015. It is not planned by the Council to undertake future periodic valuations for this collection due to its specialised nature and any change in their valuation is unlikely to have a material impact on the total value of the Council's heritage assets.

### **Collections of museum exhibits and works of art**

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

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

The collections of museum exhibits and works of art are managed centrally by the collection management team within the museum service. All items are entered into an accession register when they are received. Further details regarding each item are then recorded on

the museum service's computerised record system. The conservation team is responsible for the preservation of the collections. Environmental conditions are set in the Council's museums and storage facilities. Condition surveys are performed frequently to monitor and identify any issues relating to the items held in the collections.

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

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

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

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

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

In 2017/18 the Friends of Colchester Museums and Art Galleries/Colchester & East Essex Licensed Victuallers Protection Association donated the Colchester and East Essex Licenced Victuallers Protection Association's Chain of Office to the Council. This asset has been registered within the Council's social history exhibit collection. The asset was valued at £10,975 for insurance purposes on 30 November 2009 by Chapman & Co. Jewellers. It is not planned to undertake future revaluations of this item, as any change in its valuation is unlikely to have a material impact on the total value of the Council's heritage assets.

## **Colchester Castle**

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

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

The Council has not recognised the Castle as a heritage asset on its Balance Sheet as there are no records detailing the original cost of this asset. It has not been possible to obtain an appropriate valuation for the Castle from a review of insurance records or from liaison with external valuers.

In 2019/20, capital expenditure totalling £15,000 was incurred relating to works performed on the town walls. This expenditure has been written off in the year via revaluation losses as the works relate to underlying assets that are not capitalised as heritage assets on the Council's Balance Sheet.

## 16. Investment Properties

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

	2019/20 £'000	2018/19 £'000
Rental income from investment properties	(2,229)	(2,372)
Direct operating expenses arising from investment properties	93	52
<b>Net (gain)/loss on Investment Properties</b>	<b>(2,136)</b>	<b>(2,320)</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:

	2019/20 £'000	2018/19 £'000
Balance at 1 April	41,891	39,868
Additions	63	4
Disposals	(1,070)	-
Net gains/(losses) arising from fair value adjustments	602	(724)
Transfers (to)/from Property, Plant and Equipment	1,111	2,743
<b>Balance at 31 March</b>	<b>42,597</b>	<b>41,891</b>



**Investment in subsidiaries**

As at 31 March 2020 the Council provided £1.580m of equity investment into the following company:

<b><u>Name</u></b>	<b><u>Class of shares</u></b>	<b><u>Holdings</u></b>
Colchester Commercial Holdings Limited	Ordinary	100%

**17. 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:	<b>Other significant observable Inputs (Level 2) £'000</b>	<b>2019/20 Significant unobservable Inputs (Level 3) £'000</b>	<b>Total Fair Value as at 31 March 2020 £'000</b>	<b>Other significant observable Inputs (Level 2) £'000</b>	<b>2018/19 Significant unobservable Inputs (Level 3) £'000</b>	<b>Total Fair Value as at 31 March 2019 £'000</b>
<b>Surplus Assets</b>						
Commercial development sites	-	27,040	27,040	-	11,239	11,239
Residential development sites	-	80	80	-	961	961
Other	-	161	161	-	161	161
<b>Total (Note 14)</b>	<b>-</b>	<b>27,281</b>	<b>27,281</b>	<b>-</b>	<b>12,361</b>	<b>12,361</b>
<b>Investment Properties</b>						
Commercial units	-	19,677	19,677	95	18,542	18,637
Retail units	2,753	11,516	14,269	2,579	12,286	14,865
Car parks	59	1,910	1,969	-	1,913	1,913
Residential development sites	-	278	278	-	281	281
Offices	6,158	-	6,158	5,957	-	5,957
Other	215	31	246	112	126	238
<b>Total (Note 16)</b>	<b>9,185</b>	<b>33,412</b>	<b>42,597</b>	<b>8,743</b>	<b>33,148</b>	<b>41,891</b>
<b>Assets Held for Sale</b>						
Residential development site	-	-	-	1,100	-	1,100
<b>Total (Note 22)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>-</b>	<b>1,100</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 2019/20 financial year.

### **Valuation Techniques used to Determine Level 2 and 3 Fair Values**

The Council's Surplus Assets and Investment Properties are valued by the Council's external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors, and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The Council's external valuers work closely with the Council's estates officers and meet with finance officers on a regular basis to provide details on all valuation matters. Formal valuation reports are produced by the external valuers which are reviewed by the finance officers and then discussed with the Council's Chief Financial Officer.

The fair value of the Surplus Assets and Investment Properties has been measured using the market valuation approach. This approach takes account of quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in valuing the Council's asset portfolio.

#### Level 2 Valuations

The fair value for the Council's retail units and other assets has been valued using the market valuation approach based on the term and reversion valuation. This involved assessing the net rents and comparing them to transactions for similar properties, allowing for factors such as lease terms and location. The significant observable inputs in the valuation of these assets 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.

The fair value for the Council's Assets Held for Sale properties has been valued using the market valuation approach based on offers received that are subject to contract.

Level 3 Valuations

Type	Significant unobservable inputs	Relationship between unobservable inputs to fair value
Commercial Units  Retail Units  Car Parks  Other Assets	<ul style="list-style-type: none"> <li>• Yield evidence</li> <li>• Repair and condition (e.g. contamination)</li> <li>• Unusual properties where little comparable evidence exists</li> </ul>	<p>Ground rents are sensitive to change in income and yield. The yields adopted range from 4.0 – 5.5%. The higher the yield the lower the fair value.</p> <p>Other ground rents are based on a percentage of the rack rental value or rents received so these rents can fluctuate annually. The higher the rack rental value/rents received the higher the fair value.</p> <p>Repair and decontamination costs are based on gross estimates where detailed costings are unavailable. An increase in these repair costs would lead to a decrease in the fair value.</p>
Commercial Development Sites  Residential Development Sites	<ul style="list-style-type: none"> <li>• Estimation of the gross development values</li> <li>• Estimation of the timing and completion of development</li> <li>• Physical constraints relating to the assets</li> <li>• Access to directly comparable land transaction evidence</li> </ul>	<p>The fair value of these assets is based on many variables. Most development sites are stand alone with their own distinct characteristics.</p> <p>Information on these sites is more specialist and is based on gross development values and gross development costs using the RICS building cost indices.</p> <p>A decrease in the gross development value would lead to a decrease in the fair value.</p> <p>A decrease in the gross development costs would lead to an increase in the fair value.</p>

## 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 4 Surplus Assets and 1 Investment Properties, 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.

In 2016/17 the Council approved a five-year Asset Management Strategy (AMS). This assesses how the Council manages its property assets by reviewing their efficiency and fitness for purpose. It reviews how services work together to get the best out of the Council's assets, its future plans and how it will work with external partners. The main aims of the AMS are to ensure the Council's assets are assisting with the delivery of long term service goals, and maximising capital receipts and annual income. It also reviews how the Council's surplus assets are managed to maximise their value, and looks at policies for dealing with management, acquisition and disposal.

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

### Surplus Assets: Level 3

	Commercial Development Sites £'000	Residential Development Sites £'000	Other £'000
<b>Balance as at 1 April 2018</b>	<b>13,654</b>	<b>2,251</b>	<b>162</b>
Additions	-	-	-
Disposals	-	-	-
Gains/(Losses) taken to the Revaluation Reserve during the year	(2,500)	(108)	-
Gains/(Losses) taken to the Surplus/Deficit during the year	85	-	-
Transfers	-	(1,100)	-
Depreciation charges	-	(22)	(1)
Impairment losses	-	(60)	-
<b>Balance as at 31 March 2019</b>	<b>11,239</b>	<b>961</b>	<b>161</b>
Additions	13	-	-
Disposals	-	(571)	-
Gains/(Losses) taken to the Revaluation Reserve during the year	15,814	(75)	-
Gains/(Losses) taken to the Surplus/Deficit during the year	(28)	(205)	-
Transfers	-	(30)	-
Depreciation charges	-	-	-
Impairment losses	-	-	-
<b>Balance as at 31 March 2020</b>	<b>27,038</b>	<b>80</b>	<b>161</b>

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 Commercial Units £'000	Level 3 Retail Units £'000	Car Parks £'000	Residential Developmen t Sites £'000	Other £'000
<b>Balance as at 1 April 2018</b>	<b>18,512</b>	<b>12,457</b>	<b>1,834</b>	<b>281</b>	<b>126</b>
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Gains/(Losses) taken to the Surplus/Deficit during the year	30	(171)	79	-	-
<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>

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.

## 18. Intangible Assets

### Purchased Software

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are comprised of purchased software licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range between three and ten years.

The carrying amount of intangible assets is amortised on a straight-line basis. In 2019/20, amortisation of £0.139 million was charged to IT holding accounts and then recharged to individual service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading in the Cost of Services section of the Comprehensive Income and Expenditure Statement. There are no items of capitalized software which are individually material to the financial statements.

