



# Statement of Accounts

2014/15

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The notes for the supplementary statements (Housing Revenue Account, Collection Fund and the Group Accounts) follow immediately after the respective Financial Statements.

# EXPLANATORY FOREWORD

## Summary of the Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2014/15 financial year from 1 April 2014 to 31 March 2015, and its position at the financial year end of 31 March 2015.

### **Movement in Reserves Statement (page 9)**

This shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie 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 10)**

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 11)**

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, ie 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 12)**

The Cash Flow Statement 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 (ie borrowing) to the Council.

### **Housing Revenue Account Income and Expenditure Statement (page 75)**

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. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

### **Collection Fund Accounts (page 81)**

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 85)**

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 Community Stadium Limited.

### Port Health Authority Accounts (page 107)

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

### Trust Fund Accounts (page 108)

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

## Results for 2014/15

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

During this year the net General Fund spending was £22.6 million met by the precept on the Collection Fund and Government grants.

	Original Estimate £m	Actual £m
Total Net Spending for the Year	23.1	22.6
Met by:		
Council Tax	11.4	11.4
Non-Domestic Rates	3.6	4.3
Government Grants	8.0	9.1
Contribution from/(to) Balances	0.1	(2.2)
<b>Total Financing</b>	<b>23.1</b>	<b>22.6</b>

Expenditure on services was £0.6 million less than estimated. The 2014/15 budget included £2.7 million of savings or additional income. The outturn position shows these have either been delivered or other compensating savings or additional income has been achieved.

The contributions made to reserves and balances include the carry forward of budgets totalling £3.5 million to fund ongoing project work, transitional costs and budget risks.

The Council's loans and investment account showed a net gain of £0.1 million. This is due to any new borrowing being avoided through reducing investments in accordance with the ongoing strategy of 'internal borrowing'.

Regular monitoring reports on the revenue position, highlighting the significant risk areas, were submitted to the Scrutiny Panel throughout the year.

The 2015/16 budget was based on the 2014/15 outturn being delivered 'on budget'. The final position therefore reflects an improvement, and the additional surplus will be added to balances and considered by Cabinet.

**Capital spending** is on items which have a value to the Council or the community for more than a year and is generally met from loans, revenue or the proceeds of sale of capital assets. Significant items of expenditure during the year included £15.9 million for improvements to Council Housing (including £3.2 million for new build and £2.3 million for improvements to sheltered accommodation), £1.1 million for regeneration projects, and £0.8 million on the redevelopment of Colchester Castle Museum.

The Council's capital spending was £22.1 million (compared to £22.7 million in 2013/14), which was £1.4 million less than programmed. Of this total, £3.3 million was funded from the application of capital receipts, £2.6 million from external grants and contributions, with the remainder mainly coming from General Fund and HRA revenue funding (including £8.6 million from the Major Repairs Reserve), and from the Capital Expenditure Reserve.

**Capital Receipts** continue to provide a significant resource to support capital spending plans, and sums received in 2014/15 totalled £4.8 million. Receipts from sales of Council houses showed an increase on 2013/14, with £2.4 million received in 2014/15. 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. In 2014/15, £0.933 million has been reserved for new build (2013/14: £0.612 million) and £0.858 million reserved for other purposes (2013/14: £0.550 million) and £0.458 million was pooled and paid over to the Government (2013/14: £0.410 million). Other receipts are fully available and £2.4 million was received in 2014/15 from the sale of various sites.

The accumulated balance of £5.2 million in the Capital Receipts Reserve is already planned to support capital spending from 2015/16 onwards.

### **Housing Revenue Account**

The Council is the major provider of rented housing in the borough and manages 6,073 properties. The Housing Revenue Account Financial Statement for 2014/15 shows a net utilisation of balances for the year of £3.0 million. At the 2014/15 year end the Housing Revenue Account balance is £2.5 million, a significant part of which is earmarked to support future capital spending.

### **Treasury Management**

The Local Government Act 2003 gave councils the freedom to determine how much they borrow for investment in new capital projects, subject to a regulation that such borrowing complies with the 'Prudential Code for Capital Finance in Local Authorities'. The Prudential Code looks to ensure affordability, prudence and sustainability in relation to determined borrowing limits. The Council determined the required Prudential Code indicators and Treasury Management Strategy as part of the budget process for 2014/15. The borrowing and investment activities undertaken in the year are in accordance with these determinations.

As investment rates were below long-term borrowing rates, value for money considerations indicated that new external borrowing should be avoided, and internal cash balances should be used to finance new capital expenditure. This has maximised short-term savings and reduced the Council's exposure to interest rate and credit risk. The total loan debt was £137.8 million at the year-end, whilst funds invested that were not classed as 'cash equivalents' totalled £13.5 million.

### **Pension Liability**

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 £95.5 million shortfall at 31 March 2015. Whilst this figure is substantial it should be remembered that:

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

### **Provisions**

Provisions totalling £2.655 million have been included within the Statement of Accounts to meet the estimated cost to the Council of outstanding insurance claims and Non-Domestic rating appeals for which the actual cost of individual claims and the timing of payments are uncertain.

### **Contingent liabilities**

At the year end the Council has identified and shown a contingent liability regarding a potential conflict regarding the application of charges made by the Council for land searches. No provision has been made in the accounts for this potential liability but its position continues to be monitored by the Council.

### **Revaluation losses**

Revaluations were performed for a selected portfolio of General Fund and Housing Revenue Account assets during the financial year, and an economic impairment review was performed for a sample of general fund assets as at 31 March 2015. These revaluations resulted in total revaluation losses of £3.5 million, of which £0.5 million was taken to the Revaluation Reserve and £3.0 million was taken to the Comprehensive Income and Expenditure Statement. The revaluation losses taken to the Comprehensive Income and Expenditure Statement have been transferred from the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

In 2014/15 the Council incurred expenditure of £12.7 million on its housing stock which related to the replacement of existing components of buildings in order to maintain the stock at the Decent Homes Standard prescribed by the Government. Under the Code of Practice the original cost of the components at £0.5 million has been derecognised in the accounts. The remaining balance of the expenditure (£12.2 million) has been treated as a revaluation loss, which has been taken to the HRA Income and Expenditure Statement and has been transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

## **Reporting Requirements**

Reporting requirements under the Accounts and Audit (England) Regulations 2011 required that the accounts for 2014/15 were to be certified by the responsible financial officer that they present a true and fair view by no later than 30 June. In order to achieve this deadline, a number of items, which have been closed on estimated outturn, are included in the accounts. The effect of these on the 2014/15 accounts is not expected to be material and any differences between estimated and actual outturn will be accounted for in the following year.

## **Revenue Balances**

During the year the Council undertook a review to determine the appropriate level of balances. Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. This review was based on identifying and then evaluating all potential risks. The exercise identified the minimum prudent level of balances required as £1.8 million. It was agreed to retain balances at £2.0 million when planning the 2015/16 budget.

As at 31 March 2015 the Council's General Fund balances stood at £8.7 million, of this £2.3 million is uncommitted or unallocated. The balances position will continue to be reviewed as part of our ongoing financial planning and monitoring.

## **Impact of the current economic climate on the Council and the services it provides**

Reductions in central Government grants continued to have a significant impact on the 2014/15 budget, which as a result included £2.74 million of savings or additional income. The 2014/15 budget continued to take account of some major changes to local government finance such as the local retention of business rates and the replacement of Council Tax Benefits with the Local Council Tax Support scheme. These issues place new risks on the Council's finances and consideration was given to them when the budget was set and the level of balances was agreed.

When the 2014/15 budget was set, allowances were made for assumed reductions in some income streams, such as car parking and cost pressures within the waste service. These steps have helped manage potential budget pressures in the year. In addition income in areas such as Planning and Land Charges has exceeded budget targets. In general, prompt and effective management action has meant that the final outturn position remained in balance with the original budget, and it has also been possible to absorb one-off costs and take steps to preserve resources elsewhere. As part of the 2015/16 budget, a review was carried out to identify any areas where spending or income showed favourable variances compared to 2014/15 budget figures. This helped to identify £0.5 million of agreed savings in the 2015/16 budget. A more detailed review is also planned as part of the 2016/17 budget.

The Council has taken some difficult but necessary decisions during its planning for the 2015/16 Budget. The impact of Fundamental Service Reviews (FSR) especially, where more efficient ways are being found of delivering improved services, has left the Council well placed to meet the continuing financial difficulties being faced nationally and within local government specifically. The wide ranging Universal Customer Contact FSR has enabled the Council to consider its future operating model alongside a number of themes of work. During 2014/15, savings were achieved from both changes to business processes and also the wide ranging commercial targets. In addition, the target for savings within support services was also achieved.

Whilst future funding levels remain uncertain, the work carried out on the FSR programme means that the Council is able to withstand any foreseeable financial pressures during 2015/16. The 2015/16 Budget was achieved without the necessity of any major cuts in public services.

The Council continues to review its asset portfolio and there are a number of planned land and property transactions which will generate sufficient capital receipts to fund the anticipated Capital Programme. During 2014/15 it was agreed by the Council that most of these receipts will be invested into the Revolving Investment Fund (RIF). This approach is designed to aid medium-term planning, and will support the delivery of income targets in the revenue budget. There has been no requirement to enter into sales in anything other than a planned manner, and the Council's asset base is not under financial pressure.

## Outlook

The Council agreed a new Strategic Plan 2015-2018, including a new vision statement 'rich heritage, ambitious future'. The new plan identifies priorities for action in these years. The Council continues, through its budgetary process, to ensure that the Council's limited resources are focused on these priority areas, and an associated Action Plan will be agreed and monitored throughout the year to ensure delivery of key objectives. As part of the 2015/16 budget, an allocation of over £0.5 million was agreed to support Strategic Plan priorities.

The Council prepares a Medium Term Financial Forecast (MTFF) which estimates the Council's spending needs and likely income for the next three years. The forecast shows that the Council is still facing significant financial pressures, and alongside this there are a number of areas of ongoing change and uncertainty.

Funding for all local authorities has changed. In the coming few years we expect that core Government funding from Revenue Support Grant will continue to reduce. This grant, which once determined is fixed for a particular year, has been partly replaced by the ability to retain a proportion of business rates. This may provide an opportunity for the Council to mitigate the cost pressure of falling grant by achieving greater income. However, the business rates scheme also includes a number of significant risks such as the impact of rating appeals and business failure, which in realistic terms are outside the Council's control. The scheme has now been in operation since 2013/14, and the Council is now in a better position to consider the ongoing impact of this financial funding arrangement alongside the associated significant risks and complexities. The Council has agreed to join the Essex Business Rates Pool in 2015/16. This provides the opportunity to keep a greater share of business rates income in Essex.

2011/12 saw the introduction of the New Homes Bonus, and in 2015/16 the Council is due to receive £4.61 million, the highest payment in Essex. At this level, the New Homes Bonus has to be recognised as a significant part of the Council's overall budget. However, it is clear that the underlying Government funding is being reduced to compensate on a national scale, so the net impact locally is reduced. The Council recognises that the future of New Homes Bonus remains a financial risk, and as part of the 2015/16 budget the increase in the grant received has been allocated for one-off investments. We are now using £2.2 million of the New Homes Bonus to support the base budget. No further increases in the New Homes Bonus have currently been assumed in the MTFF.

Another one of the changes was the introduction of a Localised Council Tax Support (LCTS) Scheme in 2013/14 to replace Council Tax Benefit, following consultation with residents and the relevant precepting authorities. The LCTS scheme was agreed with regard to the reduced fixed government funding provided, and has remained broadly unchanged for 2015/16 despite the further reductions in Government grant. It will again be necessary to consider the impact that further reductions in Government funding has on any possible changes to the scheme.

The welfare reforms present either new or increased risks to the Council, such as the impact of non-collection of income from Council Tax or rents, together with the impact of increased demand on services such as housing and welfare advice.

We continue to expect the financial environment to be very difficult for the foreseeable future and we will ensure that the financial risks are fully considered. Significant efficiency savings have been achieved to date, and decisions already taken will continue to deliver an improved financial cost base as changes become embedded. The implementation and delivery of savings set out within the FSR programme continue to be vital, with increased savings expected in 2015/16 and 2016/17. However, it will be necessary to identify further opportunities to either reduce costs or increase income to balance future budgets, and steps to achieve this are in place.



## Other Information

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

This includes **The Strategic Plan 2015-2018**, which sets out the direction and future potential for our borough.

We also publish a wide range of annual reports, publications and information, available free from our website at [www.colchester.gov.uk](http://www.colchester.gov.uk). These are also available via Customer Services at the Colchester Library and Community Hub, other public libraries and the Visitor Information Centre.

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

## Our Fairness Policy

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

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

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

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# **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 99 give a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year then ended.

Sean Plummer  
Strategic Finance Manager  
(Section 151 Officer)  
17 September 2015

## **The Council's Responsibilities**

The Council must:

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

I confirm that these accounts were approved by the Governance Committee at the meeting held on 8 September 2015.

Signed on behalf of Colchester Borough Council

Councillor Cyril Liddy  
Chair of Governance Committee

## MOVEMENT IN RESERVES STATEMENT

	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Total Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account			
	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Balance at 1 April 2013</b>	<b>5,893</b>	<b>4,787</b>	<b>5,718</b>	<b>5,294</b>	<b>1,223</b>	<b>106</b>	<b>23,021</b>	<b>186,699</b>	<b>209,720</b>
<b>2013/14 Movements</b>									
Surplus/(Deficit) on provision of services (Page 10)	(3,046)	9,174	-	-	-	-	6,128	-	6,128
Other Comprehensive Income and Expenditure (Page 10)	-	-	-	-	-	-	-	13,638	13,638
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,046)</b>	<b>9,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,128</b>	<b>13,638</b>	<b>19,766</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	5,362	(8,124)	-	1,820	328	(74)	(688)	688	-
Transfer of committed balances	280	(280)	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>2,596</b>	<b>770</b>	<b>-</b>	<b>1,820</b>	<b>328</b>	<b>(74)</b>	<b>5,440</b>	<b>14,326</b>	<b>19,766</b>
Transfers to/from Earmarked Reserves (Note 9)	(1,974)	(92)	2,737	(1,162)	-	-	(491)	491	-
<b>Net Increase/(Decrease) in 2013/14</b>	<b>622</b>	<b>678</b>	<b>2,737</b>	<b>658</b>	<b>328</b>	<b>(74)</b>	<b>4,949</b>	<b>14,817</b>	<b>19,766</b>
<b>Balance at 31 March 2014 (Page 11)</b>	<b>6,515</b>	<b>5,465</b>	<b>8,455</b>	<b>5,952</b>	<b>1,551</b>	<b>32</b>	<b>27,970</b>	<b>201,516</b>	<b>229,486</b>
<b>2014/15 Movements</b>									
Surplus/(Deficit) on provision of services (Page 10)	(660)	19,951	-	-	-	-	19,291	-	19,291
Other Comprehensive Income and Expenditure (Page 10)	-	-	-	-	-	-	-	(8,657)	(8,657)
<b>Total Comprehensive Income and Expenditure</b>	<b>(660)</b>	<b>19,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,291</b>	<b>(8,657)</b>	<b>10,634</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	4,476	(22,892)	-	1,071	(1,551)	(21)	(18,917)	18,917	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>3,816</b>	<b>(2,941)</b>	<b>-</b>	<b>1,071</b>	<b>(1,551)</b>	<b>(21)</b>	<b>374</b>	<b>10,260</b>	<b>10,634</b>
Transfers to/from Earmarked Reserves (Note 9)	(1,656)	(14)	1,930	(1,789)	-	-	(1,529)	1,529	-
<b>Net Increase/(Decrease) in 2014/15</b>	<b>2,160</b>	<b>(2,955)</b>	<b>1,930</b>	<b>(718)</b>	<b>(1,551)</b>	<b>(21)</b>	<b>(1,155)</b>	<b>11,789</b>	<b>10,634</b>
<b>Balance at 31 March 2015 (Page 11)</b>	<b>8,675</b>	<b>2,510</b>	<b>10,385</b>	<b>5,234</b>	<b>-</b>	<b>11</b>	<b>26,815</b>	<b>213,305</b>	<b>240,120</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2014/15			2013/14		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central services to the public	3,111	(2,112)	999	2,421	(3,143)	(722)
Cultural and related services	13,990	(6,691)	7,299	14,215	(6,103)	8,112
Environmental and regulatory services	14,037	(5,410)	8,627	15,002	(5,056)	9,946
Planning services	5,011	(2,934)	2,077	7,104	(4,743)	2,361
Highways and transport services	5,258	(6,448)	(1,190)	5,179	(6,096)	(917)
Local authority housing (HRA) (page 75)	3,295	(30,291)	(26,996)	13,618	(29,479)	(15,861)
Other housing services	62,057	(59,245)	2,812	63,680	(59,651)	4,029
Adult social care	1,216	(835)	381	1,201	(879)	322
Corporate and democratic core	3,323	(275)	3,048	5,292	(806)	4,486
Non-distributed costs	(159)	-	(159)	2,710	-	2,710
<b>Cost of Services</b>	<b>111,139</b>	<b>(114,241)</b>	<b>(3,102)</b>	<b>130,422</b>	<b>(115,956)</b>	<b>14,466</b>
Other operating income and expenditure (Note 10)			1,328			(2,033)
Financing and investment income and expenditure (Note 11)			8,544			10,336
Taxation and non-specific grant income (Note 12)			(26,061)			(28,897)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(19,291)</b>			<b>(6,128)</b>
(Surplus)/Deficit on revaluation of non-current assets (Note 26)			(2,276)			1,638
Remeasurement of the net defined pension assets/liabilities (Note 37)			10,933			(15,276)
<b>Other Comprehensive (Income)/Expenditure</b>			<b>8,657</b>			<b>(13,638)</b>
<b>Total Comprehensive (Income)/Expenditure</b>			<b>(10,634)</b>			<b>(19,766)</b>

## BALANCE SHEET

	Notes	31 March 2015 £'000	31 March 2014 £'000
Property, Plant and Equipment	13	423,280	397,572
Heritage Assets	14	1,172	1,172
Investment Properties	15	32,600	34,229
Intangible Assets	16	1,481	1,066
Long Term Investments	18	9	10
Long Term Debtors	19	1,399	1,104
<b>Total Non-Current Assets</b>		<b>459,941</b>	<b>435,153</b>
Short Term Investments	18	13,541	8,542
Assets Held for Sale	20	1,135	741
Inventories		173	127
Short Term Debtors	21	8,980	9,001
Cash and Cash Equivalents	22	37,680	26,741
<b>Total Current Assets</b>		<b>61,509</b>	<b>45,152</b>
Bank Overdraft		(17,080)	(2,855)
Short Term Borrowing	18	(16,244)	(12,245)
Short Term Creditors	23	(16,594)	(15,743)
Short Term Provisions	24	(2,266)	(669)
Grants Receipts in Advance – Revenue	34	(2,083)	(2,057)
<b>Total Current Liabilities</b>		<b>(54,267)</b>	<b>(33,569)</b>
Long Term Creditors – Finance Leases	36	(2,454)	(2,770)
Long Term Provisions	24	(389)	(370)
Long Term Borrowing	18	(121,594)	(125,594)
Pension Scheme Liability	37	(95,520)	(82,321)
Grants Receipts in Advance – Capital	34	(7,106)	(6,195)
<b>Total Non-Current Liabilities</b>		<b>(227,063)</b>	<b>(217,250)</b>
<b>Total Net Assets</b>		<b>240,120</b>	<b>229,486</b>
<b>Represented by:</b>			
Usable Reserves	25	26,815	27,970
Unusable Reserves	26	213,305	201,516
<b>Total Reserves</b>		<b>240,120</b>	<b>229,486</b>

These financial statements replace the unaudited financial statements certified by Sean Plummer, Strategic Finance Manager (Section 151 Officer) on 2 June 2015.

