Colchester

Colchester Borough Council

Statement of Accounts

2018/19

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NARRATIVE STATEMENT

Organisational overview and external environment

Colchester Borough Council continues to plan ahead in response to the many challenges and opportunities which face local government. With the continuing reduction in government funding, the Council is seeking to be innovative and forward-thinking in how it generates the income streams needed to support services which local residents and businesses depend and rely on.

The Council took early action in addressing the financial challenges facing the public sector. We have delivered around £18 million of savings/additional income from 2011/12 to 2018/19 through service reviews, new ways of working and a more commercial approach.

Examples of efficiencies, new ways of working and income gains during 2018/19 included a review of the Council's key services to customers and its waste services; additional income from museums; off-street parking; and the further development of its commercial asset strategy.

In 2019/20 the Council ceased to receive Revenue Support Grant from Government though following a government announcement it avoided having to pay negative Revenue Support Grant to Ministry of Housing, Communities and Local Government. Taking a wider perspective core support from Government has been cut from £5.7m in 2015/16 to nothing for 2019/20. New Homes Bonus payments have also reduced. The Bonus is only paid for growth above 0.4% per annum and new years' bonus entitlement is only paid for four financial years.

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.

Business model

The Council reviewed its strategic direction and agreed a new Our Colchester - Strategic Plan 2018-21 in February 2018. An action plan is being developed and will be published as part of that webpage. The new Strategic Plan for 2018-21 will set out the Council's priorities under these four themes:

- **Growth –** Ensuring all residents benefit from the growth of the borough.
- **Responsibility –** Encouraging everyone to do their bit to making our borough even better.
- **Opportunity –** Promoting and improving Colchester and its environment.
- **Wellbeing –** Making Colchester an even better place to live and supporting those who need most help.

More information about performance is shown in the following pages.

Business model - performance

A wide range of actions is in place to achieve the ambitions in the Strategic Plan 2018-21. These involve most teams within the Council along with many partner organisations. This Action Plan is reported to councillors twice a year. The full-year's progress will be available in July 2019 at www.colchester.gov.uk (Cabinet). Highlights include:

Growth	**Responsibility**	**Opportunity**	**Wellbeing**
Visitor attractions, tourism CBC car parks - spaces, welcoming, good price. New Mercury Theatre. Link and North Bridge Station Travel Plan. Northern Gateway, United Way and Sports projects. Skills Development, employment land, premises. Economic Strategy A new Local Plan and Development Plan Garden Communities. Progressing Rapid Transit. Empowering communities Night time economy plan/ Town Centre during the day. Vineyard Gate development.	Belonging, involvement and responsibility in all the Borough's communities. Supporting vulnerable residents or complex needs. Waste minimisation, reduction and recycling. Encouraging behaviour change to reduce ASB. Robust enforcement approach. Maximising Eco-flex and Warm Homes funding to improve energy efficiency Deliver cycling and walking routes and infrastructure. Sustainable travel behaviour change, workplace Travel Plans and Beat the Street.	Heritage Explorer Trails for walkers and cyclists. Maximising the opportunities of our heritage attractions. Electric vehicle charging points to CBC car parks. Charter Market and Street Trading. Trialling closing High Street at night-time and weekends. Grow on space at former Queen Street Bus Station. An adequate supply to meet housing needs. Air quality and emission reduction at the forefront of decision making. Livewell campaign to improve health and wellbeing. Embedding health and wellbeing into Council decision making.	Assess CBC Joint Strategic Needs. Communities' priorities/solutions. Safer Colchester Partnership. Multiagency licensing enforcement. Greenstead Centre, Tamarisk Way. Affordable housing with providers New Council homes on CBC land Prevent homeless/rough sleeping Startwell Colchester Programme Insight/statistics to target support Equality of opportunity and access to services for vulnerable groups. Supporting vulnerable residents to stay safe and independent at home. Essex Local Delivery Pilot. Green infrastructure /Colchester Parks and Green Space Strategy Activities for those living with dementia and their carers. 12-week programme if diagnosed diabetes or pre-diabetic conditions.

Awards and accreditations

The North Essex Parking Partnership were winners in three categories of the British Parking Awards 2019 –

- the Communication Award, which recognises imaginative, engaging and informative approaches to communicating with the public and other organisations, for their 3PR: Encouraging better parking around schools campaign.
- the Parking Partnerships award, which recognises the importance of partnership working in the parking sector.
- Car Parks: Special Projects Award for the refurbishment of Priory Street Car Park

Our Customer Contact and Support Centre has been awarded the prestigious national Customer Service Excellence Standard. The Standard was awarded following a year-long programme and rigorous two-day external assessment in December 2018. The standard covers a range of areas including timeliness of responses, the quality of information provided and the motivation of its staff. The Excellence Award is valid for three years, with an annual rolling programme assessment visit.

Colchester cemetery came second in the large cemetery category of the national Cemetery of the Year Award. Cemetery officers and Idverde staff (Grounds maintenance contractors the Council) were presented with the framed Silver Award certificate at a ceremony in October 2018.

Key performance indicators

The Council has 16 indicators which summarises its overall performance and are reported to councillors twice a year. The 2018/19 results are shown below. The Council is performing at an excellent level with nine indicators comfortably in the green zone. There are some issues on 4 of the indicators in 2018/19 but these are being confidently addressed for 2019/20 and are expected to revert to green status.

Area	**Indicator**	**RAG status - performance against the target**	
		2017/18	**2018/19**
Planning	Processing of planning applications (three indicators)	Green	2 Green, 1 Red
Housing Benefit	Time to process housing benefit new claims and changes (two indicators)	Green	Green
Housing	Net additional homes provided	Green	Green
	Affordable homes delivered (gross)	Green	Green
	Homelessness cases prevented	Green	Green
	Rent collected	Green	Green
	Average time to re-let council homes	Green	Red
Waste and Recycling	Residual household waste per household	Green	Red
	Household waste reused, recycled and composted	Green	Green
	Number of weekly missed collections	Red	Green
Resources and Organisational	Council Tax collected	Green	Green
	Business Rates (NDR) collected	Green	Green
	Sickness rate in working days	Green	Red

Planning performance in determining applications within timescale is good with performance on minor and other planning decisions 3% and 5% above target. Performance on major applications (79% against an 85% target) is volatile due to the small number of applications (52 in a year) that means a small change in performance can make a large percentage change. Performance was 92% the previous year.

Housing benefit and council tax support processing is at an excellent level being 3 and 4 days respectively against a 9 day target. The caring, driven and high performing team are proud of their achievement.

Net additional homes provided was 1,165 against a 920 target. Affordable homes delivered (130) comfortably exceeded the 120 target. Homelessness cases prevented was also above target.

Rent collection was at an excellent 99% level. The average time to relet council homes was slightly over the 25-day target (27 days) due to poor contractor performance. This performance will improve when a new contractor operates from April 2019.

Although the residual waste per household target has been exceeded performance remains excellent when benchmarked against other authorities. Household waste reused, recycled and composted continued to improve and are above target. Missed collections remain on target.

Council tax collection was at an excellent 98% and business rates collection at 99%.

Performance on the sickness rate in working days was driven by long term sickness (short term sickness rates are falling). Management actions from regular case conferences is expected to improve the rates in 2019/20.

Datashare

Datashare enables anybody to view and download a range of Council databases and performance information online. It is available 24/7 and brings all the information together in one place.

Preparation to leave the European Community

A UK Withdrawal Agreement and Political Declaration on the future relationship between the UK and EU were endorsed by the European Council. The UK Parliament voted to reject the Withdrawal Agreement. The European Council agreed on 11 April to a request from the UK Government for a further extension to Article 50 which will delay the UK exit from the EU. This extension may potentially last until 31 October 2019. The UK may leave earlier than 31 October if there is ratification of a withdrawal agreement.

Across Essex, local authorities and public services are working together and planning for leaving the EU. This includes participating in local resilience forums (LRFs). These are multi-agency partnerships made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency and others. The Essex Resilience Forum has been planning to mitigate any disruption that may be caused by the EU Exit since August 2018.

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 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:

- The UK's withdrawal from 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 depending upon the agreed exit arrangements.
- 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 to move customer contact to online and other digital communication channels 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 efficient service delivery 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.
- Risk that asset management is not fully linked to strategic priorities and not supported by appropriate resources.
- Failure to protect public funds and resources – ineffective probity / monitoring systems.
- Significant reliance on our ICT presents challenges in maintaining customer service in the event of service interruptions.
- Increasing demands around information security create a risk in the event that security breaches occur.
- Encountering delays when working with partners for the delivery of the garden communities project

Actions are identified for all strategic risks, and monitored and reported to Governance and Audit 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 and Audit 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 2018/19 as the previous year. Full details are shown on the website at Annual Governance Statements, Corporate Governance and The Constitution.

Resource allocation

The 2018/19 Revenue Budget Process

The Revenue Budget for 2018/19 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, budget reductions or additional income of £2.8 million. The majority of the savings were based on proposals to work more efficiently and to maximise opportunities to increase income. It was also necessary to reduce the level of funds made available for one-off investment due to the reduction of £1.3 million in the grant received from the New Homes Bonus compared to 2017/18. New Homes Bonus is a significant part of the Council's overall budget, both in terms of funding capital investment and supporting day-to-day spending on services. In order to manage the financial risk of further reduction in Bonuses, or volatility from year to year, the Council reduced the amount of the grant used to support the 'base budget' in 2018/19. Despite this, the 2018/19 budget included a significant level of investment predominantly funded through the New Homes Bonus. This included funding for projects to support the delivery of the Strategic Plan, deliver increased income and support the community.