The movement on intangible asset balances during the financial year is as follows:

		2019/20 £'000	2018/19 £'000
Cost:	At 1 April	3,007	10,108
	Additions: Purchases	7	-
	Derecognitions	(1,377)	(7,101)
	<b>At 31 March</b>	<b>1,637</b>	<b>3,007</b>
Amortisation:	At 1 April	(2,855)	(9,556)
	Amortisation for the year	(139)	(379)
	Derecognitions	1,377	7,080
	<b>At 31 March</b>	<b>(1,617)</b>	<b>(2,855)</b>
<b>Net carrying amount at 31 March</b>		<b>20</b>	<b>152</b>
Net carrying amount at 1 April		152	552

## 19. 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.

	2019/20 £'000	2018/19 £'000
<b>Opening Capital Financing Requirement at 1 April</b>	<b>161,680</b>	<b>154,189</b>
<b>Capital Expenditure</b>		
Property, Plant and Equipment	37,968	22,362
Investment Properties	63	4
Heritage Assets	15	16
Intangible Assets	7	-
Revenue Expenditure Funded from Capital under Statute	5,252	2,695
Equity Investment	1,580	-
Long Term Debtors	1,357	27
	<b>46,242</b>	<b>25,104</b>
<b>Sources of Finance</b>		
Capital Receipts	2,007	2,280
Government Grants and Other Contributions	8,892	1,840
Major Repairs Reserve	8,369	2,544
Direct Revenue Contributions	9,316	9,605
Minimum Revenue Provision	1,504	1,322
Write-off of Finance Lease Creditor	224	22
	<b>30,312</b>	<b>17,613</b>
<b>Closing Capital Financing Requirement at 31 March</b>	<b>177,610</b>	<b>161,680</b>
<b>Explanation of movements in year:</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	17,647	8,835
Assets acquired under finance leases	11	-
Minimum Revenue Provision	(1,504)	(1,322)
Write-off of Finance Lease Creditor	(224)	(22)
<b>Increase/(Decrease) in the Capital Financing Requirement</b>	<b>15,930</b>	<b>7,491</b>

## Capital Commitments

At 31 March 2020, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The significant commitments are:

<b>Scheme</b>	<b>Total Contract Value £'000</b>	<b>Outstanding at 31 March 2020 £'000</b>	<b>Outstanding at 31 March 2019 £'000</b>
Decent Homes and upgrades to Council Stock	6,603	1,885	2,510
Specific Adaptations to Housing Stock	4,486	1,084	420
Sheepen Road (Amphora Place) Phase 2 building works	2,063	46	63
Colchester Northern Gateway Sports Hub – project management fees etc.	2,069	42	484
Colchester Northern Gateway Sports Hub – building works	19,926	2,486	19,358
Colchester Northern Gateway Sports Hub – pitch works	1,079	91	252
Mercury Theatre – building works	6,815	3,438	6,653
Waste Vehicles – purchases	4,033	151	1,937
Sweepers – purchases	576	-	576



## 20. Financial Instruments

### Categories of Financial Instruments

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

	<b>Long Term</b>		<b>Short Term</b>	
	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
<b>Financial Assets:</b>				
Financial Assets valued at amortised cost	-	-	25,616	35,117
Financial Assets measured at fair value through other comprehensive income	6	6	-	-
Cash and cash equivalents				
Cash held by the Council	-	-	7	8
Bank current accounts	-	-	2,524	273
Short term deposits	-	-	30,009	19,264
Financial Assets carried at contract amount	7,004	4,623	16,328	7,562
<b>Total Financial Assets</b>	<b>7,010</b>	<b>4,629</b>	<b>74,484</b>	<b>62,224</b>
<b>Financial Liabilities:</b>				
Bank Overdraft	-	-	-	(3,245)
Borrowings				
Public Works Loan Board	(104,594)	(104,594)	-	-
Money Market	(22,350)	(31,000)	(37,294)	(7,293)
Financial Liabilities carried at contract value	-	-	(14,940)	(11,263)
Finance Lease liabilities	(290)	(711)	(287)	(680)
<b>Total Financial Liabilities</b>	<b>(127,234)</b>	<b>(136,305)</b>	<b>(52,521)</b>	<b>(22,481)</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:

	<b>Financial Liabilities: measured at amortised cost £'000</b>	<b>2019/20 Financial Assets: measured at amortised cost £'000</b>	<b>Total £'000</b>	<b>Financial Liabilities: measured at amortised cost £'000</b>	<b>2018/19 Financial Assets: measured at amortised cost £'000</b>	<b>Total £'000</b>
Interest expense	6,539	-	6,539	6,592	-	6,592
<b>Total expense in Surplus/Deficit on Provision of Services</b>	<b>6,539</b>	<b>-</b>	<b>6,539</b>	<b>6,592</b>	<b>-</b>	<b>6,592</b>
Interest income	-	(814)	(814)	-	(681)	(681)
Other investment income – Dividends	-	(393)	(393)	-	(286)	(286)
<b>Total income in Surplus/Deficit on Provision of Services</b>	<b>-</b>	<b>(1,207)</b>	<b>(1,207)</b>	<b>-</b>	<b>(967)</b>	<b>(967)</b>
<b>Net (gain)/loss for the year</b>	<b>6,539</b>	<b>(1,207)</b>	<b>5,332</b>	<b>6,592</b>	<b>(967)</b>	<b>5,625</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 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	25,600	25,600	34,640	34,640
Cash and cash equivalents	32,542	32,542	19,545	19,545
Short term debtors (Note 1 below)	8,189	8,189	7,562	7,562
Short term loans	16	16	477	477
Long term debtors	7,010	7,010	4,629	4,629
<b>Total Financial Assets</b>	<b>73,357</b>	<b>73,357</b>	<b>66,853</b>	<b>66,853</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 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Bank overdraft	-	-	(3,245)	(3,245)
PWLB debt	(104,594)	(129,735)	(104,594)	(136,139)
Market debt	(57,850)	(66,612)	(38,293)	(46,847)
Short term creditors (Note 2 below)	(14,940)	(14,940)	(11,263)	(11,263)
Short term finance lease liabilities	(290)	(290)	(680)	(680)
Long term finance lease liabilities	(287)	(287)	(711)	(711)
<b>Total Financial Liabilities</b>	<b>(177,961)</b>	<b>(211,864)</b>	<b>(158,786)</b>	<b>(198,885)</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 2018.

The fair value of the Council's borrowings is greater than the carrying value because this reflects the fact that the average interest rate (4.8%) 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 21 and 23 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.

The in year position on such loans is detailed below:

	31 March 2020 £'000	31 March 2019 £'000
<b>Opening Balance</b>	<b>918</b>	<b>837</b>
Add: New loans granted	57	27
Deduct: Fair Value adjustment	(21)	(9)
Deduct: Loans repaid	(39)	(47)
Add: Increase in the discounted amount	41	63
Other adjustments	-	47
<b>Balance carried forward</b>	<b>956</b>	<b>918</b>
<b>Nominal value carried forward</b>	<b>1,309</b>	<b>1,292</b>

### 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 procedures 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 20 February 2019, 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 2019/20 was approved by Full Council on 20 February 2019 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 £56,831 million (2018/19 £54.381 million). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2020 and the financial impact of potential default was immaterial, due to the low risk nature of the Council's investment policy.

No borrowing limits were exceeded in 2019/20.

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

	31 March 2020 £'000	31 March 2019 £'000
Less than twelve months	11,088	7,999
More than twelve months	1,579	1,629
<b>Total</b>	<b>12,667</b>	<b>9,628</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 £56,831 million (2018/19 £54.381 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:

	Approved minimum %	Approved maximum %	Actual 31 March 2020 £'000	Actual 31 March 2020 %	Actual 31 March 2019 £'000	Actual 31 March 2019 %
Less than 1 year	0	15	35,500	21.9	5,500	3.9
Between 1 and 2 years	0	15	8,350	5.1	20,000	14.2
Between 2 and 5 years	0	15	5,700	3.5	2,000	1.4
Between 5 and 10 years	0	15	3,000	1.8	700	0.5
Between 10 and 20 years	0	30	18,900	11.6	18,100	12.8
Between 20 and 30 years	0	30	36,000	22.2	36,000	25.5
Between 30 and 40 years	0	40	35,394	21.8	31,594	22.4
Between 40 and 50 years	0	40	10,600	6.5	18,200	12.9
More than 50 years	0	10	9,000	5.6	9,000	6.4
<b>Total</b>			<b>162,444</b>	<b>100.0</b>	<b>141,094</b>	<b>100.0</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 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2020 £'000	31 March 2019 £'000
Increase in interest payable on new fixed rate borrowings	11	-
Increase in interest receivable on short term investments made in year	(611)	(686)
Impact on Surplus or Deficit on the Provision of Services	600	(686)
Share of overall impact credited to the HRA (net)	(183)	(140)
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)	26,194	27,906
Decrease in fair value of investments (loans and receivables) (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	-	-

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.

### Price risk

The Council, excluding the pension fund, has not invested in equity shares or marketable bonds so has no significant exposure to losses arising from movements in the price of shares.

### Foreign exchange risk

The Council has no financial assets (investments) or liabilities (borrowings) denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 21. Long Term Debtors

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

<b>2019/20</b>	<b>Balance at 31 March 2019 £'000</b>	<b>Interest adjustment £'000</b>	<b>Advances in the year £'000</b>	<b>Repayments In the year £'000</b>	<b>Other movements £'000</b>	<b>Balance at 31 March 2020 £'000</b>
Improvement of Private Sector Houses	918	21	57	(39)	-	957
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>4,623</b>	<b>47</b>	<b>2,427</b>	<b>(92)</b>	<b>-</b>	<b>7,005</b>

<b>2018/19</b>	<b>Balance at 31 March 2018 £'000</b>	<b>Interest adjustment £'000</b>	<b>Advances in the year £'000</b>	<b>Repayments In the year £'000</b>	<b>Other movements £'000</b>	<b>Balance at 31 March 2019 £'000</b>
Improvement of Private Sector Houses	837	54	27	(47)	47	918
Finance lease debtors	3,683	-	-	(25)	-	3,658
Other Loans	37	-	47	(37)	-	47
<b>Total</b>	<b>4,557</b>	<b>54</b>	<b>74</b>	<b>(109)</b>	<b>47</b>	<b>4,623</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 27).

**22. Assets Held for Sale**

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Balance at 1 April	1,100	958
Assets reclassified as held for sale from Property, Plant and Equipment	-	1,100
Disposals	(1,100)	(958)
<b>Balance at 31 March</b>	<b>-</b>	<b>1,100</b>

**23. Short Term Debtors**

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Grants and Taxes	6,114	4,657
Trade Debtors	2,188	2,258
Prepayments	1,826	660
Housing Benefit Overpayments	722	736
NNDR ratepayers' arrears	699	385
Council Tax ratepayers' arrears	683	599
Other Debtors	6,033	3,907
<b>Total Short Term Debtors</b>	<b>18,265</b>	<b>13,202</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 £7.6 million as at 31 March 2020 (£7.5 million as at 31 March 2019).