# CASH FLOW STATEMENT

		2014/15 £'000	2013/14 £'000
<b>Net Surplus/(Deficit) on the Provision of Services</b>	Page 10	<b>19,291</b>	<b>6,128</b>
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>			
Depreciation		11,179	9,843
Impairments and downward valuations		14,722	13,633
Reversal of previously recognised revaluation losses		(33,965)	(16,258)
Movement in the fair value of Investment Properties		415	2,038
Carrying value of non-current assets and assets held for sale sold and derecognised		5,250	7,062
Amortisation		390	322
Increase/(Decrease) in Creditors		(4,311)	6,500
(Increase)/Decrease in Debtors		(149)	(770)
(Increase)/Decrease in Inventories		(46)	17
Contributions to/(from) Provisions		1,616	538
Movement in the pension liability		2,266	2,685
Reversal of previously recognised investment impairment charge		-	(49)
Other non-cash movements		18	36
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>		<b>(2,615)</b>	<b>25,597</b>
<b>Adjustments for items included in Investing and Financing Activities:</b>			
Capital grants credited to the Surplus/Deficit on the Provision of Services		(2,614)	(4,970)
Proceeds from the sale of short and long term investments		8,499	4,283
Proceeds from the sale of non-current assets		(5,036)	(9,349)
<b>Adjustments for items included in Investing and Financing Activities:</b>		<b>849</b>	<b>(10,036)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>17,525</b>	<b>21,689</b>
<b>Investing Activities:</b>			
Purchase of non-current assets		(19,171)	(19,827)
Purchase of short and long term investments		(13,500)	(8,500)
Proceeds from the sale of non-current assets		4,635	8,882
Other payments and receipts		4,958	5,002
<b>Net Cash Flows from Investing Activities</b>		<b>(23,078)</b>	<b>(14,443)</b>
<b>Financing Activities:</b>			
Cash payments for the reduction of the outstanding finance lease liabilities		(564)	(622)
Other payments and receipts		2,831	657
<b>Net Cash Flows from Financing Activities</b>		<b>2,267</b>	<b>35</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(3,286)</b>	<b>7,281</b>
Cash and Cash Equivalents at 1 April	Note 27	23,886	16,605
<b>Cash and Cash Equivalents at 31 March</b>	Note 27	<b>20,600</b>	<b>23,886</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. General Accounting Policies

### General Principles

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15, 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.

### Changes to Accounting Policies

The Council's definition of cash equivalents has been changed with effect from 2014/15. In previous years, the Council has classified investments which matured in a period of three months or less from the acquisition date to be cash equivalents. This classification threshold has been changed from three months to be one hundred days in the 2014/15 Statement of Accounts (see Note 22). This change has been made so the accounting policy is in line with the Council's Treasury Management Strategy Statement. No prior period adjustments are required to be made to the 2013/14 comparatives from review of the investments held at the 2013/14 year end.

### Specific Accounting Policies

The notes relating to specific financial statement lines now include the corresponding specific accounting policies. The following accounting policies are considered to be general accounting policies where there are no accompanying notes within the financial statements.

### 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 are accounted for in the year the actual figure is determined. Estimation techniques are applied in particular to the calculation of depreciation, bad debt provision, sums due to contractors and Government grants.

## **Principal and Agent**

For the majority of transactions the Council undertakes, it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal.

However there are some situations whereby the Council is acting as an Agent, whereby it is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates, where the Council is collecting Council Tax and Business Rates income on behalf of itself and its preceptors, as follows:

- Council Tax: Essex County Council, Essex Police and Crime Commissioner and Essex Fire and Rescue
- Business Rates: the Department for Communities and Local Government, Essex County Council and Essex Fire and Rescue.

Any balances at the year-end in relation to these Agent relationships are split between the principal parties. Therefore, the balances contained on the Council's Balance Sheet relate to the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

## **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 replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **Overheads and Support Services**

These expenses have been collected and charged to services in accordance with agreements made with the Heads of Services using a number of bases including actual staff time spent, unit costs and fixed retainers. There is a full recharge to service accounts in accordance with the Service Reporting Code of Practice (SeRCOP).

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

## **Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the financial year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.



## **Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value (for example, sale price). The cost of inventories is assigned using the First in First Out costing formula.

Inventories that have been acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories that are provided at no charge or for a nominal charge are valued at the lower of cost and current replacement cost.

Where inventories are purchased on deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid is recognised as interest over the period of the credit in Surplus/Deficit on the Provision of Services.

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

The Code of Practice on Local Authority Accounting (the Code) in the United Kingdom 2015/16 has introduced several changes to accounting policies which must be applied by the Council from 1 April 2015. The changes that will be applied in the Code from 1 April 2015 include:

**IFRS 13 Fair Value Measurement** – this is a new accounting standard which requires local authorities to measure their assets and liabilities and provide new disclosures where a section of the Code requires or permits fair value measurement.

This new accounting standard will require the Council to measure its surplus assets, investment property and assets held for sale at fair value rather than at their previous measurement bases.

From our review of the requirements of this new standard, the significant impact on the Council's 2014/15 accounts would be a change in the valuation of its surplus assets portfolio as currently the Council's surplus assets are valued at existing use value.

Estimates have been obtained to identify the impact of the applying the new fair value measurement basis to the Council's surplus asset portfolio at the 2014/15 year end. The estimated impact is to increase the total valuation of these assets by £1.7 million. Their current total valuation is £8.0 million (see Note 13). This would be increased to £9.6 million if the IFRS 13 requirements were applied in 2014/15. The net revaluation gain of £1.7 million would increase the value of the surplus assets on the Balance Sheet, and this increase would be matched by a £1.7 million credit to the Revaluation Reserve.

**Annual Improvements to IFRSs 2011-2013 Cycle** - the changes affect the following international financial reporting standards:

- IFRS 1: Meaning of effective IFRSs
- IFRS 3: Scope exceptions for joint ventures
- IFRS 13: Scope of paragraph 52 (portfolio exception)
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

No material changes have been identified for the Council's 2014/15 accounts as a result of these amendments.

**IFRIC 21 Levies** - this new guidance sets out the required accounting treatment for the recognition of liabilities for levies imposed by a government. No material changes have been identified for the Council's 2014/15 accounts as a result of the introduction of this new accounting guidance.

### **3. 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 examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

#### **Classification of investment properties**

Investment properties have been classified by the Council using the identifiable criteria under IFRS of being solely held for rental income or for capital appreciation. This review and assessment may be subject to interpretation.

#### **Market loans**

The Treasury Code requires the maturity profile for LOBO (Lender Offer; Buyer Offer) loans to be shown as the next call date. The Council has long-term market loans that are subject to six monthly calls totalling £14.5 million. To ensure consistency with the Treasury Code, these instruments are shown in the accounts as short-term loans.

#### **Heritage Assets**

The Council has recognised its civic regalia collection as heritage assets in its Balance Sheet.

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. This is because information on the original cost of this building is not available and an appropriate valuation of this asset cannot be obtained due to its unique nature.

Heritage assets are valued in line with the Code of Accounting Practice and full details of the valuation accounting policy for heritage assets is disclosed in Note 14.

### **4. 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 as 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:

#### **Property, Plant and Equipment**

Assets are depreciated over useful lives which are dependent on assumptions about the level of planned repairs and maintenance that will be carried out in relation to individual assets. Whilst the Council has made allowances for refurbishment and ongoing maintenance of its assets, the current economic climate and reduced levels of funding could impact on the expected lives of the assets held by the Council.

If the useful life of assets were to reduce, the annual depreciation charges on these assets would increase and the carrying amount of the assets in the Balance Sheet would decrease. It should be noted that depreciation charges recognised in the Comprehensive Income and Expenditure Account are reversed out through the

Movement in Reserves Statement and do not impact on the General Fund and Housing Revenue Account balances.

### **Net Pension Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries, Barnett Waddingham, is engaged to provide expert advice regarding the assumptions applied in calculating the net pension liability included in the Statement of Accounts.

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 in the net pension liability of £3.9 million. See Note 37 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

### **Debt impairment**

At 31 March 2015, the Council has included in its accounts a provision for the impairment of doubtful debts of £7.86 million. Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, in the current economic climate 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.

### **Non-Domestic Rates Appeals**

The Business Rates Retention Scheme introduced from 1 April 2013 has led to the Council being liable for its proportionate share of successful appeals against Non-domestic rates charged to local businesses. A provision has been recognised which is the best estimate of the amount for which the Council is liable for up to 31 March 2015. This has been calculated by using the Valuation Office rating lists of appeals and existing appeals profiles in order to determine the likely outcome of outstanding appeals. The Council is aware of a tribunal decision that has a national impact relating to purpose built doctor's surgeries, and is satisfied that the provisions applied have been calculated on a reasonable basis, based on the available information. However, level of the provision will be kept under review, based on the actual timing and the success of appeals made by local businesses.

If the reduction in the Council's Rateable Value as a result of successful appeals was 10% more than the amount calculated in the provision, it would result in a shortfall in the provision of £560k. This would need to be met by the relevant precepting bodies in their respective proportions. If this shortfall led to the Council being in a deficit position in 2015/16, this would not be subject to the Safety Net, as the Council has entered into a pooling arrangement with other Essex Authorities.

## **5. Material items of income and expense**

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:

The value of the Council dwellings has been increased at the 2014/15 year end as a result of the increases seen in published house price indices. The value of these assets was adjusted using a calculated increase of 11.35%, which resulted in a revaluation gain of £31.8 million. Under the Code of Practice, £31.2 million of this gain was taken to Housing Revenue Account Income and Expenditure Statement in order to reverse previously recognised revaluation losses. The gain has then been transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations. The remaining £0.6 million gain was taken straight to the Revaluation Reserve.

In 2014/15 the Council incurred expenditure of £12.7 million on its housing stock (2013/14: £9.9 million) 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 £0.5 million has been derecognised in the 2014/15 accounts. The remaining balance of the expenditure (£12.2 million) 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.

## **6. Prior period adjustments**

### **Accounting Policy**

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, ie 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.

### **Changes made to 2013/14 Comparatives**

No prior period adjustments have been made to the 2013/14 comparatives.

## **7. Events after the Balance Sheet Date**

### **Accounting Policy**

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.

### **Disclosures**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 17 September 2015 (see page 8). 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 2015 that would materially affect these accounts, and as such no adjustments have been made to the figures included within the financial statements or notes.

## **8. 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**

The General Fund 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**

The Housing Revenue Account Balance 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**

The Capital Receipts Reserve 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**

The Council is required to maintain the Major Repairs Reserve, which 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**

The Capital Grants Unapplied Account 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.

2014/15	Usable Reserves						Movement in Unusable Reserves
	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	
		£'000	£'000	£'000	£'000	£'000	
<b>Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation of non-current assets		4,138	7,041	-	-	-	(11,179)
Derecognition of non-current assets		226	542	-	-	-	(768)
Revaluation losses on property, plant and equipment		1,572	12,904	-	-	-	(14,476)
Revaluation losses on heritage assets	14	77	-	-	-	-	(77)
Revaluation losses on assets held for sale	20	169	-	-	-	-	(169)
Reversal of previously recognised revaluation losses		(2,698)	(31,267)	-	-	-	33,965
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		778	3,427	-	-	-	(4,205)
Movements in the fair value of investment properties		415	-	-	-	-	(415)
Amortisation of intangible assets	16	306	84	-	-	-	(390)
Capital grants and contributions applied		(2,615)	-	-	-	-	2,615
Revenue expenditure funded from capital under statute	17	1,354	-	-	-	-	(1,354)
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory minimum revenue provision for the financing of capital investment	17	(1,216)	-	-	-	-	1,216
Capital expenditure charged against the General Fund and HRA balances	17	-	(5,864)	-	-	-	5,864
<b>Capital Grants Unapplied Account:</b>							
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	(21)	21
<b>Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(2,174)	(2,441)	4,615	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	17	-	-	(3,306)	-	-	3,306
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	10	458	-	(458)	-	-	-
Capital receipts not linked to disposals of non-current assets		(144)	-	144	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	26	-	-	18	-	-	(18)
Repayment of Long Term Debtors	19	-	-	58	-	-	(58)

2014/15	Usable Reserves						Movement in Unusable Reserves
	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	
		£'000	£'000	£'000	£'000	£'000	
<b>Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	H5	-	(7,041)	-	7,041	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	H5	-	-	-	(8,592)	-	8,592
<b>Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	26	(9)	-	-	-	-	9
<b>Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	37	7,184	113	-	-	-	(7,297)
Employer's pensions contributions and direct payments to pensioners payable in the year	37	(4,643)	(388)	-	-	-	5,031
<b>Collection Fund Adjustment Account:</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	26	(124)	-	-	-	-	124
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	26	1,451	-	-	-	-	(1,451)
<b>Accumulated Absences Account:</b>							
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		(29)	(2)	-	-	-	31
<b>Total Adjustments</b>		<b>4,476</b>	<b>(22,892)</b>	<b>1,071</b>	<b>(1,551)</b>	<b>(21)</b>	<b>18,917</b>

2013/14		Usable Reserves					
	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
		Restated £'000	Restated £'000	£'000	£'000	£'000	Restated £'000
<b>Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation of non-current assets		3,778	6,065	-	-	-	(9,843)
Charges for impairment of non-current assets	13	3	-	-	-	-	(3)
Derecognition of non-current assets		876	510	-	-	-	(1,386)
Revaluation losses on property, plant and equipment		3,746	9,389	-	-	-	(13,135)
Revaluation losses on heritage assets	14	495	-	-	-	-	(495)
Reversal of previously recognised revaluation losses		(409)	(15,848)	-	-	-	16,257
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		865	3,929	-	-	-	(4,794)
Movements in the fair value of investment properties		2,038	-	-	-	-	(2,038)
Amortisation of intangible assets		222	100	-	-	-	(322)
Capital grants and contributions applied	12	(4,970)	-	-	-	-	4,970
Revenue expenditure funded from capital under statute	17	2,176	-	-	-	-	(2,176)
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory minimum revenue provision for the financing of capital investment	17	(1,104)	-	-	-	-	1,104
Capital expenditure charged against the General Fund and HRA balances	17	-	(2,563)	-	-	-	2,563
<b>Capital Grants Unapplied Account:</b>							
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	(74)	74
<b>Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(5,186)	(3,244)	8,430	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	17	-	-	(6,836)	-	-	6,836
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	10	410	-	(410)	-	-	-
Capital receipts not linked to disposals of non-current assets		(41)	-	41	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	26	-	-	452	-	-	(452)



2013/14

## Usable Reserves

	Note	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
		Restated £'000	Restated £'000	£'000	£'000	£'000	Restated £'000
Repayment of Long Term Debtors		-	-	143	-	-	(143)
<b>Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	H5	-	(6,065)	-	6,065	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	H5	-	-	-	(5,737)	-	5,737
<b>Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	26	36	(38)	-	-	-	2
<b>Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	37	7,645	38	-	-	-	(7,683)
Employer's pensions contributions and direct payments to pensioners payable in the year	37	(4,605)	(393)	-	-	-	4,998
<b>Collection Fund Adjustment Account:</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	26	(424)	-	-	-	-	424
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	26	(258)	-	-	-	-	258
<b>Accumulated Absences Account:</b>							
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	26	69	(4)	-	-	-	(65)
<b>Total Adjustments</b>		<b>5,362</b>	<b>(8,124)</b>	<b>1,820</b>	<b>328</b>	<b>(74)</b>	<b>688</b>

The presentation of this note has been amended in the current year to reclassify some of the values within the disclosure table. The presentation of the 2013/14 comparative values has been amended to follow the same disclosure format.

## 9. 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 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
Repairs and Renewals Fund	1,690	(335)	536	1,891	(910)	1,008	1,989
Insurance Reserve	263	(11)	127	379	(116)	71	334
Capital Expenditure Reserve	943	(822)	586	707	(580)	640	767
Regeneration Reserve	71	-	-	71	(20)	14	65
Asset Replacement Reserve	9	(2)	66	73	-	30	103
Heritage Reserve	5	(4)	4	5	(1)	5	9
Gosbecks Reserve	342	(26)	2	318	(79)	1	240
Revenue Grants Unapplied Reserve	1,383	(422)	531	1,492	(268)	635	1,859
Retained Right to Buy Receipts Reserve	623	-	1,162	1,785	(955)	1,791	2,621
Business Rates Reserve	-	-	1,255	1,255	-	-	1,255
Revolving Investment Fund Reserve	-	-	-	-	-	700	700
Other Reserves	389	(170)	260	479	(91)	55	443
<b>Total</b>	<b>5,718</b>	<b>(1,792)</b>	<b>4,529</b>	<b>8,455</b>	<b>(3,020)</b>	<b>4,950</b>	<b>10,385</b>

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

The **Insurance Reserve** is kept to cover the potential risk of fire and damage to Council houses and other selected properties, as well as certain other risks. The Insurance Fund has been allocated between the provision and reserve elements (See Note 24).

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

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

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

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

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

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

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 **Business Rates Reserve** is maintained to cover the risk of any residual issues resulting from the introduction of the Local Business Rates Retention scheme.

The **Revolving Investment Fund** has been created as a way to deliver 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.

**Other Reserves** include:

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

**10. Other Operating Income and Expenditure**

	2014/15	2013/14
	£'000	£'000
Parish Council precepts	1,171	1,112
Payments to the Government housing capital receipts pool	458	410
(Gains)/Losses on the disposal of non-current assets	(326)	(3,514)
Capital receipts not linked to disposals	(144)	(41)
Revaluation losses on the write down of assets held for sale	169	-
<b>Total Other Operating (Income)/Expenditure</b>	<b>1,328</b>	<b>(2,033)</b>

**11. Financing and Investment Income and Expenditure**

	2014/15	2013/14
	£'000	£'000
Interest payable and similar charges	6,588	6,497
Interest receivable and similar income	(266)	(210)
Reversal of previously recognised investment impairment charges	-	(49)
Net interest on the pension scheme liability	3,501	3,874
Pension administration costs	54	18
Income and expenditure in relation to investment properties	(1,673)	(1,832)
Changes in the fair value of investment properties	415	2,038
(Gains)/Losses on the disposal of investment properties	(75)	-
<b>Total Financing and Investment Income and Expenditure</b>	<b>8,544</b>	<b>10,336</b>

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

		2014/15	2013/14
	Note	£'000	£'000
Council Tax			
Council Tax income	1	(11,218)	(10,796)
Movement in Collection Fund (Surplus)/Deficit		(124)	(424)
Apportionment of Collection Fund (Surplus)/Deficit		(142)	(19)
Non-Domestic Rates			
Individual baseline	2	(24,006)	(23,025)
Tariff payment		19,579	19,204
Share of the total collectable income		(4,427)	(3,821)
Movement in Collection Fund (Surplus)/Deficit	2	1,451	(258)
Apportionment of Collection Fund (Surplus)/Deficit	2	83	-
Non-Domestic Rates Levy/(Safety Net)	2	-	422
Non-ring fenced Government grants		(9,070)	(9,031)
Capital grants and contributions		(2,614)	(4,970)
<b>Total Taxation and Non Specific Grant Income</b>		<b>(26,061)</b>	<b>(28,897)</b>

The format of this note has been amended to improve the presentation of the disclosed information by splitting down the individual elements of Council Tax income. The presentation of the 2013/14 comparative values has been amended to follow the new note format.