Core Government funding in 2018/19 was reduced by £0.6 million.

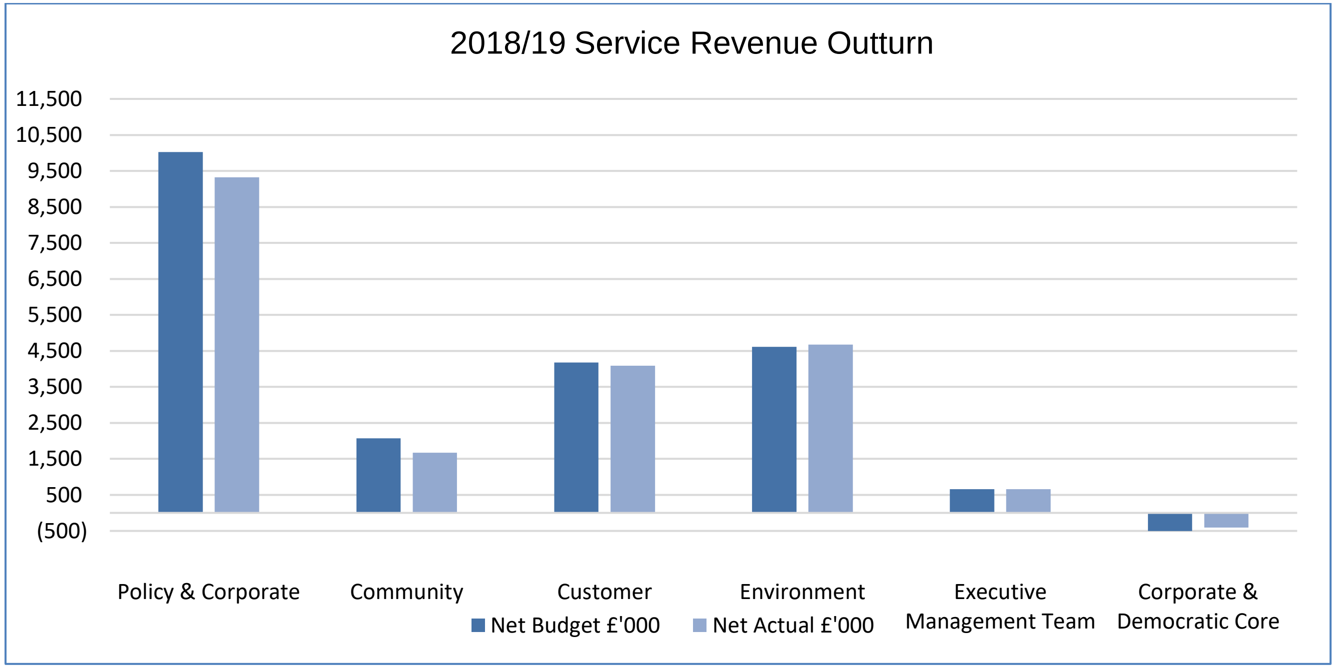
Revenue spending

The General Fund revenue account outturn position for 2018/19 shows an underspend after identified budget carry forwards of £0.26 million. The main areas that have resulted in this position include:

- One-off revenue gains through external grants and other general items.
- One-off costs from service restructuring
- Cost pressures and reduced income in service areas reported during the year.
- Delivery of additional income from planning and commercial investment properties
- Reduced net benefit costs.

The provisional outturn position for the Council's General Fund services (before budget carry forward items) is a total net spend of £20.011 million compared to a budget of £21.043 million. The provisional outturn position for the Housing Revenue Account (before budget carry forward items) is a net income of £0.659 million compared to budgeted net expenditure of £0.190 million. The combined outturn position of for both General Fund and HRA of £19.352 million is reflected in the Expenditure and Funding Analysis.

The position for General Fund services is set out in the following graph:



The 2019/20 budget was based on the assumption that the 2018/19 outturn would be break-even. The final position therefore reflects an improvement, and the additional impact on the Council's reserves and balances will be considered at a future meeting of Cabinet.

Budget monitoring

A budget system is used for monitoring revenue spending in the year and collating forecasts of the year-end position. Regular monitoring reports on the revenue position, highlighting any areas of significant financial risk, were submitted to the Scrutiny Panel and the Audit and Governance Committee throughout the 2018/19 financial year.

Housing Revenue Account (HRA)

The Council is the major provider of rented housing in the Borough and manages 5,900 properties. The Housing Revenue Account Financial Statement for 2018/19 shows a net contribution to balances for the year of £0.66 million. At the 2018/19 year-end the Housing Revenue Account balance is £4.56 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 2018/19 financial year was £25.1 million (compared to £17.0 million in 2017/18). The expenditure can be broken down as:

Council Housing	£10.2 million (including £1.3 million on the purchase of properties for the Housing Revenue Account).
Revolving Investment Fund (RIF)	£7.0 million (including £3.9 million on the development of the Northern Gateway of which £2.7 million was for the new sports development, £1.1 million on Town Centre projects and £2.1 million towards the development of the second office block in Sheepen Road).
Other General Fund	£7.9 million (including £0.5 million on the provision of Disabled Facilities Grants, £0.7 million of grants to Registered Providers, £2.8 million on the purchase of properties for temporary accommodation, £2.1 million on the purchase of vehicles for the waste fleet, and £0.8 million on building works at the Mercury Theatre.

Capital funding

Of the total funding of the programme, £2.3 million was funded from the application of capital receipts, £1.8 million from external grants and contributions, with the remainder mainly coming from General Fund and HRA revenue funding (including £2.5 million from the Major Repairs Reserve, £3.1 million from the Capital Expenditure Reserve, and £1.5 million from the Right to Buy Retained Capital Receipts Reserve).

Capital Receipts continue to provide a significant resource to support capital spending plans, and sums received in 2018/19 totalled £5.3 million. Receipts from sales of Council houses received in 2018/19 were £3.1 million. Local authorities are able to retain a greater proportion of the income they receive from the sale of dwellings, dependent on these additional receipts being reinvested in the provision of new affordable housing, along with an allowance for the provision for repayment of HRA debt. In 2018/19, £1.8 million has been reserved for new build, £0.6 million was reserved for other purposes and £0.5 million was pooled and paid over to the Government. Other capital receipts are fully available to the Council's Capital Programme, and £1.9 million was received in 2018/19 from the sale of various sites.

There is an accumulated balance of £0.4 million in the Capital Receipts Reserve, which will support capital spending from 2019/20 onwards. The Council continues to keep its asset portfolio under review and there are a number of planned land and property transactions which will generate sufficient capital receipts to support the planned Capital Programme.

During 2018/19 the Capital Programme has increased by £32 million. This includes annual funding for the Housing Investment Programme of £9.2 million, £6.5 million for the development works at the Mercury Theatre, £7.3 million for equity investment in Colchester Commercial Holdings Limited, £3.5 million for the Boulevard at Northern Gateway, £1.5 million for the purchase of properties for the Housing Revenue Account, £1.1 million for Disabled Facilities Grants, £1.3 million for the Northern Gateway sports project, £0.9 million for the purchase of vehicles, £0.8 million for Detailed Planning at Northern Gateway and £0.7 million for the Northern Gateway Heat Network.

Revenue Balances

Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. For 2018/19 the minimum prudent level of uncommitted balances required was £1.9 million.

As at 31 March 2019 the Council's General Fund balances stood at £7.9 million, of which £2.4 million was uncommitted or unallocated. The balances position will be reviewed as part of our ongoing financial planning and monitoring.

Provisions and contingencies

Provisions totalling £4.5 million (2017/18: £2.6 million) have been included within the Statement of Accounts to meet the estimated cost to the Council of Non-Domestic rating appeals, outstanding insurance claims and the costs to cover a pension fund deficit relating to former Council employees for which the actual cost of individual claims and the timing of payments are uncertain.

Treasury Management

The Local Government Act 2003 gave councils the freedom to determine how much they borrow for investment in new capital projects, subject to a regulation that such borrowing complies with the 'Prudential Code for Capital Finance in Local Authorities'. This flexibility has been reinforced for the Housing Revenue Account (HRA), with the abandonment of the HRA 'debt cap', with the intention to support further investment in affordable housing nationally. The Prudential Code looks to ensure affordability, prudence and sustainability in relation to locally determined borrowing limits. The Council determines the required Prudential Code indicators, Treasury Management Strategy and the Strategic Investment Strategy as part of the budget process for 2018/19. The borrowing and investment activities undertaken in the year are in accordance with these determinations.

The Council continues to use its internal resources to fund capital investment, as investment rates continue to be below long-term borrowing rates. Thus, value for money considerations indicated that new external borrowing should be avoided. This also has the advantage of reducing the Council's exposure to interest rate and credit risk on its investments. However, against this, the long-term saving resulting from borrowing at very low rates needs to be considered. The total loan debt remained at a level of £142.9 million. It is forecast that there will be a requirement to borrow over the coming years, especially for the need to finance the HRA capital programme.

The Council continues to maintain a low risk investment policy, achieving an average return on investments of 0.94%, this rate was achieved with investment opportunities provided through other local authorities, which provide short term investments at rates higher than the prevailing market. The Council continues with a policy of investing short term, with low risk counterparties; in line with its approved Treasury Management Policy.