**24. Short Term Creditors**

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Trade Creditors	(12,807)	(6,527)
Receipts in Advance	(2,191)	(1,977)
Other Taxes and Social Security	(1,121)	(1,114)
Collection Fund Agency	(5,743)	(7,252)
NNDR Prepayments	(578)	(484)
Council Tax Prepayments	(396)	(374)
Other Creditors	(2,775)	(4,761)
<b>Total Short Term Creditors</b>	<b>(25,611)</b>	<b>(22,489)</b>

**25. Provisions****Non-Domestic Ratings Appeals Provision**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Balance at 1 April	(4,178)	(2,306)
RV list amendments charged against provision for appeals	723	332
Changes in provision for appeals	162	(2,204)
<b>Balance at 31 March</b>	<b>(3,293)</b>	<b>(4,178)</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 appeals provision is shared between preceptors in proportion to the relevant precepting shares. The Council's proportionate share (40%) of the total provision is included in the Balance Sheet. (See Collection Fund Note C5 for details of the total provision of £8.232 million (2018/19: £10.443 million) reported in the Collection Fund accounts).

The adjustments to the provision made in 2019/20 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.

**Insurance Provision**

	2019/20 £'000	2018/19 £'000
Balance at 1 April	(306)	(322)
Additional provisions made in the year	(5)	(40)
Amounts used / released during the year	171	56
<b>Balance at 31 March</b>	<b>(140)</b>	<b>(306)</b>

The **Insurance Provision** has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However the actual cost of individual claims and the timing of payments are uncertain. The Insurance Fund has been allocated between the provision and reserve elements (see Note 10).

**Other Provision**

	2019/20 £'000	2018/19 £'000
Balance at 1 April	(42)	-
Additional provisions made in the year	(50)	(42)
Amounts used during the year	42	-
<b>Balance at 31 March</b>	<b>(50)</b>	<b>(42)</b>

A provision has been made in the 2018/19 accounts to provide for the estimated costs of a pension deficit which the Council is liable for due to the cessation of a company, under which the Council has TUPE obligations which was released in 2019/20. A further provision was required

**26. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement on page 18.

**27. Unusable Reserves**

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

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	119,416	90,077
Capital Adjustment Account	312,720	311,614
Financial Instruments Adjustment Account	(352)	(373)
Pensions Reserve	(89,988)	(94,608)
Deferred Capital Receipts Reserve	4,668	3,618
Collection Fund Adjustment Account	507	(555)
Accumulated Absences Account	(394)	(444)
<b>Total</b>	<b>346,577</b>	<b>309,329</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.

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>90,077</b>	<b>70,418</b>
Upward revaluation of assets	34,078	26,261
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(815)	(5,140)
Impairment losses	-	(127)
<b>Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>33,263</b>	<b>20,994</b>
Difference between fair value depreciation and historical cost depreciation	(1,522)	(1,093)
Accumulated gains on assets sold/scrapped	(2,402)	(242)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,924)</b>	<b>(1,335)</b>
<b>Balance at 31 March</b>	<b>119,416</b>	<b>90,077</b>



## **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.

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>311,614</b>	<b>317,650</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	(10,045)	(9,831)
Derecognition of components of non-current assets	(621)	(681)
Revaluation losses on property, plant and equipment	(12,487)	(13,142)
Revaluation losses on heritage assets	(15)	(16)
Reversal of previously recognised revaluation losses	1,278	5,980
Charges for impairment of non-current assets	-	(505)
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	(6,413)	(2,905)
Amortisation of intangible assets	(139)	(379)
Revenue expenditure funded from capital under statute	(5,252)	(2,695)
Write off of Finance Lease Creditors	224	22
Long Term Debtors	(39)	(85)
Adjusting amounts written out of the Revaluation Reserve	3,924	1,335
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(29,585)</b>	<b>(22,902)</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,007	2,280
Use of the Major Repairs Reserve to finance new capital expenditure	8,369	2,543
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,892	1,840
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,504	1,322
Capital expenditure charged against the General Fund and HRA balances	9,316	9,605
	<b>30,088</b>	<b>17,590</b>
Movements in the fair value of investment properties	603	(724)
<b>Balance at 31 March</b>	<b>312,720</b>	<b>311,614</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for certain financial instruments and statutory provisions. The Council uses the Account to reflect interest foregone on interest free loans (soft loans) made under the Financial Assistance Policy for home improvements. The initial 'loss' and notional interest payable are reflected in the Comprehensive Income and Expenditure Statement. The balance of these amounts is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	(373)	(427)
Amount by which costs charged to the Comprehensive Income and Expenditure Statement are different from costs chargeable in the year in accordance with statutory requirements	20	54
<b>Balance at 31 March</b>	<b>(353)</b>	<b>(373)</b>

## Pensions Reserve

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

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(94,608)</b>	<b>(102,764)</b>
Re-measurement of the net defined benefit liability	12,982	12,881
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(11,943)	(8,298)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,581	3,573
<b>Balance at 31 March</b>	<b>(89,988)</b>	<b>(94,608)</b>

### 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.

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>3,618</b>	<b>3,623</b>
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,070	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(19)	(5)
<b>Balance at 31 March</b>	<b>4,669</b>	<b>3,618</b>

### 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.

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(555)</b>	<b>963</b>
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(244)	144
Amount by which Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Non-Domestic rates income calculated for the year in accordance with statutory requirements	1,307	(1,662)
<b>Balance at 31 March</b>	<b>508</b>	<b>(555)</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, (e.g. annual leave entitlements carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(444)</b>	<b>(483)</b>
Settlement or cancellation of accrual made at the end of the preceding year	444	483
Amounts accrued at the end of the current year	(395)	(444)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	49	39
<b>Balance at 31 March</b>	<b>(395)</b>	<b>(444)</b>

## 28. Cash Flow Statement Notes

### Cash Flows from Operating Activities

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

	2019/20 £'000	2018/19 £'000
Interest Received	833	548
Interest Paid	(6,626)	(6,645)
Dividends Received	393	286

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

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Depreciation	10,045	9,831
Impairments and downward valuations	11,845	13,663
Reversal of previously recognised revaluation losses	-	(5,980)
Movement in the fair value of Investment Properties	(603)	724
Carrying value of non-current assets and assets held for sale sold and derecognised	6,413	3,587
Amortisation	139	379
Increase/(Decrease) in Creditors	7,762	2,415
(Increase)/Decrease in Debtors	(2,274)	1,511
(Increase)/Decrease in Inventories	30	24
Contributions to/(from) Provisions	(1,043)	1,898
Movement in the pension liability	8,362	4,725
Other non-cash movements	(21)	(101)
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>	<b>40,655</b>	<b>32,676</b>

**Cash and Cash Equivalents**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Cash held by the Council	7	8
Bank current accounts	2,525	273
Short term deposits	30,010	19,264
Bank overdraft	-	(3,245)
<b>Cash Flow Statement - Total Cash and Cash Equivalents</b>	<b>32,542</b>	<b>16,300</b>

**Reconciliation of Liabilities arising from Financing Activities**

	<b>1 April 2019</b>	<b>Financing cash flows</b>	<b>Non cash changes</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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>

	<b>1 April 2018</b>	<b>Financing cash flows</b>	<b>Noncash changes</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Short Term Borrowings	7,282	(1,782)	1,793	7,293
Long Term Borrowings	135,594	-	-	135,594
Finance Lease Liabilities	2,185	(740)	(54)	1,391
<b>Total Liabilities arising from Financing Activities</b>	<b>145,061</b>	<b>(2,522)</b>	<b>1,739</b>	<b>144,278</b>

## 29. 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) on page 19 are set out below:

Description	Line of the CIES	2019/20			2018/19		
		Income	Expenditure	(Surplus) / Deficit	Income	Expenditure	(Surplus) / Deficit
		£'000	£'000	£'000	£'000	£'000	£'000
Colchester Leisure World	Policy & Corporate	(4,544)	5,432	888	(5,098)	5,693	595
Trade Refuse	Environment	(534)	580	46	(536)	456	(80)
Building Control Chargeable Account	Communities	(401)	561	160	(398)	529	131
Land Charges	Customer	(200)	216	16	(257)	201	(56)
Cemetery & Crematorium	Communities	(1,497)	928	(569)	(1,450)	971	(479)
Off Street Parking (Note 1)	Environment	(1,003)	998	(5)	(1,031)	1,125	94
<b>Net (Surplus) / Deficit on Trading Operations</b>		<b>(8,179)</b>	<b>8,715</b>	<b>536</b>	<b>(8,770)</b>	<b>8,975</b>	<b>205</b>

**Note 1:** The trading operation for Off Street Parking was operational from 1 April 2018 under a joint arrangement.



**30. Members' Allowances and Expenses**

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

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Allowances	526	511
Expenses	4	5
<b>Total</b>	<b>530</b>	<b>516</b>

**31. Officers' Remuneration**

The remuneration paid to the Council's senior officers is as follows:

Post holder	2019/20					Total Remuneration
	Salary, Fees and Allowances	Bonuses	Expense Allowances	Employer's Pension contributions		
	£	£	£	£	£	£
Chief Executive (Head of Paid Service)	104,463	-	-	-	-	<b>104,463</b>
Executive Director	107,222	-	-	16,191	-	<b>123,413</b>
Executive Director (Note 1)	102,194	-	-	15,431	-	<b>117,625</b>
Executive Director	85,883	-	-	-	-	<b>85,883</b>
Assistant Director for Communities	81,170	-	-	12,257	-	<b>93,427</b>
Assistant Director for Customer	81,170	-	-	12,026	-	<b>93,196</b>
Assistant Director for Environment (Note 2)	67,344	-	-	10,169	-	<b>77,513</b>
Assistant Director for Environment (Note 2)	18,280	-	-	2,760	-	<b>21,040</b>
Assistant Director for Policy & Corporate 3)	39,194	-	-	5,826	-	<b>45,020</b>
Assistant Director for Corporate & vement (Note 4)	13,826	-	-	2,088	-	<b>15,914</b>
Assistant Director for Place & Client (Note 5)	18,417	-	-	2,741	-	<b>21,158</b>
Monitoring Officer	72,803	-	-	10,993	-	<b>83,796</b>
Section 151 Officer (Note 6)	-	-	-	-	-	<b>-</b>
Returning Officer	11,475	-	-	-	-	<b>11,475</b>

Note 1: This position was vacant until the on 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 remained vacant during the year and was covered by agency at a cost of £144,372 (excluding VAT).