Note 1 – includes the Council's share of the Council Tax Surplus/Deficit.

Note 2 – reflects the arrangements for the collection of Business Rates.

The Council's shares of the Council Tax Surplus/Deficit and Business Rate Surplus/Deficit are subsequently reversed out to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

### **13. Property, Plant and Equipment**

#### **Accounting Policy - 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 (ie repairs and maintenance) is charged as an expense when it is incurred.

#### **Accounting Policy - 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 – Fair Value, determined on the basis of Existing Use Value for Social Housing (EUV-SH).
- Other land and buildings and Surplus Assets – Fair 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(s) 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.

### **Accounting Policy - 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

### **Accounting Policy - 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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 an item of Property, Plant and Equipment asset has major components whose cost 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 (ie enhancements), 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.

### **Accounting Policy - 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 also as part of the gain or loss on disposal (ie 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.

When mortgage loans are granted to purchasers of Council houses, this creates deferred capital receipts. These are reduced annually by the amount of principal repayments received from the mortgagors and any sums received by way of early repayment.

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.

## Disclosures

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure Assets	Comm- unity Assets	Surplus Assets	Assets under Construc- tion	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/Valuation</b>								
<b>At 1 April 2014</b>	<b>261,645</b>	<b>117,363</b>	<b>18,197</b>	<b>5,961</b>	<b>286</b>	<b>8,268</b>	<b>1,097</b>	<b>412,817</b>
Additions	13,075	1,601	1,574	-	-	-	3,474	19,724
Accumulated Depreciation and Impairment written out on revaluation	(6,854)	(2,980)	-	-	-	(64)	-	(9,898)
Revaluations to Revaluation Reserve	134	2,132	-	-	-	11	-	2,277
Revaluations to Surplus/Deficit on the Provision of Services	18,470	939	-	-	-	53	-	19,462
Derecognition – disposals	(1,100)	(2,109)	(88)	-	-	(202)	-	(3,499)
Derecognition - other	(535)	(307)	(300)	-	-	-	(12)	(1,154)
Reclassifications to Assets held for Sale	(678)	(574)	-	-	-	-	-	(1,252)
Reclassifications to Investment Properties	-	686	-	-	-	-	-	686
Reclassifications within PPE categories	-	(111)	15	183	27	-	(114)	-
<b>At 31 March 2015</b>	<b>284,157</b>	<b>116,640</b>	<b>19,398</b>	<b>6,144</b>	<b>313</b>	<b>8,066</b>	<b>4,445</b>	<b>439,163</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2014</b>	<b>-</b>	<b>(5,722)</b>	<b>(8,254)</b>	<b>(1,216)</b>	<b>-</b>	<b>(53)</b>	<b>-</b>	<b>(15,245)</b>
Depreciation charge	(6,867)	(2,325)	(1,623)	(283)	-	(80)	-	(11,178)
Depreciation written out on revaluation	6,854	2,980	-	-	-	64	-	9,898
Derecognition – disposals	13	129	88	-	-	1	-	231
Derecognition – other	-	123	288	-	-	-	-	411
<b>At 31 March 2015</b>	<b>-</b>	<b>(4,815)</b>	<b>(9,501)</b>	<b>(1,499)</b>	<b>-</b>	<b>(68)</b>	<b>-</b>	<b>(15,883)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>284,157</b>	<b>111,825</b>	<b>9,897</b>	<b>4,645</b>	<b>313</b>	<b>7,998</b>	<b>4,445</b>	<b>423,280</b>
At 1 April 2014	261,645	111,641	9,943	4,745	286	8,215	1,097	397,572

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets under Construc-tion	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/Valuation</b>								
<b>At 1 April 2013</b>	<b>253,666</b>	<b>123,154</b>	<b>14,503</b>	<b>5,914</b>	<b>286</b>	<b>10,335</b>	<b>1,570</b>	<b>409,428</b>
Additions	9,972	1,982	4,368	47	-	2,700	325	19,394
Accumulated Depreciation and Impairment written out on revaluation	(5,843)	(2,829)	-	-	-	(251)	-	(8,923)
Revaluations to Revaluation Reserve	71	(1,432)	-	-	-	(323)	-	(1,684)
Revaluations to Surplus/Deficit on the Provision of Services	6,437	(314)	-	-	-	(3,000)	-	3,123
Derecognition – disposals	(1,408)	(1,882)	(791)	-	-	(1,422)	-	(5,503)
Derecognition – other	(509)	(876)	-	-	-	-	-	(1,385)
Reclassifications to Assets held for Sale	(741)	-	-	-	-	-	-	(741)
Reclassifications to Investment Properties	-	(892)	-	-	-	-	-	(892)
Reclassifications within PPE categories	-	452	117	-	-	229	(798)	-
<b>At 31 March 2014</b>	<b>261,645</b>	<b>117,363</b>	<b>18,197</b>	<b>5,961</b>	<b>286</b>	<b>8,268</b>	<b>1,097</b>	<b>412,817</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2013</b>	<b>-</b>	<b>(6,485)</b>	<b>(7,684)</b>	<b>(919)</b>	<b>-</b>	<b>(204)</b>	<b>-</b>	<b>(15,292)</b>
Depreciation charge	(5,870)	(2,235)	(1,361)	(297)	-	(83)	-	(9,846)
Depreciation written out on revaluation	5,843	2,829	-	-	-	170	-	8,842
Impairment written out on revaluation	-	-	-	-	-	81	-	81
Impairment (Losses) and reversals to Surplus/Deficit on the Provision of Services	-	(3)	-	-	-	-	-	(3)
Derecognition – disposals	27	104	791	-	-	-	-	922
Reclassifications to Investment Properties	-	51	-	-	-	-	-	51
Reclassifications within PPE categories	-	17	-	-	-	(17)	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>(5,722)</b>	<b>(8,254)</b>	<b>(1,216)</b>	<b>-</b>	<b>(53)</b>	<b>-</b>	<b>(15,245)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2014</b>	<b>261,645</b>	<b>111,641</b>	<b>9,943</b>	<b>4,745</b>	<b>286</b>	<b>8,215</b>	<b>1,097</b>	<b>397,572</b>
At 1 April 2013	253,666	116,669	6,819	4,995	286	10,131	1,570	394,136

## 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 – components:  
Host building structure 35 - 50 years
- Other Land and Buildings - components:  
Host building structure 1 - 50 years  
Mechanical and electrical 10 - 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 are 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 2014/15 were:

- the revaluation of a portfolio of General Fund AND Housing Revenue Account properties as at 1 April 2014
- the indexation of Council dwellings and Homeless properties to their fair value as at 31 March 2015
- the ad-hoc revaluations of other assets throughout the financial year

The Council dwellings and other HRA properties were revalued at 1 April 2010 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 Department for Communities and Local Government. The dwellings were valued on the basis of Existing Use Value – Social Housing (EUV-SH). The stock was broken down into archetype groups and an average based on beacon values applied to each group. The figure applied per unit is based upon tenanted individual properties. The valuation for Council dwellings and Homeless Properties has been adjusted to their values at 31 March 2015 using property price indices, and this resulted in a revaluation gain of £31.4 million.

Expenditure of £12.7 million was incurred in 2014/15 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 £0.5 million and this cost has been derecognised in the accounts. The remaining expenditure balance (£12.2 million) has been treated as a revaluation loss relating to Council housing at 31 March 2015.

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

The valuations were made in accordance with the RICS Valuation – Professional Standards 2014 (issued by the Royal Institution of Chartered Surveyors).

The valuations assume that the land and properties are unaffected by contamination. Specific inspections and structural or soil surveys have not been carried out and 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 which 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 which are revalued in the Council's rolling programme for the revaluation of property, plant and equipment assets. The basis for the valuations is set out in the property, plant and equipment accounting policies detailed above.

As at 31 March 2015								
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure Assets £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets under Construc-tion £'000	Total Property, Plant and Equipment £'000
Carried at historical cost	-	899	19,398	6,144	313	-	4,445	31,199
Valued at fair value as at:								
1 April 2010	-	4,144	-	-	-	-	-	4,144
1 April 2012	-	749	-	-	-	1,011	-	1,760
1 April 2013	-	23,760	-	-	-	105	-	23,865
1 April 2014	-	63,280	-	-	-	-	-	63,280
30 October 2014	-	182	-	-	-	-	-	182
31 March 2015	284,157	23,626	-	-	-	6,950	-	314,733
<b>Gross Book Value</b>	<b>284,157</b>	<b>116,640</b>	<b>19,398</b>	<b>6,144</b>	<b>313</b>	<b>8,066</b>	<b>4,445</b>	<b>439,163</b>

## 14. Heritage Assets

### Accounting Policy

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, works of art, museum exhibits and Colchester Castle.

### Accounting Policy - 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 asset valuations are kept up to date and 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 have arisen which 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 Note 13).

### Accounting Policy - 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 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 which 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 are kept up to date and 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 (see Note 13).

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 have arisen which 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 Note 13).

### Accounting Policy - 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.

### Disclosures

Heritage Assets	2014/15 £'000	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000
Balance at 1 April	1,172	1,172	1,172	-	-
Cost of acquisitions	77	495	82	128	-
Assets transferred from Property Plant and Equipment	-	-	-	20	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	1,172	-
Revaluation decreases recognised in the Surplus/Deficit	(77)	(495)	(82)	(148)	-
<b>Balance at 31 March</b>	<b>1,172</b>	<b>1,172</b>	<b>1,172</b>	<b>1,172</b>	<b>-</b>

It is not practicable to provide a summary of the transactions for accounting periods prior to 1 April 2010.

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

2014/15 - Valuation	Civic regalia £'000	Buildings £'000	Total £'000
<b>Balance at 1 April 2014</b>	<b>1,172</b>	<b>-</b>	<b>1,172</b>
Acquisitions – cost	-	77	77
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	(77)	(77)
<b>Balance at 31 March 2015</b>	<b>1,172</b>	<b>-</b>	<b>1,172</b>

  

2013/14 - Valuation	Civic regalia £'000	Buildings £'000	Total £'000
<b>Balance at 1 April 2013</b>	<b>1,172</b>	<b>-</b>	<b>1,172</b>
Acquisitions - cost	-	495	495
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	(495)	(495)
<b>Balance at 31 March 2014</b>	<b>1,172</b>	<b>-</b>	<b>1,172</b>

### Civic Regalia Collection

The Council's civic regalia collection includes fine examples of silver gilt and civic gifts and donations. There are 85 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. In the collection is 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 out-going 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 when 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 of 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 which 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 2011 by the 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.

### **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 which is designated in recognition of 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 added into and held 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 arising 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 which 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 out offsite to be shown to the public at external organisations such as local schools and temporary exhibitions. The Council has a reserve collection which is held in storage, access to these items is restricted and prior appointments are required to be made to view these items.

The original cost information is not available for these collections. The insurance valuation for these collections cannot be utilised as the total insurance value represents only a proportion of the items of the collections and is not analysed down individually across the collections which contain more than 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.

### **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 is built of stone and is built 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 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 2014/15 capital expenditure totalling £77,000 was incurred relating to works performed on the Castle and 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.

## **15. Investment Properties**

### **Accounting Policy**

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 and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually accordingly to market conditions at the year end. 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 in relation to investment properties are credited to and directly operating expenses related to investment properties are debited to 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 Note 13 for the disposal accounting policy applied to investment properties.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. 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 and to the Capital Receipts Reserve in respect of the sale proceeds.

## Disclosures

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:

	2014/15 £'000	2013/14 £'000
Rental income from investment properties	(1,729)	(1,932)
Direct operating expenses arising from investment properties	56	100
<b>Net (gain)/loss on Investment Properties</b>	<b>(1,673)</b>	<b>(1,832)</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 which are either 'Full Repairing and Insuring' leases or 'Internal Repairing' leases on its investment properties. '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:

	2014/15 £'000	2013/14 £'000
Balance at 1 April	34,229	35,380
Disposals	(528)	-
Net gains/(losses) arising from fair value adjustments	(415)	(1,993)
Transfers (to)/from Property, Plant and Equipment	(686)	842
<b>Balance at 31 March – Investment Properties</b>	<b>32,600</b>	<b>34,229</b>

## 16. Intangible Assets

### Accounting Policy

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences) 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 measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets are held by the Council which meets this criterion, and they are therefore carried at amortised cost.

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

An intangible asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure 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.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The 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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## Disclosures – 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 3 and 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. In 2014/15 amortisation of £0.390 million (2013/14: £0.323 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 capitalised software which are individually material to the financial statements.

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

<b>Software</b>		
	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April		
Gross carrying amount	9,496	8,974
Accumulated amortisation	(8,430)	(8,107)
<b>Net carrying amount at 1 April</b>	<b>1,066</b>	<b>867</b>
Additions: Purchases	830	522
Amortisation for the year	(390)	(323)
Derecognition	(25)	-
<b>Net carrying amount at 31 March</b>	<b>1,481</b>	<b>1,066</b>
Comprising of:		
Gross carrying amount	9,766	9,496
Accumulated amortisation	(8,285)	(8,430)
<b>Balance at 31 March – Intangible Assets</b>	<b>1,481</b>	<b>1,066</b>

## 17. Capital Expenditure and Capital Financing

### Accounting Policy - 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.

### Accounting Policy - 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 follows the existing practice outlined in former CLG regulations (option 1). This option provides for an approximate 4% reduction in the borrowing need (CFR) each 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.

### 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. The difference between these two figures results in a change 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. Any capital expenditure that has not immediately been paid for will increase the CFR. The movement in the CFR is analysed in the second part of this note.

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement at 1 April</b>	<b>152,230</b>	<b>151,269</b>
<b>Capital Expenditure</b>		
Property, Plant and Equipment	19,724	19,394
Heritage Assets	77	495
Intangible Assets	830	522
Revenue Expenditure Funded from Capital under Statute	1,354	2,176
Long Term Debtors	96	156
	<b>22,081</b>	<b>22,743</b>
<b>Sources of Finance</b>		
Capital Receipts	3,306	6,836
Government Grants and Other Contributions	2,636	5,046
Major Repairs Reserve	8,593	5,737
Earmarked Reserves	1,528	491
Direct Revenue Contributions	5,864	2,563
Minimum Revenue Provision	1,216	1,104
Other	-	5
	<b>23,143</b>	<b>21,782</b>
<b>Closing Capital Financing Requirement at 31 March</b>	<b>151,168</b>	<b>152,230</b>
<b>Explanation of movements in year:</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(117)	1,013
Assets acquired under finance leases	271	1,057
Minimum Revenue Provision	(1,216)	(1,104)
Other	-	(5)
<b>Increase/(Decrease) in the Capital Financing Requirement</b>	<b>(1,062)</b>	<b>961</b>

### Capital Commitments

At 31 March 2015, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years. The significant commitments are:

Scheme	Total Current Contract Value £'000	Outstanding at 31 March 2015 £'000	Outstanding at 31 March 2014 £'000
Decent Homes and upgrades to Council Stock	14,841	9,489	9,585
Specific Adaptations to Housing Stock	2,400	2,036	2,377
Worsnop House building works	3,205	-	691
Redevelopment of Castle Museum – building works	1,620	-	140
Redevelopment of Castle Museum – internal fit-out	1,428	-	146
Installation of PV systems on Council buildings	800	326	562

## **18. Financial Instruments**

### **Accounting Policy – General (Financial Liabilities; Loans and Receivables)**

These are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value, and are carried at their amortised cost. Costs and income in connection with the borrowing and investment of funds are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash flows over the life of the instrument to the amount at which it was originally recognised.

For most borrowings and investments that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal (plus accrued interest); and interest shown in the Comprehensive Income and Expenditure Statement is the amounts payable/receivable for the year according to the loan agreement.

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Accounting Policy - Available-for-Sale Assets**

Available-for-sale assets are financial assets that have a quoted market price and/or do not have fixed or determinable payments. They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

The assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for Sale Financial Assets.

Where assets with no fixed or determinable payments are identified as impaired because fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).



Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

### Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
<b>Investments</b>				
Loans and receivables (Principal)	-	-	13,500	8,500
Accrued Interest (S/T)	-	-	41	42
<b>Loans and receivables at amortised cost (1)</b>	-	-	<b>13,541</b>	<b>8,542</b>
Available-for-sale financial assets	9	10	-	-
Financial assets at fair value through profit or loss (2)	-	-	-	-
<b>Total Investments</b>	<b>9</b>	<b>10</b>	<b>13,541</b>	<b>8,542</b>
<b>Debtors</b>				
Financial assets carried at contract amount (excludes Statutory Council Tax, NDR and Housing Benefit balances)	1,399	1,104	6,135	7,915
<b>Total Debtors</b>	<b>1,399</b>	<b>1,104</b>	<b>6,135</b>	<b>7,915</b>
Soft Loans Provided	1,105	1,068	-	-
<b>Borrowings</b>				
Financial liabilities (Principal)				
Public Works Loan Board (PWLB)	(101,594)	(101,594)	-	-
Money Market	(20,000)	(24,000)	(14,500)	(10,500)
Accrued Interest (S/T)	-	-	(1,744)	(1,745)
<b>Total borrowings at amortised cost (1)</b>	<b>(121,594)</b>	<b>(125,594)</b>	<b>(16,244)</b>	<b>(12,245)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount (excludes Statutory Council Tax, NDR and Housing Benefit balances)	-	-	(9,510)	(14,880)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(9,510)</b>	<b>(14,880)</b>
<b>Other Liabilities</b>				
Finance lease liabilities	(2,454)	(2,770)	(567)	(534)
<b>Total Other Liabilities</b>	<b>(2,454)</b>	<b>(2,770)</b>	<b>(567)</b>	<b>(534)</b>

Note 1 – Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

### Soft Loans made by the Council

The Council has made a number of interest free loans to private sector occupiers for home improvements under the Financial Assistance Policy. These loans are secured against the property and repayable on sale. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure

Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The detailed soft loans information is as follows:

Soft Loans	31 March 2015 £'000	31 March 2014 £'000
<b>Opening Balance</b>	<b>559</b>	<b>580</b>
Add: New loans granted	95	156
Deduct: Fair Value adjustment	(37)	(76)
Deduct: Loans repaid	(58)	(141)
Add: Increase in the discounted amount	46	40
<b>Balance carried forward</b>	<b>605</b>	<b>559</b>
<b>Nominal value carried forward</b>	<b>1,105</b>	<b>1,068</b>

The interest rate at which the fair values of these soft loans has been recognised is arrived at by taking the Council's prevailing cost of borrowing for a comparable loan at the date of the advance and adding an allowance for the risk that the loan might not be repaid.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

### 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:

	2014/15				2013/14			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and Receivables £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and Receivables £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest expense	6,589	-	-	6,589	6,496	-	-	6,496
Impairment losses	-	-	-	-	-	-	(49)	(49)
<b>Total expense in Surplus or Deficit on Provision of Services</b>	<b>6,589</b>	<b>-</b>	<b>-</b>	<b>6,589</b>	<b>6,496</b>	<b>-</b>	<b>(49)</b>	<b>6,447</b>
Interest income	-	(266)	-	(266)	-	(212)	-	(212)
<b>Total income in Surplus or Deficit on Provision of Services</b>	<b>-</b>	<b>(266)</b>	<b>-</b>	<b>(266)</b>	<b>-</b>	<b>(212)</b>	<b>-</b>	<b>(212)</b>
Adjusted via Movement in Reserves Statement – premiums/discounts	-	-	-	-	38	-	-	38
<b>Net (gain)/loss for the year</b>	<b>6,589</b>	<b>(266)</b>	<b>-</b>	<b>6,323</b>	<b>6,534</b>	<b>(212)</b>	<b>(49)</b>	<b>6,273</b>

The average interest rate on all financial liabilities – borrowings for 2014/15 was 4.56% (2013/14: 4.56%). All investments were managed internally and the main losses/(gains) were therefore shown under 'Loans and Receivables'.