In line with the governance requirements of the Council's Treasury Management Policy, a review of treasury management performance for 2018/19 and the impact on future performance and policy will be reported to the Audit and Governance Committee in October 2019.

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 £94.608 million shortfall at 31 March 2019. 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.

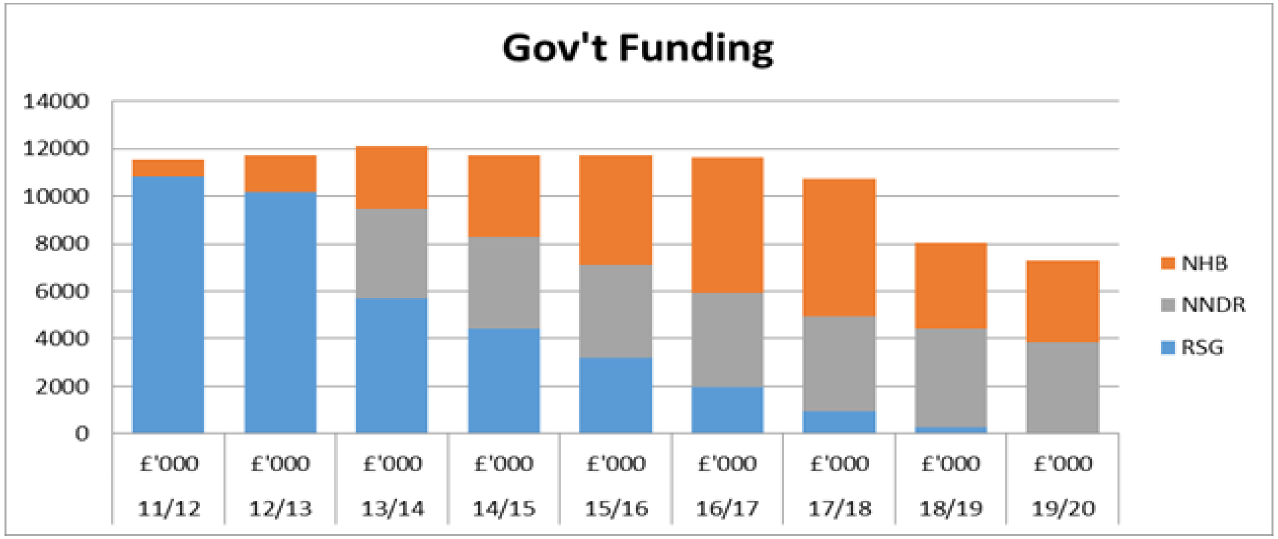
Strategy and outlook

The Revenue Budget for 2019/20 was prepared to meet the Council's Strategic Plan objectives whilst continuing to face significant reductions in Government funding. A balanced budget was produced based on a deliverable level of savings and income. The budget provided for investment in key services. This was achieved by:

- The budget process being led by Budget Group composed of the Cabinet and senior officers
- "Service Futures" Reviews to ensure that service areas could meet demands and take advantage of new ways of working to deliver efficiencies and income.
- Assessment of in-year budget pressures to ensure that these were considered in budget proposals
- Detailed budgets have been signed by budget managers
- The future impact of decisions has been reflected
- The Budget provides funds for investment
- Reserves and balances were reviewed to ensure they are appropriate for the risks the Council faces

2019/20 is the last year of a 4-year settlement. There are likely to be significant changes in funding for later years following Spending Review 2019. The graph shows how RSG has reduced from over £10m in 2011/12 to nil in 2019/20.

The graph also shows how the Council retains a share of business rates (NDR) and the changing level of funding from New Homes Bonus. Both these sources of funding come with risks and uncertainty.



	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Net Budget	20,206	20,175	20,673	21,509
Settlement Funding Assessment (SFA)	(4,257)	(4,300)	(4,343)	(4,386)
NDR Growth (incl. use of pooling gain)	(1,800)	(1,800)	(1,800)	(1,800)
New Homes Bonus	(3,480)	(2,890)	(2,837)	(2,804)
Council Tax	(12,072)	(12,556)	(13,062)	(13,588)
Reserves/Collection Fund	1,403	1,401	1,401	1,401
Cumulative Gap	0	976	1,478	2,278
Annual increase	0	976	502	800

Looking forward the key considerations for the Council are Spending Review 2019; the Fair Funding Review and potential changes to business rates retention.

The Government is implementing a Fair Funding Review. This was originally planned to come into operation in April 2020. The timetable is now uncertain. Any significant changes to national funding formulae may have a significant impact on the Council. Transition arrangements will be all important and these have yet to be clarified. The position on fair funding should be clearer after Spending Review 2019.

The Government also plans to introduce 75 per cent Business Rates Retention for all local authorities in 2020/21. Key considerations will be:

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

The Council will also need to watch carefully a large number of other technical factors. Such as how the Government realises its commitment to more rapidly reflect population changes in increased funding, whether there are any changes to existing returns and timetables, the impact on business rate pools as the Councils is currently a member of the Essex Pool, how will growth be shared between the tiers of Government, any changes to existing powers to levy a supplementary rate and any changes to the Business Improvement District arrangements.

Basis of preparation

The Statement of Accounts summarises the Council's income and expenditure for the 2018/19 financial year from 1 April 2018 to 31 March 2019, and its financial position at the year end of 31 March 2019. 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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 22)
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 23)
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 24)
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 25)
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 47)
This shows how annual expenditure is used and funded from resources (e.g. government grants, rents, Council Tax and Non Domestic Rates) in comparison with those resources consumed/earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services.

Housing Revenue Account Income and Expenditure Statement (page 127)
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 128).

Collection Fund Accounts (page 136)
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 141)
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.

Port Health Authority Accounts (page 172)
These are the accounts of an independent authority administered by the Council on behalf of itself and Tendring District Council.

Trust Fund Accounts (page 173)
These are the accounts of various funds for which the Council is a trustee.

Other information

This Statement of Accounts is one of several publications giving information on the Council's performance. The various annual reports have been brought into one place here on the Council's website (www.colchester.gov.uk) for ease of reference. These are also available via the Colchester Library and Community Hub, along with other public libraries.

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

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

Our Fairness Policy

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

For more information about these accounts, please contact:
Mark Jarvis, Finance Manager (Technical), Policy and Corporate,
Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester CO3 3WG
Telephone: Colchester (01206) 282774
E-mail: 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 166 give a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended.

Paul Cook
Head of Finance and Section 151 Officer
30 July 2019

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 30 July 2019.

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

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 2018 (Page 24)	**5,586**	**3,905**	**23,963**	**341**	**1,663**	**-**	**35,458**	**288,980**	**324,438**
Total Comprehensive Income and Expenditure	(11,361)	1,999	-	-	-	-	(9,362)	33,875	24,513
Adjustments between accounting basis and funding basis under regulations (Note 9)	10,414	(1,340)	-	2,462	1,990	-	13,526	(13,526)	-
Transfers to/from Earmarked Reserves (Note 10)	3,295	-	(883)	(2,412)	-	-	-	-	-
Net Increase/(Decrease) in year	**2,348**	**659**	**(883)**	**50**	**1,990**	**-**	**4,164**	**20,349**	**24,513**
Balance at 31 March 2019 (Page 24)	**7,934**	**4,564**	**23,080**	**391**	**3,653**	**-**	**39,622**	**309,329**	**348,951**
Balance at 31 March 2017	**9,381**	**2,946**	**20,221**	**2,112**	**-**	**7**	**34,667**	**220,801**	**255,468**
Total Comprehensive Income and Expenditure	(5,035)	22,631	-	-	-	-	17,596	51,374	68,970
Adjustments between accounting basis and funding basis under regulations (Note 9)	1,563	(21,763)	-	1,739	1,663	(7)	(16,805)	16,805	-
Transfers to/from Earmarked Reserves (Note 10)	(323)	91	3,742	(3,510)	-	-	-	-	-
Net Increase/(Decrease) in year	**(3,795)**	**959**	**3,742**	**(1,771)**	**1,663**	**(7)**	**791**	**68,179**	**68,970**
Balance at 31 March 2018 (Page 24)	**5,586**	**3,905**	**23,963**	**341**	**1,663**	**-**	**35,458**	**288,980**	**324,438**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	2018/19			2017/18		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure Restated	Gross Income Restated	Net Expenditure Restated
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core		408	(791)	(383)	378	(875)	(497)
Executive Management Team		723	(2)	721	777	-	777
Communities		8,083	(2,695)	5,388	9,477	(2,876)	6,601
Customer		58,226	(54,755)	3,471	61,467	(58,481)	2,986
Environment		20,302	(12,648)	7,654	19,084	(11,779)	7,305
Housing Revenue Account (Page 127)		23,976	(29,934)	(5,958)	3,170	(29,950)	(26,780)
Policy and Corporate		32,880	(15,163)	17,717	29,473	(15,466)	14,007
Non-Distributed Costs		(1,054)	-	(1,054)	231	-	231
Net Cost of Services		**143,544**	**(115,988)**	**27,556**	**124,057**	**(119,427)**	**4,630**
Other operating income and expenditure	11	2,651	(2,396)	255	2,245	(1,877)	368
Financing and investment income and expenditure	12	10,470	(4,029)	6,441	10,487	(5,163)	5,324
Taxation and non-specific grant income	13	-	(24,890)	(24,890)	-	(27,918)	(27,918)
(Surplus)/Deficit on Provision of Services	2	**156,665**	**(147,303)**	**9,362**	**136,789**	**(154,385)**	**(17,596)**
(Surplus)/Deficit on revaluation of non-current assets	27			(20,994)			(30,708)
Remeasurement of the net defined pension assets/(liabilities)	37			(12,881)			(20,666)
Other Comprehensive (Income)/Expenditure				**(33,875)**			**(51,374)**
Total Comprehensive (Income)/Expenditure				**(24,513)**			**(68,970)**

BALANCE SHEET

These financial statements replace the unaudited statements certified by Paul Cook, Head of Finance and Section 151 Officer on on 30 May 2019.