<b>Post holder</b>	<b>2018/19 Salary, Fees and Allowances £</b>	<b>Bonuses £</b>	<b>Expense Allowances £</b>	<b>Employers Pension contributions £</b>	<b>Total Remuneration £</b>
Chief Executive (Head of Paid Service)	102,414	-	-	-	<b>102,414</b>
Executive Director (Note 1)	91,697	-	-	13,846	<b>105,543</b>
Executive Director	93,872	-	-	9,016	<b>102,888</b>
Executive Director	102,360	-	-	15,456	<b>117,816</b>
Assistant Director for Communities	77,122	-	-	11,645	<b>88,767</b>
Assistant Director for Customer	77,122	-	-	11,534	<b>88,656</b>
Assistant Director for Environment	77,122	-	-	11,645	<b>88,767</b>
Assistant Director for Policy & Corporate 2)	61,714	-	-	9,319	<b>71,033</b>
Monitoring Officer	67,636	-	-	10,243	<b>77,879</b>
Section 151 Officer (Note 3)	64,447	-	-	9,417	<b>73,864</b>
Returning Officer	9,140	-	-	-	<b>9,140</b>

**Note 1:** The Executive Director left the Council on 21 February 2019. This position remained vacant from this date until an officer was appointed on 8 April 2019.

**Note 2:** The Assistant Director for Policy and Corporate started at the Council on 11 June 2018. An interim officer was contracted to fulfil this role for the period from 27 March to 14 June 2018 prior to their recruitment. Payments to the recruitment agency in respect of this placement for salaries and fees totalled £28,810 (excluding VAT). The normal recruitment and contract processes were undertaken for the engagement of this interim officer.

**Note 3:** The Section 151 Officer left the Council on 1 March 2019. An interim officer was contracted to fulfil this role for period from 21 January 2019 to the year end. Payments to the recruitment agency in respect of this placement for salaries and fees totalled £24,544 (excluding VAT) in 2018/19. The normal recruitment and contract processes were undertaken for the engagement of this interim officer.

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**

	<b>Number of Employees</b>	
	<b>2019/20</b>	<b>2018/19</b>
£50,000 - £54,999	2	10
£55,000 - £59,999	9	2
£60,000 - £64,999	2	-
£65,000 - £69,999	2	5
£70,000 - £74,999	-	-
£75,000 - £79,999	-	1

**32. 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 include payments to individuals of £250,951 in 2019/20 (£560,720 in 2018/19) and payments to the pension fund authority of £143,347 in 2019/20 (£241,536 in 2018/19) in respect of strains on the pension fund.

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

<b>2019/20 Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other agreed departures</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages £</b>
£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>

<b>2018/19 Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other agreed departures</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages £</b>
£0 - £20,000	14	6	20	215,026
£20,001 - £40,000	6	4	10	279,495
£40,001 - £60,000	3	2	5	240,983
£60,001 - £80,000	-	1	1	61,192
<b>Total cost included in bandings</b>	<b>23</b>	<b>13</b>	<b>36</b>	<b>796,696</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				5,560
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
<b>Total Exit Costs</b>				<b>802,256</b>

**33. 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.

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
External audit services	48	50
Certification of grant claims and returns	14	27
Other services - National Fraud Initiative	-	2
Other	(6)	-
<b>Total</b>	<b>56</b>	<b>79</b>

**34. Grant Income****Credited to Services:**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
DWP Grants for Benefits		
Rent Allowances	28,821	34,524
Rent Rebates	13,767	15,468
Administration	442	493
Other	493	521
MHCLG NNDR and LCTS Admin	394	399
MHCLG Other	2,317	2,641
Arts Council	199	215
Joint Finance Contributions	1,167	989
Essex County Council	2,702	3,450
Essex Police and Crime Commissioner	97	111
Essex Fire and Rescue	38	59
Other Local Authorities	1,682	808
Colchester Primary Care Trust	191	6
Other Governmental / Non Governmental Agencies	457	551
Other Miscellaneous Grants	339	165
<b>Total</b>	<b>53,106</b>	<b>60,400</b>

**Credited to Taxation and Non Specific Grant Income:**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Revenue Support Grant	-	275
Transition Grant	-	-
New Homes Bonus	3,415	3,443
Business Rates Section 31 Grants	2,787	2,106
New Burdens & Other	51	56
EU Exit Preparation	35	17
Capital Grants received from:		
MHCLG	744	479
Arts Council England	907	-
Section 106 Developer Contributions	1,281	1,193
BEIS	69	148
Essex County Council (incl. SELEP)	2,040	-
HCA – HIF	2,236	-
ERDF	600	-
Sport England	540	-
DCMS	202	-
CBC owned companies	173	-
Other	100	20
<b>Total</b>	<b>15,180</b>	<b>7,737</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**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Commutated sums received from developers	(2,576)	(2,210)
Other grants	(3,964)	(658)
<b>Total</b>	<b>(6,540)</b>	<b>(2,868)</b>

**Long Term Liabilities****Grants Receipts in Advance – Capital**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Section 106 developer contributions	(10,305)	(10,889)
Other grants	(4,005)	(3,564)
<b>Total</b>	<b>(14,310)</b>	<b>(14,453)</b>



### **35. Related Parties**

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

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 34.

#### **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 30.

In 2019/20 the Council awarded excavation work on various sites to Colchester Archaeological Trust to the value of £141,376. Councillor Cyril Liddy was Director of Colchester Archaeological Trust in 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 31.

In 2019/20 the Council awarded a grant of £33,148 to Next Chapter charity through its voluntary welfare grant scheme to support the charity's project costs. The current Assistant Director of Environment was Director and a trustee of Next Chapter in the financial year when the grant was paid over to the charity.

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

	2019/20			2018/19		
	Expenditure	Income	Loans	Expenditure	Income	Loans
	£'000	£'000	£'000	£'000	£'000	£'000
Colchester Commercial Holdings Limited	1,890	643	-	2,092	286	-
Colchester Amphora Trading Limited	401	357	-	-	-	-
Colchester Amphora Homes Limited	201	20	400	-	-	250
Colchester Amphora Energy Limited	175	153	926	73	-	212
Colchester Community Stadium Limited	-	154	-	500	217	32
Colchester Mercury Theatre Limited	168	12	-	195	-	-
Colchester Primary Care Trust	-	-	-	-	6	-
Parish Councils	1,962	49	-	1,748	-	-
Essex County Council	679	4,742	-	354	2,705	-
North Essex Gardens Communities Limited	179	-	-	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.

In March 2018 'Our Colchester' a Business Improvement District company was incorporated. The company became operational in October 2018. The Council acts as an agent in collection Business Rates on behalf of 'Our Colchester' for which it is paid an annual fee of £12,140 (£7,300 in 2018/19). In 2018/19, the Council advanced a loan to the Bid Company of £62,000, repayable over 4 years remaining balance of the loan at the end of 2019/20 is £46,500.

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.

**36. 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:

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Other Land and Buildings	802	822
Vehicles, Plant, Furniture and Equipment	426	1,208
<b>Total</b>	<b>1,228</b>	<b>2,030</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:

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Current	280	680
Non-current	297	711
Finance costs payable in future years	1,148	1,315
<b>Minimum Lease Payments</b>	<b>1,725</b>	<b>2,706</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Not later than one year	337	821	281	680
Later than one year and not later than five years	179	654	79	494
Later than five years	1,209	1,231	217	217
<b>Total</b>	<b>1,725</b>	<b>2,706</b>	<b>577</b>	<b>1,391</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 2020 £'000	31 March 2019 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	38	30
Non-current	4,726	3,658
Unearned finance income	71,270	34,879
Unguaranteed residual value of property	17	17
<b>Gross investment in the lease</b>	<b>76,051</b>	<b>38,584</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 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Not later than one year	269	219	269	219
Later than one year and not later than five years	1,190	911	1,173	894
Later than five years	74,592	37,454	74,592	37,454
<b>Total</b>	<b>76,051</b>	<b>38,584</b>	<b>76,034</b>	<b>38,567</b>

**Operating Leases – Council as Lessee**

The Council has acquired various assets (land and buildings, plant, equipment and vehicles) under operating leases which are used to provide Council services.

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Not later than one year	42	374
Later than one year and not later than five years	47	1,060
Later than five years	373	380
<b>Total</b>	<b>462</b>	<b>1,814</b>

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Not later than one year	40	120
Later than one year and not later than five years	130	424
Later than five years	31	56
<b>Total</b>	<b>201</b>	<b>600</b>

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

	2019/20 £'000	2018/19 £'000
Minimum lease payments	96	471
Contingent rent payments	0	65
Sub lease minimum lease payments received	(119)	(203)
Sub lease contingent rent payments received	(2)	(12)

### 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 2020 £'000	31 March 2019 £'000
Not later than one year	1,589	1,850
Later than one year and not later than five years	5,145	6,183
Later than five years	70,620	71,095
<b>Total</b>	<b>77,354</b>	<b>79,128</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 2019/20 a total of £1.4 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2018/19: £1.6 million).

### **37. 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:

	2019/20 £'000	2018/19 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current service cost	7,011	6,862
Past Service Cost	1,810	540
Liabilities assumed/(extinguished) on settlements	6,098	(3,879)
Settlements price received/(paid)	(5,275)	2,162
Financing and Investment Income and Expenditure:		
Net interest expense	2,242	2,541
Pension fund administration expenses	57	72
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	(12,982)	(12,881)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,039)</b>	<b>(4,583)</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.	(11,943)	(8,298)
Employer's contributions payable to the scheme	3,581	3,573
<b>Total charged to the Movement in Reserves Statement</b>	<b>(8,362)</b>	<b>(4,725)</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:

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Present value of the defined benefit obligation	(269,802)	(279,528)
Fair value of plan assets	179,814	184,920
<b>Net liability</b>	<b>(89,988)</b>	<b>(94,608)</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):**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Balance at 1 April	(279,528)	(278,903)
Current service cost	(7,011)	(6,862)
Interest cost	(6,655)	(6,939)
Change in financial assumptions	26,933	(12,532)
Change in demographic assumptions	1,839	15,649
Experience loss/(gain) on defined benefit obligation	(4,004)	0
Liabilities assumed/(extinguished) on settlements	(6,098)	3,879
Benefits paid net of transfers in	7,476	7,615
Past service costs	(1,810)	(540)
Contributions by scheme participants	(1,333)	(1,284)
Unfunded pension payments	389	389
<b>Balance at 31 March</b>	<b>(269,802)</b>	<b>(279,528)</b>

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

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Balance at 1 April	184,920	176,139
Interest on assets	4,413	4,398
Return on assets less interest	(14,453)	9,764
Other actuarial gains/(losses)	2,667	0
Administration expenses	(57)	(72)
Contributions by employer	3,581	3,573
Contributions by scheme participants	1,333	1,284
Benefits paid net of transfers in	(7,865)	(8,004)
Settlement prices received/(paid)	5,275	(2,162)
<b>Balance at 31 March</b>	<b>179,814</b>	<b>184,920</b>

**Local Government Pension Scheme assets comprised:**

	<b>31 March 2020</b>		<b>31 March 2019</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	105,252	59	115,129	62
Gilts	7,750	4	9,815	5
Other bonds	10,895	6	10,808	6
Property	16,170	9	16,442	9
Cash	7,474	4	4,870	3
Alternative assets	20,712	12	18,030	10
Other managed funds	11,561	6	9,826	5
<b>Total</b>	<b>179,814</b>	<b>100</b>	<b>184,920</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 2016.