The above figures include the surplus arising from the proceeds of the sale of the Council's claims against the insolvent Icelandic bank LBI in February 2014.

## Fair Values of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost (in long term assets/liabilities, with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2015		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	(102,564)	(116,722)	(102,564)	(93,556)
Market debt	(35,274)	(45,151)	(35,275)	(40,773)
Short Term Creditors (excluding NDR, Council Tax and Housing Benefit creditors)	(9,510)	(9,510)	(14,880)	(14,880)
Short term finance lease liability	(567)	(567)	-	-
Long term finance lease liability	(2,454)	(2,454)	(2,770)	(2,770)
<b>Total Financial Liabilities</b>	<b>(150,369)</b>	<b>(174,404)</b>	<b>(155,489)</b>	<b>(151,979)</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2015		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	13,541	13,551	8,542	8,547
Short Term Debtors (excluding NDR, Council Tax and Housing Benefit debtors)	6,135	6,135	7,915	7,915
Long Term Debtors	1,399	1,399	1,104	1,104
<b>Total Financial Assets</b>	<b>21,075</b>	<b>21,085</b>	<b>17,561</b>	<b>17,566</b>

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate is higher than the rates available for similar investments in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2015) arising from a commitment to receive interest from lenders above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 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.

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 which incorporates the prudential indicators was approved by Council on 19 February 2014 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £168 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £145 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown under the section on refinancing and maturity risk.

These policies are implemented by the Technical Accounting team. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the 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 Capita Asset Services. 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

The full Investment Strategy for 2014/15 was approved by Full Council on 19 February 2014 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 £35.97 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No credit limits were exceeded during the reporting period, and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers. The total outstanding debt amount can be analysed by age as follows, assuming that all manually accrued items are less than three months old:

	31 March 2015	31 March 2014
	£'000	£'000
Less than three months	5,806	7,552
Three to six months	83	71
Six months to one year	41	76
More than one year	205	216
<b>Total</b>	<b>6,135</b>	<b>7,915</b>

Collateral – During the reporting period the Council held no collateral as security.

### 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 and investment 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 commitments under financial instruments.

All sums owing (£35.97m) 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 placed 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 Council as part of the treasury Management Strategy) is as follows:

	Approved minimum %	Approved maximum %	Actual 31 March 2015 £'000	Actual 31 March 2015 %	Actual 31 March 2014 £'000	Actual 31 March 2014 %
Less than 1 year	0.0	10.0	14,500	10.6	12,245	7.7
Between 1 and 2 years	0.0	50.0	-	-	4,000	2.9
Between 2 and 5 years	0.0	50.0	-	-	-	-
Between 5 and 10 years	0.0	70.0	20,000	14.7	20,000	14.7
More than 10 years	0.0	100.0	101,594	74.7	101,594	74.7
<b>Total</b>			<b>136,094</b>	<b>100.0</b>	<b>137,839</b>	<b>100.0</b>

## 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 instrument 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 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 will 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 2015, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2015 £'000	31 March 2014 £'000
Increase in interest receivable on short term investments made in year	(470)	(406)
Impact on Surplus or Deficit on the Provision of Services	(470)	(406)
Share of overall impact credited to the HRA (net)	(49)	(58)
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)	24,251	18,044
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)	65	33

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, does not generally invest 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.

## 19. Long Term Debtors

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

Category	Balance at 1 April 2014 £'000	Interest adjustment £'000	Advances in the year £'000	Repayments In the year £'000	Balance at 31 March 2015 £'000
Sale of Council Houses	26	-	-	(1)	25
Purchase/Improvement of Private Sector Houses	5	-	-	-	5
Improvement of Private Sector Houses -interest free	559	9	95	(58)	605
Finance lease debtors	514	-	275	(25)	764
<b>Total</b>	<b>1,104</b>	<b>9</b>	<b>370</b>	<b>(84)</b>	<b>1,399</b>

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The 'loss' for interest foregone is calculated based on the current market rate, at the end of the year, in which the advance is recognised, for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see Note 26).

## 20. Assets Held for Sale

### Accounting Policy

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 is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. 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 Note 13 for the disposals accounting policy applied for the disposal of assets held for sale.

## Disclosures

	31 March 2015	31 March 2014
	£'000	£'000
Balance at 1 April	741	1,101
Assets reclassified as held for sale from Property, Plant and Equipment	1,304	741
Assets declassified as held for sale	(53)	-
Disposals	(688)	(1,101)
Revaluation losses	(169)	-
<b>Balance at 31 March – Assets Held for Sale</b>	<b>1,135</b>	<b>741</b>

## 21. Short Term Debtors

	31 March 2015	31 March 2014
	£'000	£'000
Central Government bodies	1,187	1,471
Other local authorities	898	1,038
NHS bodies	2	-
Other entities and individuals	6,893	6,492
<b>Total Short Term Debtors</b>	<b>8,980</b>	<b>9,001</b>

The above short term debtor values are presented net of impairments (allowances for non-collection).

## 22. Cash and Cash Equivalents

### Accounting Policy

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 one hundred 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.

### Disclosures

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2015	31 March 2014
	£'000	£'000
Cash held by the Council	19	32
Bank current accounts	15,217	487
Short term deposits	22,444	26,222
<b>Total Cash and Cash Equivalents</b>	<b>37,680</b>	<b>26,741</b>

## 23. Short Term Creditors

	31 March 2015	31 March 2014
	£'000	£'000
Central Government bodies	(2,754)	(3,847)
Other local authorities	(5,232)	(4,848)
Other entities and individuals	(8,608)	(7,048)
<b>Total Short Term Creditors</b>	<b>(16,594)</b>	<b>(15,743)</b>



## 24. Provisions

### Accounting Policy

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 at the Balance Sheet date of the expenditure required to settle the obligation, 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 now 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, this 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.

### Non-Domestic Ratings Appeals Provision

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(1,672)</b>	-
Additional provisions made in the year	(6,680)	(1,672)
Amounts used during the year	2,689	-
<b>Balance at 31 March</b>	<b>(5,663)</b>	<b>(1,672)</b>

The format of the above disclosure table has been amended to improve the presentation of the disclosed information. This table now discloses the movements and balances relating to the total Non-Domestic Ratings Appeals provision whereas in the 2013/14 audited Statement of Accounts it disclosed the details relating the Council's proportionate share of the total provision (£0.669 million as at 31 March 2014).

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. Appeals are charged and provided for in proportion to the precepting shares. The Council's proportionate share shown in the Balance Sheet is 40% of the above amount (£2.266 million – see Collection Fund Note C5).

The Chancellor's Autumn Budget Statement of December 2014 advised that the arrangements for backdating business rates appeals would change so that alterations to rateable values could only be backdated to 1 April 2010 if the appeal was made before 1 April 2015. The additional provision made in 2014/15 takes into account the increase in appeals as a result of this change.

### Insurance Provision

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(370)</b>	<b>(501)</b>
Additional provisions made in the year	(39)	(3)
Amounts used during the year	20	134
<b>Balance at 31 March</b>	<b>(389)</b>	<b>(370)</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 9).

The major risks covered at present are:

- (1) **Housing Stock** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with general properties, for any one period of insurance, of £100,000. Subsidence between October 1998 and July 2008 with an excess of £1,500. Subsidence is now covered by the Council's external building insurance policy up to external insurance excess of £25,000 per claim but with an overall aggregate with general properties, for any one period of insurance, of £100,000.
- (2) **General Properties** – Property damage up to external insurance excess of £25,000 per claim but with an overall aggregate with Housing stock, for any one period of insurance, of £100,000.
- (3) **All Risk Items** – Accidental damage or any loss associated with theft which is excluded from our external theft policy but qualifies under the provision policy.

## **25. Usable Reserves**

### **Accounting Policy - 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 Renewal and Repairs, Insurance, Capital Expenditure, Regeneration, Asset Replacement, Heritage and Gosbecks. Details of these are given in Note 9.

### **Movement in Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement on page 9.

## 26. Unusable Reserves

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

	31 March 2015	31 March 2014
	£'000	£'000
Revaluation Reserve	21,513	20,355
Capital Adjustment Account	288,146	263,287
Financial Instruments Adjustment Account	(500)	(509)
Pensions Reserve	(95,520)	(82,321)
Deferred Capital Receipts Reserve	712	455
Collection Fund Adjustment Account	(529)	798
Accumulated Absences Account	(517)	(549)
<b>Total – Unusable Reserves</b>	<b>213,305</b>	<b>201,516</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 contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>20,355</b>	<b>24,056</b>
Upward revaluation of assets	2,740	2,500
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(464)	(4,138)
<b>Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>2,276</b>	<b>(1,638)</b>
Difference between fair value depreciation and historical cost depreciation	(246)	(256)
Accumulated gains on assets sold/scrapped	(827)	(1,471)
Accumulated gains on assets written out	-	(336)
Other movements	(45)	-
<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,118)</b>	<b>(2,063)</b>
<b>Balance at 31 March</b>	<b>21,513</b>	<b>20,355</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. This account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

This 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 8 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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>263,287</b>	<b>258,407</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	(11,179)	(9,843)
Charges for impairment of non-current assets	-	(3)
Derecognition of components of non-current assets	(768)	(1,386)
Revaluation losses on property, plant and equipment	(14,476)	(13,135)
Revaluation losses on heritage assets	(77)	(495)
Revaluation losses on assets held for sale assets	(169)	-
Reversal of previously recognised revaluation losses	33,965	16,258
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	(4,482)	(5,676)
Amortisation of intangible assets	(390)	(322)
Revenue expenditure funded from capital under statute	(1,354)	(2,176)
Long Term Debtors	(58)	(143)
Adjusting amounts written out of the Revaluation Reserve	1,118	2,063
Net written out amount of the cost of non-current assets consumed in the year	2,130	(14,858)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	3,306	6,836
Use of the Major Repairs Reserve to finance new capital expenditure	8,593	5,736
Use of the Earmarked Reserves to finance new capital expenditure	1,528	491
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,615	4,970
Application of grants to capital financing from the Capital Grants Unapplied Account	21	76
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,216	1,104
Capital expenditure charged against the General Fund and HRA balances	5,865	2,563
	23,144	21,776
Movements in the fair value of investment properties	(415)	(2,038)
<b>Balance at 31 March</b>	<b>288,146</b>	<b>263,287</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(509)</b>	<b>(511)</b>
Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	38
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	9	(36)
<b>Balance at 31 March</b>	<b>(500)</b>	<b>(509)</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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(82,321)</b>	<b>(94,912)</b>
Re-measurement of the net defined benefit liability	(10,933)	15,276
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	(7,297)	(7,683)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,031	4,998
<b>Balance at 31 March</b>	<b>(95,520)</b>	<b>(82,321)</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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>455</b>	<b>27</b>
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	275	880
Transfer to the Capital Receipts Reserve upon receipt of cash	(18)	(452)
<b>Balance at 31 March</b>	<b>712</b>	<b>455</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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>798</b>	<b>116</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	124	424
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	(1,451)	258
<b>Balance at 31 March</b>	<b>(529)</b>	<b>798</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, for example 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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(549)</b>	<b>(484)</b>
Settlement or cancellation of accrual made at the end of the preceding year	549	484
Amounts accrued at the end of the current year	(517)	(549)
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	32	(65)
<b>Balance at 31 March</b>	<b>(517)</b>	<b>(549)</b>

## 27. Cash Flow Statement – Cash Flows from Operating Activities and Cash and Cash Equivalents

### Cash Flows from Operating Activities

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

	2014/15 £'000	2013/14 £'000
Interest Received	221	170
Interest Paid	(6,578)	(6,343)

### Cash and Cash Equivalents

	2014/15 £'000	2013/14 £'000
Cash held by the Council	19	32
Bank current accounts	15,217	487
Short term deposits	22,444	26,222
Bank overdraft	(17,080)	(2,855)
<b>Cash Flow Statement - Total Cash and Cash Equivalents</b>	<b>20,600</b>	<b>23,886</b>

## 28. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are all charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Council's services recorded in the budget reports for the year is as follows:

<b>Service Income and Expenditure 2014/15</b>	<b>Corporate and Democratic Core</b>	<b>Corporate and Financial Management</b>	<b>Executive Management Team</b>	<b>Community Services</b>	<b>Commercial Services</b>	<b>Customer Services</b>	<b>Operational Services</b>	<b>Professional Services</b>	<b>Housing Revenue Account</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>£'000</b>	<b>£'000</b>
Fees, charges and other service income	-	(755)	(7)	(3,757)	(6,367)	(784)	(10,603)	(2,017)	(12,583)	(36,873)
Government grants	-	-	-	(286)	(4)	(339)	(1,126)	(8)	-	(1,763)
<b>Total Income</b>	<b>-</b>	<b>(755)</b>	<b>(7)</b>	<b>(4,043)</b>	<b>(6,371)</b>	<b>(1,123)</b>	<b>(11,729)</b>	<b>(2,025)</b>	<b>(12,583)</b>	<b>(38,636)</b>
Employee expenses	-	2,931	616	4,764	3,204	3,388	5,783	3,352	120	24,158
Other service expenses	248	3,961	47	5,201	5,521	588	5,092	712	11,874	33,244
Support service recharges	-	-	-	-	-	-	-	-	3,543	3,543
<b>Total Expenditure</b>	<b>248</b>	<b>6,892</b>	<b>663</b>	<b>9,965</b>	<b>8,725</b>	<b>3,976</b>	<b>10,875</b>	<b>4,064</b>	<b>15,537</b>	<b>60,945</b>
<b>Net Expenditure</b>	<b>248</b>	<b>6,137</b>	<b>656</b>	<b>5,922</b>	<b>2,354</b>	<b>2,853</b>	<b>(854)</b>	<b>2,039</b>	<b>2,954</b>	<b>22,309</b>

<b>Service Income and Expenditure 2013/14</b>	<b>Corporate and Democratic Core</b>	<b>Assistant Chief Executive</b>	<b>Executive Management Team</b>	<b>Community Services</b>	<b>Commercial Services</b>	<b>Customer Services</b>	<b>Operational Services</b>	<b>Professional Services</b>	<b>Housing Revenue Account</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>£'000</b>	<b>£'000</b>
Fees, charges and other service income	-	(825)	(51)	(2,764)	(5,848)	(652)	(9,953)	(1,942)	(23,666)	(45,701)
Government grants	-	-	(28)	(403)	(12)	(332)	(931)	(9)	-	(1,715)
<b>Total Income</b>	<b>-</b>	<b>(825)</b>	<b>(79)</b>	<b>(3,167)</b>	<b>(5,860)</b>	<b>(984)</b>	<b>(10,884)</b>	<b>(1,951)</b>	<b>(23,666)</b>	<b>(47,416)</b>
Employee expenses	-	3,868	771	4,608	3,259	3,175	5,493	3,143	128	24,445
Other service expenses	241	5,598	162	4,586	2,864	744	5,646	677	19,261	39,779
Support service recharges	-	-	-	-	-	-	-	-	3,320	3,320
<b>Total Expenditure</b>	<b>241</b>	<b>9,466</b>	<b>933</b>	<b>9,194</b>	<b>6,123</b>	<b>3,919</b>	<b>11,139</b>	<b>3,820</b>	<b>22,709</b>	<b>67,544</b>
<b>Net Expenditure</b>	<b>241</b>	<b>8,641</b>	<b>854</b>	<b>6,027</b>	<b>263</b>	<b>2,935</b>	<b>255</b>	<b>1,869</b>	<b>(957)</b>	<b>20,128</b>

## Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	31 March 2015 £'000	31 March 2014 £'000 Restated
Net expenditure in the Services Analysis	22,309	20,128
Net expenditure of services and support services not included in the Services Analysis	(25,227)	(18,989)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Services Analysis	65,800	58,493
Amounts included in the Services Analysis not included in the Comprehensive Income and Expenditure Statement	(65,984)	(45,166)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(3,102)</b>	<b>14,466</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus/Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15

	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	(Surplus)/ Deficit on the provision of services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(36,873)	(4,620)	(180)	(14,735)	(56,408)	-	(56,408)
Interest and Investment income	-	-	(5,815)	5,815	-	(266)	(266)
Income in relation to investment properties	-	-	-	-	-	(1,729)	(1,729)
Income from Council Tax	-	-	-	-	-	(11,401)	(11,401)
Capital receipts not linked to disposals	-	-	-	-	-	(144)	(144)
Government grants and contributions	(1,763)	(56,060)	-	(10)	(57,833)	(14,660)	(72,493)
<b>Total Income</b>	<b>(38,636)</b>	<b>(60,680)</b>	<b>(5,995)</b>	<b>(8,930)</b>	<b>(114,241)</b>	<b>(28,200)</b>	<b>(142,441)</b>
Employee expenses	24,158	2,219	1,310	(1,084)	26,603	-	26,603
Other service expenses	33,244	-	58,916	(8,165)	83,995	-	83,995
Support service recharges	3,543	33,234	-	(36,236)	541	-	541
Depreciation, amortisation and impairment	-	-	11,569	(11,569)	-	-	-
Interest payments	-	-	-	-	-	6,588	6,588
Precepts and levies	-	-	-	-	-	1,171	1,171
Payments to housing capital receipts pool	-	-	-	-	-	458	458
Expenditure in relation to investment properties	-	-	-	-	-	56	56
Movement in the fair value of investment properties	-	-	-	-	-	415	415
Net interest on the pension scheme liability	-	-	-	-	-	3,501	3,501
Pension administration costs	-	-	-	-	-	54	54
Gain/Loss on disposal of non-current assets	-	-	-	-	-	(401)	(401)
Revaluation losses on the write down of assets held for sale	-	-	-	-	-	169	169
<b>Total Expenditure</b>	<b>60,945</b>	<b>35,453</b>	<b>71,795</b>	<b>(57,054)</b>	<b>111,139</b>	<b>12,011</b>	<b>123,150</b>
<b>Surplus/Deficit on the Provision of Services</b>	<b>22,309</b>	<b>(25,227)</b>	<b>65,800</b>	<b>(65,984)</b>	<b>(3,102)</b>	<b>(16,189)</b>	<b>(19,291)</b>



	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	(Surplus)/ Deficit on the provision of services
	£'000	£'000	Restated £'000	Restated £'000	£'000	£'000	£'000
Fees, charges and other service income	(45,701)	(6,065)	(10,825)	5,371	(57,220)	-	(57,220)
Interest and Investment income	-	-	(5,864)	5,864	-	(210)	(210)
Income in relation to investment properties	-	-	-	-	-	(1,932)	(1,932)
Income from Council Tax	-	-	-	-	-	(11,239)	(11,239)
Movement in fair value of investment properties	-	-	-	-	-	(41)	(41)
Government grants and contributions	(1,715)	(56,949)	-	(72)	(58,736)	(17,658)	(76,394)
<b>Total Income</b>	<b>(47,416)</b>	<b>(63,014)</b>	<b>(16,689)</b>	<b>11,163</b>	<b>(115,956)</b>	<b>(31,080)</b>	<b>(147,036)</b>
Employee expenses	24,445	2,455	1,715	(1,207)	27,408	-	27,408
Other service expenses	39,779	874	63,298	(2,154)	101,797	-	101,797
Support service recharges	3,320	40,696	-	(42,799)	1,217	-	1,217
Depreciation, amortisation and impairment	-	-	10,169	(10,169)	-	-	-
Interest payments	-	-	-	-	-	6,448	6,448
Precepts and levies	-	-	-	-	-	1,112	1,112
Payments to housing capital receipts pool	-	-	-	-	-	410	410
Expenditure in relation to investment properties	-	-	-	-	-	100	100
Movement in the fair value of investment properties	-	-	-	-	-	2,038	2,038
Net interest on the pension scheme liability	-	-	-	-	-	3,874	3,874
Pension administration costs	-	-	-	-	-	18	18
Gain/Loss on disposal of non-current assets	-	-	-	-	-	(3,514)	(3,514)
<b>Total Expenditure</b>	<b>67,544</b>	<b>44,025</b>	<b>75,182</b>	<b>(56,329)</b>	<b>130,422</b>	<b>10,486</b>	<b>140,908</b>
<b>Surplus/Deficit on the Provision of Services</b>	<b>20,128</b>	<b>(18,989)</b>	<b>58,493</b>	<b>(45,166)</b>	<b>14,466</b>	<b>(20,594)</b>	<b>(6,128)</b>

## 29. Trading Operations

The significant operations of a trading nature are included in the Statement of Accounts as set out below –

**Colchester Leisure World** – Included within 'Cultural and Related Services' line in the Comprehensive Income and Expenditure Statement (page 10).

