Colchester Borough Council

Statement of Accounts

2016/17

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NARRATIVE STATEMENT

Organisational overview and external environment

Colchester’s vision, as set out in our Strategic Plan, is about having a rich heritage and an ambitious future as a vibrant, thriving, prosperous and welcoming place.

As one of the UK’s largest boroughs and fastest growing towns, Colchester is focused on sustainable economic investment which delivers improved life opportunities, employment, infrastructure and facilities for our communities. Our ambitious regeneration programme has encouraged greater inward investment and is helping to make Colchester an important and exciting urban centre both in Essex and the region. The Council is currently working on a new Local Plan to guide future development up to 2033.

We have an influential role in shaping our place regionally and our communities locally. Partnership working is key to making things happen and we work hard to make and maintain positive relationships across the public, private and third sectors. Our successful collaborations with others include the innovative Community Hub, Safer Colchester Partnership and North Essex Parking Partnership. For the future, we are working with Braintree and Tendring Councils on three Garden Communities which have the potential to deliver homes for about 80,000 people in 35,000 new dwellings - equivalent to a town the size of Bath - over a twenty to thirty year period, together with transformational new infrastructure and considerable local economic growth opportunities along the A120 corridor.

A national report The Geography of Creativity in the UK highlighted a boom in the growth and significance of creative industries here. Colchester is 8th in the country for Creative Industries’ importance in terms of drawing people in to work in the sector from a wider area. Colchester also ranks 20th in the UK for high concentration and growth - beating places such as Brighton and Newcastle.

We want to continue to be a high performing Council with motivated employees who are proud to work here and make a difference to people's lives. Colchester Borough Council (CBC) has three core goals:

- **Customer** - Help our customers access our services and deliver on our communities' needs.
- **Business -** Become commercially focused and even more business-like in order to be free of government grant.
- **Culture -** Inspired staff who do the right things and are proud to work for the Council.

The Council took early action in addressing the financial challenges facing the public sector. We have delivered around £13 million of savings/additional income from 2010/11 to 2016/17 through service reviews, new ways of working and a more commercial approach. Examples of converting assets into revenue-generating opportunities and attracting investment include the delivery of ultrafast broadband in the town centre, Amphora Place in Sheepen Road and the development of Colchester's Northern Gateway. This approach helps us to support the front-line services that will always retain a public sector ethos, supporting the more vulnerable groups in our communities.

Business model

Colchester Borough Council adopted an ambitious new **Strategic Plan for 2015-18.** The plan, which is available on our website at www.colchester.gov.uk, sets out the direction and potential for our borough. Its four themes sum up what we want to achieve:

Vibrant *Promoting our heritage and working hard to shape our future*	**Prosperous** *Attracting business and selling Colchester as a destination*	**Thriving** *Generating opportunities for growth and supporting infrastructure*	**Welcoming** *A place where people can grow and be proud to live*
Enhance the diverse retail and leisure mix supporting independent business opportunities valued by residents and visitors. Develop a strong sense of community across the borough by enabling people and groups to take more ownership and responsibility for their quality of life. Make more of the great culture and heritage in Colchester so that more visitors can enjoy the history and passion of Colchester. Create the right environment for people to develop and flourish in all aspects of life both business and pleasure.	Promote Colchester to attract further inward investment and business relocation, providing greater and more diverse employment opportunities. Support people to develop the skills needed by employers in the future to take advantage of higher paid jobs being created. Provide opportunities to increase the number of homes available including those that are affordable for local people and to build (& renovate) our own Council houses for people in significant need. Ensure transport infrastructure keeps pace with housing growth the keep the borough moving.	Provide Colchester's heritage and wide ranging tourism attractions to enhance our reputation as a destination. Be recognised as a centre of learning with excellent schools and educational opportunities for young people to make the most of their potential. Be clear about the major opportunities to work in partnership with public, private and voluntary sectors to achieve more for Colchester than we could on our own. Cultivate Colchester's green space and opportunities for health, wellbeing and the enjoyment of all.	Ensure Colchester is a welcoming and safe place for residents, visitors and businesses with a friendly feel that embraces tolerance and diversity. Improve the cleanliness and health of the place by supporting events that promote fun and wellbeing. Create a business friendly environment, encouraging business start-ups, support to small and medium sized enterprise and offer development in the right locations. Make Colchester confident about its own abilities to compete with the best of the towns in the region to generate a sense of pride.

Business model - performance

A wide range of actions is in place to achieve the ambitions in the Strategic Plan. These actions involve most teams within the Council along with many partner organisations**.** This **Action Plan** is reported to councillors twice a year and a report on our progress for the full 2016/17 year will be available from July 2017 at www.colchester.gov.uk. Some highlights in the year include:

Vibrant	**Prosperous**	**Thriving**	**Welcoming**
The lease for the Curzon Cinema has been completed with redevelopment now underway. The Old Police Station redevelopment has been completed as a Creative Business Centre with an operator in place. Cabinet approval has been secured for a delivery and funding package for a Northern Gateway Sports facility	The ‘Colchester Ultraready’ campaign has been launched to commercial agents, the creative and digital sector and key stakeholders demonstrating Ultrafast Broadband capability. Housing Communities Agency (HCA) Capacity funding has been secured to support the development of housing sites, delivering social housing through the HCA. A total of 100 new affordable homes were delivered in 2016/2017. Along with the 106 delivered in 2015/2016, the Council has achieved its target of 205 new homes by 2018.	Provided positive experiences for visitors and residents by promoting Colchester’s key leisure, visitor attractions and events venues. Colchester and Ipswich Museums (CIMS) have been recognised with a number of awards in 2016 - 2017. We have developed a network of community groups and third sector organisations with a joint aim to support work in environmental sustainability and to support communities to build resilience.	There was a Launch of a Digital Destination marketing campaign. The Creative Business Centre is open and all 43 studios were let within one month of opening. The development of the boulevard at Northern Gateway is an essential part of the movement network allowing sustainable access to all the residential and employment sites along its central spine it.

Awards and accreditations

Council-wide accreditations include being a Living Wage and Investor in People employer, with in-year achievements for Housing Business Ready Status and Countywide Essex Business Awards. The Council also achieved service-based awards including LEXCEL, Park Mark, Green Flag for parks and open spaces, Purple Flag for night-time economy, CIPFA Continuing Professional Development (CPD) Accredited Employer for best practice, Essex Digital Awards, with recognition for our museums from Tripadvisor, Primary Times and the Best Product Awards - Association of Cultural Enterprises 2017.

Datashare

The Council uses an online tool called Datashare to improve openness and accessibility. It enables people to view and download a range of council databases and performance information at whatever time they choose, and all in one place.

Key performance indicators

The Council has 16 indicators which summarise its overall performance, and is reported to Councillors twice a year. The following table sets out the end of year status. A full report on our progress will be available from July 2017 at www.colchester.gov.uk

Area	Indicator	RAG status – performance against the target	
		2016/17	2015/16
Planning Key Indicators	Processing of planning applications (three indicators)	Green	Green
	Planning appeals allowed against our decision to refuse	Red	Green
Benefits Key Indicators	Time to process housing benefit new claims and changes	Green	Green
Housing Key Indicators	Net additional homes provided	Green	Red
	Affordable homes delivered (gross)	Green	Green
	Homelessness cases prevented	Green	Green
	Rent collected	Green	Green
	Average time to re-let council homes	Green	Green
Waste and Recycling Key Indicators	Residual household waste per household	Red	Red
	Household waste reused, recycled and composted	Red	Red
	Number of weekly missed collections	Green	Green
Resources and Organisational Key Indicators	Council Tax collected	Green	Green
	Business Rates (NDR) collected	Green	Green
	Sickness rate in working days	Red	Green

Principal risks and uncertainties

The aim of the Council is to adopt best practices in the identification, evaluation, cost-effective control and monitoring of risks across all processes to ensure that risks are properly considered and reduced as far as practicable.

In broad terms risks are split into three categories:

- Strategic – those risks relating to the long term goals of the Council
- Operational – risks related to the day-to-day operation of each individual service
- Project – consideration of the risks relating to specific initiatives

Strategic risks are essentially those that threaten the long term goals of the Council and therefore are mainly based around meeting the objectives of the Strategic Plan. They may also represent developing issues that have the potential to fundamentally affect service provision, such as changes in central government policy. Strategic risks are owned by members of the Senior Management Team.

The Strategic Risk Register groups risk together under themes of Ambition, Customers, People, Horizon Scanning, Partnerships and Assets. The highest scoring risks or key risk areas identified include:

- Potential impact of future central government decisions to reduce public funding, including that of our partners.
- Failure or inappropriate performance management of one or more strategic partnerships or key contracts.
- The Council is unable to effectively influence changes in the Borough economy.
- The increasing expectations of our customers, set alongside the financial constraints will create challenges to service delivery, our channel shift ambitions and the reputation of the authority.
- Unable to compete with the private sector in the recruitment (and retention) of staff with key marketable skills.
- Staff motivation declines with an impact on service delivery, our capacity to make changes and implementation of budget efficiencies.
- Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery.
- Change of direction / policy within key partner organisations and they revise input / withdraw from projects.
- Potential inability to agree shared outcomes/ agendas with partners and the Council's ability to influence partner's performance.
- Inability to deliver the budget strategy as planned.
- Failure to set aside sufficient capital funds for strategic priorities.
- The outcome of the referendum to leave the European Union is leading to a number of uncertainties. It is currently unclear how this will impact on the Council, our communities and businesses. However, it does raise a potential set of risks that will need to be monitored.
- Risk that asset management is not fully linked to strategic priorities and not supported by appropriate resources.

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

Governance

The Council is required to produce an Annual Governance Statement which sets out its governance controls and identifies any improvements that need to be implemented. The Governance Committee considers the Annual Governance Statement, for the previous financial year, in June and a further progress report is provided in December each year.

The Council's governance arrangements remained significantly the same in 2016/17 to the previous year. Full details are shown on the website at Annual Governance Statements, Corporate Governance and The Constitution.

Resource allocation

The 2016/17 Revenue Budget Process

The Revenue Budget for 2016/17 was prepared against a background of meeting the Council's Strategic Plan objectives whilst continuing to face significant financial pressures from the reductions in core Government funding. Every effort was made to produce a balanced budget that included a deliverable level of savings and income and provided for investment in key services. This was achieved through a budget strategy that resulted in:

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

The budget included savings or additional income of almost £1.5 million. This compared to £2.2 million included within the 2015/16 budget. The majority of the savings were based on proposals to work more efficiently and to maximise opportunities to increase income and through an exercise that reviewed previous years outturn figures.

Core Government funding in 2016/17 was reduced by £1.2 million, with a further cut of £1 million in 2017/18.

The New Homes Bonus was introduced in 2011/12, and in 2017/18 the Council is due to receive £4.8 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. The Council recognised that the future of New Homes Bonus was a financial risk, and as part of the 2016/17 and 2017/18 budget the amount of the grant used to support the 'base budget' has reduced. In 2017/18 we are using £1.6 million (34%) of the New Homes Bonus to support the base budget.

The 2016/17 budget included a significant level of investment predominantly funded through the New Homes Bonus. This included funding for projects that will support the delivery of the Strategic Plan, support projects that will deliver increased income and support the community.

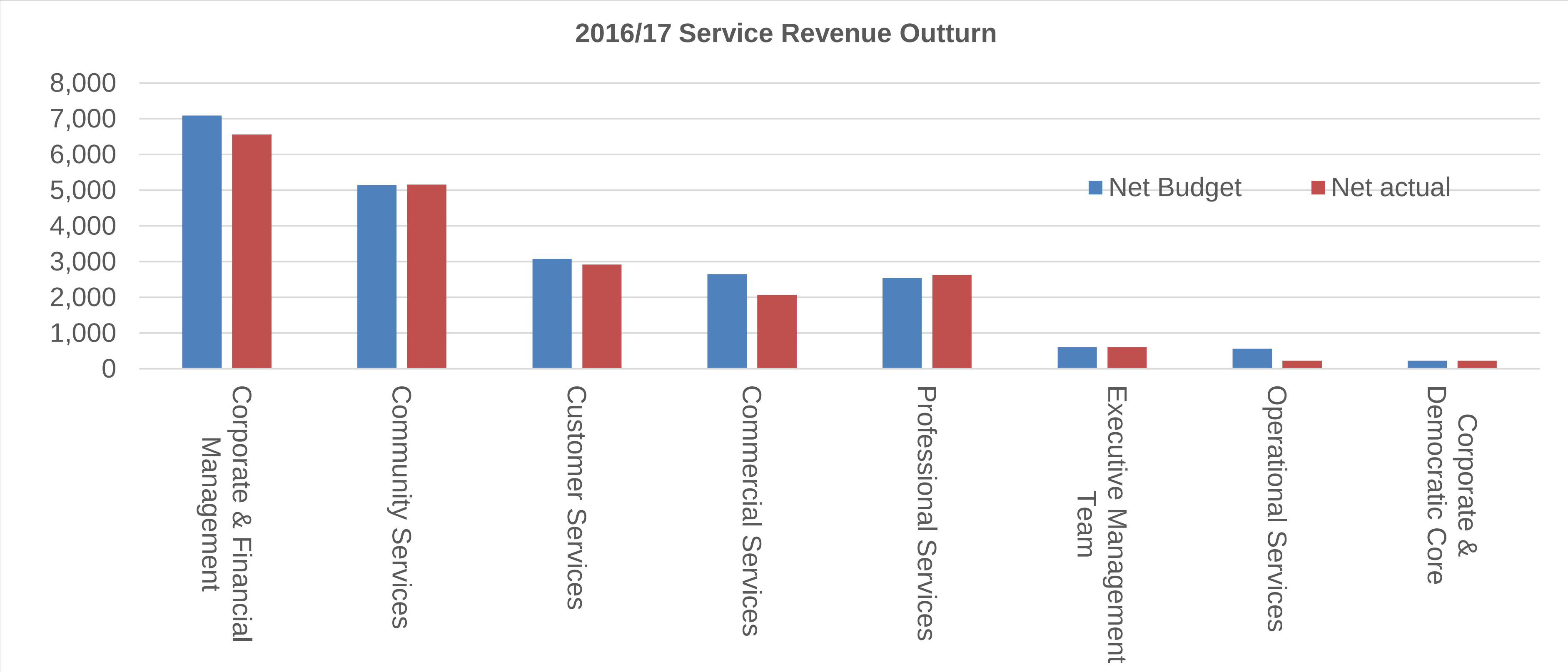
Revenue spending

The General Fund revenue account outturn position for 2016/17 shows an overspend after identified budget carry forwards of £0.1 million. The main areas that have resulted in this position include:

- additional net costs compared to in respect of homelessness.
- Income targets not met in respect of sport and leisure and planning.
- In year savings being delivered through service restructuring
- One-off revenue gains through review of income held in balance sheet and various external grants.

The 2017/18 budget was based on the 2016/17 outturn being £0.24 million overspent. It was reported to Governance and Audit Committee in February that the end of year outturn position was forecast to be a net overspend of £0.6 million, however, it was envisaged that the final position could be managed to deliver within the original budget assumption. The final position therefore reflects an improvement, and the additional impact on balances will be considered by Cabinet.

The position for Council services (before budget carry forward items) is set out in the following graph showing a total net spend of £20.4 million compared to a budget of £21.9 million:



Budget monitoring

This was the first full year of using a new budgeting system for monitoring revenue spending in the year, and collating forecasts for the year end position. Regular monitoring reports on the revenue position, highlighting the significant risk areas, were submitted to the Scrutiny Panel and Audit and Governance Committee throughout the year.

Housing Revenue Account (HRA)

The Council is the major provider of rented housing in the borough and manages 5,984 properties. The Housing Revenue Account Financial Statement for 2016/17 shows a net contribution to balances for the year of £0.56 million. At the 2016/17 year end the Housing Revenue Account balance is £2.9 million, a significant part of which is earmarked to support future capital spending.

Capital spending

Capital spending is on items which have a value to the Council or the community for more than a year and is generally met from loans, revenue or the proceeds of sale of capital assets. Capital spending for the 2016/17 financial year totalled £22.1million (compared to £20.1 million in 2015/16). The spend can be broken down as:

Council Housing	£10.7 million (including £3.1 million for improvements to sheltered accommodation)
Revolving Investment Fund (RIF)	£7.0 million (including £1.4 million on the Creative Business Centre, £2.1 million on the construction of an office block in Sheepen Road, and £2.7 million on the purchase of land and property at North Colchester and in the Town Centre)
Other General Fund	£4.4 million (including £0.8 million on the provision of Disabled Facilities Grants)

Capital Funding

Of the total funding of the programme, £4.8 million was funded from the application of capital receipts, £2.3 million from external grants and contributions, with the remainder mainly coming from General Fund and HRA revenue funding (including £6.2 million from the Major Repairs Reserve, and £2.4 million from the Capital Expenditure Reserve).

Capital Receipts continue to provide a significant resource to support capital spending plans, and sums received in 2016/17 totalled £7.0 million. Receipts from sales of Council houses showed a significant increase on 2015/16, with £4.6 million received in 2016/17. 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 2016/17, £2.462 million has been reserved for new build (2015/16: £1.031 million) and £1.326 million reserved for other purposes (2015/16: £0.741million) and £0.603 million was pooled and paid over to the Government (2015/16: £0.549 million). Other receipts are fully available and £2.4 million was received in 2016/17 from the sale of various sites. The accumulated balance of £2.1 million in the Capital Receipts Reserve is already planned to support capital spending from 2017/18 onwards.

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.

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 £1.9 million. It was agreed to retain balances at £2.2 million when planning the 2017/18 budget.

As at 31 March 2017 the Council's General Fund balances stood at £9.4 million, of this £2.4 million is uncommitted or unallocated. The balances position will be reviewed as part of our ongoing financial planning and monitoring.