The significant assumptions used by the actuary are:

	31 March 2020	31 March 2019
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	21.8 years	21.3 years
Women	23.7 years	23.6 years
Future pensioners retiring in 20 years		
Men	23.2 years	22.9 years
Women	25.2 years	25.4 years
Rate of RPI inflation	2.7% p.a.	3.4% p.a.
Rate of CPI inflation	1.9% p.a.	2.4% p.a.
Rate of increase in salaries	2.9% p.a.	3.9% p.a.
Rate of increase in pensions	1.9% p.a.	2.4% p.a.
Rate for discounting scheme liabilities	2.4% 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:

	<b>+ 1 year/ + 0.1% change £'000</b>	<b>No change £'000</b>	<b>- 1 year/ - 0.1% change £'000</b>
Discount rate (increase/decrease by 0.1%)	264,602	269,802	275,109
Long term salary increase (increase/decrease by 0.1%)	270,219	269,802	269,388
Pension increases and deferred revaluation (increase/decrease by 0.1%)	274,710	269,802	264,988
Life expectancy assumptions (increase/decrease by 1 year)	280,909	269,802	259,168

**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 2019 and will be implemented with effect from 1 April 2020.

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2020 is £2.942 million.

The actuary's estimate of the duration of the Employer's liabilities for 2019/20 is 19 years (2018/19: 19 years).

**38. Contingent Liabilities**

There were no Contingent Liabilities as at the 31<sup>st</sup> March 2020.

**39. Trust Funds**

The Council acts as a trustee for several trust funds. The funds are not considered to be assets of the Council and so they have not been included within the Council's Balance Sheet.

**HRA INCOME AND EXPENDITURE STATEMENT**

	Notes	2019/20 £'000	2018/19 £'000
Dwelling rents		(26,310)	(26,088)
Non-dwelling rents	H3	(1,103)	(1,022)
Charges for services and facilities		(2,662)	(2,743)
Contributions towards expenditure		(60)	(81)
<b>Total Income</b>		<b>(30,135)</b>	<b>(29,934)</b>
Repairs and maintenance		5,190	4,812
Supervision and management		8,974	8,664
Rents, rates, taxes and other charges		122	170
Depreciation	H9	4,716	4,533
Impairment losses		-	110
Revaluation losses		11,456	9,181
Reversal of previously recognised revaluation losses		(1)	(4,217)
Derecognition of non-current assets		621	600
Amortisation	H10	32	53
Debt management costs		50	70
Movement in the provision for bad debts		-	-
<b>Total Expenditure</b>		<b>31,160</b>	<b>23,976</b>
<b>Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement (Page 19)</b>		<b>1,025</b>	<b>(5,958)</b>
HRA services share of Corporate and Democratic Core		355	383
<b>Net (Income)/Expenditure for HRA Services</b>		<b>1,380</b>	<b>(5,575)</b>
<b>HRA share of the Other Operating Expenditure</b>			
(Gain)/Loss on sale of HRA non-current assets		(1,331)	(2,092)
Capital Receipts not linked to sales		-	-
<b>HRA share of the Financing and Investment Income and Expenditure</b>			
Interest payable and similar charges	H8	5,639	5,637
Interest and investment income		(145)	(113)
Movement in the provision for bad debts		286	144
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>5,829</b>	<b>(1,999)</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	2019/20 £'000	2018/19 £'000
<b>Balance on the HRA at 1 April</b>		<b>4,564</b>	<b>3,905</b>
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement		(5,829)	1,999
Adjustments between accounting basis and funding basis under statute	Note 9	3,516	(1,340)
Transfers (to)/from Earmarked Reserves		2,055	-
<b>Increase/(Decrease) in the year on the HRA Balance</b>		<b>(258)</b>	<b>659</b>
<b>Balance on the HRA at 31 March</b>		<b>4,306</b>	<b>4,564</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 2020, 0.70% of lettable properties were vacant (0.37% at 31 March 2019).

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

	31 March 2020	31 March 2019
<b>Analysis by Type of Dwelling:</b>		
Houses and Bungalows	2,956	2,956
Flats and Maisonettes	2,936	2,944
<b>Total Dwellings</b>	<b>5,892</b>	<b>5,900</b>
<b>Analysis by Number of Bedrooms:</b>		
Bedsitters/1 Bedroom	2,372	2,385
2 Bedrooms	1,754	1,747
3 Bedrooms	1,671	1,674
4 or more Bedrooms	95	94
<b>Total Dwellings</b>	<b>5,892</b>	<b>5,900</b>
The change in stock can be summarised as follows:		
Stock at the beginning of the year	5,900	5,945
Add: New Build, Acquisitions, Conversions etc.	35	11
Deduct: Sales, Demolitions, Conversions, etc.	(43)	(56)
<b>Stock at the end of the year</b>	<b>5,892</b>	<b>5,900</b>

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2015. The valuation of dwellings has then been adjusted from the results of book valuations as at 31 March 2020 in the 2019/20 accounts and this is reflected in the valuation shown below:

### Balance Sheet valuation of HRA Assets

	31 March 2020 £'000	1 April 2019 £'000
Council Dwellings	367,326	361,047
Other Land and Buildings	9,849	10,199
Vehicles, Plant, Furniture and Equipment	56	96
Surplus Assets	50	50
Assets Held for Sale	-	-
<b>Total</b>	<b>377,281</b>	<b>371,392</b>

## H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2020 was £969.3 million (£953.8 million as at 1 April 2019). 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

	2019/20 £'000	2018/19 £'000
Garages and other charges	(1,020)	(931)
Land and other buildings	(83)	(91)
<b>Total – Non-Dwelling Rents</b>	<b>(1,103)</b>	<b>(1,022)</b>

## H4. Charges for Services and Facilities

The Government's Supporting People Programme was introduced from 2003/04. The effect of this is the support element of the rentals that are charged for Council houses are now shown separately in the accounts. Income totalling £0.109 million from Supporting People charges in 2019/20 (2018/19: £0.094 million) is shown under Charges for Services and Facilities.



**H5. Major Repairs Reserve**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Balance as at 1 April	3,653	1,663
Transfers in – depreciation (Note H9)	4,716	4,533
Capital Spending on Dwelling Stock met from Reserve	(8,369)	(2,543)
<b>Balance as at 31 March</b>	<b>-</b>	<b>3,653</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**

<b>Capital Financing</b>	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
<b>HRA Capital Expenditure</b>		
Dwelling Stock	8,799	8,875
New Build - Council Dwellings	441	3
Dwelling Acquisitions	6,408	1,348
Investment in Information Technology	-	-
<b>Total</b>	<b>15,648</b>	<b>10,226</b>
<b>Financed by:</b>		
Capital Grants	23	967
Capital Receipts	20	1,780
Revenue Contributions	5,181	4,934
Retained Right To Buy Receipts Reserve	2,055	1
Major Repairs Reserve	8,369	2,544
<b>Total</b>	<b>15,648</b>	<b>10,226</b>

**Summary of HRA Capital Receipts – Right To Buy**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Sale of Council Houses – Direct	3,353	3,143
Other (including shared ownership)	102	-
<b>Total</b>	<b>3,455</b>	<b>3,143</b>

Receipts from the sale of Council houses have increased in 2019/20. 31 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2019/20 (29 in 2018/19).

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 £3.455 million, £0.496 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<sup>st</sup> 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.

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
HRA Interest Charge	5,639	5,637

**H9. Depreciation Charges**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Council Dwellings	4,223	4,047
Other Land and Buildings	453	431
Vehicles, Plant and Equipment	40	55
<b>Total Depreciation</b>	<b>4,716</b>	<b>4,533</b>

**H10. Amortisation**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Housing Integrated Computer Systems	32	53

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

**H11. Rent Arrears**

The arrears at 31 March 2020 totalled £1.146 million. This excludes prepayments of £0.646 million and is analysed as follows:

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Due from Current Tenants	718	556
Due from Former Tenants	428	403
<b>Total Rent Arrears</b>	<b>1,146</b>	<b>959</b>
Prepayments	(646)	(655)
<b>Net Rent Arrears</b>	<b>500</b>	<b>304</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 2020 the provision totalled £0.865 million (2018/19: £0.715 million).

**H12. Revenue Balances**

Out of the revenue balance of £4.3 million, a sum of £2.7 million has already been committed for future use.

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Revenue Balance at 1 April	4,564	3,905
Adjust: Housing Revenue Account Surplus/(Deficit)	(258)	659
<b>Revenue Balance at 31 March (page 18)</b>	<b>4,306</b>	<b>4,564</b>
Less: Committed Sum		
Investment in Housing Stock 2020/21 and Future Years	(2,344)	(2,773)
Estimate Balance Carried Forward	(362)	(191)
<b>Uncommitted Balance</b>	<b>1,600</b>	<b>1,600</b>

**H13. 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 (£2.344 million) will be used to support spending in future years.