Colchester Leisure World	2014/15 £'000	2013/14 £'000
Expenditure	5,128	5,005
Income	(4,396)	(4,019)
<b>Net Expenditure</b>	<b>732</b>	<b>986</b>

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

**Trade Refuse** - Included within 'Environmental and Regulatory Services' line in the Comprehensive Income and Expenditure Statement (page 10). The surplus for the year was £38,000 on a turnover of £402,000 (2013/14: £55,000 deficit on a turnover of £409,000).

**Support Services** – The Council also operates a range of internal trading units which provide support services. These aim to break even and generate income from charges to the services set out in the Comprehensive Income and Expenditure Statement. The turnover for the year for these activities was £16.0 million (£15.0 million for 2013/14). These sums have been fully recharged to services.

### 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.

	31 March 2015	31 March 2014
	£'000	£'000
Allowances	547	543
Expenses	3	2
<b>Total</b>	<b>550</b>	<b>545</b>

### 31. Officers' Remuneration

#### Accounting Policy - 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, flexi time 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.

#### Accounting Policy - 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 are required to and from the Pensions Reserve 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.

#### Accounting Policy - 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.

#### Disclosures

To provide the services of the Council the following total number of full-time and part-time officers were employed at 31 March:

	2014/15	2013/14
<b>Total number of employees</b>	<b>782</b>	<b>803</b>

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

<b>2014/15</b>					
<b>Post holder</b>	<b>Salary, Fees and Allowances</b>	<b>Expense Allowances</b>	<b>Bonuses</b>	<b>Pension contributions</b>	<b>Total Remuneration</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	121,144	132	-	16,643	<b>137,919</b>
Executive Director	97,221	132	-	13,337	<b>110,690</b>
Executive Director	97,221	132	-	13,337	<b>110,690</b>
Executive Director	97,221	-	-	13,319	<b>110,540</b>
Assistant Chief Executive	65,017	132	-	8,925	<b>74,074</b>
Head of Commercial Services	73,325	132	-	10,064	<b>83,521</b>
Head of Community Services	73,325	132	-	10,064	<b>83,521</b>
Head of Customer Services	72,845	132	-	10,064	<b>83,041</b>
Head of Operational Services	73,325	132	-	10,064	<b>83,521</b>
Head of Professional Services	73,325	132	750	10,166	<b>84,373</b>
Monitoring Officer	64,360	-	-	8,817	<b>73,177</b>
Section 151 Officer	60,017	132	-	8255	<b>68,404</b>
Returning Officer	6,054	-	-	-	<b>6,054</b>

## **2013/14**

<b>Post holder</b>	<b>Salary, Fees and Allowances</b>	<b>Expense Allowances</b>	<b>Bonuses</b>	<b>Pension contributions</b>	<b>Total Remuneration</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	120,013	132	-	14,161	<b>134,306</b>
Executive Director	96,076	132	-	11,337	<b>107,545</b>
Executive Director	96,076	132	-	11,337	<b>107,545</b>
Executive Director	96,075	-	-	11,337	<b>107,412</b>
Assistant Chief Executive	60,078	132	-	7,089	<b>67,299</b>
Head of Commercial Services	72,416	132	-	8,545	<b>81,093</b>
Head of Community Services	72,416	132	-	8,545	<b>81,093</b>
Head of Customer Services	71,856	132	-	8,545	<b>80,533</b>
Head of Operational Services	72,416	132	-	8,545	<b>81,093</b>
Head of Professional Services	72,416	132	-	8,545	<b>81,093</b>
Monitoring Officer	63,594	-	-	7,504	<b>71,098</b>
Section 151 Officer	63,594	132	-	7,504	<b>71,230</b>
Returning Officer	6,054	-	-	-	<b>6,054</b>

The format of the above disclosure tables has been amended to include new columns for expense allowances and bonuses. The presentation of the 2013/14 comparative values has been amended to split out the relevant values for expense allowances and bonuses from the salary, fees and allowances column.

In 2013/14 the Council implemented the Universal Customer Contact Fundamental Service Review which resulted in changes in the services and reorganisation of senior management positions within the Council.

The following posts are required to be published to meet the requirements of the Localism Act 2011 as their remuneration exceeds £58,200, although they do not meet the accounting standards definition of senior officer.

Post holder	Financial Year	Salary, Fees and Allowances	Expense Allowances	Bonuses	Compensation for loss of office	Pension contributions	Total Remuneration
		£	£	£	£	£	£
ICT Manager (Note 1)	2014/15	25,203	43	-	60,009	2,868	88,123
	2013/14	63,603	132	-	-	7,504	71,239
Economic Growth Manager	2014/15	61,444	132	-	-	8,972	70,548
	2013/14	60,678	132	750	-	7,593	69,153
Place Strategy Manager	2014/15	59,675	132	750	-	8,369	68,926
	2013/14	52,297	132	-	-	6,291	58,720
Museums and Arts Manager (Note 2)	2014/15	60,206	-	-	-	8,248	68,454
	2013/14	-	-	-	-	-	-

Note 1: The ICT Manager left the Council in July 2014.

Note 2: No comparative information has been provided for this post as their remuneration only exceeded the threshold of £58,200 in the current financial year.

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

Remuneration Band	Number of Employees	
	2014/15	2013/14
£50,000 - £54,999	12	11
£55,000 - £59,999	1	1

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

2014/15				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	11	15	26	£186,452
£20,001 - £40,000	4	1	5	£124,781
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	1	-	1	£60,009
<b>Total cost included in bandings</b>	<b>16</b>	<b>16</b>	<b>32</b>	<b>£371,242</b>
Add: Amounts provided for in the Comprehensive Income and Expenditure Statement (CIES) not included in the above bandings.				£158
<b>Total cost included in CIES</b>				<b>£371,400</b>

2013/14

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	20	11	31	£253,756
£20,001 - £40,000	1	8	9	£293,263
<b>Total cost included in bandings</b>	<b>21</b>	<b>19</b>	<b>40</b>	<b>£547,019</b>
Add: Amounts provided for in the Comprehensive Income and Expenditure Statement (CIES) not included in the above bandings.				£823
<b>Total cost included in CIES</b>				<b>£547,842</b>

### 32. Termination Benefits

Colchester Borough Council incurred liabilities of £371,000 in connection with the termination of the contracts of 32 employees either due to compulsory or voluntary redundancies (2013/14: Terminated 40 contracts incurring liabilities of £548,000) as shown in Note 31. No termination payments were made to senior officers of the Council.

### 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 Audit Commission.

	2014/15 £'000	2013/14 £'000
External audit services	71	69
Certification of grant claims and returns	20	20
Other services - National Fraud Initiative	2	-
<b>Total</b>	<b>93</b>	<b>89</b>

### 34. Grant Income

#### Accounting Policy – 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.

## Disclosures

	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	4,438	5,682
Council Tax Freeze Grant	112	64
New Homes Bonus	3,423	2,691
Community Right to Bid / Challenge	16	16
Business Rates Section 31 Grants	971	545
Capitalisation Provision Redistribution Grant	-	30
Transparency Code Set Up	6	3
New burden admin costs (NDR)	14	-
NDR Tax Loss	81	-
Council Tax Discount for Families	9	-
Capital Grants received from:		
Department of Communities and Local Government	471	375
English Heritage	-	26
Arts Council England	14	35
Section 106 Developer Contributions	813	2,407
Essex County Council	5	(807)
Heritage Lottery Fund	955	1,887
Haven Gateway	-	3
European Union	(159)	837
Ministry of Defence	-	32
Homes and Communities Agency	-	80
Sport England	-	5
Cabinet Office	5	6
Department for Transport	194	-
Other	317	84
<b>Total – Credited to Taxation and Non Specific Grant Income</b>	<b>11,685</b>	<b>14,001</b>

	2014/15 £'000	2013/14 £'000
<b>Credited to Services</b>		
DWP Grants for Benefits		
Rent Allowances	38,030	38,382
Rent Rebates	17,065	17,492
Local Taxation	-	31
Administration	828	1,045
Other	101	91
DCLG NDR and LCTS Admin	428	241
Heritage Lottery Fund	257	180
Arts Council	29	221
DCLG Food Waste	926	909
DCLG Other	-	12
DEFRA Other	11	59
DWP Other	-	2
Governmental Agencies	140	22
Non-Governmental Agencies	190	133
Joint Finance Contributions	121	207
Essex County Council	707	569
Other Local Authorities	85	-
Colchester Primary Care Trust	6	69
Other Miscellaneous Grants	618	321
<b>Total – Credited to Services</b>	<b>59,542</b>	<b>59,986</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

	2014/15	2013/14
	£'000	£'000
Commutated sums received from developers	(1,959)	(2,005)
Other grants	(124)	(52)
<b>Total</b>	<b>(2,083)</b>	<b>(2,057)</b>

### Long Term Liabilities

#### Grants Receipts in Advance – Capital

	2014/15	2013/14
	£'000	£'000
Section 106 developer contributions	(6,698)	(5,997)
Other grants	(408)	(198)
<b>Total</b>	<b>(7,106)</b>	<b>(6,195)</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.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government Departments are shown in Note 34.

Members of the Council have direct control over the Council's financial and operating policies. Total Members' allowances and expenses are shown in Note 30. No Members disclosed any material direct related party transactions with the Council during the year.

Senior officers at the Council are able to influence the Council's 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. No senior officers disclosed any material direct related party transactions with the Council during the year.

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

	2014/15		2013/14	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
<b>Essex County Council</b>				
Supporting People	304		324	
Trade Waste Disposal		100		114
Recycling Credits	1,138		1,079	
On Street Parking (Decriminalisation)	150		165	
Technical Council Tax Changes	528		296	
Other	387		245	
<b>Colchester Borough Homes Limited</b>	668	3,399	535	3,252
We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account.				
<b>Parish Councils</b>		1,288		1,247
The payments are grants and precepts to support services provided by Parish Councils.				
<b>Colchester Primary Care Trust</b>	17		122	
Contributions for housing, special needs and health promotion.				
<b>Mercury Theatre Company – Grant</b>		239		247
We work with the company and the Eastern Arts Board to support theatre provision in Colchester. The Council is the sole trustee of the Colchester New Theatre Trust (see page 113).				
<b>Colchester Community Stadium Limited</b>				
Rent paid by Colchester Community Stadium Limited	300		300	
Outstanding balance on loans made to Colchester Community Stadium Limited.	37		50	

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

## 36. Leases

### Accounting Policy

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 – Council as Lessee

#### Accounting Policy

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.

## Disclosures

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

	31 March 2015 £'000	31 March 2014 £'000
Other Land and Buildings	563	392
Vehicles, Plant, Furniture and Equipment	2,597	2,967
<b>Total</b>	<b>3,160</b>	<b>3,359</b>

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

	31 March 2015 £'000	31 March 2014 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	567	534
Non-current	2,454	2,770
Finance costs payable in future years	2,242	2,321
<b>Minimum Lease Payments</b>	<b>5,263</b>	<b>5,625</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	873	830	567	534
Later than one year and not later than five years	2,844	2,841	2,058	2,032
Later than five years	1,546	1,955	396	738
<b>Total</b>	<b>5,263</b>	<b>5,626</b>	<b>3,021</b>	<b>3,304</b>

## Finance Leases – Council as Lessor

### Accounting Policy

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.

### Disclosures

The Council has leased the following assets out on finance leases:

- a theatre to a third party since 1999 with a lease term of 25 years.
- an area of land to a third party in 2013 with a lease term of 150 years.
- a building to a third party in 2013 with a lease term of 125 years.
- an area of land to a third party in 2014 with a lease term of 125 years.
- a building to a third party in 2014 with a lease term of 99 years.

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 2015 £'000	31 March 2014 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	24	23
Non-current	764	513
Unearned finance income	2,421	108
Unguaranteed residual value of property	17	17
<b>Gross investment in the lease</b>	<b>3,226</b>	<b>661</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 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	52	37	52	37
Later than one year and not later than five years	271	152	271	152
Later than five years	2,903	472	2,885	455
<b>Total</b>	<b>3,226</b>	<b>661</b>	<b>3,208</b>	<b>644</b>

## Operating Leases – Council as Lessee

### Accounting Policy

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.

### Disclosures

The Council has acquired various assets (land and buildings assets, 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:

	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	349	467
Later than one year and not later than five years	1,388	1,777
Later than five years	1,408	1,756
<b>Total</b>	<b>3,145</b>	<b>4,000</b>

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

	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	101	31
Later than one year and not later than five years	341	100
Later than five years	304	28
<b>Total</b>	<b>746</b>	<b>159</b>

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

	2014/15	2013/14
	£'000	£'000
Minimum lease payments	515	520
Contingent rent payments	21	23
Sub lease minimum lease payments received	(183)	(109)
Sub lease contingent rent payments received	(1)	(2)

## Operating Leases – Council as Lessor

### Accounting Policy

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.

### Disclosures

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 2015	31 March 2014
	£'000	£'000
Not later than one year	1,429	1,269
Later than one year and not later than five years	5,274	4,719
Later than five years	71,304	71,825
<b>Total</b>	<b>78,007</b>	<b>77,813</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into, such as adjustments following rent reviews. In 2014/15 a total of £1.185 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2013/14: £1.344 million).

### 37. Defined Benefit Pension Scheme

#### Accounting Policy

The Local Government Pension Scheme is accounted for as follows:

- The liabilities of the Essex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the discount rate calculated by the scheme's actuaries.
- The assets of Essex 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 pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as a result of years of service earned this year. The total cost is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service costs – 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 debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and are included as part of Non Distributed Costs.
  - net interest on the net defined benefit liability – this is the net interest expense for the Council. It represents the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the financial period, whilst taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - remeasurements comprising:
    - the return on plan assets – excluding the amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - actuarial gains and losses – changes in the net pensions liability that arise because of 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 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.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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 financial year end. The negative balance that arises on the Pensions

Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **Disclosures**

### **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 investment in asset classes, such as equities. These assets have volatile market values and while they are expected to provide real returns over the long term, their short term volatility could 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 and a deficit could emerge.
- Inflation risk – All of the benefits under the fund are linked to inflation and so a deficit could emerge as the value of 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 employer 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:

	Local Government Pension Scheme	
	2014/15 £'000	2013/14 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<u>Cost of Services:</u>		
Current service cost	3,742	3,791
<u>Financing and Investment Income and Expenditure:</u>		
Net interest expense	3,501	3,874
Pension fund administration expenses	54	18
<u>Other Comprehensive Income and Expenditure:</u>		
Re-measurement of the net defined benefit liability	10,933	(15,276)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>18,230</b>	<b>(7,593)</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.	(7,297)	(7,683)
Employer's contributions payable to the scheme	5,031	4,998
<b>Total charged to the Movement in Reserves Statement</b>	<b>(2,266)</b>	<b>(2,685)</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:

	2014/15 £'000	2013/14 £'000
Present value of the defined benefit obligation	(227,327)	(199,739)
Fair value of plan assets	131,807	117,418
<b>Net liability arising from defined benefit obligation</b>	<b>(95,520)</b>	<b>(82,321)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £95.520 million 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 the movements in fair value of the scheme assets:

	2014/15 £'000	2013/14 £'000
Balance at 1 April	117,418	111,911
Interest on assets	5,109	4,662
Return on assets less interest	10,957	5,112
Other actuarial gains/(losses)	-	(2,444)
Administration expenses	(54)	(18)
Contributions by employer	5,031	4,998
Contributions by scheme participants	1,163	1,141
Benefits paid net of transfers in	(6,812)	(6,615)
Settlement prices received/(paid)	(1,005)	(1,329)
<b>Balance at 31 March</b>	<b>131,807</b>	<b>117,418</b>

## Local Government Pension Scheme assets comprised:

	31 March 2015		31 March 2014	
	£'000	%	£'000	%
Equity Investments	88,668	67	78,285	67
Gilts	5,791	4	9,348	8
Other Bonds	12,616	10	9,348	8
Property	14,316	11	13,426	11
Cash	2,890	2	2,337	2
Alternative Assets	7,526	6	4,674	4
<b>Total</b>	<b>131,807</b>	<b>100</b>	<b>117,418</b>	<b>100</b>

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

	2014/15 £'000	2013/14 £'000
Balance at 1 April	(199,739)	(206,823)
Current service cost	(3,940)	(4,162)
Interest cost	(8,610)	(8,536)
Change in financial assumptions	(21,894)	(2,413)
Change in demographic assumptions	-	12,567
Experience loss/(gain) on defined benefit obligation	4	2,454
Liabilities assumed/(extinguished) on settlements	1,419	1,842
Benefits paid net of transfers in	6,392	6,198
Past service costs	(216)	(142)
Contributions by scheme participants	(1,163)	(1,141)
Unfunded pension payments	420	417
<b>Balance at 31 March</b>	<b>(227,327)</b>	<b>(199,739)</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 valuation of the scheme in 2013.

The significant assumptions used by the actuary have been:

	31 March 2015	31 March 2014
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	22.8 years	22.7 years
Women	25.2 years	25.1 years
Future pensioners retiring in 20 years		
Men	25.1 years	24.9 years
Women	27.6 years	27.4 years
Rate of RPI inflation	3.2% p.a.	3.6% p.a.
Rate of CPI inflation	2.3% p.a.	2.8% p.a.
Rate of increase in salaries	4.1% p.a.	4.6% p.a.
Rate of increase in pensions	2.3% p.a.	2.8% p.a.
Rate for discounting scheme liabilities	3.3% p.a.	4.4% p.a.

Under the amended International Accounting Standard 19 accounting requirements, the expected rate of return and the interest cost has been replaced 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 the assumption analysed changes while all other assumptions remain constant. The assumptions in mortality for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur,

and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below have not changed from those used in the previous financial year.

### Sensitivity analyses on the Present Value of the Defined Benefit Obligation

Adjustments made to:	+ 1 year/ + 0.1% change £'000	No change £'000	- 1 year/ - 0.1% change £'000
Mortality age rating (increase/decrease by 1 year)	219,376	227,327	235,350
Rate of increase in salaries (increase/decrease by 0.1%)	227,703	227,327	226,953
Rate of increase in pensions (increase/decrease by 0.1%)	230,972	227,327	223,747
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	223,415	227,327	231,312

### Asset and Liability (ALM) Strategy

Following the 2013 Actuarial Valuation, investment consultants Hymans Robertson were commissioned to undertake an asset liability study. The study used liability data from the 2013 Valuation and compared it to the investment strategy. The matter was considered by the Investment Steering Committee on 24 February 2014 and was subsequently reported to the 5 March 2014 meeting of Essex Pension Fund Board. The agreed conclusion was that the investment strategy adopted by the Fund at this time was consistent with the Funding Strategy put in place around the results of the 2013 Actuarial Valuation.