Provisions and contingencies

Provisions totalling £2.2 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.

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 2016/17. 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 £32.5 million.

Pension liabilities

The full reporting arrangements for pension costs are included in the Statement of Accounts. There are extensive notes included with the relevant statements. The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long term implications. However, the overall amount to be met from Government grants and local taxation remains unchanged. The Council's share of the assets and liabilities of the pension fund show an estimated £121.4 million shortfall at 31 March 2017. 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.

Strategy and outlook

This Council, in common with most other local authorities, faces an ongoing difficult position in the medium term due to a range of pressures including providing statutory services, ongoing pressures caused by maintaining several sources of fees and charges and potential revenue implications of strategic priorities. However, the most significant factor that will impact on the budget will be the level of Government funding support including the ongoing uncertainty in respect of changes to financing arrangements such as the proposal for 100% localisation of business rates and changes made to the New Homes Bonus.

The Medium Term Financial Forecast (MTFF) shows that the Council faces a continuing budget gap over the three years from April 2018. The following table summarises the position showing a cumulative gap over the period from 2018/19 to 2020/21 of £2.5 million.

	2017/18	**2018/19**	**2019/20**	**2020/21**
	£'000	**£'000**	**£'000**	**£'000**
Net Budget	25,911	21,621	21,620	21,885
Settlement Funding Assessment (SFA)	(4,958)	(4,432)	(3,844)	(3,844)
Business Rates (NDR) Growth	(900)	(1,000)	(1,000)	(1,000)
New Homes Bonus	(4,783)	(3,438)	(2,753)	(2,228)
Transition Grant	(88)			
Council Tax	(11,015)	(11,434)	(11,860)	(12,293)
Reserves / Collection Fund	(4,167)	(120)	(20)	(20)
Cumulative Gap	**0**	**1,197**	**2,143**	**2,500**
Annual increase	*0*	*1,197*	*946*	*357*

The MTFF reflects the four year settlement by Government accepted by the Council. The settlement assumes that the Government’s Revenue Support Grant, which in 2016/17 was £2 million, will reduce each year and by 2019/20 will stop completely.

Since 2013/14 the Council retains a proportion of local business rates. This has provided an opportunity for the Council to mitigate in part 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 Council agreed to join the Essex Business Rates Pool in 2016/17 and 2017/18. This has provided the opportunity to keep a greater share of business rates income in Essex, with some additional income for the Council reflected in these accounts for 2016/17.

During 2016 the Government reviewed the New Homes Bonus and published proposed changes to the scheme alongside the 2017/18 Finance settlement. There are two main changes made to the scheme in 2017/18:

- From 2017/18 payments are made over five years rather than six. From 2018/19 this will reduce further to payments being for four years.
- In addition from 2017/18 the scheme has introduced a national baseline of 0.4%. NHB is only paid above this level.

In total these changes to the New Homes Bonus scheme have reduced the grant that this Council would otherwise have received in 2017/18 by £1.16 million and looking ahead we estimate that the basic element of the New Homes Bonus will reduce from £5.4 million in 2017/18 to c£2 million by 2020/21. The Council's approach of using a large proportion of the New Homes Bonus for one off investments provides some protection to the base budget of these reductions in this grant, however, it clearly results in a significant reduction in funding for investment. As part of the budget strategy for 2018/19 the Council will consider steps to further reduce the level of grant use to support the base budget.

The Government's assessment of the 'expected' available revenue for local government spending is known as "Core Spending Power". It includes the Settlement Funding Assessment (SFA) which is the total of Revenue Support Grant and the business rates baseline. It also includes the New Homes Bonus and an assumed level of income from Council Tax. This takes account of an assumed increase in the tax base and a Council Tax rate increase. This is also reflected in the MTFF and the Council will therefore need to consider this as part of the 2018/19 budget process.

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 our service review programme continue to be vital, with increased savings expected in 2017/18 and 2018/19. 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. Work has already started to determine a plan of service reviews during 2017/18 with a view to identifying opportunities for future savings and income. This includes realising savings and income from the Council's senior management restructuring and proposed commercial company developments.

Basis of preparation

The Statement of Accounts summarises the Council's income and expenditure for the 2016/17 financial year from 1 April 2016 to 31 March 2017, and its financial position at the year end of 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the

United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, which in turn are underpinned by International Financial Reporting Standards. A Glossary of key terms can be found at the end of this publication.

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

Movement in Reserves Statement (page 21)
This shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services; more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

Comprehensive Income and Expenditure Account Statement (page 22)
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 23)
This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement (page 24)
This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Expenditure and Funding Analysis (page 29)
This shows how annual expenditure is used and funded from resources (e.g. government grants, rents, Council Tax and Non Domestic Rates) by the Council in comparison with those resources consumed/earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account Income and Expenditure Statement (page 131)
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 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 (refer to page 132).

Collection Fund Accounts (page 139)
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 145)
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 175)
These are the accounts of an independent authority administered by the Council on behalf of itself and Tendring District Council.

Trust Fund Accounts (page 176)
These are the accounts of various funds for which the Council is a trustee.

Other information

This **Statement of Accounts** is one of a number of publications giving information on the Council's performance. These have been brought into one place on the Council's website (www.colchester.gov.uk) here for ease of reference. These are also available via Customer Services at the Colchester Library and Community Hub, other public libraries and the Visitor Information Centre. The Council's online Datashare tool here enables you access to view and download a range of council performance statistics, annual reports, databases and information including those set out in the Local Government Transparency Code.

Members of the public are welcome to attend Council, Cabinet and Panel meetings. You may also address meetings under the *Have Your Say!* scheme. Information about meetings, agendas and copies of Council minutes are available on the Council's website (http://www.colchester.gov.uk/councillorsandmeetings), from Council offices or by telephoning Colchester 282207.

Our Fairness Policy

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

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

For more information about these accounts, please contact:

Steve Heath, Finance Manager (Technical), Corporate and Financial Management,
Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester, CO3 3WG
Telephone: Colchester (01206) 282389
E-mail: financial.accounting@colchester.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate:
I certify that the accounts set out on pages 1 to 170 give a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year then ended.

Sean Plummer
Strategic Finance Manager
(Section 151 Officer)
25 July 2017

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 25 July 2017.

Signed on behalf of Colchester Borough Council
Chair of Governance and Audit Committee

MOVEMENT IN RESERVES STATEMENT

	Revenue Reserves			Capital Reserves					
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	**8,675**	**2,510**	**10,385**	**5,234**	**-**	**11**	**26,815**	**213,305**	**240,120**
Total Comprehensive Income and Expenditure	102	2,937	-	-	-	-	3,039	24,358	27,397
Adjustments between accounting basis and funding basis under regulations (Note 9)	5,579	(3,011)	-	816	-	32	3,416	(3,416)	-
Transfers to/from Earmarked Reserves (Note 10)	(3,994)	(48)	5,544	(1,773)	-	-	(271)	271	-
Net Increase/(Decrease) in year	**1,687**	**(122)**	**5,544**	**(957)**	**-**	**32**	**6,184**	**21,213**	**27,397**
Balance at 31 March 2016 (Page 23)	**10,362**	**2,388**	**15,929**	**4,277**	**-**	**43**	**32,999**	**234,518**	**267,517**
Total Comprehensive Income and Expenditure	(2,001)	11,379	-	-	-	-	9,378	(21,427)	(12,049)
Adjustments between accounting basis and funding basis under regulations (Note 9)	1,649	(10,946)	-	1,623	-	(36)	(7,710)	7,710	-
Transfers to/from Earmarked Reserves (Note 10)	(629)	125	4,292	(3,788)	-	-	-	-	-
Net Increase/(Decrease) in year	**(981)**	**558**	**4,292**	**(2,165)**	**-**	**(36)**	**1,668**	**(13,717)**	**(12,049)**
Balance at 31 March 2017 (Page 23)	**9,381**	**2,946**	**20,221**	**2,112**	**-**	**7**	**34,667**	**220,801**	**255,468**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2016/17			2015/16 - Restated		
	Notes	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
Corporate and Democratic Core		315	(843)	(528)	315	(801)	(486)
Corporate and Financial Management		7,783	(1,616)	6,167	7,598	(1,640)	5,958
Executive Management Team		700	(31)	669	670	-	670
Community Services		9,891	(2,946)	6,945	12,057	(2,962)	9,095
Commercial Services		15,762	(8,577)	7,185	13,355	(7,367)	5,988
Customer Services		60,709	(58,944)	1,765	60,814	(59,353)	1,461
Housing Revenue Account		15,061	(30,608)	(15,547)	22,711	(30,823)	(8,112)
Operational Services		14,585	(13,242)	1,343	14,359	(13,250)	1,109
Professional Services		5,939	(2,292)	3,647	5,479	(2,751)	2,728
Non-Distributed Costs		18	(216)	(198)	176	-	176
Net Cost of Services		**130,763**	**(119,315)**	**11,448**	**137,534**	**(118,947)**	**18,587**
Other operating income and expenditure	11	2,600	(2,052)	548	2,247	(1,400)	847
Financing and investment income and expenditure	12	9,831	(2,617)	7,214	11,813	(6,383)	5,430
Taxation and non-specific grant income	13	-	(28,588)	(28,588)	-	(27,903)	(27,903)
(Surplus)/Deficit on Provision of Services	2	**143,194**	**(152,572)**	**(9,378)**	**151,594**	**(154,633)**	**(3,039)**
(Surplus)/Deficit on revaluation of non-current assets	28			(9,578)			(13,649)
Remeasurement of the net defined pension assets/(liabilities)	38			31,005			(10,709)
Other Comprehensive (Income)/Expenditure				**21,427**			**(24,358)**
Total Comprehensive (Income)/Expenditure				**12,049**			**(27,397)**

BALANCE SHEET

	Notes	31 March 2017 £'000	31 March 2016 £'000
Property, Plant and Equipment	14	455,018	437,050
Heritage Assets	15	1,317	1,235
Investment Properties	16	34,690	34,390
Intangible Assets	18	994	1,419
Long Term Investments	20	6	6
Long Term Debtors	21	4,551	4,447
Total Non-Current Assets		**496,576**	**478,547**
Short Term Investments	20	32,545	25,564
Assets Held for Sale	22	500	-
Inventories		176	168
Short Term Debtors	23	10,185	10,396
Cash and Cash Equivalents	24	13,045	12,226
Total Current Assets		**56,451**	**48,354**
Bank Overdraft		(4,888)	(3,967)
Short Term Borrowing	20	(7,247)	(16,248)
Short Term Creditors	25	(18,535)	(13,831)
Short Term Provisions	26	(1,798)	(2,989)
Grants Receipts in Advance – Revenue	35	(2,182)	(2,040)
Total Current Liabilities		**(34,650)**	**(39,075)**
Long Term Creditors – Finance Leases	37	(2,565)	(2,635)
Long Term Provisions	26	(397)	(438)
Long Term Borrowing	20	(130,594)	(121,594)
Pension Scheme Liability	38	(121,368)	(87,846)
Grants Receipts in Advance – Capital	35	(7,970)	(7,796)
Other Long Term Liabilities		(15)	-
Total Non-Current Liabilities		**(262,909)**	**(220,309)**
Total Net Assets		**255,468**	**267,517**
Usable Reserves	27	34,667	32,999
Unusable Reserves	28	220,801	234,518
Total Reserves		**255,468**	**267,517**

These financial statements replace the unaudited financial statements certified by Sean Plummer, Strategic Finance Manager (Section 151 Officer) on 26 May 2017.

CASH FLOW STATEMENT

	Notes	2016/17 £'000	2015/16 £'000
Net Surplus/(Deficit) on the Provision of Services	Page 22	**9,378**	**3,039**
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	29	**15,046**	**21,338**
Adjustments for items included in Investing and Financing Activities:			
Capital grants credited to the Surplus/Deficit on the Provision of Services		(2,242)	(3,265)
Proceeds from the sale of short and long term investments		25,500	13,497
Proceeds from the sale of non-current assets		(6,950)	(6,893)
Adjustments for items included in Investing and Financing Activities:		**16,308**	**3,339**
Net Cash Flows from Operating Activities		**40,732**	**27,716**
Investing Activities:			
Purchase of non-current assets		(19,087)	(19,073)
Purchase of short and long term investments		(32,500)	(25,500)
Proceeds from the sale of non-current assets		6,933	3,878
Other payments and receipts		2,694	3,239
Net Cash Flows from Investing Activities		**(41,960)**	**(37,456)**
Financing Activities:			
Cash payments for the reduction of the outstanding finance lease liabilities		(735)	(729)
Other payments and receipts		1,861	(1,872)
Net Cash Flows from Financing Activities		**1,126**	**(2,601)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(102)**	**(12,341)**
Cash and Cash Equivalents at 1 April	29	8,259	20,600
Cash and Cash Equivalents at 31 March	29	**8,157**	**8,259**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. General Accounting Policies

General Principles

The Statement of Accounts summaries the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17, 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 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) introduced the requirement for local authorities to report their service segments based on the way they are structured and how they operate, monitor and manage services. This change ends the requirement for the service analysis to be based on the definition of total cost and the service expenditure analysis in the *Service Reporting Code of Practice* (SeRCOP).

The Comprehensive Income and Expenditure Statement (CIES) on page 22 is now reported using a segmental analysis aligned with how the Council reports its performance internally to its Senior Management Team and in publically available reports to the Council's Scrutiny Panel and Governance and Audit Committee. The Council has continued to apply the concepts from the SeRCOP in its Comprehensive Income and Expenditure Statement for the lines of Corporate and Democratic Core and Non-Distributed Costs.

The 2016/17 Code of Practice has introduced the requirement for a new reporting statement and notes (refer to Note 2). The new Expenditure and Funding Analysis (EFA) brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and HRA. Column 1 of the EFA discloses the income and expenditure that is chargeable under statutory funding provisions, including an analysis by service area. Column 2 of the EFA discloses the amounts for each line that adjust column 1 to the corresponding line items in the CIES. These adjustments are the statutory adjustments between Accounting Basis and Funding Basis which are detailed in the Note to the Movement in Reserves Statement (Note 9).

The 2016/17 Code has also introduced a new streamlined format for the Movement in Reserves Statement. This now presents the Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement as one line. The columnar analysis of the usable and unusable reserves separates the movements between the Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure. These items were previously disclosed on the face on the Movement in Reserves Statement.

The 2016/17 Code changes have required a full retrospective restatement of the 2015/16 comparatives values for the new reporting format for the CIES, to provide 2015/16 comparative year disclosures for the new EFA and to restate the comparatives in the new streamlined format for the Movement in Reserves Statement.

The Council has changed its accounting policy for the calculation of the Minimum Revenue Provision (MRP) for capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure. Previously the Council calculated the MRP using option 1 which provides for an approximate 4% reduction in the borrowing need each year. In 2016/17 the Council has amended its MRP policy and now allows for such borrowing need to be repaid on an equal instalment basis over a period of 50 years. There is no material impact of this accounting policy change on the Council’s 2016/17 accounts.

Specific Accounting Policies

The notes relating to specific financial statement lines 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 is accounted for in the year that the actual figure is determined. Estimation techniques are applied in particular to the calculation of depreciation, bad debt provisions, sums due to contractors and Government grants.

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 where 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.

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.

Value Added Tax (VAT)

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

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

2. Expenditure and Funding Analysis

	2016/17			2015/16		
	Net Expenditure chargeable to GF and HRA Balances	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the CIES**	**Net Expenditure chargeable to GF and HRA Balances**	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the CIES**
	(Note 2a)	**(Note 2b)**	**(Page 22)**	**(Note 2a)**	**(Note 2b)**	**(Page 22)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	(528)	-	(528)	(486)	-	(486)
Corporate and Financial Management	5,527	640	6,167	5,540	418	5,958
Executive Management Team	617	52	669	601	69	670
Community Services	6,188	757	6,945	6,290	2,805	9,095
Commercial Services	2,969	4,216	7,185	2,297	3,691	5,988
Customer Services	1,405	360	1,765	1,245	216	1,461
Housing Revenue Account	(10,881)	(4,666)	(15,547)	(6,909)	(1,203)	(8,112)
Operational Services	(233)	1,576	1,343	(294)	1,403	1,109
Professional Services	2,561	1,086	3,647	1,788	940	2,728
Non-Distributed Costs	2,487	(2,685)	(198)	2,661	(2,485)	176
Cost of Services	**10,112**	**1,336**	**11,448**	**12,733**	**5,854**	**18,587**
Other operating income and expenditure	1,455	(907)	548	1,305	(458)	847
Financing and investment income and expenditure	12,380	(5,166)	7,214	6,548	(1,118)	5,430
Taxation and non-specific grant income	(24,028)	(4,560)	(28,588)	(26,193)	(1,710)	(27,903)
(Surplus)/Deficit on Provision of Services	**(81)**	**(9,297)**	**(9,378)**	**(5,607)**	**2,568**	**(3,039)**
Opening General Fund and HRA Balances (Page 21)	**(12,750)**			**(11,185)**		
(Surplus)/Deficit on Provision of Services	(81)			(5,607)		
Transfers to Earmarked Reserves	504			4,042		
Closing General Fund and HRA Balances (Page 21)	**(12,327)**			**(12,750)**		

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

This reconciliation shows how the figures in the provisional outturn report taken to the Council's Scrutiny Panel relate to the net expenditure chargeable to the General Fund and HRA balances.

- Services and support services not in Analysis – these include areas that are not reported as part of the service group expenditure in the management reports such as Benefits payments and subsidy and joint committees and non-direct recharges to the HRA.

- Amounts not reported to management – these include adjustments to non-distributed costs, grant income and budgets that are held at a corporate level within technical areas.

- Amounts not included in CIES – these include adjustments to reflect the difference in the management reporting of the General Fund and HRA, as well as items of income and expenditure in the year which are not reflected in the General Fund revenue account.