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	Notes	Council Tax £'000	2019/20 NNDR £'000	Total £'000	Council Tax £'000	2018/19 NNDR £'000	Total £'000
<b>Income</b>							
Council Tax		(112,040)	-	(112,040)	(105,276)	-	(105,276)
Non-Domestic Rates		-	(65,583)	(65,583)	-	(65,042)	(65,042)
		<b>(112,040)</b>	<b>(65,583)</b>	<b>(177,623)</b>	<b>(105,276)</b>	<b>(65,042)</b>	<b>(170,318)</b>
<b>Precepts Demands and Shares</b>							
Central Government		-	31,036	31,036	-	30,944	30,944
Colchester Borough Council		13,969	24,829	38,798	13,218	24,756	37,974
Essex County Council		80,459	5,586	86,045	75,700	5,570	81,270
Essex Fire and Rescue		4,588	621	5,209	4,361	619	4,980
Police and Crime Commissioner for Essex		12,220	-	12,220	10,472	-	10,472
<b>Charges to Collection Fund</b>							
Transitional Protection Payment		-	435	435	-	524	524
Cost of Collection Allowance		-	241	241	-	238	238
Interest		-	-	-	-	19	19
Provision for Bad Debts	C5	312	338	650	338	355	693
Provision for Appeals	C5	-	(2,212)	(2,212)	-	4,679	4,679
<b>Apportionment of Previous Year Surplus/(Shortfall)</b>							
Central Government		-	721	721	-	747	747
Colchester Borough Council		306	576	882	9	598	607
Essex County Council		1,753	130	1,883	50	134	184
Essex Fire and Rescue		101	14	115	3	15	18
Police and Crime Commissioner for Essex		242	-	242	7	-	7
		<b>113,950</b>	<b>62,315</b>	<b>176,265</b>	<b>104,158</b>	<b>69,198</b>	<b>173,356</b>
<b>Movement on the Collection Fund Balance</b>							
(Surplus)/Deficit for the year		1,910	(3,268)	(1,358)	(1,118)	4,156	3,038
(Surplus)/Deficit at the beginning of the year		(1,571)	1,892	321	(453)	(2,264)	(2,717)
<b>(Surplus)/Deficit as at 31 March</b>	C4	<b>339</b>	<b>(1,376)</b>	<b>(1,037)</b>	<b>(1,571)</b>	<b>1,892</b>	<b>321</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 (NNDR), 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.

### C2. 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 2019/20 was 63,331 (61,960 in 2018/19). This takes into account Local Council Tax Support, which replaced the payment of Council Tax benefit compensation with a Council Tax Reduction Scheme that each authority administers. The tax base for 2019/20 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,462	6/9	5,641
B	21,137	7/9	16,440
C	19,524	8/9	17,355
D	14,291	9/9	14,291
E	8,261	11/9	10,097
F	3,902	13/9	5,636
G	2,270	15/9	3,783
H	150	18/9	300
Contributions in lieu for Ministry of Defence Properties			784
<b>Total Band D</b>			<b>74,327</b>
Net effect of premiums and discounts			(10,996)
<b>Council Tax Base for the calculation of Council Tax</b>			<b>63,331</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. Prior to 1 April 2013 Non-Domestic Rates were collected by the Council and then paid over to Central Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

In 2013/14 there was a change to the method for distributing and accounting for business rates income, with the introduction of the Business Rates Retention scheme. This allows local authorities to retain a proportion of the total NNDR collected for the area. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base. The relative shares are as follows:

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

Central Government sets a baseline level of business rates funding deemed to be applicable to each area. Councils either receive a 'top-up' if business rates collected are below this deemed level of funding or pay a 'tariff' if business rates collected are above this deemed level of funding. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In 2019/20 the Council paid a tariff of £19.7 million (2018/19: £19.3 million).

The business rates shares that were estimated before the start of the financial year have been paid in 2019/20 and charged to the Collection Fund in year.

If a local authority increases its business rates base it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to Central Government. This payment where it occurs is known as a levy payment.

The Government also stated that no local authority will suffer a reduction in business rate income below a 'safety net' figure calculated at 92.5% of its business rates funding baseline. If the reduction in business rates income is greater than 7.5% of the baseline amount (£319,312 for Colchester Borough Council) then the Government will make a safety net payment.

Under the business rates retention scheme, local authorities are able to come together on a voluntary basis to pool their business rates receipts, and then agree collectively how these will be distributed between pool members.

Pooling has the benefit of enabling income that would otherwise be paid to Government as a levy to be retained, providing that authorities experience growth above their baselines. However the protection each authority receives under the safety net arrangements in the event of a shortfall is removed, with the 7.5% safety net only applying to the overall pool.

In 2019/20 Colchester was one of nine District Councils in Essex in a pooling agreement together with the County Council and Fire Authority. Based on provisional outturn information provided by the authorities within the pool, Colchester is due to receive an additional £0.990 million from being in the pool in 2019/20 (£0.644 million in 2018/19).

The total Non-Domestic Rateable value at the 2019/20 year end was £164.920 million (2018/19: £164.684 million) and the Standard Non-Domestic rate multiplier for the year was 50.4p (2018/19: 49.3p).

#### 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 year.

The cumulative surplus at the end of March 2020 will be distributed in proportion to the value of the respective precepts as shown below:

	<b>Council Tax £'000</b>	<b>2019/20 NNDR £'000</b>	<b>Total £'000</b>	<b>Council Tax £'000</b>	<b>2018/19 NNDR £'000</b>	<b>Total £'000</b>
Colchester Borough Council	43	(550)	(507)	(202)	757	555
Central Government	-	(688)	(688)	-	946	946
Essex County Council	245	(124)	121	(1,152)	170	(982)
Essex Fire and Rescue	14	(14)	-	(66)	19	(47)
Police and Crime Commissioner for Essex	37	-	37	(151)	-	(151)
<b>Total (Surplus)/Deficit</b>	<b>339</b>	<b>(1,376)</b>	<b>(1,037)</b>	<b>(1,571)</b>	<b>1,892</b>	<b>321</b>



**C5. Council Tax and NNDR Provisions****Impairment for non-payment**

The Collection Fund account provides for bad debts on arrears on the basis of prior years' experience and current year collection rates.

	<b>Council Tax £'000</b>	<b>2019/20 NNDR £'000</b>	<b>Total £'000</b>	<b>Council Tax £'000</b>	<b>2018/19 NNDR £'000</b>	<b>Total £'000</b>
Balance at 1 April	3,495	1,099	4,594	3,524	1,103	4,627
Write-offs during year for previous years	(347)	(236)	(583)	(367)	(359)	(726)
Contributions to provisions during year	312	338	650	338	355	693
Net increase/(decrease) in Provision	(35)	102	67	(29)	(4)	(33)
<b>Balance at 31 March</b>	<b>3,460</b>	<b>1,201</b>	<b>4,661</b>	<b>3,495</b>	<b>1,099</b>	<b>4,594</b>

The Council's proportion of these write-offs and increase in provision are shown below.

	<b>Council Tax £'000</b>	<b>2019/20 NNDR £'000</b>	<b>Total £'000</b>	<b>Council Tax £'000</b>	<b>2018/19 NNDR £'000</b>	<b>Total £'000</b>
Balance at 1 April	439	440	879	449	441	890
Write-offs during year for previous years	(44)	(95)	(139)	(125)	(143)	(268)
Contributions to provisions during year	39	135	174	115	142	257
Net increase/(decrease) in Provision	(5)	40	35	(10)	(1)	(11)
<b>Balance at 31 March</b>	<b>434</b>	<b>480</b>	<b>914</b>	<b>439</b>	<b>440</b>	<b>879</b>

**Provision for NNDR valuation appeals**

The Collection fund also provides for the provision for appeals against the rateable valuation set by the Valuation Office Agency not settled as at 31 March. The Council's and the other shares of these write-offs and increase in provision are shown below.

	<b>Council</b>	<b>2019/20 Other Shares</b>	<b>Total</b>	<b>Council</b>	<b>2018/19 Other Shares</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,178	6,265	10,443	2,306	3,458	5,764
RV list amendments charged against provision for appeals	(722)	(1,084)	(1,806)	(332)	(499)	(831)
Changes in provision for appeals	(163)	(243)	(406)	2,204	3,306	5,510
Net increase/(decrease) in Provision	(885)	(1,327)	(2,212)	1,872	2,807	4,679
<b>Balance at 31 March</b>	<b>3,293</b>	<b>4,938</b>	<b>8,231</b>	<b>4,178</b>	<b>6,265</b>	<b>10,443</b>

**C6. 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 -

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Less than one year	3,466	2,740
More than one year	6,395	6,323
<b>Total Debtors for Local Taxation</b>	<b>9,861</b>	<b>9,063</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 2019/20 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 on pages 22 to 42 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	Restated £'000	Restated £'000	Restated £'000	Restated £'000
Balance at 31 March 2019 (Page 140)	7,934	4,564	22,794	391	3,653	-	(8,857)	30,479	309,329	339,808
Total Comprehensive Income and Expenditure	(3,525)	(5,829)	-	-	-	-	424	(8,930)	46,245	37,315
Dividends Payable										
Transfer of Pension Liability										
Adjustments between accounting basis and funding basis under regulations	5,812	3,516	-	3,298	(3,653)	24	1,615	10,612	(8,997)	1,615
Transfers to/from Earmarked Reserves	(8,321)	2,055	9,002	(2,736)	-	-	-	-	-	-
Increase/(Decrease) in year	(6,034)	(258)	9,002	562	(3,653)	24	2,039	1,682	37,248	38,930
Balance at 31 March 2020 (Page 140)	1,900	4,306	31,796	953	-	24	(6,818)	32,161	346,577	378,738
Balance at 31 March 2018	5,586	3,905	23,963	341	1,663	-	(7,356)	28,102	288,980	317,082
Total Comprehensive Income and Expenditure	(11,647)	1,999	-	-	-	-	(243)	(9,891)	33,875	23,984
Dividends Payable	-	-	-	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	(1,258)	(1,258)	-	(1,258)
Adjustments between accounting basis and funding basis under regulations	10,414	(1,340)	-	2,462	1,990	-	-	13,526	(13,526)	-
Transfers to/from Earmarked Reserves	3,581	-	(1,169)	(2,412)	-	-	-	-	-	-
Increase/(Decrease) in year	2,348	659	(1,169)	50	1,990	-	(1,501)	2,377	20,349	22,726
Balance at 31 March 2019 (Page 140)	7,934	4,564	22,794	391	3,653	-	(8,857)	30,479	309,329	339,808