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep the Council's contributions at a constant rate as possible. The Council has agreed a funding strategy with the scheme's actuary to repay the deficit over the next 21 years and 6 months. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2016 is £4.460 million.

The actuary's estimate of the duration of the Employer's liabilities for 2014/15 is 18 years (2013/14: 18 years).

## 38. Contingent Liabilities

### Accounting Policy

A contingent liability arises where an event has taken place that gives the Council a possible obligation 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.

Contingent liabilities are not recognised in the Balance Sheet but shown in a note to the accounts.

### Disclosures

There is a potential conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over the application of charges for some information provided as part of the land search. Whilst proceedings have been issued against the Council, it is not known whether any charges previously levied are required to be refunded and therefore it is not possible to quantify the costs which may arise.



### 39. Subsidiary Companies

#### Accounting Policy - Interests in Companies

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

Group Accounts are prepared to include the accounts of the two wholly owned subsidiaries of the Council - Colchester Borough Homes Limited and Colchester Community Stadium Limited. The Group Accounts are prepared on the basis of implementing the IFRS Code of Practice on Local Authority Accounting.

#### Disclosures

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

The ALMO is an alternative way of delivering the Council's housing landlord services, and gives tenants a bigger say in the management of the dwellings. It means that Council housing is still owned by the Council, but managed by a separate organisation. The Council has delegated responsibility for overseeing the management and maintenance of its housing stock to Colchester Borough Homes Limited in accordance with the management agreement effective from 1 August 2003. The Council pay for these services through the management fee and this is agreed annually under the review process provided for under the management agreement. Colchester Borough Homes Limited aim to breakeven overall. It has tenants, Councillors and independent people on its management board.

Colchester Borough Homes Limited was incorporated on 24 July 2003 and has prepared its accounts for the year to 31 March 2015. The accounts were prepared in accordance with the Companies Act 2006 and will be submitted for approval to the Board of Colchester Borough Homes Limited on 15 September 2015.

The following summarised accounts are based on the draft accounts to be submitted for approval in September 2015 and cover the financial year from 1 April 2014 to 31 March 2015.

#### Income and Expenditure Account

	2014/15	2013/14
	£'000	£'000
Turnover	13,819	13,949
Operating costs	(14,227)	(14,348)
<b>Operating Surplus/(Deficit)</b>	<b>(408)</b>	<b>(399)</b>
Interest receivable	14	8
FRS17 interest adjustment	(171)	(259)
<b>Surplus/(Deficit) on ordinary activities before taxation</b>	<b>(565)</b>	<b>(650)</b>
Tax charge on Surplus/(Deficit) on ordinary activities	(4)	(7)
<b>Surplus/(Deficit) for the year</b>	<b>(569)</b>	<b>(657)</b>

## Balance Sheet

	31 March 2015 £'000	31 March 2014 £'000
<b>Current Assets</b>		
Debtors	1,412	446
Cash at bank and in hand	1,390	2,501
<b>Current Liabilities</b>		
Creditors: Amounts falling due within one year	(1,735)	(2,261)
<b>Other Liabilities</b>		
Provisions	(26)	(11)
Pension Fund Liability	(6,443)	(3,815)
<b>Total Net Liabilities</b>	<b>(5,402)</b>	<b>(3,140)</b>
<b>Total Reserves</b>	<b>(5,402)</b>	<b>(3,140)</b>

The following balances with the Council are included above:

	31 March 2015 £'000	31 March 2014 £'000
Debtors	1,251	258
Creditors	-	-

Further information is provided within the Group Accounts (Pages 85 - 95).

## Net Pensions Liability

Colchester Borough Homes Limited participates in the Local Government Pension Scheme administered by Essex County Council. The fund actuary, Barnett Waddingham, produced an assessment of the pension liability position. This is included in the accounts as set out above, and may be summarised as follows:

	31 March 2015 £'000	31 March 2014 £'000
Estimated Liabilities in Scheme	(28,362)	(21,690)
Estimated Assets in Scheme	21,919	17,875
<b>Net Liability</b>	<b>(6,443)</b>	<b>(3,815)</b>

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The latest revaluation was at 31 March 2013 which was implemented with effect from 1 April 2014.

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

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

**Colchester Community Stadium Limited**, is an arms length company created by the Council to be responsible for the effective running of the entire Community Stadium as a financially viable enterprise, which delivers the maximum programme of community activities consistent with this objective. It is a limited company wholly owned by the Council (limited by shares). The Council is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

The subsidiary company, Colchester Community Stadium Limited was incorporated on 2 April 2009, started trading on 1 July 2009 and has prepared its accounts for the year to 31 March 2015 in accordance with International Financial Reporting Standards. These accounts were approved by the Board of Colchester Community Stadium Limited on 30 April 2015. The following summarised accounts are based on the accounts that were approved and cover the year from 1 April 2014 to 31 March 2015.

## Income and Expenditure Account

	2014/15 £'000	2013/14 £'000
Turnover	391	362
Operating costs	(368)	(340)
Operating Profit	23	22
Interest payable	(3)	(4)
(Deficit)/Surplus on ordinary activities before taxation	20	18
Tax charge on (deficit)/surplus on ordinary activities	(6)	(6)
<b>(Deficit)/Surplus for the Financial Period</b>	<b>14</b>	<b>12</b>

## Balance Sheet

	31 March 2015 £'000	31 March 2014 £'000
<b>Non-Current Assets</b>		
Property, Plant and Equipment	74	86
<b>Current Assets</b>		
Debtors	180	176
Cash and Cash Equivalents	65	61
<b>Current Liabilities</b>		
Creditors	(178)	(177)
Short Term Borrowings	(12)	(18)
Tax Payable	(6)	(6)
<b>Non-Current Liabilities</b>		
Long Term Borrowings	(67)	(79)
<b>Total Net Assets</b>	<b>56</b>	<b>43</b>
<b>Total Reserves</b>	<b>56</b>	<b>43</b>

The following balances with the Council are included above:

	31 March 2015 £'000	31 March 2014 £'000
Debtors	70	70
Creditors	(92)	(90)
Short Term Borrowings	(7)	(13)
Long Term Borrowings	(32)	(37)

The accounts were audited by Baker Chapman and Bussey and an unqualified opinion was given. The accounts are published electronically on the Council's website – [www.colchester.gov.uk](http://www.colchester.gov.uk).

## 40. Jointly Controlled Operations

### Accounting Policy

Joint 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 venturers that involve the use of the assets and resources of the participating venturers 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 debits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and credits Comprehensive Income and Expenditure Statement with the share of the income it earns from the activities of these joint controlled operations.

## **Disclosures**

The Council is a member of the Colchester and Ipswich Museum Service Joint Committee, which was formed with Ipswich Borough Council on 1 April 2007.

The Council is a member of the North Essex Parking Partnership. This Joint Committee was set up on 1 April 2011 for the purposes of civil parking enforcement in the administrative areas of the districts of Braintree, Epping, Harlow, Tendring and Uttlesford and the Borough of Colchester. Off-street services are also provided for all except Tendring. This service is centrally managed from Colchester, with the on-street element being delivered on behalf of Essex County Council.

The Council has accounted these Joint Committees as Jointly Controlled Operations as all the parties are bound by contractual arrangements which give all of the parties involved joint control of the arrangements.

As both Joint Committees were established under Sections 101 and 102 of the Local Government Act 1972, they are required to produce accounts annually and have them subjected to a limited assurance audit. The draft accounts for 2014/15 will be submitted to the Joint Committees for approval by 30 June 2015. The accounts are published electronically on the Council's website – [www.colchester.gov.uk](http://www.colchester.gov.uk).

## **41. 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 on page 11. See pages 108 - 113 for details of the nature and amount of these trust funds. The accounts for the trust funds are not subject to audit by the Council's external auditors.

## HRA INCOME AND EXPENDITURE STATEMENT

	Notes	2014/15 £'000	2013/14 £'000
<b>Income</b>			
Dwelling rents		(26,767)	(26,177)
Non-dwelling rents	H3	(701)	(748)
Charges for services and facilities		(2,724)	(2,376)
Contributions towards expenditure		(99)	(178)
<b>Total Income</b>		<b>(30,291)</b>	<b>(29,479)</b>
<b>Expenditure</b>			
Repairs and maintenance		5,089	5,126
Supervision and management		8,593	7,802
Rents, rates, taxes and other charges		123	187
Depreciation	H9	7,041	6,065
Revaluation losses		12,762	9,389
Reversal of previously recognised revaluation losses		(31,267)	(15,848)
Derecognition of non-current assets		542	510
Amortisation	H10	84	101
Debt management costs		65	80
Movement in the provision for bad debts		263	206
<b>Total Expenditure</b>		<b>3,295</b>	<b>13,618</b>
<b>Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement (page 10)</b>		<b>(26,996)</b>	<b>(15,861)</b>
HRA services share of Corporate and Democratic Core		350	472
<b>Net (Income)/Expenditure for HRA Services</b>		<b>(26,646)</b>	<b>(15,389)</b>
<b>HRA share of the Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement</b>			
(Gain)/Loss on sale of HRA non-current assets		986	685
Revaluation losses on the write down of HRA assets held for sale		169	-
<b>HRA share of the Financing and Investment Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>			
Interest payable and similar charges	H8	5,567	5,567
Interest and investment income		(2)	(30)
Income and expenditure in relation to investment properties		(25)	(7)
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>(19,951)</b>	<b>(9,174)</b>

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that councils need to take into the Housing Revenue Account Income and Expenditure Statement. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Movement on the Housing Revenue Account Statement to the amount established by the relevant statutory provision (see following statement, Page 76).

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

The HRA income and Expenditure Statement shows the Council's actual 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	2014/15 £'000	2013/14 £'000
<b>Balance on the HRA at 1 April</b>		<b>5,465</b>	<b>4,787</b>
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	Page 75	19,951	9,174
Adjustments between accounting basis and funding basis under statute	Note 8	(22,892)	(8,124)
Transfer of Committed Balances		-	(280)
<b>Net Increase/(Decrease) before transfers to/from Earmarked Reserves</b>		<b>(2,941)</b>	<b>770</b>
Transfers (to)/from Earmarked Reserves		(14)	(92)
<b>Increase/(Decrease) in the year on the HRA Balance</b>		<b>(2,955)</b>	<b>678</b>
<b>Balance on the HRA at 31 March</b>		<b>2,510</b>	<b>5,465</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 2015, 1.38% of lettable properties were vacant (1.09% at 31 March 2014).

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

	At 31 March 2015	At 31 March 2014
<b>Analysis by Type of Dwelling:</b>		
Houses and Bungalows	3,028	3,052
Flats and Maisonettes	3,045	3,078
<b>Total Dwellings</b>	<b>6,073</b>	<b>6,130</b>
<b>Analysis by Number of Bedrooms:</b>		
Bedsitters/1 Bedroom	2,464	2,482
2 Bedrooms	1,787	1,800
3 Bedrooms	1,725	1,752
4 or more Bedrooms	97	96
<b>Total Dwellings</b>	<b>6,073</b>	<b>6,130</b>
The change in stock can be summarised as follows:		
Stock at the beginning of the year	6,130	6,230
Add: New Build, Conversions etc.	24	12
Deduct: Sales, Demolitions, Conversions, etc.	(81)	(112)
<b>Stock at the end of the year</b>	<b>6,073</b>	<b>6,130</b>

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2010. The valuation of dwellings has been increased using an indexation percentage to 31 March 2015 in the 2014/15 accounts and this is reflected in the valuation shown below:

<b>Balance Sheet valuation of HRA Assets</b>	<b>At 31 March 2015 £'000</b>	<b>At 31 March 2014 £'000</b>
Council Dwellings	284,157	261,645
Other Land and Buildings	7,622	9,501
Vehicles, Plant, Furniture and Equipment	218	132
Surplus Properties	20	20
Assets under Construction	2,961	-
Investment Properties	162	162
Assets Held for Sale	1,135	741
<b>Total</b>	<b>296,275</b>	<b>272,201</b>

### H2. Vacant Possession

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

	<b>At 31 March 2015 £'000</b>	<b>At 1 April 2014 £'000</b>
Council Dwellings	728,607	670,884
Other Land and Buildings (Homeless Properties)	4,088	5,754
<b>Total Vacant Possession Value</b>	<b>732,695</b>	<b>676,638</b>

### H3. Non-Dwelling Rents

	2014/15 £'000	2013/14 £'000
Garages and other charges	(637)	(685)
Land and other buildings	(64)	(63)
<b>Total – Non-Dwelling Rents</b>	<b>(701)</b>	<b>(748)</b>

### H4. Charges for Services and Facilities

From 2003/04 the Government's Supporting People Programme was introduced. The effect of this is the support element of the rentals that are charged for Council houses are now shown separately in the accounts. Income totalling £0.239 million from Supporting People charges in 2014/15 (2013/14: £0.254 million) is shown under Charges for Services and Facilities.

### H5. Major Repairs Reserve

	2014/15 £'000	2013/14 £'000
Balance as at 1 April	1,551	1,223
Transfers in – depreciation (Note H9)	7,041	6,065
Capital Spending on Dwelling Stock met from Reserve	(8,592)	(5,737)
<b>Balance as at 31 March</b>	<b>-</b>	<b>1,551</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

	2014/15 £'000	2013/14 £'000
<b>Capital Financing</b>		
<b>HRA Capital Expenditure</b>		
Dwelling Stock	12,758	9,973
New Build - Council Dwellings	3,181	-
Investment in Information Technology	249	104
<b>Total</b>	<b>16,188</b>	<b>10,077</b>
<b>Financed by:</b>		
Capital Grants	235	222
Capital Receipts	954	1,555
Revenue Contributions	5,864	2,563
Major Repairs Reserve	8,592	5,737
Borrowing	543	-
<b>Total</b>	<b>16,188</b>	<b>10,077</b>

	2014/15 £'000	2013/14 £'000
<b>Summary of HRA Capital Receipts – Right To Buy</b>		
Sale of Council Houses – Direct	2,442	1,690
Sale of Council Houses – Deferred	2	-
Other (including shared ownership)	-	56
<b>Total</b>	<b>2,444</b>	<b>1,746</b>

Receipts from the sale of Council houses have increased in 2014/15 as 39 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme as compared to 28 in 2013/14.



Under the new 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 £2.444 million, £0.458 million was paid to the Secretary of State under the pooling arrangements. The retained balance of £1.986 million can be used to finance capital expenditure or provide for the repayment of existing HRA debt (see Note 17).

## H8. Interest Payable

The actual charge to the HRA is its share of the external interest costs of the Council. Interest is charged to the HRA on its historic debt at a 'consolidated interest rate' derived by a formula specified by the Department of Communities and Local Government. The exception to this is the loans taken out relating to the abolition of the subsidy system following HRA Reform, which are charged at the actual borrowing rate.

	2014/15 £'000	2013/14 £'000
HRA Interest Charge	5,567	5,567

## H9. Depreciation

	2014/15 £'000	2013/14 £'000
Council Dwellings	6,867	5,869
Other Land and Buildings	141	161
Vehicles, Plant and Equipment	33	35
<b>Total Depreciation</b>	<b>7,041</b>	<b>6,065</b>

## H10. Amortisation of Intangible Assets

	2014/15 £'000	2013/14 £'000
Housing Integrated Computer System	84	101

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 2015 totalled £1.198 million. This excludes prepayments of £0.547 million and is analysed as follows:

	2014/15 £'000    £'000		2013/14 £'000    £'000	
Due from Current Tenants	602		497	
Due from Former Tenants	596		580	
		1,198		1,077
Prepayments		(547)		(498)
<b>Net Rent Arrears</b>		<b>651</b>		<b>579</b>

These arrears include all charges due from tenants and leaseholders ie 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 2015 the provision totalled £0.919 million (2013/14: £0.808 million).

## H12. Revenue Balances

Out of the revenue balance of £2.5 million a sum of £0.9 million has already been committed for future use.

	2014/15 £'000	2013/14 £'000
Revenue Balance at 1 April	5,465	4,787
Add: Housing Revenue Account surplus	-	958
Less: Housing Revenue Account deficit	(2,955)	-
Less: Transfer of Committed Balance	-	(280)
<b>Revenue Balance at 31 March (Page 75)</b>	<b>2,510</b>	<b>5,465</b>
Less: Committed Sum		
Investment in Housing Stock 2015/16 and Future Years	(517)	(3,465)
Estimate Balance Carried Forward	(393)	(399)
<b>Uncommitted Balance</b>	<b>1,600</b>	<b>1,601</b>

## H13. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing which have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£0.326 million) will be used to support spending in future years.

## Further Information

Arms Length Management Organisation (ALMO) - see Note 39.

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

# COLLECTION FUND ACCOUNTS

## COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	Notes to Collection Fund	2014/15 Council Tax £000	2014/15 NDR £000	2014/15 Total £000	2013/14 Council Tax £000	2013/14 NDR £000	2013/14 Total £000
<b>Income</b>							
Council Tax		(88,312)	-	(88,312)	(86,076)	-	(86,076)
Non-Domestic Rates		-	(61,233)	(61,233)	-	(60,696)	(60,696)
<b>Total Income</b>		<b>(88,312)</b>	<b>(61,233)</b>	<b>(149,545)</b>	<b>(86,076)</b>	<b>(60,696)</b>	<b>(146,772)</b>
<b>Expenditure</b>							
<b>Precepts Demands and Shares</b>							
Central Government		-	30,008	30,008	-	28,782	28,782
Colchester Borough Council		11,218	24,006	35,224	10,796	23,025	33,821
Essex County Council		62,312	5,401	67,713	60,060	5,180	65,240
Essex Fire and Rescue		3,808	600	4,408	3,671	576	4,247
Police and Crime Commissioner for Essex		8,272	-	8,272	7,819	-	7,819
<b>Charges to Collection Fund</b>							
Transitional Protection Payment		-	646	646	-	-	-
Cost of Collection Allowance		-	238	238	-	241	241
Write-offs	C5	227	127	354	327	297	624
Provision for Bad Debts	C5	452	48	500	24	278	302
Provision for Appeals	C5	-	3,992	3,992	-	1,672	1,672
<b>Total Expenditure</b>		<b>86,289</b>	<b>65,066</b>	<b>151,355</b>	<b>82,697</b>	<b>60,051</b>	<b>142,748</b>
<b>(Surplus)/Deficit</b>		<b>(2,023)</b>	<b>3,833</b>	<b>1,810</b>	<b>(3,379)</b>	<b>(645)</b>	<b>(4,024)</b>
<b>Apportionment of Previous Year Surplus/Deficit</b>							
Central Government		-	104	104	-	-	-
Colchester Borough Council		(142)	82	(60)	(19)	-	(19)
Essex County Council		(790)	19	(771)	(103)	-	(103)
Essex Fire and Rescue		(48)	2	(46)	(6)	-	(6)
Police and Crime Commissioner for Essex		(103)	-	(103)	(13)	-	(13)
<b>(Surplus)/Deficit for Previous Year</b>		<b>(1,083)</b>	<b>207</b>	<b>(876)</b>	<b>(141)</b>	<b>-</b>	<b>(141)</b>
<b>(Surplus)/Deficit for the Year</b>		<b>(940)</b>	<b>3,626</b>	<b>2,686</b>	<b>(3,238)</b>	<b>(645)</b>	<b>(3,883)</b>
<b>Movement on the Collection Fund Balance</b>							
Balance at the beginning of the year		(4,121)	(645)	(4,766)	(883)	-	(883)
Movement on Fund balance		(940)	3,626	2,686	(3,238)	(645)	(3,883)
<b>Balance at 31 March</b>	C4	<b>(5,061)</b>	<b>2,981</b>	<b>(2,080)</b>	<b>(4,121)</b>	<b>(645)</b>	<b>(4,766)</b>

# NOTES TO THE COLLECTION FUND ACCOUNTS

## C1. General

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

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

## 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 2014/15 was 57,338 (55,265 in 2013/14). This takes into account the Government's Council Tax Localisation changes, which replaced the payment of Council Tax benefit compensation with a Council Tax Reduction Scheme that each authority administers with effect from 2013/14. The tax base for 2014/15 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,407	6/9	5,605
B	20,167	7/9	15,685
C	18,756	8/9	16,672
D	13,040	9/9	13,040
E	7,620	11/9	9,313
F	3,669	13/9	5,300
G	2,177	15/9	3,628
H	144	18/9	288
Contributions in lieu for Ministry of Defence Properties			780
<b>Total Band D</b>			<b>70,311</b>
Net effect of premiums and discounts			(12,973)
<b>Council Tax Base for the calculation of Council Tax</b>			<b>57,338</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 NDR 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 NDR tax base. The relative shares are as follows:

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

When the scheme was introduced, Central Government set 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 2014/15 the Council paid a tariff of £19.6 million (2013/14: £19.2 million).