	Notes	31 March 2019 £'000	31 March 2018 £'000
Property, Plant and Equipment	14	517,612	498,204
Heritage Assets	15	1,328	1,328
Investment Properties	16	41,891	39,868
Intangible Assets	18	152	552
Long Term Investments	20	6	6
Long Term Debtors	21	4,623	4,557
Total Non-Current Assets		**565,612**	**544,515**
Short Term Investments	20	34,640	34,570
Assets Held for Sale	22	1,100	958
Inventories		177	201
Short Term Debtors	23	13,202	15,091
Short Term Loans	20	477	-
Cash and Cash Equivalents	20	19,545	13,594
Total Current Assets		**69,141**	**64,414**
Bank Overdraft		(3,245)	(3,988)
Short Term Borrowing	20	(7,293)	(7,282)
Short Term Creditors	24	(22,489)	(19,613)
Short Term Provisions	25	(4,220)	(2,306)
Grants Receipts in Advance – Revenue	34	(2,868)	(2,396)
Total Current Liabilities		**(40,115)**	**(35,585)**
Long Term Creditors – Finance Leases	36	(711)	(1,406)
Long Term Provisions	25	(306)	(322)
Long Term Borrowing	20	(135,594)	(135,594)
Pension Scheme Liability	37	(94,608)	(102,764)
Grants Receipts in Advance – Capital	34	(14,453)	(8,805)
Other Long Term Liabilities		(15)	(15)
Total Non-Current Liabilities		**(245,687)**	**(248,906)**
Total Net Assets		**348,951**	**324,438**
Usable Reserves	26	39,622	35,458
Unusable Reserves	27	309,329	288,980
Total Reserves		**348,951**	**324,438**

CASH FLOW STATEMENT

	Notes	2018/19 £'000	2017/18 £'000
Net Surplus/(Deficit) on the Provision of Services	Page 23	**(9,362)**	**17,596**
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	28	**32,676**	**(6,745)**
Adjustments for items included in Investing and Financing Activities:			
Capital grants credited to the Surplus/Deficit on the Provision of Services		(1,840)	(2,920)
Proceeds from the sale of short and long term investments		34,500	32,500
Proceeds from the sale of non-current assets		(5,172)	(4,957)
Adjustments for items included in Investing and Financing Activities		**27,488**	**24,623**
Net Cash Flows from Operating Activities		**50,802**	**35,474**
Investing Activities:			
Purchase of non-current assets		(21,960)	(14,596)
Purchase of short and long term investments		(34,500)	(34,500)
Proceeds from the sale of non-current assets		5,177	4,806
Other payments and receipts		7,540	4,558
Net Cash Flows from Investing Activities		**(43,743)**	**(39,732)**
Financing Activities:			
Cash receipts of long term borrowing		-	5,000
Cash payments for the reduction of the outstanding finance lease liabilities		(740)	(1,215)
Other payments and receipts		375	1,922
Net Cash Flows from Financing Activities		**(365)**	**5,707**
Net Increase/(Decrease) in Cash and Cash Equivalents		**6,694**	**1,449**
Cash and Cash Equivalents at 1 April (including Bank Overdraft balance)	28	9,606	8,157
Cash and Cash Equivalents at 31 March (including Bank Overdraft balance)	28	**16,300**	**9,606**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

AP 1 - General Principles

The Statement of Accounts summaries the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code of Practice) and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

AP 2 - Changes to Accounting Policies

Apart from the implementation of the new requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers there have been no changes to the Council's existing accounting policies in the 2018/19 financial year.

AP 3 - Accruals of Income and Expenditure

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

Estimates have been used where actual values are not available. All estimates are the best assessment made on the information available at the time the accounts are closed. When actual figures are determined, any difference from the estimate used for closure is accounted for in the year that the actual figure is determined. Estimation techniques are applied in particular to the calculation of depreciation, bad debt provisions, sums due to contractors and government grants.

AP 4 – Overheads and Support Services

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

AP 5 – Prior Period Adjustments

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

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

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

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

AP 6 - Charges to Revenue for Non-Current Assets

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

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

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

AP 7 - Revenue Expenditure Funded from Capital under Statute

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

AP 8 - Minimum Revenue Provision

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

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

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

AP 9 – Council Tax and Business Rates

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

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

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

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. The proportions of transactions that relate to the other parties to the arrangement are shown as debtors or creditors due from/to these parties.

AP 10 – Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
- quoted securities – current bid price.
- unquoted securities – professional estimate.
- unitised securities – current bid price.
- property – market value.

The change in the net pension liability is analysed into the following elements:
- Current Service Cost – the increase in liabilities as a result of years of service earned this year which is allocated to the relevant service lines in the Comprehensive Income and Expenditure Statement.
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net interest on the net defined benefit liability/(asset) –the change in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Return on plan assets – are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the latest actuarial valuation, or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as part of Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense for the Council.

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

Discretionary Benefits

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

AP 11 – Events after the Balance Sheet Date

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

Two types of events can be identified:

- **Adjusting events** are those that provide evidence of conditions that existed at the Balance Sheet Date. Where material, the Statement of Accounts is adjusted to reflect the impact of such events.

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

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

AP 12 – Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

Impairment of Financial Assets

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

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

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

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

AP 13 - Government Grants and Contributions

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

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

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

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

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

AP 14 – Property, Plant and Equipment

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Plant, Vehicles, Furniture and Equipment assets, Infrastructure assets, Community assets and Assets under construction – Depreciated Historical Cost.
- Council dwellings – Current Value, determined on the basis of Existing Use Value for Social Housing (EUV-SH).

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated as follows:

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

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

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

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

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

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

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, Investment Properties or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

AP 15 – Heritage Assets

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

The heritage assets which the Council holds are its collections of civic regalia, Roman treasure, works of art, museum exhibits and Colchester Castle.

Collection of Civic Regalia

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

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

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

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

Collection of Roman Treasure

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

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

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

Collection of Museum Exhibits and Works of Art

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

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

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

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

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

Colchester Castle

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

AP 16 – Investment Properties

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

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

Investment properties are not depreciated.

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

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

The accounting treatment for the disposal of investment properties is the same as that for Property, Plant and Equipment. See AP 14 for the disposal accounting policy applied to investment properties.

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

AP 17 – Intangible Assets

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

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

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

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

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

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

AP 18 – Assets Held for Sale

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

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

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

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

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

The accounting treatment for the disposal of assets held for sale is the same as that for Property, Plant and Equipment. See AP 14 for the disposals accounting policy applied for the disposal of assets held for sale.

AP 19 – Fair Value Measurement

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

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

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

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

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

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

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

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

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

AP 20 - Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a period of 100 days or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

AP 21 – Provisions

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

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

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

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

AP 22 - Reserves

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

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

Certain reserves (Unusable reserves) are kept to manage the accounting processes for non current assets, retirement benefits, local taxation and employee benefits. These do not represent usable resources at the Council's disposal. These reserves are explained and disclosed in Note 27.

AP 23 – Leases

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

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

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

Finance Leases – The Council as Lessee

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

Finance lease payments are apportioned between:

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

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

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

Operating Leases – The Council as Lessee

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

Finance Leases – The Council as Lessor

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

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

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

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

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

Operating Leases – The Council as Lessor

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

AP 24 – Contingent Liabilities

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

AP 25 - Interests in Companies

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

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

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

AP 26 – Joint Operations

Jointly controlled operations are arrangements whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement.

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

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

AP 27 – Business Improvement District

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

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

AP 28 - Value Added Tax (VAT)

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

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

2. Expenditure and Funding Analysis

2018/19	Council Year end Management Report	Adjustments (Note 2a)	Net Expenditure chargeable to GF and HRA Balances	Adjustments between Funding and Accounting Basis: Adjustments for Capital Purposes (Note 2b)	Net Change for the Pensions Adjustments (Note 2b)	Other Differences (Note 2b)	Total Adjustments (Note 9)	Net Expenditure in the CIES (Page 23)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	(407)	24	(383)	-	-	-	**-**	**(383)**
Executive Management Team	657	1	658	-	78	(15)	**63**	**721**
Communities	1,674	1,009	2,683	2,017	678	10	**2,705**	**5,388**
Customer	4,091	(1,409)	2,682	97	708	(16)	**789**	**3,471**
Environment	4,673	(264)	4,409	2,023	1,208	14	**3,245**	**7,654**
Housing Revenue Account	(659)	(11,044)	(11,703)	5,726	18	1	**5,745**	**(5,958)**
Policy and Corporate	9,323	392	9,715	6,774	1,260	(32)	**8,002**	**17,717**
Non-Distributed Costs	-	706	706	78	(1,838)	-	**(1,760)**	**(1,054)**
Net Cost of Services	**19,352**	**(10,585)**	**8,767**	**16,715**	**2,112**	**(38)**	**18,789**	**27,556**
Other operating income and expenditure (Note 11)			**2,005**				**(1,750)**	**255**
Financing and Investment income and expenditure (Note 12)			**14,084**				**(7,643)**	**6,441**
Taxation and Non Specific Grant income (Note 13)			**(24,568)**				**(322)**	**(24,890)**
(Surplus)/Deficit on Provision of Services			**288**				**9,074**	**9,362**
Opening General Fund and HRA Balances (Page 22)			**(9,491)**					
(Surplus)/Deficit on Provision of Services			288					
Transfers to Earmarked Reserves			(3,295)					
Closing General Fund and HRA Balances (Page 22)			**(12,498)**					