2016/17	**Council Year end Management Report**	**Services and Support Services not in Analysis**	**Amounts not reported to management**	**Amounts not included in the CIES**	**Net Expenditure chargeable to the General Fund and HRA Balances**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	224	(442)	(679)	369	(528)
Corporate and Financial Management	6,561	(1,035)	-	1	5,527
Executive Management Team	616	-	-	1	617
Community Services	5,161	1,001	1	25	6,188
Commercial Services	2,068	(881)	-	1,782	2,969
Customer Services	2,920	(1,514)	-	(1)	1,405
Housing Revenue Account	(558)	-	-	(10,323)	(10,881)
Operational Services	227	(387)	(71)	(2)	(233)
Professional Services	2,630	(69)	-	-	2,561
Non-Distributed Costs	-	-	2,487	-	2,487
Cost of Services (Page 29)	**19,849**	**(3,327)**	**1,738**	**(8,148)**	**10,112**

2015/16	**Council Year end Management Report**	**Services and Support Services not in Analysis**	**Amounts not reported to management**	**Amounts not included in the CIES**	**Net Expenditure chargeable to the General Fund and HRA Balances**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	216	(471)	(605)	374	(486)
Corporate and Financial Management	6,648	(1,108)	-	-	5,540
Executive Management Team	602	-	-	(1)	601
Community Services	5,424	844	1	21	6,290
Commercial Services	1,683	(1,133)	-	1,747	2,297
Customer Services	2,758	(1,512)	-	(1)	1,245
Housing Revenue Account	122	-	-	(7,031)	(6,909)
Operational Services	175	(475)	10	(4)	(294)
Professional Services	1,847	(59)	-	-	1,788
Non-Distributed Costs	-	-	2,661	-	2,661
Cost of Services (Page 29)	**19,475**	**(3,914)**	**2,067**	**(4,895)**	**12,733**

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

2016/17	**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	-	-	-	-
Corporate and Financial Management	360	276	4	640
Executive Management Team	-	52	-	52
Community Services	354	386	17	757
Commercial Services	3,915	305	(4)	4,216
Customer Services	101	251	8	360
Housing Revenue Account	(4,674)	9	(1)	(4,666)
Operational Services	1,063	525	(12)	1,576
Professional Services	779	299	8	1,086
Non-Distributed Costs	19	(2,704)	-	(2,685)
Cost of Services	**1,917**	**(601)**	**20**	**1,336**
Other operating income and expenditure	(907)	-	-	(907)
Financing and investment income and expenditure	(8,265)	3,118	(19)	(5,166)
Taxation and non-specific grant income	(2,242)	-	(2,318)	(4,560)
Difference between the General Fund and HRA Surplus/Deficit and the Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 9)	**(9,497)**	**2,517**	**(2,317)**	**(9,297)**

2015/16	**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	-	-	-	-
Corporate and Financial Management	345	76	(3)	418
Executive Management Team	-	65	4	69
Community Services	2,303	510	(8)	2,805
Commercial Services	3,303	375	13	3,691
Customer Services	75	156	(15)	216
Housing Revenue Account	(1,356)	153	-	(1,203)
Operational Services	712	687	4	1,403
Professional Services	587	358	(5)	940
Non-Distributed Costs	4	(2,489)	-	(2,485)
Cost of Services	**5,973**	**(109)**	**(10)**	**5,854**
Other operating income and expenditure	(458)	-	-	(458)
Financing and investment income and expenditure	(4,251)	3,144	(11)	(1,118)
Taxation and non-specific grant income	(3,265)	-	1,555	(1,710)
Difference between the General Fund and HRA Surplus/Deficit and the Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services (Note 9)	**(2,001)**	**3,035**	**1,534**	**2,568**

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

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

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

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

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

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

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

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

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

	Notes	2016/17 £'000	2015/16 £'000
Employee related expenditure		28,063	26,753
Other services expenses		91,096	91,089
Support services recharges		3,554	3,907
Depreciation, amortisation and impairment		8,050	15,785
Interest payments		6,670	6,696
Precepts and levies		1,397	1,280
Payments to Housing Capital Receipts Pool		603	549
Pension Fund expenditure		3,118	3,144
Losses on the disposal of assets		387	418
Changes in the fair value of investment properties		-	1,897
Other expenditure		256	76
Total Expenditure	**Page 22**	**143,194**	**151,594**
Fees, charges and other service income		(62,209)	(61,966)
Interest and investment income		(378)	(385)
Income from Council Tax and Non Domestic Rates		(17,417)	(15,455)
Government grants and contributions		(68,276)	(69,429)
Gains on the disposal of assets		(2,000)	(1,366)
Income in relation to investment properties		(1,789)	(1,791)
Changes in the fair value of investment properties		(450)	(4,207)
Other income		(53)	(34)
Total Income	**Page 22**	**(152,572)**	**(154,633)**
(Surplus)/Deficit on the Provision of Services	**Pages 22 & 29**	**(9,378)**	**(3,039)**

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) the Council is required to disclosure information setting out the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

No changes have been identified which will have a material impact on the information disclosed in the Council's 2016/17 Statement of Accounts.

4. Critical judgements in applying accounting policies

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

Classification of leases

The Council has 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 CIPFA Treasury Management Code of Practice requires the maturity profile for Lender Option/Borrower Option (LOBO) loans to be shown as the next call date. The Council has long-term market loans that are subject to six monthly calls totalling £5.5 million. To ensure consistency with the Code, these instruments are shown in the accounts as short-term loans.

Heritage Assets

The Council has recognised its civic regalia collection and a Roman treasure 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 15.

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

The preparation of financial statements requires the Council's management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities 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 that are dependent on assumptions about the level of planned repairs and maintenance to 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 life 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 of £5.1 million in the net pension liability from £282.8 million to be £277.7 million. See Note 38 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

Debt impairment

At 31 March 2017, the Council has included a provision for the impairment of doubtful debts of £9.5 million in its accounts. 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 2017. 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.

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 £0.4 million. 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 this would not be subject to the Safety Net, as the Council has entered into a pooling arrangement with other Essex authorities.

Fair value measurements

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

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

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

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is set out in Note 17 for Investment Properties, Surplus Assets and Assets Held for Sale and Note 20 for Financial Instruments.

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

The significant unobservable inputs used in the fair value measurement include factors such as management assumptions regarding rent yield levels and other factors.

Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets and liabilities.

6. Material items of income and 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 Council revalued a sample of General Fund Other Land and Buildings Assets during the year. These revaluations were performed by the Council's external valuers. The overall impact of these revaluations was a net revaluation gain of £5.6 million. Under the Code of Practice, £3.4 million revaluation gains were used to reverse previously recognised revaluation losses in the Comprehensive Income and Expenditure Statement and £2.8 million revaluation losses were taken to the Comprehensive Income and Expenditure Statement. These gains and losses were transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations. The remaining net £5.0 million gain was taken straight to the Revaluation Reserve.

The Council's Housing stock and Garages were revalued as at 31 March 2017 by the Council's external valuers on a book valuation basis using the Guidance 'Stock Valuation for Resource Accounting' produced by the Department for Communities and Local Government. The overall impact of this revaluation was a net revaluation gain of £20.4 million. Under the Code of Practice, £15.6 million revaluation gains were used to reverse previously recognised revaluation losses in the Housing Revenue Account Income and Expenditure Statement and £0.2 million revaluation losses were taken to Housing Revenue Account Income and Expenditure Statement. These gains and losses were transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations. The remaining net £5.0 million gain was taken straight to the Revaluation Reserve.

In 2016/17 the Council incurred expenditure of £10.7 million on its housing stock (2015/16: £13.1 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 £0.9 million has been derecognised in the 2016/17 accounts. The remaining balance of the expenditure (£9.8 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.

7. 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Changes made to 2015/16 Comparatives

The 2016/17 Code changes detailed in Note 1 have required a full retrospective restatement of the 2015/16 comparatives values in the Comprehensive Income and Expenditure Statement, to provide 2015/16 comparative year disclosures for the new Expenditure and Funding Analysis and to restate the 2015/16 comparatives in the new streamlined format for the Movement in Reserves Statement.

8. 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 25 July 2017 (see page 20). 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 2017 that would materially affect these accounts, and as such no adjustments have been made to the figures included within the financial statements or notes.

9. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The format of this note has been amended in the current financial year to improve the presentation of the disclosed information and the presentation of the 2015/16 comparative values has been amended to follow the new format.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied Account

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

2016/17	**Note**	**General Fund Balance £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Account £'000**
Amounts by which income and expenditure included in the Comprehensive and Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transfers to/from Pensions Reserve)	28	2,880	(363)	-	-	-
Financial Instruments (to/from Financial Instruments Adjustment Account)	28	(19)	-	-	-	-
Council Tax and NDR (to/from Collection Fund Adjustment Account)	28	(2,318)	-	-	-	-
Holiday pay (to/from Accumulated Adjustment Account)	28	20	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (to/from Capital Adjustment Account)		8,522	4,572	-	-	-
Total Adjustments to the Revenue Resources		**9,085**	**4,209**	**-**	**-**	**-**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(2,065)	(4,833)	6,898	-	-
Capital receipts not linked to disposal of non-current assets		(52)	-	52	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)		603	-	(603)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		-	(6,187)	-	6,187	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	28	(1,325)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	28	(2,355)	(4,135)	-	-	-
Total Adjustments between Revenue and Capital Resources		**(5,194)**	**(15,155)**	**6,347**	**6,187**	**-**
Use of Capital Receipts Reserve to finance capital expenditure		-	-	(4,782)	-	-
Use of Major Repairs Reserve to finance capital expenditure		-	-	-	(6,187)	-
Application of capital grants to finance capital expenditure		(2,242)	-	-	-	(36)
Cash payments in relation to deferred capital receipts		-	-	58	-	-
Total Adjustments to Capital Resources		**(2,242)**	**-**	**(4,724)**	**(6,187)**	**(36)**
Total Adjustments (Page 21)		**1,649**	**(10,946)**	**1,623**	**-**	**(36)**

2015/16	Note	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000
Amounts by which income and expenditure included in the Comprehensive and Income Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transfers to/from Pensions Reserve)	28	3,255	(220)	-	-	-
Financial Instruments (to/from Financial Instruments Adjustment Account)	28	(11)	-	-	-	-
Council Tax and NDR (to/from Collection Fund Adjustment Account)	28	1,555	-	-	-	-
Holiday pay (to/from Accumulated Adjustment Account)	28	(10)	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (to/from Capital Adjustment Account)		5,224	10,963	-	-	-
Total Adjustments to the Revenue Resources		**10,013**	**10,743**	**-**	**-**	**-**
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		(389)	(3,470)	3,859	-	-
Capital receipts not linked to disposal of non-current assets		(34)	-	34	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)		549	-	(549)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		(32)	-	-	-	32
Posting of HRA resources from revenue to the Major Repairs Reserve		-	(9,638)	-	9,638	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	28	(1,295)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	28	-	(646)	-	-	-
Total Adjustments between Revenue and Capital Resources		**(1,201)**	**(13,754)**	**3,344**	**9,638**	**32**
Use of Capital Receipts Reserve to finance capital expenditure		-	-	(2,585)	-	-
Use of Major Repairs Reserve to finance capital expenditure		-	-	-	(9,638)	-
Application of capital grants to finance capital expenditure		(3,233)	-	-	-	-
Cash payments in relation to deferred capital receipts		-	-	57	-	-
Total Adjustments to Capital Resources		**(3,233)**	**-**	**(2,528)**	**(9,638)**	**-**
Total Adjustments (Page 21)		**5,579**	**(3,011)**	**816**	**-**	**32**

10. Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
Repairs and Renewals Fund	1,989	(672)	474	1,791	(421)	537	1,907
Insurance Reserve	334	(8)	58	384	(6)	51	429
Capital Expenditure Reserve	767	(130)	1,214	1,851	(3,048)	4,010	2,813
Asset Replacement Reserve	103	-	1	104	-	8	112
Revolving Investment Fund Reserve	700	(149)	475	1,026	(181)	250	1,095
Revenue Grants Unapplied Reserve	1,859	(399)	757	2,217	(660)	1,336	2,893
Business Rates Reserve	1,255	-	2,035	3,290	(1,537)	-	1,753
Retained Right to Buy Receipts Reserve	2,621	(152)	1,773	4,242	(165)	3,788	7,865
Gosbecks Reserve	240	(17)	2	225	(22)	1	204
Decriminalisation Parking Reserve	355	(54)	393	694	(146)	429	977
Other Reserves	162	(89)	32	105	(33)	101	173
Total	**10,385**	**(1,670)**	**7,214**	**15,929**	**(6,219)**	**10,511**	**20,221**

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 26).

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

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

The **Revolving Investment Fund Reserve** 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.

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

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

The **Decriminalisation Parking Reserve** is maintained to retain the surplus from the on street parking account to be used to cover future shortfalls or support future transportation expenditure in accordance with the Decriminalisation of Parking agreement.

Other Reserves include:

- Sums set aside to support spending on the Mercury Theatre building.
- Sums set aside to support future Section 106 monitoring activity.
- Sums set aside to support finance non-recurring expenditure during the key period that regeneration areas are being developed.
- Sums set aside to provide funding for the repair, maintenance and continuing development of ancient and historical monuments.

11. Other Operating Income and Expenditure

	2016/17 £’000	2015/16 £’000
Parish Council precepts	1,397	1,280
Payments to the Government housing capital receipts pool	603	549
(Gains)/Losses on the disposal of non-current assets	(1,613)	(948)
Capital receipts not linked to disposals	(52)	(34)
Revaluation losses on the write down of assets held for sale	213	-
Total Other Operating (Income)/Expenditure	**548**	**847**

12. Financing and Investment Income and Expenditure

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	6,670	6,696
Interest receivable and similar income	(378)	(385)
Net interest on the pension scheme liability	3,062	3,080
Pension administration costs	56	64
Income and expenditure in relation to investment properties	(1,746)	(1,715)
Changes in the fair value of investment properties	(450)	(2,310)
Total Financing and Investment Income and Expenditure	**7,214**	**5,430**

13. Taxation and Non Specific Grant Income

		2016/17		2015/16	
	Note	£'000	£'000	£'000	£'000
Council Tax					
Council Tax income			(11,995)		(11,715)
Movement in Collection Fund (Surplus)/Deficit	1		341		332
Apportionment of Collection Fund (Surplus)/Deficit	1		(353)		(409)
Non-Domestic Rates					
Individual baseline		(25,392)		(24,905)	
Tariff payment		20,119		19,953	
Share of the total collectable income			(5,273)		(4,952)
Movement in Collection Fund (Surplus)/Deficit	1		(2,659)		1,223
Apportionment of Collection Fund (Surplus)/Deficit	1		1,792		(273)
Non-Domestic Rates Levy/(Safety Net)			1,442		617
Non-Domestic Rates Pooling Benefit Share			(712)		(278)
Non ringfenced Government grants			(8,929)		(9,183)
Capital grants and contributions			(2,242)		(3,265)
Total Taxation and Non Specific Grant Income			**(28,588)**		**(27,903)**

Note 1 –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.

14. 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 delivery future economic benefits or service potential (i.e. 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 – Current Value, determined on the basis of Existing Use Value for Social Housing (EUV-SH).

- Surplus assets – Fair Value, determined by the measurement of the highest and best use value of the asset. Refer to Note 17 for details of the Fair Value measurement of Surplus Assets.
- Other land and buildings – Current Value, determined as the amount that would be paid for the asset in its Existing Use (EUV).

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – straight-line allocation over 3-10 years.
- infrastructure – straight-line allocation over 20 years.