The business rates shares that were estimated before the start of the financial year have been paid in 2014/15 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 (£289,000 for Colchester Borough Council) then the Government will make a safety net payment.

The total Non-Domestic Rateable value at the 2014/15 year end was £153,848,120 (2013/14: £153,784,987) and the Non-Domestic rate multiplier for the year was 47.1p (2013/14: 46.2p).

#### C4. Council Tax and NDR 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 2015 will be distributed in proportion to the value of the respective precepts as shown below:

	2014/15 Council Tax £'000	2014/15 NDR £'000	2014/15 Total £'000	2013/14 Council Tax £'000	2013/14 NDR £'000	2013/14 Total £'000
Colchester Borough Council	(664)	1,193	529	(540)	(258)	(798)
Central Government	-	1,491	1,491	-	(322)	(322)
Essex County Council	(3,680)	267	(3,413)	(3,002)	(59)	(3,061)
Essex Fire and Rescue	(225)	30	(195)	(183)	(6)	(189)
Police and Crime Commissioner for Essex	(492)	-	(492)	(396)	-	(396)
<b>Total (Surplus)/Deficit</b>	<b>(5,061)</b>	<b>2,981</b>	<b>(2,080)</b>	<b>(4,121)</b>	<b>(645)</b>	<b>(4,766)</b>

## C5. Council Tax and NDR 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.

	2014/15 Council Tax £'000	2014/15 NDR £'000	2014/15 Total £'000	2013/14 Council Tax £'000	2013/14 NDR £'000	2013/14 Total £'000
Balance at 1 April	3,044	755	3,799	3,020	477	3,497
Write-offs during year for previous years	(227)	(127)	(354)	(327)	(297)	(624)
Contributions to provisions during year	678	174	852	351	575	926
Net Increase in Provision	451	47	498	24	278	302
<b>Balance at 31 March</b>	<b>3,495</b>	<b>802</b>	<b>4,297</b>	<b>3,044</b>	<b>755</b>	<b>3,799</b>

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

	2014/15 Council Tax £'000	2014/15 NDR £'000	2014/15 Total £'000	2013/14 Council Tax £'000	2013/14 NDR £'000	2013/14 Total £'000
Balance at 1 April	398	302	700	396	191	587
Write-offs during year for previous years	(13)	(50)	(63)	(43)	(119)	(162)
Contributions to provisions during year	74	69	143	45	230	275
Net Increase in Provision	61	19	80	2	111	113
<b>Balance at 31 March</b>	<b>459</b>	<b>321</b>	<b>780</b>	<b>398</b>	<b>302</b>	<b>700</b>

### Provision for NDR 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.

	2014/15 Council £'000	2014/15 Other Shares £'000	2014/15 Total £'000	2013/14 Council £'000	2013/14 Other Shares £'000	2013/14 Total £'000
Balance at 1 April	669	1,003	1,672	-	-	-
Write-offs during year for previous years	(1,075)	(1,614)	(2,689)	-	-	-
Contributions to provisions during year	2,672	4,008	6,680	669	1,003	1,672
Net Increase in Provision	1,597	2,394	3,991	669	1,003	1,672
<b>Balance at 31 March</b>	<b>2,266</b>	<b>3,397</b>	<b>5,663</b>	<b>669</b>	<b>1,003</b>	<b>1,672</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 has been undertaken 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 Community Stadium Limited (see Note 39) 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 and Colchester Community Stadium 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.

During 2014/15 Colchester Borough Homes Limited worked substantially all for the Council so the bringing together of income and expenditure has had only a limited effect on the service revenue account. Other works performed by Colchester Borough Homes Limited in the year included the management of two housing properties on behalf of an external company and some repairs and maintenance work performed on a building for an external company.

On the Group Balance Sheet the most significant impacts of the consolidation of the subsidiaries into the Group accounts are:

- The bringing together of the overall pension scheme liability
- The additional reserves.

## 2. Accounting Policies

The accounting policies adopted by the Council have been followed in preparing the group accounts.

## GROUP MOVEMENT IN RESERVES STATEMENT

	Reserves held for Revenue Purposes		Reserves held for Capital Purposes					Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary & Trust Fund Reserves			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2013</b>	<b>5,893</b>	<b>4,787</b>	<b>5,718</b>	<b>5,294</b>	<b>1,223</b>	<b>106</b>	<b>1,190</b>	<b>24,211</b>	<b>180,889</b>	<b>205,100</b>
<b>Movement in reserves</b>										
Surplus/(Deficit) on provision of services (Page 87)	(3,046)	9,174	-	-	-	-	(659)	5,469	-	5,469
Other Comprehensive Income and Expenditure (Page 87)	-	-	-	-	-	-	(670)	(670)	16,490	15,820
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,046)</b>	<b>9,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,329)</b>	<b>4,799</b>	<b>16,490</b>	<b>21,289</b>
Adjustments between accounting basis and funding basis under regulations (Note G5)	5,362	(8,124)	-	1,820	328	(74)	770	82	(82)	-
Transfer of committed balances	280	(280)	-	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>2,596</b>	<b>770</b>	<b>-</b>	<b>1,820</b>	<b>328</b>	<b>(74)</b>	<b>(559)</b>	<b>4,881</b>	<b>16,408</b>	<b>21,289</b>
Transfers to/from Earmarked Reserves (Note 9)	(1,974)	(92)	2,737	(1,162)	-	-	-	(491)	491	-
<b>Increase/(Decrease) in Year</b>	<b>622</b>	<b>678</b>	<b>2,737</b>	<b>658</b>	<b>328</b>	<b>(74)</b>	<b>(559)</b>	<b>4,390</b>	<b>16,899</b>	<b>21,289</b>
<b>Balance at 1 April 2014 (Page 88)</b>	<b>6,515</b>	<b>5,465</b>	<b>8,455</b>	<b>5,952</b>	<b>1,551</b>	<b>32</b>	<b>631</b>	<b>28,601</b>	<b>197,788</b>	<b>226,389</b>
<b>Movement in reserves</b>										
Surplus/(Deficit) on provision of services (Page 87)	(660)	19,951	-	-	-	-	(496)	18,795	-	18,795
Other Comprehensive Income and Expenditure (Page 87)	-	-	-	-	-	-	-	-	(10,437)	(10,437)
<b>Total Comprehensive Income and Expenditure</b>	<b>(660)</b>	<b>19,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(496)</b>	<b>18,795</b>	<b>(10,437)</b>	<b>8,358</b>
Adjustments between accounting basis and funding basis under regulations (Note G5)	4,476	(22,892)	-	1,071	(1,551)	(21)	935	(17,982)	17,982	-
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>3,816</b>	<b>(2,941)</b>	<b>-</b>	<b>1,071</b>	<b>(1,551)</b>	<b>(21)</b>	<b>439</b>	<b>813</b>	<b>7,545</b>	<b>8,358</b>
Transfers to/from Earmarked Reserves (Note 9)	(1,656)	(14)	1,930	(1,789)	-	-	-	(1,529)	1,529	-
<b>Increase/(Decrease) in Year</b>	<b>2,160</b>	<b>(2,955)</b>	<b>1,930</b>	<b>(718)</b>	<b>(1,551)</b>	<b>(21)</b>	<b>439</b>	<b>(716)</b>	<b>9,074</b>	<b>8,358</b>
<b>Balance at 31 March 2015 (Page 88)</b>	<b>8,675</b>	<b>2,510</b>	<b>10,385</b>	<b>5,234</b>	<b>-</b>	<b>11</b>	<b>1,070</b>	<b>27,885</b>	<b>206,862</b>	<b>234,747</b>



# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2014/15			2013/14		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	3,111	(2,112)	999	2,421	(3,143)	(722)
Cultural and related services	14,058	(6,782)	7,276	14,256	(6,166)	8,090
Environmental and regulatory services	13,951	(5,324)	8,627	14,961	(5,015)	9,946
Planning services	4,941	(2,864)	2,077	7,034	(4,673)	2,361
Highways, roads and transport services	5,258	(6,448)	(1,190)	5,179	(6,096)	(917)
Local Authority Housing (HRA)	3,658	(30,305)	(26,647)	14,094	(29,541)	(15,447)
Other housing services	62,057	(59,245)	2,812	63,680	(59,651)	4,029
Adult social care	1,181	(800)	381	1,184	(862)	322
Corporate and democratic core	3,292	(244)	3,048	5,278	(792)	4,486
Non distributed costs	(159)	-	(159)	2,710	-	2,710
<b>Cost of Services</b>	<b>111,348</b>	<b>(114,124)</b>	<b>(2,776)</b>	<b>130,797</b>	<b>(115,939)</b>	<b>14,858</b>
Other operating income and expenditure			1,328			(2,033)
Financing and investment income and expenditure			8,704			10,591
Taxation and non-specific grant income			(26,051)			(28,885)
<b>Group (Surplus)/Deficit on Provision of Services</b>			<b>(18,795)</b>			<b>(5,469)</b>
(Surplus)/Deficit on revaluation of non-current assets (Note 26)			(2,276)			1,638
Net actuarial losses/(gains) on pension fund assets and liabilities (Note G13)			12,713			(18,212)
Removal of trust fund balances			-			754
<b>Other Comprehensive (Income)/Expenditure</b>			<b>10,437</b>			<b>(15,820)</b>
<b>Total Group Comprehensive (Income)/Expenditure</b>			<b>(8,358)</b>			<b>(21,289)</b>

## GROUP BALANCE SHEET

	Notes	31 March 2015 £'000	31 March 2014 £'000
<b>Long Term Assets</b>			
Property Plant and Equipment		423,354	397,658
Heritage Assets	14	1,172	1,172
Investment Properties	15	32,600	34,229
Intangible Assets	16	1,481	1,066
Long Term Investments	18	9	10
Long Term Debtors	19	1,399	1,104
<b>Total Long Term Assets</b>		<b>460,015</b>	<b>435,239</b>
<b>Current Assets</b>			
Short Term Investments	18	13,541	8,542
Assets Held for Sale	20	1,135	741
Inventories		173	127
Short Term Debtors	G6	8,829	8,900
Cash and Cash Equivalents	G7	39,136	29,303
<b>Total Current Assets</b>		<b>62,814</b>	<b>47,613</b>
<b>Current Liabilities</b>			
Bank Overdraft		(17,080)	(2,855)
Short Term Borrowing		(16,249)	(12,250)
Short Term Creditors	G8	(16,836)	(17,600)
Short Term Provisions	24	(2,266)	(669)
Grants Receipts in Advance - Revenue	34	(2,083)	(2,057)
<b>Total Current Liabilities</b>		<b>(54,514)</b>	<b>(35,431)</b>
<b>Long Term Liabilities</b>			
Long Term Creditors – Finance Leases	36	(2,454)	(2,770)
Long Term Provisions		(415)	(381)
Long Term Borrowing		(121,630)	(125,637)
Pension Scheme Liability	G13	(101,963)	(86,049)
Grants Receipts in Advance - Capital	34	(7,106)	(6,195)
<b>Total Long Term Liabilities</b>		<b>(233,568)</b>	<b>(221,032)</b>
<b>Total Net Assets</b>		<b>234,747</b>	<b>226,389</b>
<b>Represented by:</b>			
Usable Reserves	G9	27,885	28,601
Unusable Reserves		206,862	197,788
<b>Total Reserves</b>		<b>234,747</b>	<b>226,389</b>

## GROUP CASH FLOW STATEMENT

	2014/15 £'000	2013/14 £'000
<b>Net Surplus/(Deficit) on the Provision of Services (page 87)</b>	<b>18,795</b>	<b>5,469</b>
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>		
Depreciation	11,191	9,855
Impairments and downward valuations	14,722	13,633
Reversal of previously recognised revaluation losses	(33,965)	(16,258)
Movement in the fair value of Investment Properties	415	2,038
Carrying value of non-current assets and assets held for sale sold or derecognised	5,250	7,062
Amortisation	390	322
Increase/(Decrease) in Creditors	(4,835)	7,456
((Increase)/Decrease in Debtors	(1,120)	(1,167)
(Increase)/Decrease in Inventories	(46)	17
Contributions to/(from) Provisions	1,616	538
Movement in pension liability	3,201	3,455
Reversal of previously recognised impairment losses on investments	-	(49)
Other non cash movements	(26)	(149)
<b>Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements</b>	<b>(3,207)</b>	<b>26,753</b>
<b>Adjustments for items included in Investing and Financing Activities:</b>		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(2,614)	(4,970)
Proceeds from the sale of short and long term investments	8,499	4,283
Proceeds from the sale of non-current assets	(5,036)	(9,349)
<b>Adjustments for items included in Investing and Financing Activities:</b>	<b>849</b>	<b>(10,036)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>16,437</b>	<b>22,186</b>
<b>Investing Activities::</b>		
Purchase of non-current assets	(19,171)	(19,827)
Purchase of short and long term investments	(13,500)	(8,500)
Proceeds from the sale of non-current assets	4,635	8,882
Other payments and receipts	4,958	5,002
<b>Net Cash Flows from Investing Activities</b>	<b>(23,078)</b>	<b>(14,443)</b>
<b>Financing Activities:</b>		
Cash payments for the reduction of the outstanding finance lease liabilities	(564)	(622)
Other payments and receipts	2,813	640
<b>Net Cash Flows from Financing Activities</b>	<b>2,249</b>	<b>18</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(4,392)</b>	<b>7,761</b>
Cash and Cash Equivalents at 1 April (Note G10)	26,448	18,687
<b>Cash and Cash Equivalents at 31 March (Note G10)</b>	<b>22,056</b>	<b>26,448</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS

**G1.** 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 13 - 74 and the Group Financial Statements are cross referenced to them where relevant.

## **G2. Subsidiary Companies**

Colchester Borough Homes Limited and Colchester Community Stadium Limited are wholly owned subsidiaries of the Council (see Note 39).

The Council is represented on the Boards of both subsidiary companies. The Council and the Boards agree the annual delivery plans for both of the companies.

## **G3. Consolidation of Operating Income and Expenditure**

The operating income and expenditure of Colchester Borough Homes Limited has been included within the 'Local authority housing (HRA)' line in the Group Comprehensive Income and Expenditure Statement.

The operating income and expenditure of Colchester Community Stadium Limited has been included within the 'Cultural and related services' line in the Group Comprehensive Income and Expenditure Statement.

## **G4. Events after the Balance Sheet date**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 17 September 2015 (see page 8). Events taking place after this date are not reflected in the financial statements or notes.

See Note 7 for the details of post balance sheet events affecting Colchester Borough Council.

There are no other additional items which arose after the year end of 31 March 2015 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.

## **G5. 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 Group in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

2014/15	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Group Entities Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Adjustments relating to Colchester Borough Council – taken from Note 8	4,476	(22,892)	1,071	(1,551)	(21)	-	18,917
<b>Adjustments for the consolidation of Group Entities - Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	1,540	(1,540)
Employer's pensions contributions and direct payments to pensioners payable in the year	-	-	-	-	-	(605)	605
<b>Total Adjustments (page 86)</b>	<b>4,476</b>	<b>(22,892)</b>	<b>1,071</b>	<b>(1,551)</b>	<b>(21)</b>	<b>935</b>	<b>17,982</b>

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Group Entities Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Adjustments relating to Colchester Borough Council – taken from Note 8	5,362	(8,124)	1,820	328	(74)	-	688
<b>Adjustments for the consolidation of Group Entities - Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	1,256	(1,256)
Employer's pensions contributions and direct payments to pensioners payable in the year	-	-	-	-	-	(486)	486
<b>Total Adjustments (page 86)</b>	<b>5,362</b>	<b>(8,124)</b>	<b>1,820</b>	<b>328</b>	<b>(74)</b>	<b>770</b>	<b>(82)</b>

## G6. Short Term Debtors

	31 March 2015 £'000	31 March 2014 £'000
Central Government bodies	1,189	1,471
Other local authorities	898	1,038
NHS bodies	2	-
Other entities and individuals	6,740	6,391
<b>Total Short Term Debtors</b>	<b>8,829</b>	<b>8,900</b>

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

## G7. Cash and Cash Equivalents

	31 March 2015 £'000	31 March 2014 £'000
Cash in hand held by the group	20	33
Bank current accounts	16,671	3,047
Short term deposits	22,445	26,223
<b>Total Cash and Cash Equivalents</b>	<b>39,136</b>	<b>29,303</b>

The presentation of the 2013/14 comparative values has been amended to reclassify a balance from the Short term deposits category to be included within the Bank current accounts category.

## G8. Short Term Creditors

	31 March 2015 £'000	31 March 2014 £'000
Central Government bodies	(3,054)	(4,583)
Other local authorities	(5,455)	(4,912)
Other entities and individuals	(8,327)	(8,105)
<b>Total Short Term Creditors</b>	<b>(16,836)</b>	<b>(17,600)</b>

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

## G9. Usable Reserves

The movements in the Group's usable reserves are detailed in the Movement in Reserves Statement on page 86.

### Subsidiaries Reserves

	31 March 2015	31 March 2014
	£'000	£'000
Colchester Borough Homes Limited	1,014	589
Colchester Community Stadium Limited	56	42
<b>Total Subsidiaries Reserves</b>	<b>1,070</b>	<b>631</b>

The reserves are retained to cover changes in spending plans between years and to provide working capital.

## G10. Cash Flow Statement – Cash Flows from Operating Activities and Cash and Cash Equivalents

### Cash Flows from Operating Activities

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

	2014/15	2013/14
	£'000	£'000
Interest Received	220	168
Interest Paid	(6,566)	(6,353)
Taxation	(12)	(5)

### Cash and Cash Equivalents

	2014/15	2013/14
	£'000	£'000
Cash in hand held by the Council	20	33
Bank current accounts	16,671	3,047
Short term deposits	22,445	26,223
Bank overdraft	(17,080)	(2,855)
<b>Group Cash Flow Statement - Total Cash and Cash Equivalents</b>	<b>22,056</b>	<b>26,448</b>

The presentation of the 2013/14 comparative values has been amended to reclassify a balance from the Short term deposits category to be included within the Bank current accounts category.