2017/18 - Restated	**Council Year end Management Report**	**Adjustments**	**Net Expenditure chargeable to GF and HRA Balances**	**Adjustments between Funding and Accounting Basis**				**Net Expenditure in the CIES**
				Adjustments for Capital Purposes	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**	
		(Note 2a)		**(Note 2b)**	**(Note 2b)**	**(Note 2b)**	**(Note 9)**	**(Page 23)**
		Restated	**Restated**	**Restated**	**Restated**	**Restated**	**Restated**	**Restated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	(450)	(47)	**(497)**	-	-	-	**-**	**(497)**
Executive Management Team	656	-	**656**	-	105	16	**121**	**777**
Communities	4,268	(915)	**3,353**	2,517	740	(9)	**3,248**	**6,601**
Commercial	1,013	(1,013)	**-**	-	-	-	**-**	**-**
Customer	3,999	(1,951)	**2,048**	103	845	(10)	**938**	**2,986**
Environment	2,771	1,750	**4,521**	1,484	1,316	(16)	**2,784**	**7,305**
Housing Revenue Account	(959)	(8,761)	**(9,720)**	(17,080)	19	1	**(17,060)**	**(26,780)**
Policy and Corporate	7,676	920	**8,596**	3,655	1783	(27)	**5,411**	**14,007**
Non-Distributed Costs	-	6,083	**6,083**	121	(5,973)	-	**(5,852)**	**231**
Net Cost of Services	**18,974**	**(3,934)**	**15,040**	**(9,200)**	**(1,165)**	**(45)**	**(10,410)**	**4,630**
Other operating income and expenditure (Note 11)			**1,690**				**(1,322)**	**368**
Financing and Investment income and expenditure (Note 12)			**10,145**				**(4,821)**	**5,324**
Taxation and Non Specific Grant income (Note 13)			**(24,271)**				**(3,647)**	**(27,918)**
(Surplus)/Deficit on Provision of Services			**2,604**				**(20,200)**	**(17,596)**

	£'000
Opening General Fund and HRA Balances (Page 22)	**(12,327)**
(Surplus)/Deficit on Provision of Services	2,604
Transfers to Earmarked Reserves	232
Closing General Fund and HRA Balances (Page 22)	**(9,491)**

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

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

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

	2018/19				**2017/18 - Restated**			
	Services and Support Services not in Analysis	**Corporate & Technical Adjustments**	**Amounts not included in the CIES**	**Total Adjustments (page 48)**	**Services and Support Services not in Analysis Restated**	**Corporate & Technical Adjustments Restated**	**Amounts not included in the CIES Restated**	**Total Adjustments (page 48) Restated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	(457)	99	382	**24**	(424)	37	340	**(47)**
Executive Management Team	-	-	1	**1**	-	-	-	**-**
Communities	1,009	-	-	**1,009**	(914)	-	(1)	**(915)**
Commercial	-	-	-	**-**	(1,013)	-	-	**(1,013)**
Customer	(1,410)	-	1	**(1,409)**	(1,954)	-	3	**(1,951)**
Environment	(260)	-	(4)	**(264)**	1,750	-	-	**1,750**
Housing Revenue Account	-	-	(11,044)	**(11,044)**	-	-	(8,761)	**(8,761)**
Policy and Corporate	(2,366)	-	2,758	**392**	(1,163)	-	2,083	**920**
Non-Distributed Costs	-	706	-	**706**	-	6,083	-	**6,083**
Net Cost of Services	**(3,484)**	**805**	**(7,906)**	**(10,585)**	**(3,718)**	**6,120**	**(6,336)**	**(3,934)**

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

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

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

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

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

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

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

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

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

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

		2018/19 £'000	2017/18 £'000
Employee related expenditure		26,969	29,508
Other services expenses		91,634	92,682
Support services recharges		3,662	4,321
Depreciation, amortisation and impairment		21,278	(2,454)
Interest payments		6,592	6,592
Precepts and levies		1,748	1,546
Payments to Housing Capital Receipts Pool		773	678
Pension Fund expenditure		2,613	3,227
Increase in bad debt provisions		171	-
Losses on the disposal of assets		130	21
Changes in the fair value of investment properties		1,043	615
Other expenditure		52	53
Total Expenditure	**Page 23**	**156,665**	**136,789**
Fees, charges and other service income		(61,694)	(63,158)
Interest and investment income		(681)	(375)
Income from Council Tax and Non Domestic Rates		(17,153)	(17,267)
Government grants and contributions		(62,030)	(66,920)
Gains on the disposal of assets		(2,148)	(1,692)
Income in relation to investment properties		(2,372)	(2,016)
Changes in the fair value of investment properties		(319)	(2,772)
Decrease in bad debt provisions		(372)	-
Other income		(534)	(185)
Total Income	**Page 23**	**(147,303)**	**(154,385)**
(Surplus)/Deficit on the Provision of Services	**Pages 23, 47 and 48**	**9,362**	**(17,596)**

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

The Code of Practice requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2018/19 Code of Practice.

The accounting changes that's are introduced by the 2019/20 Code of Practice include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advice Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

None of these changes are expected to have a material impact on the information disclosed in the Council's Statement of Accounts.

IFRS 16 Leases will require the Council where it is a lessee in leasing arrangements to recognise the majority of these leases on its Balance Sheet as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred the implementation of IFRS16 for Local Government until 1 April 2020. The Council is currently in the process of evaluating the financial impact of this new standard on its 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 undertaken an analysis to classify the leases it holds, both as lessee and lessor; as either operating or finance leases. The accountings standards in relation to leases have been applied and where there is a judgement that the arrangement is a finance lease, the asset is recognised on / derecognised from the Council's Balance Sheet.

Classification of investment properties

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

Valuation of Property, Plant and Equipment

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

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

Market loans

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

Heritage Assets

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

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

Composition of Group Accounts

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

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

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

Depreciation of Property, Plant and Equipment Assets

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

Revaluation of Property, Plant and Equipment Assets

The Council’s Property, Plant and Equipment assets are revalued on a periodic basis and reviewed annually for indications of impairment. Advice on revaluation is provided by the Council's external property valuers in line with the CIPFA Code of Practice and the relevant RICS guidance. If actual results differ, the value of the Property, Plant and Equipment assets on the Council's Balance Sheet as at 31 March 2019 will be under or over stated. The financial impact will be adjusted in the following financial year.

Net Pension Liability

The estimation of the net liability to pay pensions, is dependent on a number of complex judgements; such as the discount rate applied, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and the rate of commuted pensions. Actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied.

The effect on the net pension liability of changes in individual assumptions can be measured. For example a 0.1% increase in the discount rate assumption would lead to a decrease of £5.0 million in the net pension liability from £279.5 million to £274.5 million. See Note 37 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

Debt impairment

The Council has included a provision of £7.5 million for the impairment of doubtful debts as at 31 March 2019 in its accounts. Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, it is not certain that this provision will continue to be sufficient. If debtor collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision with a view to increasing the provision held by the Council.

Provision for Business Rates Appeals

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

Provision for the impairment of Financial Instruments

At 31 March 2019, the Council held on its Balance Sheet a balance for its short and long term financial instruments. A review of these balances suggests that on occasion a bad debt provision is required. Where possible the assessment takes into account the impact of the current economic climate where applicable. It is not certain whether such a provision is sufficient.

Fair value measurements

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

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

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

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

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

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

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

6. Material items of income and expenditure

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

General Fund

The Council revalued a sample of Land and Buildings Assets and Surplus Assets during the year and at the year end. These revaluations were performed by the Council's external valuers. The overall impact of these revaluations was a net revaluation gain of £0.1 million. Under the Code of Practice, £1.8 million revaluation gains were used to reverse previously recognised revaluation losses, and £3.7 million revaluation losses were included in 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 £2.0 million gain was taken to the Revaluation Reserve.

Housing Revenue Account

The Council's Housing stock, Garages and other HRA properties were revalued as at 31 March 2019 by the Council's external valuers on a book valuation basis using the 'Stock Valuation for Resource Accounting' guidance produced by the MHCLG. The overall impact was a net revaluation gain of £22.3 million. Under the Code of Practice, £4.2 million revaluation gains were used to reverse previously recognised revaluation losses, and £0.9 million revaluation losses were included in the 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 £19.0 million gain was taken to the Revaluation Reserve.

In 2018/19 the Council incurred expenditure of £8.5 million on its housing stock, which related to the replacement of existing components of buildings in order to maintain the stock at the Decent Home Standard prescribed by the Government. Under the Code of Practice, the original cost of the components of £0.6 million has been derecognised in the 2018/19 accounts. The remaining balance of the expenditure has been treated as a revaluation loss, which has been taken to the Housing Revenue Account Income and Expenditure Statement. This expenditure has then been transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

7. Prior period adjustments

Changes made to 2017/18 Comparatives

In 2018/19 the Council undertook a review of the structure of its internal services and this has had an impact on the composition of the services across the Council. As a result of this internal restructure the 2017/18 comparative values in the lines within the Cost of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. There is no impact on the bottom line of the Council's core financial statements for 2017/18 as the adjustments made are reclassification amendments.

8. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on 30 July 2019 (see page 21). 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 2019 that would materially affect these accounts, and as such no adjustments have been made to the figures included within the financial statements or notes.

9. Adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied Account

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

2018/19	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)	27	4,766	(41)	-	-	-
Financial Instruments (to/from Financial Instruments Adjustment Account)	27	(54)	-	-	-	-
Council Tax and NDR (to/from Collection Fund Adjustment Account)	27	1,518	-	-	-	-
Holiday pay (to/from Accumulated Adjustment Account)	27	(39)	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (to/from Capital Adjustment Account)		11,786	13,091	-	-	-
Total Adjustments to the Revenue Resources		**17,977**	**13,050**	**-**	**-**	**-**
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve		-	(4,922)	4,922	-	-
Capital receipts not linked to disposal of non-current assets		(248)	-	248	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)		517	-	(517)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		-	(4,533)	-	4,533	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	27	(1,322)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	27	(4,670)	(4,935)	-	-	-
Total Adjustments between Revenue and Capital Resources		**(5,723)**	**(14,390)**	**4,653**	**4,533**	**-**
Use of Capital Receipts Reserve to finance capital expenditure		-	-	(2,280)	-	-
Use of Major Repairs Reserve to finance capital expenditure		-	-	-	(2,543)	-
Application of capital grants to finance capital expenditure		(1,840)	-	-	-	-
Cash payments in relation to deferred capital receipts		-	-	89	-	-
Total Adjustments to Capital Resources		**(1,840)**	**-**	**(2,191)**	**(2,543)**	**-**
Total Adjustments (Page 22)		**10,414**	**(1,340)**	**2,462**	**1,990**	**-**

2017/18	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)	27	2,931	(869)	-	-	-
Financial Instruments (to/from Financial Instruments Adjustment Account)	27	(43)	-	-	-	-
Council Tax and NDR (to/from Collection Fund Adjustment Account)	27	(729)	-	-	-	-
Holiday pay (to/from Accumulated Adjustment Account)	27	(45)	-	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (to/from Capital Adjustment Account)		5,743	(7,142)	-	-	-
Total Adjustments to the Revenue Resources		**7,857**	**(8,011)**	**-**	**-**	**-**
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve		-	(4,772)	4,772	-	-
Capital receipts not linked to disposal of non-current assets		(73)	(109)	182	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)		534	-	(534)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve		-	(6,858)	-	6,858	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	27	(1,255)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	27	(2,580)	(2,013)	-	-	-
Total Adjustments between Revenue and Capital Resources		**(3,374)**	**(13,752)**	**4,420**	**6,858**	**-**
Use of Capital Receipts Reserve to finance capital expenditure		-	-	(2,768)	-	-
Use of Major Repairs Reserve to finance capital expenditure		-	-	-	(5,195)	-
Application of capital grants to finance capital expenditure		(2,920)	-	-	-	(7)
Cash payments in relation to deferred capital receipts		-	-	87	-	-
Total Adjustments to Capital Resources		**(2,920)**	**-**	**(2,681)**	**(5,195)**	**(7)**
Total Adjustments (Page 22)		**1,563**	**(21,763)**	**1,739**	**1,663**	**(7)**

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 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
Repairs and Renewals Fund	1,907	(442)	508	1,973	(362)	494	2,105
Insurance Reserve	429	(86)	89	432	(31)	70	471
Capital Expenditure Reserve	2,813	(2,744)	3,546	3,615	(3,758)	1,591	1,448
Asset Replacement Reserve	112	(43)	-	69	(39)	-	30
Revolving Investment Fund Reserve	1,095	(143)	250	1,202	(167)	257	1,292
Revenue Grants Unapplied Reserve	2,893	(2,404)	2,900	3,389	(1,693)	1,247	2,943
Business Rates Reserve	1,753	(910)	-	843	-	600	1,443
Retained Right to Buy Receipts Reserve	7,865	(541)	3,510	10,834	(1,779)	2,412	11,467
Gosbecks Reserve	204	(16)	1	189	(19)	1	171
Decriminalisation Parking Reserve	977	(150)	372	1,199	(185)	444	1,458
Other Reserves	173	(20)	65	218	-	34	252
Total	**20,221**	**(7,499)**	**11,241**	**23,963**	**(8,033)**	**7,150**	**23,080**

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

The **Insurance Reserve** is kept to cover the potential risk of fire and damage to Council houses and other selected properties, as well as certain other risks. The Insurance Fund has been allocated between the provision and reserve elements (See Note 25).

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

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

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

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

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

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

11. Other Operating Income and Expenditure

	2018/19 £’000	**2017/18 £’000**
Parish Council precepts	1,748	1,546
Payments to the Government housing capital receipts pool	773	678
(Gains)/Losses on the disposal of non-current assets	(2,018)	(1,671)
Capital receipts not linked to disposals	(248)	(185)
Total Other Operating (Income)/Expenditure	**255**	**368**

12. Financing and Investment Income and Expenditure

	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	6,592	6,592
Interest receivable and similar income	(681)	(375)
Net interest on the pension scheme liability	2,541	3,163
Pension administration costs	72	64
Income and expenditure in relation to investment properties	(2,320)	(1,963)
Changes in the fair value of investment properties	724	(2,157)
Net movement in bad debt provisions	(201)	-
Other investment income	(286)	-
Total Financing and Investment Income and Expenditure	**6,441**	**5,324**

13. Taxation and Non Specific Grant Income

	2018/19 £'000	2017/18 £'000
Council Tax	(13,371)	(12,675)
Non-Domestic Rates	(3,782)	(4,592)
Non ringfenced Government grants	(5,897)	(7,731)
Capital grants and contributions	(1,840)	(2,920)
Total Taxation and Non Specific Grant Income	**(24,890)**	**(27,918)**

14. Property, Plant and Equipment

2018/19	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
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2018	**344,203**	**128,056**	**19,707**	**6,993**	**399**	**16,076**	**1,603**	**517,037**
Additions	9,850	4,637	2,239	185	-	-	5,451	22,362
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,032)	(2,452)	-	-	-	(17)	-	(6,501)
Revaluations to Revaluation Reserve	18,146	5,583	-	-	-	(2,608)	-	21,121
Revaluations to (Surplus)/Deficit	(4,603)	(2,644)	-	-	-	85	-	(7,162)
Derecognition – disposals	(1,861)	(39)	(636)	-	-	-	-	(2,536)
Derecognition - other	(600)	(134)	-	-	-	-	(81)	(815)
Reclassified from/(to) Assets held for Sale	-	-	-	-	-	(1,100)	-	(1,100)
Reclassified from/(to) Investment Properties	-	(445)	-	-	-	-	(2,298)	(2,743)
Reclassified within PPE categories	63	(63)	-	8	-	-	(8)	-
At 31 March 2019	**361,166**	**132,499**	**21,310**	**7,186**	**399**	**12,436**	**4,667**	**539,663**
Accumulated Depreciation and Impairment								
At 1 April 2018	**-**	**(5,186)**	**(11,349)**	**(2,289)**	**-**	**(9)**	**-**	**(18,833)**
Depreciation charge	(4,047)	(3,444)	(2,012)	(305)	-	(23)	-	(9,831)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,032	2,452	-	-	-	17	-	6,501
Impairment losses to Revaluation Reserve	(6)	(121)	-	-	-	-	-	(127)
Impairment losses to (Surplus)/Deficit	(110)	(335)	-	-	-	(60)	-	(505)
Derecognition – disposals	13	5	592	-	-	-	-	610
Derecognition – other	-	134	-	-	-	-	-	134
Reclassified within PPE categories	(1)	1	-	-	-	-	-	-
At 31 March 2019	**(119)**	**(6,494)**	**(12,769)**	**(2,594)**	**-**	**(75)**	**-**	**(22,051)**
Net Book Value:								
At 31 March 2019	**361,047**	**126,005**	**8,541**	**4,592**	**399**	**12,361**	**4,667**	**517,612**
At 1 April 2018	344,203	122,870	8,358	4,704	399	16,067	1,603	498,204

2017/18	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
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2017	**305,356**	**124,809**	**19,594**	**6,328**	**313**	**12,946**	**3,491**	**472,837**
Additions	7,482	2,943	1,255	665	-	329	1,841	14,515
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(6,457)	(3,694)	-	-	-	(8)	-	(10,159)
Revaluations to Revaluation Reserve	23,744	5,155	-	-	-	1,798	-	30,697
Revaluations to (Surplus)/Deficit	18,207	(484)	-	-	-	506	-	18,229
Derecognition – disposals	(2,577)	(39)	(299)	-	-	-	-	(2,915)
Derecognition - other	(594)	(134)	(843)	-	-	-	(617)	(2,188)
Reclassified from/(to) Assets held for Sale	(958)	-	-	-	-	-	-	(958)
Reclassified from/(to) Investment Properties	-	(245)	-	-	-	250	(3,026)	(3,021)
Reclassified within PPE categories	-	(255)	-	-	86	255	(86)	-
At 31 March 2018	**344,203**	**128,056**	**19,707**	**6,993**	**399**	**16,076**	**1,603**	**517,037**
Accumulated Depreciation and Impairment								
At 1 April 2017	**-**	**(5,745)**	**(10,059)**	**(2,015)**	**-**	**-**	**-**	**(17,819)**
Depreciation charge	(6,469)	(3,249)	(1,834)	(274)	-	(9)	-	(11,835)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	6,457	3,694	-	-	-	8	-	10,159
Derecognition – disposals	12	8	294	-	-	-	-	314
Derecognition – other	-	98	250	-	-	-	-	348
Reclassified within PPE categories	-	8	-	-	-	(8)	-	-
At 31 March 2018	**-**	**(5,186)**	**(11,349)**	**(2,289)**	**-**	**(9)**	**-**	**(18,833)**
Net Book Value:								
At 31 March 2018	**344,203**	**122,870**	**8,358**	**4,704**	**399**	**16,067**	**1,603**	**498,204**
At 1 April 2017	305,356	119,064	9,535	4,313	313	12,946	3,491	455,018

Depreciation

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

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

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

Revaluations

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

The revaluations performed in 2018/19 were:

- A sample of General Fund properties as at 1 December 2018.
- Council dwellings and Homeless properties to their fair value as at 31 March 2019.
- A sample of Council properties within the year-end portfolio review performed as at 31 March 2019.
- Ad-hoc revaluations of other assets throughout the 2018/19 financial year.