Where 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 (i.e. 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equip. £'000	Infra -structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost/Valuation								
At 1 April 2016	**294,695**	**116,396**	**19,804**	**6,198**	**313**	**14,951**	**2,352**	**454,709**
Additions	10,693	4,304	1,228	130	-	1	4,303	20,659
Acc. Depreciation and Impairment written out	(5,812)	(3,260)	-	-	-	-	-	(9,072)
Revaluations to Revaluation Reserve	3,901	5,596	-	-	-	-	-	9,497
Revaluations to (Surplus)/Deficit	5,618	190	-	-	-	(6)	-	5,802
Derecognition – disposals	(2,858)	(262)	(1,929)	-	-	(2,000)	-	(7,049)
Derecognition - other	(881)	(260)	(5)	-	-	-	-	(1,146)
Reclassified from/(to) Assets held for Sale	-	(713)	-	-	-	-	-	(713)
Reclassified from/(to) Investment Properties	-	150	-	-	-	-	-	150
Reclassified within PPE categories	-	2,668	496	-	-	-	(3,164)	-
At 31 March 2017	**305,356**	**124,809**	**19,594**	**6,328**	**313**	**12,946**	**3,491**	**472,837**
Accumulated Depreciation and Impairment								
At 1 April 2016	**-**	**(5,802)**	**(10,121)**	**(1,736)**	**-**	**-**	**-**	**(17,659)**
Depreciation charge	(5,825)	(3,359)	(1,729)	(279)	-	(12)	-	(11,204)
Acc. Depreciation written out on revaluation	5,812	3,260	-	-	-	-	-	9,072
Acc. Impairment written out on revaluation	-	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-	-
Derecognition – disposals	13	11	1,786	-	-	12	-	1,822
Derecognition – other	-	145	5	-		-	-	150
At 31 March 2017	**-**	**(5,745)**	**(10,059)**	**(2,015)**	**-**	**-**	**-**	**(17,819)**
Net Book Value:								
At 31 March 2017	**305,356**	**119,064**	**9,535**	**4,313**	**313**	**12,946**	**3,491**	**455,018**
At 1 April 2016	294,695	110,594	9,683	4,462	313	14,951	2,352	437,050

2015/16	**Council Dwellings**	**Other Land and Buildings**	**Vehicles Plant and Equip.**	**Infra -structure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost/Valuation								
At 1 April 2015	**284,157**	**116,640**	**19,398**	**6,144**	**313**	**8,066**	**4,445**	**439,163**
Additions	13,131	892	1,158	94	-	29	3,268	18,572
Acc. Depreciation and Impairment written out	(9,212)	(1,376)	-	-	-	(109)	-	(10,697)
Revaluations to Revaluation Reserve	2,789	1,953	-	-	-	8,843	-	13,585
Revaluations to (Surplus)/Deficit	1,889	(1,491)	-	-	-	73	-	471
Derecognition – disposals	(1,220)	(676)	(1,260)	-	-	(3,000)	-	(6,156)
Derecognition - other	(567)	(223)	(28)	(40)	-	-	(5)	(863)
Reclassified from/(to) Assets held for Sale	114	-	-	-	-	-	-	114
Reclassified from/(to) Investment Properties	-	430	-	-	-	90	-	520
Reclassified within PPE categories	3,614	247	536	-	-	959	(5,356)	-
At 31 March 2016	**294,695**	**116,396**	**19,804**	**6,198**	**313**	**14,951**	**2,352**	**454,709**
Accumulated Depreciation and Impairment								
At 1 April 2015	**-**	**(4,815)**	**(9,501)**	**(1,499)**	**-**	**(68)**	**-**	**(15,883)**
Depreciation charge	(9,227)	(2,458)	(1,872)	(277)	-	(34)	-	(13,868)
Acc. Depreciation written out on revaluation	9,212	440	-	-	-	109	-	9,761
Acc. Impairment written out on revaluation	-	936	-	-	-	-	-	936
Impairment losses to (Surplus)/Deficit	-	-	(28)	-	-	-	-	(28)
Derecognition – disposals	17	23	1,252	-	-	-	-	1,292
Derecognition – other	-	63	28	40	-	-	-	131
Reclassified within PPE categories	(2)	9	-	-	-	(7)	-	-
At 31 March 2016	**-**	**(5,802)**	**(10,121)**	**(1,736)**	**-**	**-**	**-**	**(17,659)**
Net Book Value:								
At 31 March 2016	**294,695**	**110,594**	**9,683**	**4,462**	**313**	**14,951**	**2,352**	**437,050**
At 1 April 2015	284,157	111,825	9,897	4,645	313	7,998	4,445	423,280

Depreciation

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

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

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

Effects of the changes in estimates

In the current financial year of 2016/17 the Council reviewed the useful economic lives applied to the building components of its HRA dwellings. This review was undertaken as part of the overall review of the HRA Business plan for the Council. As a result of this review the Council has increased its useful economic life for HRA dwellings from 35 years to 60 years. This change reflects the Council's comprehensive program of maintenance and renewal which allows for the expectation of such properties to be in use as dwellings for at least 60 years.

The 2016/17 depreciation charges have been calculated using the new useful economic life of 60 years. The impact of this change is to decrease the annual depreciation charge by £2.5 million in 2016/17.

This change has been accounted for on a prospective basis from 1 April 2016 as depreciation charges are considered to be accounting estimates for which no prior period adjustments are required to be made in the accounts.

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 2016/17 were:

- the revaluation of a sample of General Fund properties as at 1 April 2016.
- the revaluation of Council dwellings and Homeless properties to their fair value as at 31 March 2017.

- the revaluations of a sample of Council properties within the impairment review performed as at 31 March 2017.
- the ad-hoc revaluations of other assets throughout the 2016/17 financial year.

The Council dwellings and other HRA properties were revalued at 1 April 2015 at a gross value of £296 million. Council dwellings were revalued in line with the requirements of Resource Accounting for the Housing Revenue Account. Guidance on the valuation approach was provided by the 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 2017 using book valuations provided by the Council's external property valuers and this resulted in a net revaluation gain of £20.4 million.

Expenditure of £10.7 million was incurred in 2016/17 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 £0.9 million and this cost has been derecognised in the accounts. The remaining expenditure balance (£9.8 million) has been treated as a revaluation loss relating to Council housing at 31 March 2017.

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

The valuations were made in accordance with the RICS UK Valuation – Professional Standards 2014 as amended in 2015 (issued by RICS).

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

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

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

Exclusions from the valuations performers 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 2017	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant and Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at historical cost	-	1,358	19,594	6,328	313	-	3,491	31,084
Valued at fair value in the financial year ending:								
31 March 2014	-	23,063	-	-	-	-	-	23,063
31 March 2015	-	1,050	-	-	-	-	-	1,050
31 March 2016	-	1,030	-	-	-	3,696	-	4,726
31 March 2017	305,356	98,308	-	-	-	9,250	-	412,914
Gross Book Value	**305,356**	**124,809**	**19,594**	**6,328**	**313**	**12,946**	**3,491**	**472,837**

15. 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, Roman treasure, 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 14).

Accounting Policy - Collection of Roman Treasure

The Council's Roman treasure collection has been valued and capitalised at its insurance value as at 1 September 2015.

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

At each year end the items in this collection are reviewed for any impairment. These impairment reviews are performed to identify any physical damage, deterioration or issues that 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 14).

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 14).

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 14).

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

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

Valuation

	Civic regalia £'000	Roman Treasure £'000	Buildings £'000	Total £'000
Balance at 1 April 2015	**1,172**	**-**	**-**	**1,172**
Acquisitions at cost	-	-	93	93
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	-	(93)	(93)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	63	-	63
Balance at 31 March 2016	**1,172**	**63**	**-**	**1,235**
Acquisitions at cost	-	-	223	223
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	-	(223)	(223)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	82	-	-	82
Balance at 31 March 2017	**1,254**	**63**	**-**	**1,317**

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 outgoing and incoming mayors to evidence the review. The collection is held securely in the Town Hall and is only able to be viewed by the public 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 2016 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.

Roman Treasure Collection

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

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

Collections of museum exhibits and works of art

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

The Council holds an archaeology collection 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 2016/17 capital expenditure totalling £223,000 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.

16. 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. Refer to Note 17 for details of the Fair Value measurement of Investment Properties.

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 14 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:

	2016/17 £'000	2015/16 £'000
Rental income from investment properties	(1,789)	(1,791)
Direct operating expenses arising from investment properties	43	76
Net (gain)/loss on Investment Properties	**(1,746)**	**(1,715)**

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:

	2016/17 £'000	2015/16 £'000
Balance at 1 April	34,390	32,600
Net gains/(losses) arising from fair value adjustments	450	2,310
Transfers (to)/from Property, Plant and Equipment	(150)	(520)
Balance at 31 March	**34,690**	**34,390**

17. Fair Value Measurement of Property Assets

Accounting Policy

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

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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

Fair Value Hierarchy

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

Recurring fair value measurements:

	2016/17 Other significant observable Inputs (Level 2) £'000	2016/17 Significant unobservable Inputs (Level 3) £'000	2016/17 Total Fair Value as at 31 March 2017 £'000	2015/16 Other significant observable Inputs (Level 2) £'000	2015/16 Significant unobservable Inputs (Level 3) £'000	2015/16 Total Fair Value as at 31 March 2016 £'000
Surplus Assets						
Agricultural land	674	-	674	674	-	674
Commercial development sites	-	10,750	10,750	-	12,750	12,750
Residential development sites	-	1,360	1,360	-	1,360	1,360
Other	-	162	162	-	167	167
Total (Note 14)	**674**	**12,272**	**12,946**	**674**	**14,277**	**14,951**
Investment Properties						
Commercial units	-	17,490	17,490	-	17,230	17,230
Retail units	2,367	12,221	14,588	2,344	12,221	14,565
Car parks	-	1,805	1,805	-	1,638	1,638
Residential development sites	-	550	550	-	550	550
Other	100	157	257	100	307	407
Total (Note 16)	**2,467**	**32,223**	**34,690**	**2,444**	**31,946**	**34,390**
Assets Held for Sale						
Residential development site	500	-	500	-	-	-
Total (Note 22)	**500**	**-**	**500**	**-**	**-**	**-**

The Council does not hold any property assets which have quoted prices in active markets for identical assets and as such no assets have been categorised as Level 1 assets. No transfers have been made between Level 1 and 2 during the 2016/17 financial year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values

The Council's Surplus Assets and Investment Properties are valued by the Council's external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

At the 2016/17 year end the Council's external valuers performed valuations on a sample of the Council's Surplus Assets and Investment Properties to identify if there have been any material changes in the fair values of these selected assets. At the 2016/17 year end no significant valuation changes were identified by the Council's valuers and so no further valuations were commissioned by the Council.

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

There have been no changes in the valuation techniques used during the 2016/17 year for the valuation of Investment Properties and Surplus Assets.

<u>Level 2 Valuations</u>

The fair value for the Council's agricultural land has been valued using the market valuation approach based on the term and reversion valuation. This involved using the rent passing, applying future likely increases and applying an appropriate all in risks yield based on comparable evidence.   The significant observable inputs in the valuation of this land include: inspection of the asset, review of the type of lease, review of lease terms, strength of covenant, rental comparisons, capital valuation comparisons, yield evidence from comparable transactions, the details of the grading of the agricultural land and other inputs.

The fair value for the Council's retail units and other assets has been valued using the market valuation approach based on the term and reversion valuation. This involved assessing the net rents and comparing them against comparable evidence for similar transactions for similar properties in similar locations, adjusting them to allow for factors such as lease terms and location. The significant observable inputs in the valuation of these assets include: inspection of the assets, review of the detailed lease terms, strength of covenant, review of the likelihood of voids and rental growth, yield evidence from comparable transactions adjusted appropriately and other inputs.

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

Level 3 Valuations

Type	Significant unobservable inputs	Relationship between unobservable inputs to fair value
Commercial Units Retail Units Car Parks Other Assets	• Yield evidence • Repair and condition (e.g. contamination) • Unusual properties where little comparable evidence exists	Ground rents are sensitive to change in income and yield. The yields adopted range from 4.0 – 5.5%. The higher the yield the lower the fair value. Other ground rents are based on a percentage of the rack rental value or rents received so these rents can fluctuate annually. The higher the rack rental value/rents received the higher the fair value. Repair and decontamination costs are based on gross estimates where detailed costings are unavailable. An increase in these repair costs would lead to a decrease in the fair value.
Commercial Development Sites Residential Development Sites	• Estimation of the gross development values • Estimation of the timing and completion of development • Physical constraints relating to the assets • Access to directly comparable land transaction evidence	The fair value of these assets is based on many variables. Most development sites are stand alone with their own distinct characteristics. Information on these sites is more specialist and is based on gross development values and gross development costs using the RICS building cost indices. A decrease in the gross development value would lead to a decrease in the fair value. A decrease in the gross development costs would lead to an increase in the fair value.

Higher and Best Use

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

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

In 2016/17 the Council approved its Asset Management Strategy (AMS) for the next five years. This strategy assesses how the Council manages its property assets by reviewing their efficiency and ensuring they are fit for purpose. It reviews how Council departments will work together to get the best out of the Council's assets, and also plans for the future and how the Council will work with external partners. The main aims of the AMS are to ensure the Council's assets are assisting with the delivery of long term service goals across the Council, and maximising capital receipts and annual income. It also reviews how the Council's surplus assets are being managed to ensure the Council is maximising their value and also look at policies for dealing with management, acquisition and disposal.

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

Surplus Assets: Level 3

	Commercial Development Sites £'000	Residential Development Sites £'000	Other £'000
Balance as at 1 April 2015	**11,100**	**1,360**	**167**
Gains/(Losses) taken to the Revaluation Reserve during the year	4,636	-	-
Gains/(Losses) taken to the Surplus/Deficit during the year	18	-	-
Additions	29	-	-
Disposals	(3,000)	-	-
Depreciation charges	(33)	-	-
Balance as at 1 April 2016	**12,750**	**1,360**	**167**
Gains/(Losses) taken to the Revaluation Reserve during the year	-	-	-
Gains/(Losses) taken to the Surplus/Deficit during the year	(1)	-	(5)
Additions	1	-	-
Disposals	(1,988)	-	-
Depreciation charges	(12)	-	-
Balance as at 31 March 2017	**10,750**	**1,360**	**162**

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

Investment Properties: Level 3

	Commercial Units £'000	Retail Units £'000	Car Parks £'000	Residential Development Sites £'000	Other £'000
Balance as at 1 April 2015	**17,480**	**12,721**	**1,660**	**550**	**657**
Gains/(Losses) taken to the Surplus/Deficit during the year	(250)	(500)	(22)	-	(350)
Balance as at 1 April 2016	**17,230**	**12,221**	**1,638**	**550**	**307**
Gains/(Losses) taken to the Surplus/Deficit during the year	260	-	167	-	-
Reclassifications to Property, Plant and Equipment	-	-	-	-	(150)
Balance as at 31 March 2017	**17,490**	**12,221**	**1,805**	**550**	**157**

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

18. Intangible Assets

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 three and ten years.

The carrying amount of intangible assets is amortised on a straight-line basis. In 2016/17 amortisation of £0.453 million (2015/16: £0.414 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:

		2016/17 £'000	**2015/16 £'000**
Cost:	At 1 April	10,078	9,766
	Additions: Purchases	28	352
	Derecognition	-	(40)
	At 31 March	**10,106**	**10,078**
Amortisation:	At 1 April	(8,659)	(8,285)
	Amortisation for the year	(453)	(414)
	Derecognition	-	40
	At 31 March	**(9,112)**	**(8,659)**
Net carrying amount at 31 March		**994**	**1,419**
Net carrying amount at 1 April		1,419	1,481

19. 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 allows for the borrowing need (CFR) to be repaid on an equal instalment basis over a period of 50 years with effect from the 2016/17 financial year.

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

Movements in Capital Financing Requirement in the year

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

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement at 1 April	**153,563**	**151,168**
Capital Expenditure		
Property, Plant and Equipment	20,659	18,572
Heritage Assets	223	93
Intangible Assets	28	352
Revenue Expenditure Funded from Capital under Statute	1,032	944
Long Term Debtors	153	103
	22,095	**20,064**
Sources of Finance		
Capital Receipts	4,782	2,585
Government Grants and Other Contributions	2,277	3,233
Major Repairs Reserve	6,187	9,638
Earmarked Reserves	-	272
Direct Revenue Contributions	6,490	646
Minimum Revenue Provision	1,325	1,295
	21,061	**17,669**
Closing Capital Financing Requirement at 31 March	**154,597**	**153,563**
Explanation of movements in year:		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,510	2,813
Assets acquired under finance leases	849	877
Minimum Revenue Provision	(1,325)	(1,295)
Increase/(Decrease) in the Capital Financing Requirement	**1,034**	**2,395**

Capital Commitments

At 31 March 2017, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. The significant commitments are:

Scheme	Total Contract Value £'000	Outstanding at 31 March 2017 £'000	Outstanding at 31 March 2016 £'000
Decent Homes and upgrades to Council Stock	13,143	2,354	5,309
Specific Adaptations to Housing Stock	1,400	360	762
Enoch House building works	4,056	338	2,504
Installation of PV systems on Council buildings	800	-	208
Creative Business Centre building works	2,338	-	1,099
Sheepen Road Offices building works	2,653	613	2,653
Garrison Gymnasium building works	940	-	85
Colchester Leisure World – Health & Fitness	663	663	-

20. 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 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. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – unobservable inputs for the asset or liability.

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 instruments:

	Long Term		Current	
	31 March 2017 £'000	**31 March 2016 £'000**	**31 March 2017 £'000**	**31 March 2016 £'000**
Investments				
Loans and receivables (principal amount)	-	-	32,500	25,500
Accrued Interest (current)	-	-	45	64
Loans and receivables at amortised cost (1)	**-**	**-**	**32,545**	**25,564**
Available-for-sale financial assets (2)	6	6	-	-
Total Investments	**6**	**6**	**32,545**	**25,564**
Financial assets carried at contract amount (excludes Council Tax, NDR and Housing Benefit balances)	4,551	4,447	8,021	7,817
Total Debtors	**4,551**	**4,447**	**8,021**	**7,817**
Soft Loans provided (3)	**1,256**	**1,176**	**-**	**-**
Borrowings				
Financial liabilities (principal amount)				
Public Works Loan Board (PWLB)	(101,594)	(101,594)	-	-
Money Market	(29,000)	(20,000)	(5,500)	(14,500)
Accrued Interest (current)	-	-	(1,747)	(1,748)
Total Borrowings at amortised cost (1)	**(130,594)**	**(121,594)**	**(7,247)**	**(16,248)**
Financial liabilities carried at contract amount (excludes Council Tax, NDR and Housing Benefit balances)	-	-	(11,526)	(9,795)
Total Creditors	**-**	**-**	**(11,526)**	**(9,795)**
Finance lease liabilities	(2,565)	(2,636)	(768)	(622)
Total Other Liabilities	**(2,565)**	**(2,636)**	**(768)**	**(622)**

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.

Note 2 – Fair Value has been measured by direct reference to published price quotations in an active market.

Note 3 – The Council has made a number of interest free loans (soft 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 2017 £'000**	**31 March 2016 £'000**
Opening Balance	**687**	**605**
Add: New loans granted	103	103
Deduct: Fair Value adjustment	(36)	(39)
Deduct: Loans repaid	(23)	(32)
Add: Increase in the discounted amount	55	50
Balance carried forward	**786**	**687**
Nominal value carried forward	**1,256**	**1,176**

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:

	2016/17			2015/16		
	Financial Liabilities: measured at amortised cost	**Financial Assets: Loans and Receivables**	**Total**	**Financial Liabilities: measured at amortised cost**	**Financial Assets: Loans and Receivables**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	6,670	-	6,670	6,696	-	6,696
Total expense in Surplus/Deficit on Provision of Services	**6,670**	**-**	**6,670**	**6,696**	**-**	**6,696**
Interest income	-	(380)	(380)	-	(385)	(385)
Total income in Surplus/Deficit on Provision of Services	**-**	**(380)**	**(380)**	**-**	**(385)**	**(385)**
Net (gain)/loss for the year	**6,670**	**(380)**	**6,290**	**6,696**	**(385)**	**6,311**

The average interest rate on all financial liabilities – borrowings for 2016/17 was 4.56% (2015/16: 4.56%).