## G11. 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:

		Salary, Fees and Allowances	Pension contributions	Total Remuneration
		£	£	£
<b>Colchester Borough Homes Limited:</b>				
Chief Executive	2014/15	96,434	13,516	109,950
	2013/14	95,479	11,267	106,746
Director of Housing	2014/15	72,538	10,171	82,709
	2013/14	71,820	8,475	80,295
Director of Property Services	2014/15	72,538	10,171	82,709
	2013/14	71,820	8,475	80,295

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

Remuneration Band	Number of Employees	
	2014/15	2013/14
£50,000 - £54,999	16	14
£55,000 - £59,999	1	1

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

2014/15				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	11	22	33	£187,200
£20,001 - £40,000	4	2	6	£156,188
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	1	-	1	£60,009
<b>Total cost included in bandings</b>	<b>16</b>	<b>24</b>	<b>40</b>	<b>£403,397</b>
Add: Amounts provided for in the Comprehensive Income and Expenditure Statement (CIES) not included in the above bandings				£158
<b>Total cost included in the CIES</b>				<b>£403,555</b>

  

2013/14				
Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages in each cost band
£0 - £20,000	20	12	32	£254,903
£20,001 - £40,000	1	8	9	£293,263
<b>Total cost included in bandings</b>	<b>21</b>	<b>20</b>	<b>41</b>	<b>£548,166</b>
Add: Amounts provided for in the Comprehensive Income and Expenditure Statement (CIES) not included in the above bandings				£823
<b>Total cost included in the CIES</b>				<b>£548,989</b>

## G12. Termination Benefits

Colchester Borough Council incurred liabilities of £371,000 in connection with the termination of the contracts of 32 employees either due to compulsory or voluntary redundancies (2013/14: Terminated 40 contracts of employees incurring liabilities of £548,000) as shown in Note 31. No termination payments were made to senior officers of the Group entities.

Colchester Borough Homes terminated the contracts of 8 employees in 2014/15, incurring liabilities of £32,000 (2013/14: Terminated 1 contracts incurring liabilities of £1,000).

## G13. 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 Pensions 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.

## 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			Total 2013/14 £'000
	CBC	CBH	Total	
	2014/15 £'000	2014/15 £'000	2014/15 £'000	
<b>Comprehensive Income and Expenditure Statement</b>				
<u>Cost of Services:</u>				
Current service cost	3,742	1,361	5,103	4,785
<u>Financing and Investment Income and Expenditure:</u>				
Net interest expense	3,501	171	3,672	4,133
Pension fund administration expenses	54	8	62	21
<u>Other Comprehensive Income and Expenditure:</u>				
Re-measurement of the net defined benefit liability	10,933	1,780	12,713	(18,212)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>18,230</b>	<b>3,320</b>	<b>21,550</b>	<b>(9,273)</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.	(7,297)	(1,540)	(8,837)	(8,939)
Employer's contributions payable to the scheme	5,031	605	5,636	5,484
<b>Total charged to the Movement in Reserves Statement</b>	<b>(2,266)</b>	<b>(935)</b>	<b>(3,201)</b>	<b>(3,455)</b>

## Pension assets and liabilities recognised in the Balance Sheet

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

	CBC	CBH	Total	Total
	2014/15	2014/15	2014/15	2013/14
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(227,327)	(28,362)	(255,689)	(221,429)
Fair value of plan assets	131,807	21,919	153,726	135,380
<b>Net liability arising from defined benefit obligation</b>	<b>(95,520)</b>	<b>(6,443)</b>	<b>(101,963)</b>	<b>(86,049)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £101.963 million 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 the movements in fair value of the scheme assets:

	CBC	CBH	Total	Total
	2014/15 £'000	2014/15 £'000	2014/15 £'000	2013/14 £'000
Balance at 1 April	117,418	17,962	135,380	127,613
Interest on assets	5,109	861	5,970	5,385
Return on assets less interest	10,957	1,769	12,726	5,798
Other actuarial gains/(losses)	-	-	-	(2,444)
Administration expenses	(54)	(8)	(62)	(21)
Contributions by employer	5,031	605	5,636	5,484
Contributions by scheme participants	1,163	278	1,441	1,370
Benefits paid net of transfers in	(6,812)	(553)	(7,365)	(7,056)
Settlement prices received/(paid)	(1,005)	1,005	-	(749)
<b>Balance at 31 March</b>	<b>131,807</b>	<b>21,919</b>	<b>153,726</b>	<b>135,380</b>

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

	CBC	CBH	Total	Total
	2014/15 £'000	2014/15 £'000	2014/15 £'000	2013/14 £'000
Balance at 1 April	(199,739)	(21,690)	(221,429)	(228,419)
Current service cost	(3,940)	(949)	(4,889)	(4,910)
Interest cost	(8,610)	(1,032)	(9,642)	(9,518)
Change in financial assumptions	(21,894)	(3,549)	(25,443)	(3,048)
Change in demographic assumptions	-	-	-	13,928
Experience loss/(gain) on defined benefit obligation	4	-	4	3,978
Liabilities assumed/(extinguished) on settlements	1,419	(1,365)	54	1,016
Benefits paid net of transfers in	6,392	553	6,945	6,639
Past service costs	(216)	(52)	(268)	(142)
Contributions by scheme participants	(1,163)	(278)	(1,441)	(1,370)
Unfunded pension payments	420	-	420	417
<b>Balance at 31 March</b>	<b>(227,327)</b>	<b>(28,362)</b>	<b>(255,689)</b>	<b>(221,429)</b>

## GLOSSARY

### **Accruals Concept**

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

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, actuarial gains and losses are 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.

### **Appropriations**

The transfer of resources between revenue accounts, capital accounts and the reserves held by the Council.

### **Billing Authority for Council Tax and Non-Domestic Rates**

This refers to Colchester Borough Council as the authority 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 the authority responsible for invoicing and collecting Non-Domestic Rates on behalf of Central Government, Essex County Council and Essex Fire and Rescue.

### **Budget Requirement**

This represents 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 assets, 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. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be used for finance capital expenditure.

### **Carry Forwards**

Budget provision for specific items that are committed or planned for a year where the specific goods or services are not received by 31 March and for which there is no provision in the following year. Such budgets may be formally '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 this 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 whose existence will only be confirmed by the occurrence or otherwise of 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 cannot be recharged to service under the Service Reporting Code of Practice (SeRCOP):

- Democratic Representation and Management Costs – these include all aspects of the activities of Council members, such as policy making and general governance.
- Corporate Management Costs – these relate to activities which provide the infrastructure of the Council which allows services to be provided.

### **Council Tax**

A local tax charged to the occupiers of residential properties used to finance the budget requirement of the Council for the year.

### **Creditors**

Amounts owed by the Council for goods, services and works that have been received by the Council for which no payments have not been made by the Council at the Balance Sheet date.

### **Current Asset**

Asset held which will be realised, sold or consumed within the next financial year.

### **Current Liability**

Amount which 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 for which payments have not been received by the Council at the Balance Sheet date.

### **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 future commitments or potential liabilities.

### **Fair Value**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

### **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 of twelve months covered by the accounts from 1 April up until 31 March.

### **General Fund**

The main revenue fund of the Council, which summarises the cost of all services (except those relating to Council Housing) 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 statutory account records the revenue expenditure and income relating to the provision of Council housing. It shows the major elements of the housing revenue expenditure and how this is met through the receipt of rents, subsidy 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 Interpretations)**

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 which do not have a physical substance but are identifiable and are controlled by the Council through custody or legal rights. Examples of such assets are 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)**

A 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 MRP for HRA debt. Authorities are free to make additional voluntary provisions from the General Fund, HRA or from capital resources.

**Non-Distributed Costs**

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

**Non-Domestic Rates (NDR)**

This is a levy paid by the occupiers of non residential properties within the Council's borough, and is also known as 'Business Rates'. This levy contributes to the cost of provide local authority services. It is charged on the rateable value of the each non residential property multiplied by a uniform amount set annually by central government. NDR income is collected by the Council and is then shared with Central Government, Essex County Council and Essex Fire and Rescue.

**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.

**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. For the Colchester borough – 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 developed 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**

## **Opinion on the Authority's financial statements**

We have audited the financial statements of Colchester Borough Council] for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Colchester Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's] Responsibilities set out on page 8, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Colchester Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Colchester Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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**Certificate**

We certify that we have completed the audit of the accounts of Colchester Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Debbie Hanson*  
*for and on behalf of Ernst & Young LLP, Appointed Auditor*  
*Luton*  
17 September 2015



# COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

## Scope of responsibility

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

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

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

This statement explains how Colchester Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

## DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

### The purpose of the governance framework

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

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

The governance framework has been in place at Colchester Borough Council for the year ended 31 March 2015 and up to the date of approval of the annual accounts.

### Elements of the Framework

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

- **The Strategic Plan** – which identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the strategic plan and identifies the implications for the Council's governance arrangements.
- **The Constitution** - This is the fundamental basis of the authority's governance arrangements and includes:
  - Defining and documenting the roles and responsibilities of the executive, nonexecutive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
  - Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.

- The Policy Framework which includes the documents relating to Corporate Governance including:
  - The Local Code of Corporate Governance.
  - A risk management strategy detailing processes and controls required to manage risks.
  - The Anti-Fraud and Corruption Policy
- The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
  - A code of conduct which defines the standards of behaviour for all members.
  - Planning procedures Code of Practice
  - Protocol on Members/officer Relations
  - Media Protocol
  - Operational Protocol relating to Administration Arrangements
  - Monitoring Officer Protocol
  - Chief Finance Officer Protocol
  - Resources Protocol
  - A whistle blowing policy for receiving and investigating complaints from the public and staff.
  - Gifts and Hospitality Guidance
- **The Chief Finance Officer Protocol** sets out the responsibilities to conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010)
- **The operation of a Governance Committee** which undertakes the core functions of an audit committee, as identified in CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities'.
- **The operation of a Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council's policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A members training programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **A partnership strategy** that ensures that the quality of the Council's partnerships are improved and that all partnerships, both current and proposed, add value.
- **Treasury management practices and policies**

The Strategic Finance Manager has continued to hold the post of the Section 151 Officer for Colchester Borough Council during the year. The arrangements in place ensured that Colchester Borough Council's financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).

## **DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:**

### **Review of effectiveness**

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

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

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Finance and Audit Scrutiny Panel.
- **A comprehensive risk management process** that ensures the key risks across the authority, both operational and strategic, are captured and reported to senior officers and members.
- **The reports of the Chief Financial Officer** to members and the senior management team including financial assessments of key projects and decisions.
- **Reporting of key performance issues** to the Strategic Overview and Scrutiny Panel.

- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A partnership register** that records the details of all of the partnerships that the Council is involved in.

The significant control issues found during the course of the review are highlighted in the table at the end of the statement.

### **Effectiveness of Other Organisations**

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

Whilst CBH is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants and that the Council's asset, the housing stock, is adequately protected. CBH have produced their own Annual Governance Statement that has been shared with the Council. There were no significant control weakness identified during the year that are required to be included in this statement.

A review of the management arrangements for CCSL was carried out as part of the preparation of this statement. Whilst CCSL is an 'arms length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. There were no significant control weakness identified during the year that are required to be included in this statement

The Council is the lead partner in a joint museum service with Ipswich Borough Council. Due to the nature of the arrangement, the joint museum service is required to produce its own annual return which includes an assessment of internal control. Therefore it is not intended to include any details relating to this service within this statement.

The North Essex Parking Partnership was created on 1 April 2011 with Colchester Borough Council as the lead partner. The partnership is required to produce its own annual return which includes an assessment of internal control. Therefore it is not intended to include any details relating to the service within this statement.

The Council has a comprehensive partnership strategy and maintains a detailed register of the partnerships that it participates in. The strategy defines what a partnership is and details the governance arrangements that should be in place for all partnerships, both present and new. It also provides a mechanism for improving the effectiveness of the partnerships.

### **Internal Audit Opinion**

From the work undertaken in 2014/15, Internal Audit has provided satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2015 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

## Significant Governance Issues

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

No.	Issue	Action
1.	<b>Health &amp; Safety</b> A comprehensive review of the Council's Health & Safety framework was undertaken during the year. This highlighted some areas for focus and improvement to ensure that the Council maintains the highest possible standards in relation to the safety and wellbeing of its staff and visitors.	A comprehensive action plan has been drawn up to ensure that there is an ongoing programme to develop the relevant areas.
2.	<b>Management of Supplier Relationships</b> It was recognised during the review that the management of supplier relationships can be reactive, leading to impacts on the Council's business resources, especially in the event of unexpected incidents or unforeseen changes in requirements.	Processes to ensure proactive management of service delivery need to be embedded in the organisation. This includes providing training and guidance to officers that manage significant contracts as well as ensuring that contract documentation specifies the Council's expectations.
3.	<b>Resilience</b> Whilst work has been undertaken as part of the fundamental service reviews to create resilience in the organisation, it is recognised that there are still areas where reliance is placed on individual expert officers.	The resilience objectives of the FSR's need to continue to be embedded to ensure that the relevant posts are identified and processes are put in place to mitigate against the loss of key individual officers.

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

### Signed:

Councillor Paul Smith  
Leader of the Council

Adrian Pritchard  
Chief Executive

on behalf of Colchester Borough Council

# PORT HEALTH AUTHORITY ACCOUNTS

These are the accounts of the Port Health Authority which is an independent Authority administered by Colchester Borough Council on behalf of itself and Tendring District Council. The accounts for the Port Health Authority are not subject to audit by the Council's external auditors.

## INCOME AND EXPENDITURE STATEMENT

	2014/15 £	2013/14 £
Income:		
Bank Interest	(1)	(1)
Expenditure:		
Other Expenditure	-	-
<b>Net (Income)/Expenditure</b>	<b>(1)</b>	<b>(1)</b>

## BALANCE SHEET

	31 March 2015 £	31 March 2014 £
Current Assets:		
Cash at Bank	2,550	2,549
	<b>2,550</b>	<b>2,549</b>
Current Liabilities:		
Colchester Borough Council	(1,877)	(1,876)
Tendring District Council	(673)	(673)
	<b>(2,550)</b>	<b>(2,549)</b>
<b>Net Current Assets</b>	<b>-</b>	<b>-</b>

# TRUST FUND ACCOUNTS

The Council acts as trustee for a number of funds. These accounts are detailed below. The accounts for the trust funds are not subject to audit by the Council's external auditors.

## 1. The Resident Freeburgesses's Fund

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

### INCOME AND EXPENDITURE STATEMENT

	2013/14 £	2012/13 £
Income		
Interest on Investments	(288)	(288)
Other Income	(31)	(62)
Expenditure		
Subscription	30	30
Distribution to Freeburgesses	228	153
<b>Net (Income)/Expenditure</b>	<b>(61)</b>	<b>(167)</b>

### BALANCE SHEET

	30 September 2014 £	30 September 2013 £
Assets:		
Investments	7,367	6,730
Debtors	157	157
Cash at Bank	1,007	718
Liabilities:		
Creditors	(258)	(30)
<b>Represented by Accumulated Fund</b>	<b>8,273</b>	<b>7,575</b>

Please note: Investments are stated at market value as at 30 September 2014. These investments are Bank of England 2½% Consolidated Stock with a nominal value of £11,511.46 (30 September 2013: £11,511.46).

## 2. Albert Museum and Art Gallery

The proceeds from the sale of this building, left in trust to the Council, have been invested; the interest is currently used to support the running costs of Colchester Museums. The market value of the investments as at 31 March 2015 was £475,636 (31 March 2014: £441,804). A further sum of £26,635 is held on deposit pending transfer to the Colchester museums in future years (31 March 2014: £11,317).

### INCOME AND EXPENDITURE STATEMENT

	2014/15 £	2013/14 £
Income:		
Interest on Investments	(16,909)	(15,260)
Interest on Balance	(60)	(21)
Expenditure:		
Distributions	16,793	16,581
<b>Net (Income)/Expenditure</b>	<b>(176)</b>	<b>1,300</b>

### BALANCE SHEET

	31 March 2015 £	31 March 2014 £
Assets:		
Investments	475,636	441,804
Debtors	3,862	2,504
Cash at Bank	26,635	11,317
Liabilities:		
Creditors	(16,500)	-
<b>Represented by Accumulated Fund</b>	<b>489,633</b>	<b>455,625</b>

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

### 3. Sir Thomas White's Charity

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

#### INCOME AND EXPENDITURE STATEMENT

	2014/15 £	2013/14 £
Income:		
Interest Received	(4)	(3)
Dividends	(308)	(320)
Redemption of War Stock investments	(350)	-
Expenditure:		
Payment to the Resident Freeburgesses Trust Fund	-	30
<b>Net (Income)/Expenditure</b>	<b>(662)</b>	<b>(293)</b>

#### BALANCE SHEET

	31 March 2015 £	31 March 2014 £
Assets:		
Investments	9,118	8,862
Cash at Bank	7,337	7,025
Debtors	350	-
<b>Represented by Accumulated Fund</b>	<b>16,805</b>	<b>15,887</b>

Please note: The investments are in Charinco, Charishare and War Stock (2013/14 only), which are special investments for charities.



#### 4. Old British School Trustees

This charity assists the promotion of the education of young people under 25 years of age resident in the Borough, or to assist their entry into a profession. Individual grants do not exceed £250 and 8 grants were paid out in 2014/15 (12 grants were paid out in 2013/14).

### INCOME AND EXPENDITURE STATEMENT

	2014/15 £	2013/14 £
Income:		
Interest received	(4)	(9)
Dividends	(338)	(521)
Donations	(1,000)	(1,000)
Expenditure:		
Grants paid	1,025	701
<b>Net (Income)/Expenditure</b>	<b>(317)</b>	<b>(829)</b>

### BALANCE SHEET

	31 March 2015 £	31 March 2014 £
Assets:		
Investments	9,257	8,508
Cash at Bank	7,838	7,521
<b>Represented by Accumulated Fund</b>	<b>17,095</b>	<b>16,029</b>

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

## 5. Colchester Lying-in-Charity

This charity enables one-off grants to be paid out to purchase items such as prams, cots, etc for unmarried mothers. Individual grants do not exceed £250 and 15 grant applications were approved in 2014/15 (24 grant applications were approved in 2013/14).

### INCOME AND EXPENDITURE STATEMENT

	2014/15 £	2013/14 £
Income:		
Dividends	(585)	(574)
Profit on disposal		-
Expenditure:		
Grants paid	1,408	1,831
<b>Net (Income)/Expenditure</b>	<b>823</b>	<b>1,257</b>

### BALANCE SHEET

	31 March 2015 £	31 March 2014 £
Assets:		
Investments	16,022	14,726
Cash at Bank	357	1,180
<b>Represented by Accumulated Fund</b>	<b>16,379</b>	<b>15,906</b>

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

## 6. Colchester New Theatre Trust

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

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

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

### INCOME AND EXPENDITURE STATEMENT

	2013/14 £	2012/13 £
Income		
Investment Income	(41)	(70)
Expenditure		
Building Repairs and Maintenance Expenses	-	88,000
<b>Net (Income)/Expenditure</b>	<b>(41)</b>	<b>87,930</b>

### BALANCE SHEET

	30 September 2014 £	30 September 2013 £
Non-Current Assets:		
Mercury House (at Cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	80,118	80,077
<b>Total Net Assets</b>	<b>163,502</b>	<b>163,461</b>
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	80,000	80,000
Other Charitable Funds	118	77
<b>Total Unrestricted Funds</b>	<b>163,502</b>	<b>163,461</b>