The Council dwellings and other HRA properties were revalued at 1 April 2015 at a gross value of £296 million. Council dwellings were revalued in line with the requirements of Resource Accounting for the Housing Revenue Account. Guidance on the valuation approach was provided by the MHCLG. The dwellings were valued on the basis of Existing Use Value – Social Housing (EUV-SH). The stock was broken down into archetype groups, with an average based on beacon values applied to each group. The figure applied per unit is based upon tenanted individual properties. The valuation for Council dwellings and other HRA properties has been adjusted to their values at 31 March 2019 using book valuations provided by the Council's external property valuers. This resulted in a net revaluation gain of £22.3 million.

Expenditure of £8.5 million was incurred in 2018/19 to maintain the Council's housing stock at the Decent Homes standard prescribed by the Government. This expenditure does not add additional value as it primarily relates to the replacement of existing components to keep the Council's housing at a decent level. The original cost of the components that were replaced has been estimated at £0.6 million, and this has been derecognised in the accounts. The remaining expenditure balance of £7.9 million has been treated as a revaluation loss relating to Council housing at 31 March 2019.

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

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

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

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

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

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

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

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

As at 31 March 2019	**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	-	2,826	21,310	7,186	399	-	4,667	36,388
Valued at fair value in the financial year ending:								
31 March 2015	-	510	-	-	-	-	-	510
31 March 2016	-	136	-	-	-	-	-	136
31 March 2017	-	7,436	-	-	-	-	-	7,436
31 March 2018	-	104	-	-	-	622	-	726
31 March 2019	361,166	121,487	-	-	-	11,814	-	494,467
Gross Book Value	**361,166**	**132,499**	**21,310**	**7,186**	**399**	**12,436**	**4,667**	**539,663**

15. Heritage Assets

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	Museum Exhibits £'000	Total £'000
Balance at 1 April 2017	**1,254**	**63**	**-**	**-**	**1,317**
Acquisitions at cost	-	-	173	-	173
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	-	(173)	-	(173)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	11	11
Balance at 31 March 2018	**1,254**	**63**	**-**	**11**	**1,328**
Acquisitions at cost	-	-	16	-	16
Revaluation increases/(decreases) recognised in the Surplus/Deficit	-	-	(16)	-	(16)
Balance at 31 March 2019	**1,254**	**63**	**-**	**11**	**1,328**

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. The collection also includes one of the largest maces in the country, which is used as a symbol of authority from the sovereign.

The civic regalia collection is managed by the Council's Town Serjeant, who holds a civic regalia book listing all of the assets held within the Council's collection. An annual audit of the collection is made by the Town Serjeant to confirm that all of the assets are in the possession of the Council, and to review their physical condition. At its completion, an internal register is signed off by the Town Serjeant with the outgoing and incoming mayors to evidence the review. The collection is held securely in the Town Hall and is only able to be viewed by the public on organised tours. Specific items of this collection are only taken out of the Town Hall on certain civic and remembrance occasions. Acquisitions into this collection are very rare, and none have been made in the last 20 years. The Council does not dispose of any civic regalia items as it has a policy of maintaining and retaining all of the assets within its collection.

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

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

Roman Treasure Collection

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

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

Collections of museum exhibits and works of art

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

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

The collections of museum exhibits and works of art are managed centrally by the collection management team within the museum service. All items are entered into an accession register when they are received. Further details regarding each item are then recorded on the museum service’s computerised record system. The conservation team is responsible for the preservation of the collections. Environmental conditions are set in the Council’s museums and storage facilities. Condition surveys are performed frequently to monitor and identify any issues relating to the items held in the collections.

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

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

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

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

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

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

Colchester Castle

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

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

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

In 2018/19, capital expenditure totalling £16,000 was incurred relating to works performed on the town walls. This expenditure has been written off in the year via revaluation losses as the works relate to underlying assets that are not capitalised as heritage assets on the Council’s Balance Sheet.

16. Investment Properties

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

	2018/19 £'000	2017/18 £'000
Rental income from investment properties	(2,372)	(2,015)
Direct operating expenses arising from investment properties	52	52
Net (gain)/loss on Investment Properties	**(2,320)**	**(1,963)**

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

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

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

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	39,868	34,690
Additions	4	-
Net gains/(losses) arising from fair value adjustments	(724)	2,157
Transfers (to)/from Property, Plant and Equipment	2,743	3,021
Balance at 31 March	**41,891**	**39,868**

17. Fair Value Measurement of Property Assets

Fair Value Hierarchy

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

Recurring fair value measurements:

	2018/19 Other significant observable Inputs (Level 2) £'000	2018/19 Significant unobservable Inputs (Level 3) £'000	2018/19 Total Fair Value as at 31 March 2019 £'000	2017/18 Other significant observable Inputs (Level 2) £'000	2017/18 Significant unobservable Inputs (Level 3) £'000	2017/18 Total Fair Value as at 31 March 2018 £'000
Surplus Assets						
Commercial development sites	-	11,239	11,239	-	13,654	13,654
Residential development sites	-	961	961	-	2,251	2,251
Other	-	161	161	-	162	162
Total (Note 14)	**-**	**12,361**	**12,361**	**-**	**16,067**	**16,067**
Investment Properties						
Commercial units	95	18,542	18,637	95	18,512	18,607
Retail units	2,579	12,286	14,865	2,551	12,457	15,008
Car parks	-	1,913	1,913	-	1,834	1,834
Residential development sites	-	281	281	-	281	281
Offices	5,957	-	5,957	3,900	-	3,900
Other	112	126	238	112	126	238
Total (Note 16)	**8,743**	**33,148**	**41,891**	**6,658**	**33,210**	**39,868**
Assets Held for Sale						
Residential development site	1,100	-	1,100	958	-	958
Total (Note 22)	**1,100**	**-**	**1,100**	**958**	**-**	**958**

The Council does not hold any property assets that have quoted prices in active markets for identical assets, and as such no assets have been categorised as Level 1 assets. No transfers have been made between Level 1 and 2 during the 2017/18 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 2018/19.

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 2018/19 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 2018/19 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 2018/19 year for the valuation of Investment Properties and Surplus Assets.

<u>Level 2 Valuations</u>

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

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

Level 3 Valuations

Type	Significant unobservable inputs	Relationship between unobservable inputs to fair value
Commercial Units Retail Units Car Parks Other Assets	• 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.

Highest and Best Use

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

In the case of 9 Surplus Assets and 2 Investment Properties, the Council's external valuers have identified their highest and best uses to be as commercial/residential development sites rather than as their current uses.

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

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

Surplus Assets: Level 3

	Commercial Development Sites £'000	Residential Development Sites £'000	Other £'000
Balance as at 1 April 2017	**10,750**	**1,360**	**162**
Additions	329	-	-
Gains/(Losses) taken to the Revaluation Reserve during the year	1,350	447	1
Gains/(Losses) taken to the Surplus/Deficit during the year	656	(149)	(1)
Transfers in from Level 2 category	569	-	-
Transfers in from Other land and Buildings category	-	352	-
Transfers in from Investment Property	-	250	-
Depreciation charges	-	(9)	-
Balance as at 31 March 2018	**13,654**	**2,251**	**162**
Gains/(Losses) taken to the Revaluation Reserve during the year	(2,500)	(108)	-
Gains/(Losses) taken to the Surplus/Deficit during the year	85	-	-
Transfers to Assets Held for Sale	-	(1,100)	-
Depreciation charges	-	(22)	(1)
Impairment losses	-	(60)	-
Balance as at 31 March 2019	**11,239**	**961**	**161**

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 2017	**17,490**	**12,221**	**1,805**	**550**	**157**
Gains/(Losses) taken to the Surplus/Deficit during the year	1,022	236	29	(19)	(3)
Reclassifications to Property, Plant and Equipment	-	-	-	(250)	-
Transfers to Level 2	-	-	-	-	(28)
Balance as at 31 March 2018	**18,512**	**12,457**	**1,834**	**281**	**126**
Gains/(Losses) taken to the Surplus/Deficit during the year	30	(171)	79	-	-
Balance as at 31 March 2019	**18,542**	**12,286**	**1,913**	**281**	**126**