All investments were managed internally, and the main losses/(gains) were therefore shown under 'Loans and Receivables'.

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 Public Works Loans Board (PWLB), new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, prevailing market rates have been applied to provide the estimate of fair value;
- For fixed term deposits (maturity investments), valuation is made by a comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, this is also included in the fair value calculation;
- The rates used were obtained by the Council's Treasury adviser, Capita Asset Services, from the market on 31 March 2017;
- Fair value calculations are not required for trade payables and receivables since the invoiced or billed amount is a reasonable approximation of fair value.

As at 31 March the Council held £32.545 million financial assets and £137.841 million financial liabilities for which Level 2 valuations will apply (i.e. inputs other than quoted prices that are observable for the asset or liability). All the financial assets are classed as Loans and Receivables and held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses new borrowing rates to discount the future cash flows.

The fair values calculated are as follows:

	31 March 2017		31 March 2016	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB debt	(102,564)	(130,669)	(102,564)	(118,290)
Market debt	(35,277)	(47,944)	(35,277)	(45,030)
Short term creditors (excluding NDR, Council Tax and Housing Benefit creditors)	(11,526)	(11,526)	(9,795)	(9,795)
Short term finance lease liabilities	(768)	(768)	(622)	(622)
Long term finance lease liabilities	(2,565)	(2,565)	(2,636)	(2,636)
Total Financial Liabilities	**(152,700)**	**(193,472)**	**(150,894)**	**(176,373)**

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 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £130.669m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

	31 March 2017		31 March 2016	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Short term investments	32,545	32,560	25,564	25,578
Short term debtors (excluding NDR, Council Tax and Housing Benefit debtors)	8,021	8,021	7,817	7,817
Long term debtors	4,551	4,551	4,447	4,447
Total Financial Assets	**45,117**	**45,132**	**37,828**	**37,842**

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 2017) 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 17 February 2016 and is available on the Council's website.

Risk management is carried out by the Technical Accounting team, under policies approved by the Council in the annual Treasury Management Strategy. The Council 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 2016/17 was approved by Full Council on 17 February 2016 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 £45.236 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 2017 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 2017 £'000	31 March 2016 £'000
Less than three months	7,734	7,527
Three to six months	31	31
Six months to one year	34	72
More than one year	222	187
Total	**8,021**	**7,817**

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 (£45.236 million) are due to be paid in less than one year.

Refinancing and Maturity risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits 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 the Council as part of the Treasury Management Strategy) is as follows:

	Approved minimum %	Approved maximum %	Actual 31 March 2017 £'000	Actual 31 March 2017 %	Actual 31 March 2016 £'000	Actual 31 March 2016 %
Less than 1 year	0.0	15.0	5,500	4.0	14,500	10.7
Between 1 and 2 years	0.0	15.0	-	-	-	-
Between 2 and 5 years	0.0	15.0	20,000	14.7	20,000	14.7
Between 5 and 10 years	0.0	15.0	700	0.5	700	0.5
Between 10 and 20 years	0.0	30.0	10,500	7.7	10,500	7.7
Between 20 and 30 years	0.0	30.0	36,000	26.5	30,400	22.3
Between 30 and 40 years	0.0	40.0	35,694	26.2	36,294	26.7
Between 40 and 50 years	0.0	40.0	18,700	13.8	23,700	17.4
More than 50 years	0.0	10.0	9,000	6.6	-	-
Total			**136,094**	**100.0**	**136,094**	**100.0**

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 the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Technical Accounting team 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 2017, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2017 £'000	31 March 2016 £'000
Increase in interest receivable on short term investments made in year	(527)	(506)
Impact on Surplus or Deficit on the Provision of Services	(527)	(506)
Share of overall impact credited to the HRA (net)	(54)	(8)
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)	27,895	24,339
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)	97	59

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.

21. Long Term Debtors

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

Category	Balance at 1 April 2016 £'000	Interest adjustment £'000	Advances in the year £'000	Repayments In the year £'000	Balance at 31 March 2017 £'000
Sale of Council Houses	22	-	-	(18)	4
Improvement of Private Sector Houses - interest free	686	19	103	(23)	785
Finance lease debtors	3,739	-	-	(27)	3,712
Other Loans	-	-	50	-	50
Total	**4,447**	**19**	**153**	**(68)**	**4,551**

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The 'loss' for interest foregone is calculated based on the current market rate, at the end of the year, in which the advance is recognised, for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see the disclosures regarding the Financial Instruments Adjustment Account in Note 28).

22. 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.

Refer to Note 17 for details of the Fair Value measurement of Assets Held for Sale.

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

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

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

The accounting treatment for the disposal of assets held for sale is the same as that for property, plant and equipment. See Note 14 for the disposals accounting policy applied for the disposal of assets held for sale.

Disclosures

	31 March 2017 £'000	31 March 2016 £'000
Balance at 1 April	-	1,135
Assets reclassified as held for sale from Property, Plant and Equipment	713	-
Assets declassified as held for sale to Property, Plant and Equipment	-	(114)
Disposals	-	(1,021)
Revaluation losses	(213)	-
Balance at 31 March	**500**	**-**

23. Short Term Debtors

	31 March 2017 £'000	31 March 2016 £'000
Central Government bodies	1,022	1,266
Other local authorities	1,745	930
NHS bodies	4	-
Other entities and individuals	7,414	8,200
Total Short Term Debtors	**10,185**	**10,396**

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

24. 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 100 days or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

Disclosures

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

	31 March 2017 £'000	31 March 2016 £'000
Cash held by the Council	10	13
Bank current accounts	304	370
Short term deposits	12,731	11,843
Total Cash and Cash Equivalents	**13,045**	**12,226**

25. Short Term Creditors

	31 March 2017 £'000	31 March 2016 £'000
Central Government bodies	(5,759)	(1,896)
Other local authorities	(3,131)	(3,660)
Public corporations and trading funds	(3)	-
Other entities and individuals	(9,642)	(8,275)
Total Short Term Creditors	**(18,535)**	**(13,831)**

26. 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

	2016/17 £'000	**2015/16 £'000**
Balance at 1 April	(7,473)	(5,663)
RV list amendments charged against provision for appeals	2,646	1,309
Changes in provision for appeals	332	(3,119)
Balance at 31 March	**(4,495)**	**(7,473)**

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 (£1.798 million – see Collection Fund Note C5).

The adjustment to the provision made in 2016/17 is based on appeals that were shown as being outstanding on the Valuation Office list of March 2017.

Insurance Provision

	2016/17 £'000	2015/16 £'000
Balance at 1 April	(438)	(389)
Additional provisions made in the year	(59)	(52)
Amounts used during the year	100	3
Balance at 31 March	**(397)**	**(438)**

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

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.

(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.

27. 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 10.

Movement in Usable Reserves

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement on page 21.

28. Unusable Reserves

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

	31 March 2017 £'000	31 March 2016 £'000
Revaluation Reserve	40,636	32,722
Capital Adjustment Account	298,639	289,030
Financial Instruments Adjustment Account	(470)	(489)
Pensions Reserve	(121,368)	(87,846)
Deferred Capital Receipts Reserve	3,658	3,693
Collection Fund Adjustment Account	234	(2,084)
Accumulated Absences Account	(528)	(508)
Total	**220,801**	**234,518**

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, which is when the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**32,722**	**21,513**
Upward revaluation of assets	10,451	14,116
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(873)	(467)
Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**9,578**	**13,649**
Difference between fair value depreciation and historical cost depreciation	(438)	(371)
Accumulated gains on assets sold/scrapped	(1,226)	(2,026)
Other movements	-	(43)
Amount written off to the Capital Adjustment Account	**(1,664)**	**(2,440)**
Balance at 31 March	**40,636**	**32,722**

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

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**289,030**	**288,146**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(11,203)	(13,868)
Charges for impairment of non-current assets	-	(28)
Derecognition of components of non-current assets	(995)	(733)
Revaluation losses on property, plant and equipment	(13,483)	(28,363)
Revaluation losses on heritage assets	(223)	(93)
Revaluation losses on assets held for sale assets	(213)	-
Reversal of previously recognised revaluation losses	19,285	28,832
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	(5,227)	(5,886)
Amortisation of intangible assets	(453)	(414)
Revenue expenditure funded from capital under statute	(1,032)	(944)
Long Term Debtors	(23)	(38)
Adjusting amounts written out of the Revaluation Reserve	1,664	2,440
Net written out amount of the cost of non-current assets consumed in the year	**(11,903)**	**(19,095)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	4,782	2,585
Use of the Major Repairs Reserve to finance new capital expenditure	6,187	9,638
Use of the Earmarked Reserves to finance new capital expenditure	-	272
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,278	3,233
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,325	1,295
Capital expenditure charged against the General Fund and HRA balances	6,490	646
	21,062	**17,669**
Movements in the fair value of investment properties	450	2,310
Balance at 31 March	**298,639**	**289,030**

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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(489)**	**(500)**
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	19	11
Balance at 31 March	**(470)**	**(489)**

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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(87,846)**	**(95,520)**
Re-measurement of the net defined benefit liability	(31,005)	10,709
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	(7,652)	(8,164)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,135	5,129
Balance at 31 March	**(121,368)**	**(87,846)**

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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**3,693**	**712**
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	3,000
Transfer to the Capital Receipts Reserve upon receipt of cash	(35)	(19)
Balance at 31 March	**3,658**	**3,693**

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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(2,084)**	**(529)**
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	(341)	(332)
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	2,659	(1,223)
Balance at 31 March	**234**	**(2,084)**

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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(508)**	**(517)**
Settlement or cancellation of accrual made at the end of the preceding year	508	517
Amounts accrued at the end of the current year	(528)	(508)
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	(20)	9
Balance at 31 March	**(528)**	**(508)**

29. Cash Flow Statement Notes

Cash Flows from Operating Activities

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

	2016/17 £'000	2015/16 £'000
Interest Received	342	312
Interest Paid	(6,632)	(6,604)

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

	2016/17 £'000	2015/16 £'000
Depreciation	11,203	13,868
Impairments and downward valuations	13,919	28,484
Reversal of previously recognised revaluation losses	(19,285)	(28,832)
Movement in the fair value of Investment Properties	(450)	(2,310)
Carrying value of non-current assets and assets held for sale sold and derecognised	6,222	6,619
Amortisation	453	414
Increase/(Decrease) in Creditors	1,827	1,182
(Increase)/Decrease in Debtors	(116)	(1,888)
(Increase)/Decrease in Inventories	(8)	5
Contributions to/(from) Provisions	(1,232)	772
Movement in the pension liability	2,517	3,035
Other non-cash movements	(4)	(11)
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	**15,046**	**21,338**

Cash and Cash Equivalents

	2016/17 £'000	2015/16 £'000
Cash held by the Council	10	13
Bank current accounts	304	370
Short term deposits	12,731	11,843
Bank overdraft	(4,888)	(3,967)
Cash Flow Statement - Total Cash and Cash Equivalents	**8,157**	**8,259**

30. Trading Operations

The Council has established various trading units where the service is required to operate in a commercial environment by generating income from other parts of the Council, other organisations or the public in order to either offset expenditure incurred or, in certain instances, operate within an approved level of subsidy. The significant operations of a trading nature included within the Comprehensive Income and Expenditure Statement (CIES) on page 22 are set out below:

		2016/17			2015/16 (Restated)		
Description	**Line of the CIES**	**Income**	**Expenditure**	**(Surplus) / Deficit**	**Income**	**Expenditure**	**(Surplus) / Deficit**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Colchester Leisure World	Operational Services	(4,428)	5,102	674	(4,511)	5,186	675
Trade Refuse	Operational Services	(537)	418	(119)	(490)	440	(50)
Building Control Chargeable Account	Commercial Services	(397)	459	62	(363)	438	75
Land Charges	Professional Services	(305)	236	(69)	(534)	333	(201)
Cemetery & Crematorium	Commercial Services	(1,421)	903	(518)	(1,472)	953	(519)
Events (Commercial)	Commercial Services	(465)	631	166	-	17	17
Monitoring & Response Services	Commercial Services	(954)	1,260	306	(858)	1,154	296
Net (Surplus) / Deficit on Trading Operations		**(8,507)**	**9,009**	**502**	**(8,228)**	**8,521**	**293**

The 2015/16 costs have been restated to reflect revised IAS19 adjustments, which no longer include an allocation of costs for Support Service areas. This is as a result of the changes to the format of the CIES as detailed in Note 1.

31. 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.

	2016/17	2015/16
	£'000	**£'000**
Allowances	503	551
Expenses	5	5
Total	**508**	**556**

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

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 equivalent officers were employed at 31 March:

	2016/17	2015/16
Total number of employees	857	805

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

2016/17 **Post holder**	**Salary, Fees and Allowances**	**Bonuses**	**Expense Allowances**	**Employers Pension contributions**	**Total Remuneration**
	£	**£**	**£**	**£**	**£**
Chief Executive	124,877	-	132	17,126	**142,135**
Executive Director	100,026	-	132	13,722	**113,880**
Executive Director	100,026	-	132	13,722	**113,880**
Executive Director	100,026	-	-	13,704	**113,730**
Assistant Chief Executive	75,407	-	132	10,349	**85,888**
Head of Commercial Services (Note 1 below)	31,420	-	55	4,312	**35,787**
Head of Community Services	75,407	-	132	10,349	**85,888**
Head of Customer Services	74,627	-	132	10,349	**85,108**
Head of Operational Services	75,407	-	132	10,349	**85,888**
Head of Professional Services	75,407	-	132	10,349	**85,888**
Monitoring Officer	66,172	-	-	9,066	**75,238**
Section 151 Officer	64,830	-	132	8,900	**73,862**
Returning Officer	8,059	-	-	-	**8,059**

Note 1: The Head of Commercial Services left the Council on 31 August 2016 and this position remained vacant within the Council for the remainder of the 2016/17 financial year.

2015/16

Post holder	Salary, Fees and Allowances £	Bonuses £	Expense Allowances £	Employers Pension contributions £	Total Remuneration £
Chief Executive	123,032	-	132	16,873	**140,037**
Executive Director	98,548	-	132	13,519	**112,199**
Executive Director	98,548	-	132	13,519	**112,199**
Executive Director	98,548	-	-	13,501	**112,049**
Assistant Chief Executive	70,077	-	132	9,618	**79,827**
Head of Commercial Services	74,293	-	132	10,196	**84,621**
Head of Community Services	74,293	-	132	10,196	**84,621**
Head of Customer Services	73,093	-	132	10,196	**83,421**
Head of Operational Services	74,293	-	132	10,196	**84,621**
Head of Professional Services	74,293	-	132	10,196	**84,621**
Monitoring Officer	65,194	-	-	8,931	**74,125**
Section 151 Officer	61,709	-	132	8,466	**70,307**
Returning Officer	7,480	-	-	-	**7,480**

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 2016/17	Number of Employees 2015/16
£50,000 - £54,999	12	11
£55,000 - £59,999	-	2
£60,000 - £64,999	2	2
£65,000 - £69,999	4	2

33. Termination Benefits (Exit Packages)

Accounting Policy

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.

Disclosures

The total cost of exit packages includes the strain on the pension fund costs (curtailment costs) and payments to individuals.

Total cost of exits include payments to individuals of £15,144 in 2016/17 (£240,065 in 2015/16) and strain on pension fund costs of £4,225 (£131,237 in 2015/16) paid to the pension fund authority Essex County Council. No termination payments were made to senior officers of the Council.

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

2016/17 Exit package cost band (including special payments)	**Number of compulsory redundancies**	**Number of other agreed departures**	**Total number of exit packages by cost band**	**Total cost of exit packages**
£0 - £20,000	2	1	3	£15,144
Total cost included in bandings	**2**	**1**	**3**	**£15,144**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				-
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				£4,225
Total Exit Costs				**£19,369**

2015/16 Exit package cost band (including special payments)	**Number of compulsory redundancies**	**Number of other agreed departures**	**Total number of exit packages by cost band**	**Total cost of exit packages**
£0 - £20,000	9	20	29	£199,836
£20,001 - £40,000	-	2	2	£70,676
Total cost included in bandings	**9**	**22**	**31**	**£270,512**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				£8,433
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				£92,357
Total Exit Costs				**£371,302**

34. External Audit Costs

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

	2016/17 £’000	**2015/16 £’000**
External audit services	63	64
Certification of grant claims and returns	22	22
Other services - National Fraud Initiative	2	-
Total	**87**	**86**

35. 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

Credited to Services:

	2016/17 £'000	2015/16 £'000
DWP Grants for Benefits		
Rent Allowances	38,467	37,724
Rent Rebates	16,359	16,757
Administration	609	758
Other	-	35
DCLG NDR and LCTS Admin	417	398
Heritage Lottery Fund	-	34
Arts Council	286	216
DCLG Other	918	999
DEFRA Other	5	18
DWP Other	44	36
Home Office	-	6
Governmental Agencies	47	78
Non-Governmental Agencies	28	259
Joint Finance Contributions	60	152
Essex County Council	1,517	1,101
Essex Police and Crime Commissioner	83	-
Essex Fire and Rescue	36	-
Other Local Authorities	450	41
Colchester Primary Care Trust	-	6
Other Miscellaneous Grants	294	319
Total	**59,620**	**58,937**

Credited to Taxation and Non Specific Grant Income:

	2016/17 £'000	2015/16 £'000
Revenue Support Grant	1,978	3,195
Transition Grant	88	-
Council Tax Freeze Grant	-	116
New Homes Bonus	5,722	4,628
Business Rates Section 31 Grants	805	1,223
Transparency Code Set Up	8	8
New burdens	27	-
Council Tax Discount for Families	15	13
Estate regeneration enabling/capacity	285	-
Other	1	-
Capital Grants received from:		
DCLG	763	547
Arts Council England	223	-
Section 106 Developer Contributions	843	541
Essex County Council	557	1,153
Heritage Lottery Fund	-	38
European Union	14	20
Mercury Theatre Trust	-	80
Colchester Borough Homes	158	-
Insurance	(343)	987
Other	27	(101)
Total	**11,171**	**12,448**

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

	2016/17 £'000	2015/16 £'000
Commuted sums received from developers	(2,037)	(1,954)
Other grants	(145)	(86)
Total	**(2,182)**	**(2,040)**

Long Term Liabilities

Grants Receipts in Advance – Capital

	2016/17 £'000	2015/16 £'000
Section 106 developer contributions	(7,573)	(6,993)
Other grants	(397)	(803)
Total	**(7,970)**	**(7,796)**

36. 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 35.