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

	2019/20			2018/19		
	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	624	(1,289)	(665)	408	(791)	(383)
Executive Management Team	789	-	789	723	(2)	721
Communities	14,051	(5,370)	8,681	8,965	(4,126)	4,839
Customer	50,883	(47,746)	3,137	58,226	(54,755)	3,471
Environment	19,724	(11,217)	8,507	19,320	(11,117)	8,203
Housing Revenue Account	33,951	(31,497)	2,454	25,674	(29,999)	(4,325)
Policy and Corporate	28,067	(15,245)	12,822	-	-	-
Corporate and Improvement	-	-	-	8,959	(1,987)	6,972
Place and Client	73	(539)	(466)	24,379	(13,627)	10,752
Non-Distributed Costs	2,675	-	2,675	(1,054)	-	(1,054)
<b>Net Cost of Services</b>	<b>150,837</b>	<b>(112,903)</b>	<b>37,934</b>	<b>145,600</b>	<b>(116,404)</b>	<b>29,196</b>
Other operating income and expenditure	3,518	(1,537)	1,981	2,651	(2,396)	255
Financing, investment income and expenditure	11,665	(6,348)	5,317	10,707	(4,033)	6,674
Taxation and non-specific grant income	-	(34,677)	(34,677)	96	(24,890)	(24,794)
<b>Group (Surplus)/Deficit on Provision of Services</b>	<b>166,020</b>	<b>(155,465)</b>	<b>10,555</b>	<b>159,054</b>	<b>(147,723)</b>	<b>11,331</b>
(Surplus)/Deficit on revaluation of non-current assets (Note 27)			(33,263)			(20,994)
Net actuarial losses/(gains) on pension fund assets and liabilities			(14,607)			(14,321)
<b>Other Comprehensive (Income)/Expenditure</b>			<b>(47,870)</b>			<b>(35,315)</b>
<b>Total Group Comprehensive (Income)/Expenditure</b>			<b>(37,315)</b>			<b>(23,984)</b>

**GROUP BALANCE SHEET**

	Notes	31 March 2020 £'000	31 March 2019 £'000
Property Plant and Equipment		563,476	517,835
Heritage Assets	15	1,332	1,328
Investment Properties	16	42,597	41,891
Intangible Assets	18	20	152
Long Term Investments	20	6	6
Long Term Debtors	21	5,678	4,623
<b>Total Long Term Assets</b>		<b>612,286</b>	<b>565,835</b>
Short Term Investments	20	25,600	34,640
Assets Held for Sale	22	-	1,100
Inventories		1,116	409
Short Term Debtors	G7	17,784	12,941
Short Term Loans		16	15
Cash and Cash Equivalents	G8	36,010	21,841
<b>Total Current Assets</b>		<b>78,822</b>	<b>71,232</b>
Bank Overdraft		-	(3,245)
Short Term Borrowing		(37,294)	(7,293)
Short Term Creditors	G9	(26,431)	(23,186)
Short Term Provisions		(3,573)	(4,413)
Grants Receipts in Advance - Revenue	34	(6,540)	(2,868)
<b>Total Current Liabilities</b>		<b>(73,029)</b>	<b>(40,624)</b>
Long Term Creditors – Finance Leases	36	(297)	(711)
Long Term Provisions		(140)	(306)
Long Term Borrowing		(126,944)	(135,594)
Pension Scheme Liability	G14	(98,799)	(104,888)
Grants Receipts in Advance – Capital	34	(14,310)	(14,453)
Other Long Term Liabilities		(570)	(15)
<b>Total Long Term Liabilities</b>		<b>(231,696)</b>	<b>(255,967)</b>
<b>Total Net Assets</b>		<b>378,737</b>	<b>339,808</b>
Usable Reserves		32,160	30,479
Unusable Reserves		346,577	309,329
<b>Total Reserves</b>		<b>378,737</b>	<b>339,808</b>

**GROUP CASH FLOW STATEMENT**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
<b>Net Surplus/(Deficit) on the Provision of Services (Page 140)</b>	<b>(10,555)</b>	<b>(11,331)</b>
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements (Note G11)</b>	<b>42,140</b>	<b>35,183</b>
<b>Adjustments for items included in Investing and Financing Activities:</b>		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(8,915)	(1,840)
Proceeds from the sale of non-current assets	(6,823)	(5,172)
<b>Adjustments for items included in Investing and Financing Activities:</b>	<b>(15,738)</b>	<b>(7,012)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>15,846</b>	<b>16,840</b>
<b>Investing Activities:</b>		
Purchase of non-current assets	(38,202)	(22,183)
Proceeds from the sale of short and long term investments	69,500	55,500
Purchase of short and long term investments	(59,728)	(55,500)
Proceeds from the sale of non-current assets	5,773	5,177
Other payments and receipts	5,234	7,540
<b>Net Cash Flows from Investing Activities</b>	<b>(17,423)</b>	<b>(9,466)</b>
<b>Financing Activities:</b>		
Cash receipts of long term borrowing	21,350	-
Cash payments for the reduction of the outstanding finance lease liabilities	(990)	(740)
Other payments and receipts	(1,371)	375
<b>Net Cash Flows from Financing Activities</b>	<b>(18,989)</b>	<b>(365)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>17,412</b>	<b>7,009</b>
Cash and Cash Equivalents at 1 April (including Bank Overdraft balance) (Note G11)	18,597	11,588
<b>Cash and Cash Equivalents at 31 March (including Bank Overdraft balance) (Note G11)</b>	<b>36,009</b>	<b>18,597</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 on pages 22 – 122 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 2019/20 it was concluded 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 2018/19 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.



**G5. Group Expenditure and Funding Analysis**

2019/20	Adjustments between Funding and Accounting Basis							
	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	(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 (Page 138)</b>			<b>(3,641)</b>					
(Surplus)/Deficit on Provision of Services			(398)					
Other Comprehensive Income and Expenditure			-					
Other Adjustments			(1,615)					
Transfers to Earmarked Reserves			6,266					
<b>Closing GF, HRA and Subsidiary Balances (Page 138)</b>			<b>612</b>					

(Page 139)

2018/19

	Council Year end Management Report	Adjustments Restated	Net Expenditure chargeable to GF, HRA and Subsidiary Balances Restated	Adjustments between Funding and Accounting Basis				Net Expenditure in the Group CIES Restated (Page 139)
				Adjustments for Capital Purposes Restated	Net Change for the Pensions Adjustments Restated	Other Differences Restated	Total Adjustments Restated	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	(407)	24	(383)	-	-	-	-	(383)
Executive Management Team	657	1	658	-	78	(15)	63	721
Communities	1,674	460	2,134	2,017	678	10	2,705	4,839
Customer	4,091	(1,409)	2,682	97	708	(16)	789	3,471
Environment	4,673	(285)	4,958	2,023	1,208	14	3,245	8,203
Housing Revenue Account	(659)	(9,411)	(10,070)	5,727	18	1	5,745	(4,325)
Corporate and Improvement	6,941	(914)	6,027	337	615	(7)	945	6,972
Place and Client	2,382	1,313	3,695	6,437	645	(25)	7,057	10,752
Non-Distributed Costs	-	706	706	78	(1,838)	-	(1,760)	(1,054)
<b>Net Cost of Services</b>	<b>19,352</b>	<b>(8,945)</b>	<b>10,407</b>	<b>16,715</b>	<b>2,112</b>	<b>(38)</b>	<b>18,789</b>	<b>29,196</b>
Other operating income and expenditure			2,005				(1,750)	255
Financing and Investment income and expenditure			14,317				(7,643)	6,674
Taxation and Non Specific Grant income			(24,472)				(322)	(24,794)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>2,257</b>				<b>9,074</b>	<b>11,331</b>
<b>Opening GF, HRA and Subsidiary Balances (Page 138)</b>			<b>(2,135)</b>					
(Surplus)/Deficit on Provision of Services			1,971					
Other Comprehensive Income and Expenditure			(1,440)					
Other Adjustments			1,258					
Transfers to Earmarked Reserves			(3,295)					
<b>Closing GF, HRA and Subsidiary Balances (Page 138)</b>			<b>(3,641)</b>					

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

		<b>2019/20</b>	<b>2018/19</b>
		<b>£'000</b>	<b>£'000</b>
Employee related expenditure		42,827	38,144
Other services expenses		79,798	82,291
Support services recharges		3,346	3,662
Depreciation, amortisation and impairment		24,866	21,278
Interest payments		6,541	6,582
Precepts and levies		1,896	1,748
Payments to Housing Capital Receipts Pool		496	773
Pension Fund expenditure		2,497	3,083
Increase in bad debt provisions		535	171
Losses on the disposal of assets		1,126	130
Changes in the fair value of investment properties		1,999	1,043
Other expenditure		93	149
<b>Total Expenditure</b>	<b>Page 139</b>	<b>166,020</b>	<b>159,054</b>
Fees, charges and other service income		(66,325)	(61,659)
Interest and investment income		(840)	(681)
Income from Council Tax and Non Domestic Rates		(18,393)	(17,153)
Government grants and contributions		(62,927)	(62,030)
Gains on the disposal of assets		(1,413)	(2,148)
Income in relation to investment properties		(2,229)	(2,372)
Changes in the fair value of investment properties		(2,602)	(319)
Decrease in bad debt provisions		(284)	(372)
Other income		(452)	(534)
<b>Total Income</b>	<b>Page 139</b>	<b>(155,465)</b>	<b>(147,723)</b>
<b>Group (Surplus)/Deficit on the Provision of Services</b>	<b>Pages 139, 143 &amp; 144</b>	<b>10,555</b>	<b>11,331</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 10 June 2020 (see page 17). 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 2020 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**

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Grants and Taxes	8,626	4,692
Trade Debtors	1,430	1,787
Prepayments	2,002	832
Housing Benefit Overpayments	723	736
NNDR rate payers arrears	699	385
Council Tax rate payers arrears	683	599
Other debtors	3,623	3,910
<b>Total Short Term Debtors</b>	<b>17,784</b>	<b>12,941</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**

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Cash in hand held by the group	7	9
Bank current accounts	5,993	2,568
Short term deposits	30,010	19,264
<b>Total Cash and Cash Equivalents</b>	<b>36,010</b>	<b>21,841</b>

**G9. Short Term Creditors**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	(12,098)	(6,515)
Receipts in advance	(2,191)	(2,174)
Other taxes and social security	(1,453)	(1,478)
Collection Fund agency	(5,744)	(7,252)
NNDR prepayments	(578)	(484)
Council Tax prepayments	(396)	(374)
Other creditors	(3,973)	(4,909)
<b>Total Short Term Creditors</b>	<b>(26,431)</b>	<b>(23,186)</b>

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

**G10. Usable Reserves**

The movements in the Group's usable reserves are detailed in the Movement in Reserves Statement on page 138.