Members of the Council have direct control over the Council's financial and operating policies. Total Members' allowances and expenses are shown in Note 31.

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 32. 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:

	2016/17		2015/16	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
Essex County Council				
Supporting People	214		304	
Trade Waste Disposal		183		238
Recycling Credits	1,170		1,120	
On Street Parking (Decriminalisation)	120		150	
Technical Council Tax Changes	608		602	
Other	1,072		529	
Colchester Borough Homes Limited	744	3,382	717	3,434
We have received income, mainly for the provision of support services. This has been paid out of the management fee Colchester Borough Homes Limited received from the Housing Revenue Account.				
Parish Councils		1,488		1,383
The payments are grants and precepts to support services provided by Parish Councils.				
Colchester Primary Care Trust	2		6	
Contributions for housing, special needs and health promotion.				
Mercury Theatre Company – Grant		222		222
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 181).				
Colchester Community Stadium Limited				
Rent paid by Colchester Community Stadium Limited	300		300	
Outstanding balance on loans made to Colchester Community Stadium Limited.	49		84	

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

Members

No related party transactions were made between Members of the Council and the Council in 2016/17.

During 2015/16 the Council Leader approved the public vote decision for the Colchester's Big Choice award of grants. These grant awards included £50,000 which was paid to Peldon Village Hall where Councillor Davidson and his spouse are members of the Hall Management Committee and £25,000 which was paid to Beacon House where Councillor Bourne is a trustee. In addition in 2015/16 the Council paid other grants totalling £24,423 to Beacon House.

37. 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 2017 £'000	31 March 2016 £'000
Other Land and Buildings	547	550
Vehicles, Plant, Furniture and Equipment	2,912	2,749
Total	**3,459**	**3,299**

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 2017 £'000	31 March 2016 £'000
Finance lease liabilities		
(net present value of minimum lease payments):		
Current	769	622
Non-current	2,565	2,635
Finance costs payable in future years	2,123	2,440
Minimum Lease Payments	**5,457**	**5,697**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	1,128	1,016	769	622
Later than one year and not later than five years	3,006	3,131	2,307	2,203
Later than five years	1,323	1,550	258	433
Total	**5,457**	**5,697**	**3,334**	**3,258**

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.
- 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.
- an area of land to a third party in 2015 with a lease term of 125 years.
- a building and associated land in 2016 with a lease term of 150 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 2017 £'000	31 March 2016 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	27	26
Non-current	3,711	3,738
Unearned finance income	35,193	35,447
Unguaranteed residual value of property	17	17
Gross investment in the lease	**38,948**	**39,228**

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 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	153	162	153	162
Later than one year and not later than five years	877	837	877	837
Later than five years	37,918	38,229	37,901	38,212
Total	**38,948**	**39,228**	**38,931**	**39,211**

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, plant, equipment and vehicles) under operating leases which are used to provide Council services.

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

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	352	351
Later than one year and not later than five years	1,384	1,392
Later than five years	724	1,061
Total	**2,460**	**2,804**

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

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	138	94
Later than one year and not later than five years	479	322
Later than five years	281	228
Total	**898**	**644**

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

	2016/17 £'000	2015/16 £'000
Minimum lease payments	408	405
Contingent rent payments	21	21
Sub lease minimum lease payments received	(196)	(187)
Sub lease contingent rent payments received	(2)	(1)

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 2017 £'000	31 March 2016 £'000
Not later than one year	1,540	1,402
Later than one year and not later than five years	5,552	5,151
Later than five years	68,859	70,105
Total	**75,951**	**76,658**

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 2016/17 a total of £1.2 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2015/16: £1.2 million).

38. 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 – i.e. 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 pension liability of the Council 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 of 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 are 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, which have volatile market values and while these assets are expected to provide real returns over the long term, their short term volatility can cause additional funding to be required if a deficit emerges.

- Interest rate risk – The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities, the values of the assets and liabilities may not move in the same way.
- Inflation risk – All of the benefits under the fund are linked to inflation and so deficits may emerge as the value of the fund assets are not linked to inflation.
- Longevity risk – a deficit could emerge if members of the scheme live longer than assumed in the actuarial estimations.
- Orphan liability risk – this emerges when employers leave the fund and there are insufficient assets to cover their pension obligations. This difference may then fall on the remaining employers within the scheme.

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

Settlement costs arise when members are transferred from one employer to another 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:

	2016/17 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	4,750	4,848
Past Service Cost	-	64
(Gain)/Loss from settlements	(216)	108
Financing and Investment Income and Expenditure:		
Net interest expense	3,062	3,080
Pension fund administration expenses	56	64
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	31,005	(10,709)
Total charged to the Comprehensive Income and Expenditure Statement	**38,657**	**(2,545)**
Movement in Reserves Statement		
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(7,652)	(8,164)
Employer's contributions payable to the scheme	5,135	5,129
Total charged to the Movement in Reserves Statement	**(2,517)**	**(3,035)**

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:

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	(282,765)	(222,196)
Fair value of plan assets	161,397	134,350
Net liability	**(121,368)**	**(87,846)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £121.368 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:

	2016/17 £'000	2015/16 £'000
Balance at 1 April	134,350	131,807
Interest on assets	4,833	4,352
Return on assets less interest	21,412	(1,151)
Other actuarial gains/(losses)	1,230	-
Administration expenses	(56)	(64)
Contributions by employer	5,135	5,129
Contributions by scheme participants	1,292	1,211
Benefits paid net of transfers in	(7,206)	(7,085)
Settlement prices received/(paid)	407	151
Balance at 31 March	**161,397**	**134,350**

Local Government Pension Scheme assets comprised:

	31 March 2017		31 March 2016	
	£'000	%	£'000	%
Equities	110,237	68	90,930	68
Gilts	6,106	4	3,961	3
Other bonds	6,560	4	6,449	5
Property	15,702	10	15,999	12
Cash	4,858	3	4,364	3
Alternative assets	10,764	7	5,973	4
Other managed funds	7,170	4	6,674	5
Total	**161,397**	**100**	**134,350**	**100**

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

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	(222,196)	(227,327)
Current service cost	(4,750)	(4,848)
Interest cost	(7,895)	(7,432)
Change in financial assumptions	(55,686)	11,813
Change in demographic assumptions	5,031	-
Experience loss/(gain) on defined benefit obligation	(2,992)	47
Liabilities assumed/(extinguished) on settlements	(191)	(259)
Benefits paid net of transfers in	6,803	6,676
Past service costs	-	(64)
Contributions by scheme participants	(1,292)	(1,211)
Unfunded pension payments	403	409
Balance at 31 March	**(282,765)**	**(222,196)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates being based on the latest full triennial valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary are:

	31 March 2017	31 March 2016
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	22.1 years	22.9 years
Women	24.6 years	25.3 years
Future pensioners retiring in 20 years		
Men	24.3 years	25.2 years
Women	26.9 years	27.7 years
Rate of RPI inflation	3.6 % p.a.	3.2% p.a.
Rate of CPI inflation	2.7 % p.a.	2.3% p.a.
Rate of increase in salaries	4.2 % p.a.	4.1% p.a.
Rate of increase in pensions	2.7 % p.a.	2.3% p.a.
Rate for discounting scheme liabilities	2.7 % p.a.	3.6% 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
Discount rate (increase/decrease by 0.1%)	277,678	282,765	287,949
Long term salary increase (increase/decrease by 0.1%)	283,463	282,765	282,072
Pension increases and deferred revaluation (increase/decrease by 0.1%)	287,245	282,765	278,366
Life expectancy assumptions (increase/decrease by 1 year)	293,514	282,765	272,421

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. The Pension Fund is currently planning for the next asset liability study.

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 will be based on data as at 31 March 2016 and will be implemented with effect from 1 April 2017.

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2018 is £5.528 million.

The actuary's estimate of the duration of the Employer's liabilities for 2016/17 is 19 years (2015/16: 18 years).

39. 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

No contingent liabilities have been identified by the Council for the 2016/17 financial year.

40. Group 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 Arm's 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 2017. 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 20 July 2017.

The following summarised accounts are based on the draft accounts to be submitted for approval in July 2017 and cover the financial year from 1 April 2016 to 31 March 2017.

Income and Expenditure Account

	2016/17 £'000	**2015/16 £'000**
Turnover	14,195	13,074
Operating costs	(14,673)	(13,474)
Operating Surplus/(Deficit)	**(478)**	**(400)**
Interest receivable	7	13
FRS17 interest adjustment	(204)	(209)
Surplus/(Deficit) on ordinary activities before taxation	**(675)**	**(596)**
Tax charge on Surplus/(Deficit) on ordinary activities	(1)	(1)
Surplus/(Deficit) for the year	**(676)**	**(597)**

Balance Sheet

	31 March 2017 £'000	31 March 2016 £'000
Current Assets:		
Debtors	1,407	1,186
Cash at bank and in hand	1,409	1,343
Current Liabilities:		
Creditors	(1,429)	(1,229)
Other Liabilities:		
Provisions	(125)	(90)
Pension Fund Liability	(10,100)	(5,835)
Total Net Liabilities	**(8,838)**	**(4,625)**
Total Reserves	**(8,838)**	**(4,625)**

The following balances with the Council are included above:

	31 March 2017 £'000	31 March 2016 £'000
Debtors	1,254	1,140

Further information is provided within the Group Accounts (pages 145 – 163).

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 2017 £'000	31 March 2016 £'000
Estimated Liabilities in Scheme	(37,306)	(28,394)
Estimated Assets in Scheme	27,206	22,559
Net Liability	**(10,100)**	**(5,835)**

The position is reviewed annually and contributions are reassessed at each triennial revaluation. The latest revaluation was at 31 March 2013. The next revaluation will be based on data as at 31 March 2016 and it will be implemented with effect from 1 April 2017.

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 arm's 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 2017 in accordance with International Financial Reporting Standards. These accounts were approved by the Board of Colchester Community Stadium Limited on 27 April 2017. The following summarised accounts are based on the accounts that were approved and cover the year from 1 April 2016 to 31 March 2017.

Income and Expenditure Account

	2016/17 £'000	**2015/16 £'000**
Turnover	407	402
Operating costs	(391)	(379)
Operating Profit	16	23
Interest payable	(6)	(4)
Surplus/(Deficit) on ordinary activities before taxation	10	19
Tax charge on Surplus/(Deficit) on ordinary activities	(7)	(7)
Surplus/(Deficit) on ordinary activities for the year	**3**	**12**

Balance Sheet

	31 March 2017 £'000	31 March 2016 £'000
Non-Current Assets:		
Property, Plant and Equipment	140	163
Current Assets		
Debtors	181	176
Cash and Cash Equivalents	31	99
Current Liabilities:		
Creditors	(176)	(187)
Short Term Borrowings	(9)	(22)
Tax Payable	(6)	(7)
Non-Current Liabilities:		
Long Term Borrowings	(88)	(153)
Total Net Assets	**73**	**69**
Total Reserves	**73**	**69**

The following balances with the Council are included above:

	31 March 2017 £'000	31 March 2016 £'000
Debtors	70	70
Creditors	(90)	(90)
Short Term Borrowings	(9)	(12)
Long Term Borrowings	(40)	(72)

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.

North Essex Garden Communities Limited is a joint strategic entity which is equally owned by Essex County Council, Colchester Borough Council, Tendring District Council and Braintree District Council. The company is limited by shares. The shares have an equal ranking, and any dividend will be distributed equally to the shareholders on a pro rata basis.

The purpose of the Company is to hold shares in each of the three Local Delivery Vehicles (LDV's), to coordinate funding of the LDV's and to oversee and hold to account the LDV's in order to develop each of the following properties as garden communities:

- Tendring Colchester Borders
- Colchester Braintree Borders
- West of Braintree

Each Local Authority has the right to appoint, remove or replace a Nominated Director. On any Board decision a majority (including all Nominated Directors) in favour is required for the vote to pass. However, Nominated Directors are not entitled to vote where a decision only relates to properties outside of the area of their appointing authority.

North Essex Garden Communities Limited was incorporated on 30 January 2017. It was not trading during 2016/17, but will eventually prepare accounts to the 31 March of each year.

41. 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 parties that involve the use of the assets and resources of the participants rather than the establishment of a separate entity to run the operations.

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

With effect from the 2015/16 financial year joint committees no longer had a statutory obligation to prepare accounts to be audited by a firm appointed by the Audit Commission. The Audit Commission Act 1998 was repealed with effect from 1 April 2015, and the Local Audit and Accountability Act 2014 does not apply to joint committees. From 1 April 2015, any expenditure overseen by a joint committee is only subject to statutory audit as part of the main accounts of constituent audited bodies.

42. 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 23. See pages 176 - 181 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	2016/17 £'000	2015/16 £'000
Dwelling rents		(26,927)	(27,282)
Non-dwelling rents	H3	(939)	(776)
Charges for services and facilities		(2,669)	(2,659)
Contributions towards expenditure		(73)	(106)
Total Income		**(30,608)**	**(30,823)**
Repairs and maintenance		4,927	5,015
Supervision and management		8,337	8,898
Rents, rates, taxes and other charges		136	189
Depreciation	H8	6,187	9,638
Revaluation losses		9,998	24,771
Reversal of previously recognised revaluation losses		(15,616)	(26,786)
Derecognition of non-current assets		881	567
Amortisation	H9	66	92
Debt management costs		69	69
Movement in the provision for bad debts		76	258
Total Expenditure		**15,061**	**22,711**
Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement (Page 22)		**(15,547)**	**(8,112)**
HRA services share of Corporate and Democratic Core		370	397
Net (Income)/Expenditure for HRA Services		**(15,177)**	**(7,715)**
HRA share of the Other Operating Expenditure			
(Gain)/Loss on sale of HRA non-current assets		(1,989)	(789)
Revaluation losses on the write down of HRA assets held for sale		213	-
HRA share of the Financing and Investment Income and Expenditure			
Interest payable and similar charges	H7	5,605	5,589
Interest and investment income		(31)	(22)
(Surplus)/Deficit for the year on HRA services		**(11,379)**	**(2,937)**

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	2016/17 £'000	2015/16 £'000
Balance on the HRA at 1 April		**2,388**	**2,510**
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	Page 131	11,379	2,937
Adjustments between accounting basis and funding basis under statute	Note 9	(10,946)	(3,011)
Transfers (to)/from Earmarked Reserves		125	(48)
Increase/(Decrease) in the year on the HRA Balance		**558**	**(122)**
Balance on the HRA at 31 March		**2,946**	**2,388**

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 2017, 0.75% of lettable properties were vacant (0.70% at 31 March 2016).

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

	31 March 2017	31 March 2016
Analysis by Type of Dwelling:		
Houses and Bungalows	2,989	3,024
Flats and Maisonettes	2,995	3,016
Total Dwellings	**5,984**	**6,040**
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,421	2,431
2 Bedrooms	1,769	1,786
3 Bedrooms	1,701	1,727
4 or more Bedrooms	93	96
Total Dwellings	**5,984**	**6,040**

The change in stock can be summarised as follows:

	31 March 2017	31 March 2016
Stock at the beginning of the year	6,040	6,073
Add: New Build, Conversions etc.	-	32
Deduct: Sales, Demolitions, Conversions, etc.	(56)	(65)
Stock at the end of the year	**5,984**	**6,040**

The most recent valuation of HRA dwellings that has been prepared was at 1 April 2015. The valuation of dwellings has then been adjusted from the results of book valuations as at 31 March 2017 in the 2016/17 accounts and this is reflected in the valuation shown below:

Balance Sheet valuation of HRA Assets	**31 March 2017 £'000**	**1 April 2016 £'000**
Council Dwellings	305,357	294,694
Other Land and Buildings	8,397	8,264
Vehicles, Plant, Furniture and Equipment	139	180
Surplus Assets	50	50
Assets Held for Sale	500	-
Total	**314,443**	**303,188**

H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2017 was £811.3 million (£764.5 million as at 1 April 2016). The value represents the Council's estimate of the total sum that it would receive if all its dwellings were sold on the open market. The Balance Sheet value disclosed in Note H1 is calculated on the basis of rents receivable on existing tenancies, and is lower than the vacant possession value. This is because the existing tenancy rents are lower than what would be obtainable on the open market. The difference between the two values represents the economic cost of providing Council housing at below market rents.

H3. Non-Dwelling Rents

	2016/17 £'000	**2015/16 £'000**
Garages and other charges	(812)	(700)
Land and other buildings	(127)	(76)
Total – Non-Dwelling Rents	**(939)**	**(776)**

H4. Charges for Services and Facilities

The Government's Supporting People Programme was introduced from 2003/04. The effect of this is the support element of the rentals that are charged for Council houses are now shown separately in the accounts. Income totalling £0.196 million from Supporting People charges in 2016/17 (2015/16: £0.281 million) is shown under Charges for Services and Facilities.

H5. Pension Reserve

Under the full implementation of IAS 19 (see Note 38) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

H6. HRA Capital Financing

Capital Financing	2016/17 £'000	2015/16 £'000
HRA Capital Expenditure		
Dwelling Stock	10,142	13,131
New Build - Council Dwellings	551	507
Investment in Information Technology	12	25
Total	**10,705**	**13,663**
Financed by:		
Capital Grants	159	(122)
Capital Receipts	389	688
Revenue Contributions	3,970	646
Major Repairs Reserve	6,187	9,638
Borrowing	-	2,813
Total	**10,705**	**13,663**

Summary of HRA Capital Receipts – Right To Buy	2016/17 £'000	2015/16 £'000
Sale of Council Houses – Direct	4,609	2,534
Sale of Council Houses – Deferred	18	3
Other (including shared ownership)	-	-
Total	**4,627**	**2,537**

Receipts from the sale of Council houses have increased in 2016/17. 51 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2016/17 compared to 34 in 2015/16.

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

Of the total capital receipts of £4.627 million, £0.603 million was paid to the Secretary of State under the pooling arrangements. The retained balance of £4.024 million can be used to finance capital expenditure or provide for the repayment of existing HRA debt (see Note 19).

H7. Interest Payable

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

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

	2016/17	**2015/16**
	£’000	**£’000**
HRA Interest Charge	5,605	5,589

H8. Depreciation Charges

	2016/17	**2015/16**
	£’000	**£’000**
Council Dwellings	5,825	9,226
Other Land and Buildings	321	358
Vehicles, Plant and Equipment	41	54
Total Depreciation	**6,187**	**9,638**

H9. Amortisation

	2016/17 £'000	2015/16 £'000
Housing Integrated Computer Systems	66	92

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.

H10. Rent Arrears

The arrears at 31 March 2017 totalled £1.203 million. This excludes prepayments of £0.601 million and is analysed as follows:

	2016/17 £'000	2015/16 £'000
Due from Current Tenants	688	719
Due from Former Tenants	515	538
Total Rent Arrears	1,203	1,257
Prepayments	(601)	(618)
Net Rent Arrears	**602**	**639**

These arrears include all charges due from tenants and leaseholders i.e. rent, service charges and other charges. The HRA has been setting aside funds into a provision to meet irrecoverable debts in respect of such arrears. At 31 March 2017 the provision totalled £0.931 million (2015/16: £0.968 million).

H11. Revenue Balances

Out of the revenue balance of £2.9 million, a sum of £1.3 million has already been committed for future use.

	2016/17 £'000	2015/16 £'000
Revenue Balance at 1 April	2,388	2,510
Adjust: Housing Revenue Account Surplus/(Deficit)	558	(122)
Revenue Balance at 31 March (page 132)	**2,946**	**2,388**
Less:Committed Sum		
Investment in Housing Stock 2017/18 and Future Years	(1,170)	(560)
Estimate Balance Carried Forward	(176)	(228)
Uncommitted Balance	**1,600**	**1,600**

H12. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing that have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£1.170 million) will be used to support spending in future years.

Further Information

Arm's Length Management Organisation (ALMO) - see Note 40. The Council is required to provide tenants with information on its effectiveness in housing management services.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	Notes	2016/17 Council Tax £'000	2016/17 NDR £'000	2016/17 Total £'000	2015/16 Council Tax £'000	2015/16 NDR £'000	2015/16 Total £'000
Council Tax		(94,285)	-	(94,285)	(90,085)	-	(90,085)
Non-Domestic Rates		-	(64,363)	(64,363)	-	(62,624)	(62,624)
Total Income		**(94,285)**	**(64,363)**	**(158,648)**	**(90,085)**	**(62,624)**	**(152,709)**
Precepts Demands and Shares							
Central Government		-	31,740	31,740	-	31,131	31,131
Colchester Borough Council		11,996	25,392	37,388	11,715	24,905	36,620
Essex County Council		68,368	5,713	74,081	64,713	5,604	70,317
Essex Fire and Rescue		4,094	634	4,728	3,955	623	4,578
Police and Crime Commissioner for Essex		9,201	-	9,201	8,762	-	8,762
Charges to Collection Fund							
Transitional Protection Payment		-	779	779	-	229	229
Cost of Collection Allowance		-	241	241	-	238	238
Interest		-	17	17	-	-	-
Provision for Bad Debts	C5	529	658	1,187	359	461	820
Provision for Appeals	C5	-	(2,979)	(2,979)	-	1,810	1,810
Total Expenditure		**94,188**	**62,195**	**156,383**	**89,504**	**65,001**	**154,505**
(Surplus)/Deficit		**(97)**	**(2,168)**	**(2,265)**	**(581)**	**2,377**	**1,796**
Apportionment of Previous Year Surplus/Deficit							
Central Government		-	2,240	2,240	-	(341)	(341)
Colchester Borough Council		(352)	1,792	1,440	(409)	(273)	(682)
Essex County Council		(1,948)	403	(1,545)	(2,271)	(61)	(2,332)
Essex Fire and Rescue		(119)	45	(74)	(139)	(7)	(146)
Police and Crime Commissioner for Essex		(264)	-	(264)	(302)	-	(302)
(Surplus)/Deficit for Previous Year		**(2,683)**	**4,480**	**1,797**	**(3,121)**	**(682)**	**(3,803)**
(Surplus)/Deficit for the Year		**2,586**	**(6,648)**	**(4,062)**	**2,540**	**3,059**	**5,599**
Movement on the Collection Fund Balance							
Balance at the beginning of the year		(2,521)	6,040	3,519	(5,061)	2,981	(2,080)
Movement on Fund balance		2,586	(6,648)	(4,062)	2,540	3,059	5,599
Balance at 31 March	C4	**65**	**(608)**	**(543)**	**(2,521)**	**6,040**	**3,519**

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 2016/17 was 60,496 (59,547 in 2015/16). 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 2016/17 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,464	6/9	5,643
B	20,623	7/9	16,040
C	19,061	8/9	16,943
D	13,564	9/9	13,564
E	7,891	11/9	9,644
F	3,742	13/9	5,405
G	2,218	15/9	3,696
H	151	18/9	302
Contributions in lieu for Ministry of Defence Properties			749
Total Band D			**71,986**
Net effect of premiums and discounts			(11,490)
Council Tax Base for the calculation of Council Tax			**60,496**

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 2016/17 the Council paid a tariff of £20.1 million (2015/16: £20.0 million).

The business rates shares that were estimated before the start of the financial year have been paid in 2016/17 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 (£297,000 for Colchester Borough Council) then the Government will make a safety net payment.

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

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

In 2016/17 Colchester was one of nine District Councils in Essex in a pooling agreement together with the County Council and Fire Authority. Based on provisional outturn information provided by the authorities within the pool, Colchester is due to receive an additional £0.725 million from being in the pool in 2016/17 (£0.278 million in 2015/16).

The total Non-Domestic Rateable value at the 2016/17 year end was £156.371 million (2015/16: £154.8 million) and the Non-Domestic rate multiplier for the year was 49.7p (2015/16: 49.3p).

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 2017 will be distributed in proportion to the value of the respective precepts as shown below:

	2016/17			2015/16		
	Council Tax	**NDR**	**Total**	**Council Tax**	**NDR**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Colchester Borough Council	9	(243)	(234)	(331)	2,416	2,085
Central Government	-	(304)	(304)	-	3,020	3,020
Essex County Council	47	(55)	(8)	(1,830)	544	(1,286)
Essex Fire and Rescue	3	(6)	(3)	(112)	60	(52)
Police and Crime Commissioner for Essex	6	-	6	(248)	-	(248)
Total (Surplus)/Deficit	**65**	**(608)**	**(543)**	**(2,521)**	**6,040**	**3,519**

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.

	2016/17			2015/16		
	Council Tax	**NDR**	**Total**	**Council Tax**	**NDR**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April	3,543	961	4,504	3,495	802	4,297
Write-offs during year for previous years	(486)	(315)	(801)	(311)	(302)	(613)
Contributions to provisions during year	529	659	1,188	359	461	820
Net increase/(decrease) in Provision	43	344	387	48	159	207
Balance at 31 March	**3,586**	**1,305**	**4,891**	**3,543**	**961**	**4,504**

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

	2016/17			2015/16		
	Council Tax	**NDR**	**Total**	**Council Tax**	**NDR**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April	454	384	838	459	321	780
Write-offs during year for previous years	(63)	(120)	(183)	(46)	(121)	(167)
Contributions to provisions during year	70	258	328	41	184	225
Net increase/(decrease) in Provision	7	138	145	(5)	63	58
Balance at 31 March	**461**	**522**	**983**	**454**	**384**	**838**

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.

	2016/17			2015/16		
	Council	Other Shares	Total	Council	Other Shares	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	2,989	4,484	7,473	2,266	3,397	5,663
RV list amendments charged against provision for appeals	(1,058)	(1,588)	(2,646)	(524)	(785)	(1,309)
Changes in provision for appeals	(133)	(200)	(333)	1,247	1,872	3,119
Net increase/(decrease) in Provision	(1,191)	(1,788)	(2,979)	723	1,087	1,810
Balance at 31 March	**1,798**	**2,696**	**4,494**	**2,989**	**4,484**	**7,473**

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 40) 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 2016/17 Colchester Borough Homes Limited worked substantially 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 housing properties on behalf of an external company and some repairs and maintenance work performed on buildings for external companies.

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

	Revenue Reserves			Capital Reserves						
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	**8,675**	**2,510**	**10,385**	**5,234**	**-**	**11**	**1,070**	**27,885**	**206,862**	**234,747**
Total Comprehensive Income and Expenditure	102	2,937	-	-	-	-	(619)	2,420	25,793	28,213
Adjustments between accounting basis and funding basis under regulations (Note G6)	5,579	(3,011)	-	816	-	32	827	4,243	(4,243)	-
Transfers to/from Earmarked Reserves (Note 10)	(3,994)	(48)	5,544	(1,773)	-	-	-	(271)	271	-
Increase/(Decrease) in year	**1,687**	**(122)**	**5,544**	**(957)**	**-**	**32**	**208**	**6,392**	**21,821**	**28,213**
Balance at 31 March 2016 (Page 148)	**10,362**	**2,388**	**15,929**	**4,277**	**-**	**43**	**1,278**	**34,277**	**228,683**	**262,960**
Total Comprehensive Income and Expenditure	(2,001)	11,379	-	-	-	-	(672)	8,706	(24,966)	(16,260)
Adjustments between accounting basis and funding basis under regulations (Note G6)	1,649	(10,946)	-	1,623	-	(36)	726	(6,984)	6,984	-
Transfers to/from Earmarked Reserves (Note 10)	(629)	125	4,292	(3,788)	-	-	-	-	-	-
Increase/(Decrease) in year	**(981)**	**558**	**4,292**	**(2,165)**	**-**	**(36)**	**54**	**1,722**	**(17,982)**	**(16,260)**
Balance at 31 March 2017 (Page 148)	**9,381**	**2,946**	**20,221**	**2,112**	**-**	**7**	**1,332**	**35,999**	**210,701**	**246,700**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2016/17			2015/16 - Restated		
	Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
Corporate and Democratic Core	315	(843)	(528)	315	(801)	(486)
Corporate and Financial Management	7,783	(1,616)	6,167	7,598	(1,640)	5,958
Executive Management Team	700	(31)	669	670	-	670
Community Services	9,891	(2,946)	6,945	12,057	(2,962)	9,095
Commercial Services	15,679	(8,510)	7,169	13,268	(7,303)	5,965
Customer Services	60,709	(58,944)	1,765	60,814	(59,353)	1,461
Housing Revenue Account	15,614	(30,683)	(15,069)	23,170	(30,847)	(7,677)
Operational Services	14,505	(13,162)	1,343	14,268	(13,159)	1,109
Professional Services	5,939	(2,292)	3,647	5,479	(2,751)	2,728
Non-Distributed Costs	18	(216)	(198)	176	-	176
Net Cost of Services	**131,153**	**(119,243)**	**11,910**	**137,815**	**(118,816)**	**18,999**
Other operating income and expenditure	2,600	(2,052)	548	2,247	(1,400)	847
Financing and investment income and expenditure	10,037	(2,620)	7,417	12,021	(6,392)	5,629
Taxation and non-specific grant income	7	(28,588)	(28,581)	8	(27,903)	(27,895)
Group (Surplus)/Deficit on Provision of Services	**143,797**	**(152,503)**	**(8,706)**	**152,091**	**(154,511)**	**(2,420)**
(Surplus)/Deficit on revaluation of non-current assets (Note 28)			(9,578)			(13,649)
Net actuarial losses/(gains) on pension fund assets and liabilities (Note G14)			34,544			(12,144)
Other Comprehensive (Income)/ Expenditure			**24,966**			**(25,793)**
Total Group Comprehensive (Income)/Expenditure			**16,260**			**(28,213)**

GROUP BALANCE SHEET

	Notes	31 March 2017 £'000	31 March 2016 £'000
Property Plant and Equipment		455,158	437,213
Heritage Assets	15	1,317	1,235
Investment Properties	16	34,690	34,390
Intangible Assets	18	994	1,419
Long Term Investments	20	6	6
Long Term Debtors	21	4,551	4,447
Total Long Term Assets		**496,716**	**478,710**
Short Term Investments	20	32,545	25,564
Assets Held for Sale	22	500	-
Inventories		176	168
Short Term Debtors	G7	9,916	10,217
Cash and Cash Equivalents	G8	14,485	13,893
Total Current Assets		**57,622**	**49,842**
Bank Overdraft		(4,888)	(3,967)
Short Term Borrowing		(7,248)	(16,258)
Short Term Creditors	G9	(18,338)	(14,024)
Short Term Provisions		(1,889)	(3,043)
Grants Receipts in Advance - Revenue	35	(2,182)	(2,040)
Total Current Liabilities		**(34,545)**	**(39,332)**
Long Term Creditors – Finance Leases	37	(2,565)	(2,635)
Long Term Provisions		(432)	(474)
Long Term Borrowing		(130,643)	(121,674)
Pension Scheme Liability	G14	(131,468)	(93,681)
Grants Receipts in Advance – Capital	35	(7,970)	(7,796)
Other Long Term Liabilities		(15)	-
Total Long Term Liabilities		**(273,093)**	**(226,260)**
Total Net Assets		**246,700**	**262,960**
Usable Reserves		35,999	34,277
Unusable Reserves		210,701	228,683
Total Reserves		**246,700**	**262,960**

GROUP CASH FLOW STATEMENT

	2016/17 £'000	2015/16 £'000
Net Surplus/(Deficit) on the Provision of Services (Page 147)	**8,706**	**2,420**
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements (Note G11)	**15,568**	**22,177**
Adjustments for items included in Investing and Financing Activities:		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(2,242)	(3,265)
Proceeds from the sale of short and long term investments	25,500	13,497
Proceeds from the sale of non-current assets	(6,950)	(6,893)
Adjustments for items included in Investing and Financing Activities:	**16,308**	**3,339**
Net Cash Flows from Operating Activities	**40,582**	**27,936**
Investing Activities:		
Purchase of non-current assets	(19,087)	(19,177)
Purchase of short and long term investments	(32,500)	(25,500)
Proceeds from the sale of non-current assets	6,933	3,878
Other payments and receipts	2,694	3,239
Net Cash Flows from Investing Activities	**(41,960)**	**(37,560)**
Financing Activities:		
Cash payments for the reduction of the outstanding finance lease liabilities	(735)	(729)
Other payments and receipts	1,784	(1,777)
Net Cash Flows from Financing Activities	**1,049**	**(2,506)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**(329)**	**(12,130)**
Cash and Cash Equivalents at 1 April (Note G11)	9,926	22,056
Cash and Cash Equivalents at 31 March (Note G11)	**9,597**	**9,926**

NOTES TO THE GROUP FINANCIAL STATEMENTS

G1. General

Specific notes for the Group Financial Statements are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Financial Statements are set out on pages 25 - 130 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 40).

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 'Housing Revenue Account' line in the Group Comprehensive Income and Expenditure Statement.

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

G4. Group Expenditure and Funding Analysis

	2016/17			2015/16		
	Net Expenditure chargeable to GF, HRA and Subsidiary Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Group CIES (Page 147)	Net Expenditure chargeable to GF, HRA and Subsidiary Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Group CIES (Page 147)
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	(528)	-	(528)	(486)	-	(486)
Corporate and Financial Management	5,527	640	6,167	5,540	418	5,958
Executive Management Team	617	52	669	601	69	670
Community Services	6,188	757	6,945	6,290	2,805	9,095
Commercial Services	2,953	4,216	7,169	2,274	3,691	5,965
Customer Services	1,405	360	1,765	1,245	216	1,461
Housing Revenue Account	(11,129)	(3,940)	(15,069)	(7,301)	(376)	(7,677)
Operational Services	(233)	1,576	1,343	(294)	1,403	1,109
Professional Services	2,561	1,086	3,647	1,788	940	2,728
Non-Distributed Costs	2,487	(2,685)	(198)	2,661	(2,485)	176
Cost of Services	**9,848**	**2,062**	**11,910**	**12,318**	**6,681**	**18,999**
Other operating income and expenditure	1,455	(907)	548	1,305	(458)	847
Financing and investment income and expenditure	12,583	(5,166)	7,417	6,747	(1,118)	5,629
Taxation and non-specific grant income	(24,021)	(4,560)	(28,581)	(26,185)	(1,710)	(27,895)
(Surplus)/Deficit on Provision of Services	**(135)**	**(8,571)**	**(8,706)**	**(5,815)**	**3,395**	**(2,420)**
Opening GF, HRA and Subsidiary Balances	**(14,028)**	Page 146		**(12,255)**	Page 146	
(Surplus)/Deficit on Provision of Services	(135)			(5,815)		
Transfers to Earmarked Reserves	504			4,042		
Closing GF, HRA and Subsidiary Balances	**(13,659)**	Page 146		**(14,028)**	Page 146	

G4 a.) Note to the Group Expenditure and Funding Analysis – Group Expenditure and Income Analysed by Nature

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

	Notes	2016/17	2015/16
		£'000	£'000
Employee related expenditure		35,098	33,709
Other services expenses		84,451	84,414
Support services recharges		3,554	3,907
Depreciation, amortisation and impairment		8,050	15,785
Interest payments		6,663	6,684
Precepts and levies		1,397	1,280
Payments to Housing Capital Receipts Pool		603	549
Pension Fund expenditure		3,331	3,364
Losses on the disposal of assets		387	418
Changes in the fair value of investment properties		-	1,897
Other expenditure		263	84
Total Expenditure	**Page 147**	**143,797**	**152,091**
Fees, charges and other service income		(62,137)	(61,835)
Interest and investment income		(381)	(394)
Income from Council Tax and Non Domestic Rates		(17,417)	(15,455)
Government grants and contributions		(68,276)	(69,429)
Gains on the disposal of assets		(2,000)	(1,366)
Income in relation to investment properties		(1,789)	(1,791)
Changes in the fair value of investment properties		(450)	(4,207)
Other income		(53)	(34)
Total Income	**Page 147**	**(152,503)**	**(154,511)**
Group (Surplus)/Deficit on the Provision of Services	**Pages 147 & 151**	**(8,706)**	**(2,420)**

G5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 July 2017 (see page 20). Events taking place after this date are not reflected in the financial statements or notes.