**Subsidiaries Reserves**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Colchester Borough Homes Limited:		
Income and Expenditure Account	1,165	1,012
Defined benefit pension scheme reserve	(8,811)	(8,665)
Colchester Commercial Holdings Limited:		
Income and Expenditure Account	828	410
Defined benefit pension scheme reserve	-	(1,615)
<b>Total Subsidiaries Reserves</b>	<b>(6,818)</b>	<b>(8,857)</b>

**G11. Cash Flow Statement Notes****Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Depreciation	10,292	9,831
Impairments and downward valuations	11,845	13,663
Reversal of previously recognised revaluation losses	0	(5,980)
Movement in the fair value of Investment Properties	(603)	724
Carrying value of non-current assets and assets held for sale sold or derecognised	6,413	3,587
Amortisation	139	379
Increase/(Decrease) in Creditors	8,168	4,016
(Increase)/Decrease in Debtors	(2,513)	781
(Increase)/Decrease in Inventories	(707)	(208)
Contributions to/(from) Provisions	(1,007)	1,895
Movement in pension liability	10,133	6,595
Other non-cash movements	(21)	(101)
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>	<b>42,139</b>	<b>35,183</b>

**Cash and Cash Equivalents**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Cash in hand held by the Council	7	9
Bank current accounts	5,993	2,568
Short term deposits	30,010	19,264
Bank overdraft	-	(3,245)
<b>Group Cash Flow Statement - Total Cash and Cash Equivalents</b>	<b>36,010</b>	<b>18,596</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	2019/20	104,409	17,004	121,413
	2018/19	102,487	16,691	119,178
Director of Business Improvements (Note 1 below)	2019/20	46,478	7,715	54,194
	2018/19	-	-	-
Director of Housing (Note 1 below)	2019/20	26,222	4,353	30,575
	2018/19	77,249	12,823	90,072
Director of Operations (Note 2 below)	2019/20	52,445	8,706	61,151
	2018/19	-	-	-
Director of Property Services (Note 3 below)	2019/20	-	-	-
	2018/19	57,751	9,538	67,289
Director of Resources (Note 4 below)	2019/20	-	-	-
	2018/19	18,940	3,144	22,084

Note 1: There was a restructure in the year 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 £	Employers Pension contributions £	Total Remuneration £
Managing Director (Note 1 below)	<b>2019/20</b>	<b>27,396</b>	<b>-</b>	<b>27,296</b>
	2018/19	25,604	-	25,604
Assistant Director (Note 2 below)	<b>2019/20</b>	<b>13,675</b>	<b>2,598</b>	<b>16,273</b>
	2018/19	78,850	14,556	91,406
Group Commercial Director (Note 2 below)	<b>2019/20</b>	<b>49,532</b>	<b>2,477</b>	<b>52,009</b>
	2018/19	-	-	-

Note 1: The Managing Director of Colchester Commercial Holdings Limited works 1 day a week for the Group company.

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	
	2019/20	2018/19
£50,000 - £54,999	2	9
£55,000 - £59,999	14	3
£60,000 - £64,999	4	2
£65,000 - £69,999	2	6
£70,000 - £74,999	1	-
£75,000 - £79,999	-	1

### 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).

Colchester Borough Council: Total cost of exits include payments to individuals of £250,951 in 2019/20 (£560,720 in 2018/19) and strain on pension fund costs of £143,347 in 2019/20 (£241,536 in 2018/19) paid to the pension fund authority Essex County Council. These costs have been previously reported in Note 32.

Colchester Borough Homes Limited: Total cost of exits include payments to individuals of £61,717 in 2019/20 (£11,108 in 2018/19) and strain on pension fund costs of £72,044 in 2019/20 (£14,845 in 2018/19) paid to the pension fund authority Essex County Council.

Colchester Commercial Holding Limited: Total cost of exits include payments to individuals of £28,889 in 2019/20 and strain on the pension fund costs of nil in 2019/20 paid to the pension fund authority Essex County Council.

The following disclosure table reports the total Group termination costs for the Council, Colchester Borough Homes Limited and Colchester Commercial Holdings Limited:

<b>2019/20 Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other agreed departures</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages £</b>
£0 - £20,000	6	3	9	£51,199
£20,001 - £40,000	4	4	8	£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				£0
<b>Total Exit Costs</b>				<b>£556,948</b>

<b>2018/19 Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>	<b>Number of other agreed departures</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages £</b>
£0 - £20,000	15	6	21	215,026
£20,001 - £40,000	6	4	10	305,448
£40,001 - £60,000	3	2	5	240,983
£60,001 - £80,000	-	1	1	61,192
<b>Total cost included in bandings</b>	<b>24</b>	<b>13</b>	<b>37</b>	<b>822,649</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				5,560
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
<b>Total Exit Costs</b>				<b>828,209</b>

## **G14. Defined Benefit Pension Scheme**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council (CBC) and Colchester Borough Homes 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

	<b>CBC 2019/20 £'000</b>	<b>CBH 2019/20 £'000</b>	<b>Total 2019/20 £'000</b>	<b>Total 2018/19 £'000 Restated</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>				
Cost of Services:				
Current service cost	7,011	2,511	9,522	9,561
Past Service Cost	1,810	-	1,810	540
Liabilities assumed/(extinguished) on settlements	6,098	-	6,098	(3,879)
Settlements price received/(paid)	(5,275)	-	(5,275)	2,162
Financing and Investment Income and Expenditure:				
Net interest expense	2,242	198	2,440	2,787
Pension fund administration expenses	57	10	67	85
Other Comprehensive Income and Expenditure:				
Re-measurement of the net defined benefit liability	(12,982)	(1,625)	(14,607)	(14,321)
<b>Total charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(1,039)</b>	<b>1,094</b>	<b>55</b>	<b>(3,424)</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.	(11,943)	-	(11,943)	(8,298)
Employer's contributions payable to the scheme	3,581	-	3,581	3,573
<b>Total charged to the Movement in Reserves Statement</b>	<b>(8,362)</b>	<b>-</b>	<b>(8,362)</b>	<b>(4,725)</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:

	<b>CBC 2019/20 £'000</b>	<b>CBH 2019/20 £'000</b>	<b>Total 2019/20 £'000</b>	<b>Total 2018/19 £'000 restated</b>
Present value of the defined benefit obligation	(269,802)	(41,109)	(310,911)	(325,958)
Fair value of plan assets	179,814	32,298	212,112	221,070
<b>Net liability</b>	<b>(89,988)</b>	<b>(8,811)</b>	<b>(98,799)</b>	<b>(104,888)</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 2019/20 £'000</b>	<b>CBH 2019/20 £'000</b>	<b>Total 2019/20 £'000</b>	<b>Total 2018/19 £'000</b>
Balance at 1 April	(279,528)	(41,968)	(321,496)	(321,507)
Current service cost	(7,011)	(1,944)	(8,955)	(10,199)
Interest cost	(6,655)	(1,002)	(7,657)	(8,699)
Change in financial assumptions	26,933	5,203	32,136	14,233
Change in demographic assumptions	1,839	488	2,327	245
Experience loss / (Gain) on defined benefit obligations	(4,004)	(1,830)	(5,834)	-
Liabilities assumed/(extinguished) on settlements	(6,098)	-	(6,068)	240
Benefits paid net of transfers in	7,476	858	8,334	7,330
Past service costs	(1,810)	(567)	(2,377)	(244)
Contributions by scheme participants	(1,333)	(347)	(1,680)	(1,803)
Unfunded pension payments	389	-	389	393
<b>Balance at 31 March</b>	<b>(269,802)</b>	<b>(41,109)</b>	<b>(310,911)</b>	<b>(320,011)</b>

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

	<b>CBC 2019/20 £'000</b>	<b>CBH 2019/20 £'000</b>	<b>Total 2019/20 £'000</b>	<b>Total 2018/19 £'000</b>
Balance at 1 April	184,920	33,303	218,223	206,678
Interest on assets	4,413	804	5,217	5,191
Return on assets less interest	(14,453)	(2,540)	(16,993)	10,848
Other actuarial gains / losses	2,667	304	2,971	-
Administration expenses	(57)	(10)	(67)	(84)
Contributions by employer	3,581	948	4,529	4,435
Contributions by scheme participants	1,333	347	1,680	1,620
Benefits paid net of transfers in	(7,865)	(858)	(8,723)	(8,617)
Settlement prices received/(paid)	5,275	-	5,275	(1,848)
<b>Balance at 31 March</b>	<b>179,814</b>	<b>32,298</b>	<b>212,112</b>	<b>218,223</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.

### **Corporate and Democratic Core (CDC)**

This incorporates the following subdivisions, the activities of which are not recharged to service under the Service Reporting Code of Practice (SeRCOP):

- Democratic Representation and Management Costs Corporate Management Costs



**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.

**Financial Year**

The period 1 April 2019 to 31 March 2020.

**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.

**IFRIC (IFRS Interpretations Committee)**

The IFRS Interpretations Committee is the interpretative body of the IFRS Foundation. Its mandate is to review on a timely basis widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRSs). The work of the Interpretations Committee is aimed at reaching consensus on the appropriate accounting treatment (IFRIC Interpretations) and providing authoritative guidance on those issues.

**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.

**Revenue Support Grant (RSG)**

Central government provides financial support towards the general expenditure of local authorities. The entitlement of each local authority is determined by a prescribed methodology.

**Service Reporting Code of Practice (SeRCOP)**

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

**Useful Life**

The period over which benefits will be derived 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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