There are no other additional items which arose after the year end of 31 March 2017 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.

G6. 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.

2016/17	**Usable Reserves**					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Subsidiary Reserves £'000**
Total Adjustments relating to Colchester Borough Council (Note 9)	1,649	(10,946)	1,623	-	(36)	-
Pension costs (transfers to/from Pensions Reserve)	-	-	-	-	-	726
Total Adjustments (page 146)	**1,649**	**(10,946)**	**1,623**	**-**	**(36)**	**726**

2015/16	**Usable Reserves**					
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Subsidiary Reserves £'000**
Total Adjustments relating to Colchester Borough Council (Note 9)	5,579	(3,011)	816	-	32	-
Pension costs (transfers to/from Pensions Reserve)	-	-	-	-	-	827
Total Adjustments (page 146)	**5,579**	**(3,011)**	**816**	**-**	**32**	**827**

G7. Short Term Debtors

	31 March 2017 £'000	31 March 2016 £'000
Central Government bodies	1,134	1,266
Other local authorities	1,749	932
NHS bodies	4	-
Other entities and individuals	7,029	8,019
Total Short Term Debtors	**9,916**	**10,217**

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

G8. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2016 £'000
Cash in hand held by the group	11	14
Bank current accounts	1,742	2,035
Short term deposits	12,732	11,844
Total Cash and Cash Equivalents	**14,485**	**13,893**

G9. Short Term Creditors

	31 March 2017 £'000	31 March 2016 £'000
Central Government bodies	(5,886)	(2,192)
Other local authorities	(3,233)	(3,737)
Public Corporations and Trading Funds	(3)	-
Other entities and individuals	(9,216)	(8,095)
Total Short Term Creditors	**(18,338)**	**(14,024)**

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

G10. Usable Reserves

The movements in the Group’s usable reserves are detailed in the Movement in Reserves Statement on page 21.

Subsidiaries Reserves

	31 March 2017 £’000	31 March 2016 £’000
Colchester Borough Homes Limited	1,261	1,210
Colchester Community Stadium Limited	71	68
Total Subsidiaries Reserves	**1,332**	**1,278**

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

G11. Cash Flow Statement Notes

Cash Flows from Operating Activities

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

	2016/17 £’000	2015/16 £’000
Interest Received	342	312
Interest Paid	(6,632)	(6,606)
Taxation	(7)	(8)

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

	2016/17 £'000	2015/16 £'000
Depreciation	11,225	13,884
Impairments and downward valuations	13,919	28,484
Reversal of previously recognised revaluation losses	(19,285)	(28,832)
Movement in the fair value of Investment Properties	(450)	(2,310)
Carrying value of non-current assets and assets held for sale sold or derecognised	6,222	6,619
Amortisation	453	414
Increase/(Decrease) in Creditors	1,597	690
(Increase)/Decrease in Debtors	(146)	(1,431)
(Increase)/Decrease in Inventories	(8)	5
Contributions to/(from) Provisions	(1,198)	770
Movement in pension liability	3,243	3,862
Other non cash movements	(4)	22
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	**15,568**	**22,177**

Cash and Cash Equivalents

	2016/17 £'000	2015/16 £'000
Cash in hand held by the Council	11	14
Bank current accounts	1,742	2,035
Short term deposits	12,732	11,844
Bank overdraft	(4,888)	(3,967)
Group Cash Flow Statement - Total Cash and Cash Equivalents	**9,597**	**9,926**

G12. Officers' Remuneration

The remuneration paid to the senior officers within Colchester Borough Council is shown in Note 32.

The remuneration paid to the senior officers within Colchester Borough Homes Limited is as follows:

Colchester Borough Homes Limited

	Financial Year	Salary, Fees and Allowances £	Employers Pension contributions £	Total Remuneration £
Chief Executive (left CBH on 31 August 2016)	**2016/17**	**40,484**	**5,710**	**46,194**
	2015/16	97,881	13,703	111,584
Chief Executive (started at CBH on 1 September 2016)	**2016/17**	**55,560**	**7,778**	**63,338**
	2015/16	-	-	-
Director of Housing	**2016/17**	**74,485**	**10,462**	**84,947**
	2015/16	73,626	10,308	83,934
Director of Property Services	**2016/17**	**74,730**	**10,462**	**85,192**
	2015/16	73,626	10,308	83,934
Director of Resources (started at CBH on 9 June 2015)	**2016/17**	**73,242**	**10,462**	**83,704**
	2015/16	55,907	7,882	63,789

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 2016/17	2015/16
£50,000 - £54,999	13	13
£55,000 - £59,999	1	2
£60,000 - £64,999	2	2
£65,000 - £69,999	4	2

G13. Termination Benefits (Exit Packages)

The total cost of exit packages includes the strain on the pension fund costs (curtailment costs) and payments to individuals.

Colchester Borough Council: Total cost of exits include payments to individuals of £15,144 in 2016/17 (£240,065 in 2015/16) and strain on pension fund costs of £4,225 in 2016.17 (£131,237 in 2015/16) paid to the pension fund authority Essex County Council.

Colchester Borough Homes Limited: Total cost of exits include payments to individuals of £18,318 in 2016/17 (£3,243 in 2015/16) and strain on pension fund costs of nil in 2016/17 (£4,642 in 2015/16) paid to the pension fund authority Essex County Council.

No termination payments were made to senior officers of the Council.

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

2016/17 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
£0 - £20,000	3	2	5	£33,462
Total cost included in bandings	**3**	**2**	**5**	**£33,462**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				-
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				£4,225
Total Exit Costs				**£37,687**

2015/16 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
£0 - £20,000	10	20	30	£207,721
£20,001 - £40,000	-	2	2	£70,676
Total cost included in bandings	**10**	**22**	**32**	**£278,397**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				£8,433
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				£92,357
Total Exit Costs				**£379,187**

G14. Defined Benefit Pension Scheme

Participation in Pension Schemes

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

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

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			
	CBC 2016/17 £'000	**CBH 2016/17 £'000**	**Total 2016/17 £'000**	**Total 2015/16 £'000**
Comprehensive Income & Expenditure Statement				
Cost of Services:				
Current service cost	4,750	1,154	5,904	6,099
Past Service Cost	-	-	-	71
(Gain)/Loss from settlements	(216)	-	(216)	108
Financing and Investment Income and Expenditure:				
Net interest expense	3,062	204	3,266	3,289
Pension fund administration expenses	56	9	65	75
Other Comprehensive Income and Expenditure:				
Re-measurement of the net defined benefit liability	31,005	3,539	34,544	(12,144)
Total charged to the Comprehensive Income & Expenditure Statement	**38,657**	**4,906**	**43,563**	**(2,502)**
Movement in Reserves Statement				
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(7,652)	(1,367)	(9,019)	(9,642)
Employer's contributions payable to the scheme	5,135	641	5,776	5,780
Total charged to the Movement in Reserves Statement	**(2,517)**	**(726)**	**(3,243)**	**(3,862)**

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 2016/17 £’000	CBH 2016/17 £’000	Total 2016/17 £’000	Total 2015/16 £’000
Present value of the defined benefit obligation	(282,765)	(37,306)	(320,071)	(250,590)
Fair value of plan assets	161,397	27,206	188,603	156,909
Net liability	**(121,368)**	**(10,100)**	**(131,468)**	**(93,681)**

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £131.468 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 2016/17 £’000	CBH 2016/17 £’000	Total 2016/17 £’000	Total 2015/16 £’000
Balance at 1 April	134,350	22,559	156,909	153,726
Interest on assets	4,833	842	5,675	5,099
Return on assets less interest	21,412	3,604	25,016	(1,371)
Other actuarial gains/(losses)	1,230	(174)	1,056	-
Administration expenses	(56)	(9)	(65)	(75)
Contributions by employer	5,135	641	5,776	5,780
Contributions by scheme participants	1,292	304	1,596	1,515
Benefits paid net of transfers in	(7,206)	(561)	(7,767)	(7,916)
Settlement prices received/(paid)	407	-	407	151
Balance at 31 March	**161,397**	**27,206**	**188,603**	**156,909**

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

	CBC 2016/17 £'000	CBH 2016/17 £'000	Total 2016/17 £'000	Total 2015/16 £'000
Balance at 1 April	(222,196)	(28,394)	(250,590)	(255,689)
Current service cost	(4,750)	(1,154)	(5,904)	(6,099)
Interest cost	(7,895)	(1,046)	(8,941)	(8,388)
Change in financial assumptions	(55,686)	(7,492)	(63,178)	13,468
Change in demographic assumptions	5,031	260	5,291	-
Experience loss/(gain) on defined benefit obligation	(2,992)	263	(2,729)	47
Liabilities assumed/(extinguished) on settlements	(191)	-	(191)	(259)
Benefits paid net of transfers in	6,803	561	7,364	7,507
Past service costs	-	-	-	(71)
Contributions by scheme participants	(1,292)	(304)	(1,596)	(1,515)
Unfunded pension payments	403	-	403	409
Balance at 31 March	**(282,765)**	**(37,306)**	**(320,071)**	**(250,590)**

GLOSSARY OF TERMS

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.

Amortised cost
The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

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

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

Debtors
Amounts owed to the Council for goods, services and works that have been provided by the Council 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.

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

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

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

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

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

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

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

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

Major Repairs Reserve (MRR)
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.

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

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

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.

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 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Movement in Reserves Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 42 to the Authority Accounts, including the Authority Expenditure and Funding Analysis, and notes G1 to G14 to the Group Accounts,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes H1 to H12; and
- Collection Fund and the related notes C1 to C5.

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 2016/17.

This report is made solely to the members of Colchester Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Strategic Finance Manager (S151 Officer) and auditor

As explained more fully in the Statement of Responsibilities of the Strategic Finance Manager (Section 151 Officer) set out on page 20, the Strategic Finance Manager (Section 151 Officer) is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 Strategic Finance Manager (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Statement of Accounts 2016-2017 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 and Group as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016-2017 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Colchester Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities
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.

Auditor's responsibilities
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Colchester Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Colchester Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Colchester Borough Council 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 issued by the C&AG in November 2016, 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 2017.

Certificate

We certify that we have completed the audit of the accounts of Colchester Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
25 July 2017

The maintenance and integrity of the Colchester Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

	2016/17 £	2015/16 £
Income:		
Bank Interest	(1)	(1)
Net (Income)/Expenditure	**(1)**	**(1)**

BALANCE SHEET

	31 March 2017 £	31 March 2016 £
Current Assets:		
Cash at Bank	2,552	2,551
	2,552	**2,551**
Current Liabilities:		
Colchester Borough Council	(1,879)	(1,878)
Tendring District Council	(673)	(673)
	(2,552)	**(2,551)**
Net Current Assets	-	-

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' Fund

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

INCOME AND EXPENDITURE STATEMENT

	2015/16 £	2014/15 £
Income:		
Interest on Investments	-	(288)
Registration Fees	-	(300)
Profit from redemption of investments	-	(4,144)
Other Income	(28)	(61)
Expenditure:		
Subscription	-	40
Distribution to Freeburgesses	320	280
Events	150	192
Net (Income)/Expenditure	**442**	**(4,281)**

BALANCE SHEET

	30 September 2016 £	30 September 2015 £
Assets:		
Debtors	-	300
Cash at Bank	12,582	12,765
Liabilities:		
Creditors	(470)	(511)
Represented by Accumulated Fund	**12,112**	**12,554**

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 2017 was £526,409 (31 March 2016: £462,288). A further sum of £60,825 is held on deposit pending transfer to the Colchester museums in future years (31 March 2016: £44,745).

INCOME AND EXPENDITURE STATEMENT

	2016/17 **£**	**2015/16** **£**
Income:		
Interest on Investments	(16,166)	(14,588)
Interest on Cash at Bank	(203)	(185)
Expenditure:		
Distributions	25,270	15,839
Net (Income)/Expenditure	**8,901**	**1,066**

BALANCE SHEET

	31 March 2017 **£**	**31 March 2016** **£**
Assets:		
Investments	526,409	462,288
Debtors	203	185
Cash at Bank	60,825	44,745
Liabilities:		
Creditors	(57,000)	(32,000)
Represented by Accumulated Fund	**530,437**	**475,218**

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

	2016/17 £	2015/16 £
Income:		
Interest Received	(2)	(4)
Dividends	(294)	(293)
Redemption of War Stock investments		-
Expenditure:		
Payment to the Resident Freeburgesses	-	30
Net (Income)/Expenditure	**(296)**	**(267)**

BALANCE SHEET

	31 March 2017 £	31 March 2016 £
Assets:		
Investments	10,098	8,810
Cash at Bank	8,250	7,954
Represented by Accumulated Fund	**18,348**	**16,764**

Please note: The investments are in Charinco and Charishare 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 3 grants were paid out in 2016/17 (15 grants were paid out in 2015/16).

INCOME AND EXPENDITURE STATEMENT

	2016/17 £	2015/16 £
Income:		
Dividends	(352)	(350)
Donations	-	(1,000)
Expenditure:		
Grants paid	480	2,159
Net (Income)/Expenditure	**128**	**809**

BALANCE SHEET

	31 March 2017 £	31 March 2016 £
Assets:		
Investments	10,381	8,961
Cash at Bank	6,900	7,028
Represented by Accumulated Fund	**17,281**	**15,989**

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 3 grant applications were approved in 2016/17 (5 grant applications were approved in 2015/16).

INCOME AND EXPENDITURE STATEMENT

	2016/17 £	2015/16 £
Income:		
Dividends	(464)	(537)
Profit on disposal	-	(3,576)
Expenditure:		
Grants paid	229	581
Net (Income)/Expenditure	**(235)**	**(3,532)**

BALANCE SHEET

	31 March 2017 £	31 March 2016 £
Assets:		
Investments	13,688	11,816
Cash at Bank	4,125	3,890
Represented by Accumulated Fund	**17,813**	**15,706**

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

	2015/16 £	2014/15 £
Income:		
Investment income	(17)	(40)
Expenditure:		
Building repairs and improvement costs	80,000	-
Administrative expenses	25	-
Net (Income)/Expenditure	**80,008**	**(40)**

BALANCE SHEET

	30 September 2016 £	30 September 2015 £
Non-Current Assets:		
Mercury House (at cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	150	80,158
Total Net Assets	**83,534**	**163,542**
Designated Funds:		
Capital Reserve	83,384	83,384
Sinking Fund	-	80,000
Other Charitable Funds	150	158
Total Unrestricted Funds	**83,534**	**163,542**

COLCHESTER BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

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 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 regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the 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 2017 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 indentifies 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 and Audit Committee** which undertakes the core functions of an audit committee, as identified in CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities'.
- **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. The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*

- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Governance and Audit Committee.
- **A comprehensive risk management process** that ensures the key risks across the 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 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.
- **A defined Monitoring Officer role** which sets out responsibility for ensuring all decisions comply with statutory requirements and are lawful.

The significant control issues found during the 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 review that has been shared with the Council. There were no significant control weakness identified during the year that are required to be included in this statement.

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

The 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 conducts its own annual governance review which includes an assessment of internal control. Therefore it is not intended to include any details relating to this service within this statement.

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

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 2016/17, 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 2017 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.	The internal audit review of the payroll function identified two key areas for improvement: • The payroll contractor should be requested to provide an ISAE 3402 statement around the outsourced finance processes • All employee information relating to spinal column points and hours of work should be verified by budget holders in each service area and checked by the Payroll Manager.	The Payroll Manager has been in discussion with the contractor and at present the ISAE 3402 statement cannot be provided. However the contractor's auditors are providing the relevant assurance. The employee information is now complete, and ownership of data by operational teams is one of the key drivers for the move to self-serve. As part of the role out of self-serve the importance of managers reassuring themselves that their data is correct will be highlighted.

2.	The internal audit review of contracting with third parties highlighted the need to develop and implement a tender submission checklist, covering the required documentation / evidence received as part of the tender submission process. It should be enforced that the contract is not signed until the checklist has been completed and be subject to independent authorisation.	The contract procedure rules and guidance are being reviewed and the checklist will form the basis of the instructions.
3.	The internal audit review of the Civica application system identified several areas for improvement, however the most significant recommendation related to the reintroduction of the ability to recover data backups and the alignment of the disaster recovery plan to the business continuity plan.	It was agreed that this functionality will be reintroduced. This functionality is dependent on the successful introduction of the new HDS platform, which is a large corporate ICT project underway at Colchester.

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