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

18. Intangible Assets

Purchased Software

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

The carrying amount of intangible assets is amortised on a straight-line basis. In 2018/19, amortisation of £0.379 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:

		2018/19 £'000	2017/18 £'000
Cost:	At 1 April	10,108	10,106
	Additions: Purchases	-	2
	Derecognitions	(7,101)	-
	At 31 March	**3,007**	**10,108**
Amortisation:	At 1 April	(9,556)	(9,112)
	Amortisation for the year	(379)	(444)
	Derecognitions	7,080	-
	At 31 March	**(2,855)**	**(9,556)**
Net carrying amount at 31 March		**152**	**552**
Net carrying amount at 1 April		552	994

19. Capital Expenditure and Capital Financing

Movements in Capital Financing Requirement in the year

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

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement at 1 April	**154,189**	**154,597**
Capital Expenditure		
Property, Plant and Equipment	22,362	14,515
Investment Properties	4	-
Heritage Assets	16	173
Intangible Assets	-	2
Revenue Expenditure Funded from Capital under Statute	2,695	2,270
Long Term Debtors	27	45
	25,104	**17,005**
Sources of Finance		
Capital Receipts	2,280	2,768
Government Grants and Other Contributions	1,840	2,928
Major Repairs Reserve	2,544	5,195
Direct Revenue Contributions	9,605	4,593
Minimum Revenue Provision	1,322	1,254
Write-off of Finance Lease Creditor	22	675
	17,613	**17,413**
Closing Capital Financing Requirement at 31 March	**161,680**	**154,189**
Explanation of movements in year:		
Increase in underlying need to borrowing (unsupported by government financial assistance)	8,835	1,291
Assets acquired under finance leases	-	230
Minimum Revenue Provision	(1,322)	(1,254)
Write-off of Finance Lease Creditor	(22)	(675)
Increase/(Decrease) in the Capital Financing Requirement	**7,491**	**(408)**

Capital Commitments

At 31 March 2019, the Council has entered into a number of major contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The significant commitments are:

Scheme	Total Contract Value £'000	Outstanding at 31 March 2019 £'000	Outstanding at 31 March 2018 £'000
Decent Homes and upgrades to Council Stock	3,786	2,510	4,302
Specific Adaptations to Housing Stock	3,584	420	473
Sheepen Road (Amphora Place) Phase 2 building works	2,063	63	2,024
Colchester Northern Gateway Sports Hub – project management fees etc.	2,069	484	416
Colchester Northern Gateway Sports Hub – building works	19,926	19,358	-
Colchester Northern Gateway Sports Hub – pitch works	1,079	252	-
Mercury Theatre – building works	6,815	6,653	-
Waste Vehicles – purchases	4,033	1,937	-
Sweepers – purchases	576	576	-

20. Financial Instruments

Transition to IFRS 9 – Financial Instruments

The table below details the effect of reclassification of financial assets following the adoption of IFRS 9:

	Carrying amount brought forward at 1 April 2018	New classification at 1 April 2018	
		Amortised Cost	Fair Value through Other Comprehensive Income
Previous Classifications	**£'000**	**£'000**	**£'000**
Loans and Receivables	34,570	34,570	-
Available for Sale	6	-	6
Reclassified amounts at 1 April 2018	**34,576**	**34,570**	**6**

Given the low risk of the Council's Treasury Management Strategy; there has been no material impact on either accounting or reporting terms as result of the implementation of IFRS 9.

Categories of Financial Instruments

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

	Long Term		Short Term	
	31 March 2019 £'000	Restated 31 March 2018 £'000	31 March 2019 £'000	Restated 31 March 2018 £'000
Financial Assets:				
Financial Assets valued at amortised cost	-	-	35,117	34,570
Financial Assets measured at fair value through other comprehensive income	6	6	-	-
Cash and cash equivalents				
Cash held by the Council	-	-	8	10
Bank current accounts	-	-	273	253
Short term deposits	-	-	19,264	13,331
Financial Assets carried at contract amount	4,623	4,557	7,562	9,633
Total Financial Assets	**4,629**	**4,563**	**62,224**	**57,797**
Financial Liabilities:				
Bank Overdraft	-	-	(3,245)	(3,988)
Borrowings				
Public Works Loan Board	(104,594)	(104,594)	-	-
Money Market	(31,000)	(31,000)	(7,293)	(7,282)
Financial Liabilities carried at contract value	-	-	(11,263)	(12,175)
Finance Lease liabilities	(711)	(1,406)	(680)	(779)
Total Financial Liabilities	**(136,305)**	**(137,000)**	**(22,481)**	**(24,224)**

Items of Income, Expense, Gains and Losses

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

	2018/19			2017/18		
	Financial Liabilities: measured at amortised cost £'000	**Financial Assets: measured at amortised cost £'000**	**Total £'000**	**Financial Liabilities: measured at amortised cost £'000**	**Financial Assets: measured at amortised cost £'000**	**Total £'000**
Interest expense	6,592	-	6,592	6,592	-	6,592
Total expense in Surplus/Deficit on Provision of Services	**6,592**	**-**	**6,592**	**6,592**	**-**	**6,592**
Interest income	-	(681)	(681)	-	(375)	(375)
Other investment income - Dividends	-	(286)	(286)	-	-	-
Total income in Surplus/Deficit on Provision of Services	**-**	**(967)**	**(967)**	**-**	**(375)**	**(375)**
Net (gain)/loss for the year	**6,592**	**(967)**	**5,625**	**6,592**	**(375)**	**6,217**

Fair Value of Financial Assets and Liabilities

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

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

The fair values calculated are as follows:

Financial Assets	31 March 2019		31 March 2018	
	Carrying Amount	**Fair Value**	**Carrying Amount Restated**	**Fair Value Restated**
	£'000	**£'000**	**£'000**	**£'000**
Short term investments	34,640	34,640	34,570	34,570
Cash and cash equivalents	19,545	19,545	13,594	13,594
Short term debtors (Note 1 below)	7,562	7,562	9,633	9,633
Short term loans	477	477	-	-
Long term debtors	4,629	4,629	4,563	4,563
Total Financial Assets	**66,853**	**66,853**	**62,360**	**62,360**

Note 1 – The short term debtors balance disclosed above excludes the following debtor balances – NDR, Council Tax, Housing Benefits, balances with Her Majesty's Revenue & Customs and Payments made in advance.

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Bank overdraft	(3,245)	(3,245)	(3,988)	(3,988)
PWLB debt	(104,594)	(136,139)	(105,583)	(133,272)
Market debt	(38,293)	(46,847)	(37,293)	(47,678)
Short term creditors (Note 2 below)	(11,263)	(11,263)	(12,175)	(12,175)
Short term finance lease liabilities	(680)	(680)	(779)	(779)
Long term finance lease liabilities	(711)	(711)	(1,406)	(1,406)
Total Financial Liabilities	**(158,786)**	**(198,885)**	**(161,224)**	**(199,298)**

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

The fair value of the Council's financial assets is the same as the carrying value of its investments; this reflects the Council's low risk investment strategy as approved by the Council in February 2018.

The fair value of the Council's borrowings is greater than the carrying value because this reflects the fact that the average interest rate (4.8%) is higher than the current interest rate of similar loans in the market at the Balance Sheet date for new borrowings.

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

Impairment on Financial Assets

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

Council debtors as reported in Notes 21 and 23 have also been evaluated for economic default and the bad debt provisions have been altered as appropriate.

Soft Loans

The Council has made the following interest free loans:

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

<u>Loans to Private Sector Occupiers</u>

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

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

The in year position on such loans is detailed below:

	31 March 2019 £'000	31 March 2018 £'000
Opening Balance	**837**	**786**
Add: New loans granted	27	45
Deduct: Fair Value adjustment	(9)	(16)
Deduct: Loans repaid	(47)	(37)
Add: Increase in the discounted amount	63	59
Other adjustments	47	-
Balance carried forward	**918**	**837**
Nominal value carried forward	**1,292**	**1,264**

<u>Loan to 'Our Colchester' – the company involved with the Colchester Business Improvement District</u>

The Council advanced a £62,000 loan to 'Our Colchester' - the Colchester Business Improvement District. No adjustment has been made in the Council's accounts to account for the loan on a fair value basis on the grounds of materiality.

Collateral

The Council holds collateral in relation to the Private Sector occupiers home improvement loans as detailed above.

Financial Guarantees

As detailed at Note 35 for related parties, the Council has underwritten the pension deficit for Colchester Commercial Holdings Limited, a wholly owned company of the Council and its subsidiary, Amphora Trading Limited.

No other Financial Guarantees are held by the Council.

Nature and Extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

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

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

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

The annual Treasury Management Strategy and Long Term Capital Strategy was approved by Council on 21 February 2018, and is available on the Council's website.

Risk management is carried out by the Technical Accounting team, under policies approved by the Council in the annual Treasury Management Strategy. The Council approves written principles for overall risk management, as well as approving policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

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

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

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

The full Investment Strategy for 2018/19 was approved by Full Council on 21 February 2018 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 £54.381 million (2017/18 £47.901 million). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2019 and the financial impact of potential default was immaterial, due to the low risk nature of the Council's investment policy.

No borrowing limits were exceeded in 2018/19.

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

	31 March 2019 £'000	31 March 2018 £'000
Less than twelve months	7,999	8,870
More than twelve months	1,629	1,715
Total	**9,628**	**10,585**

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

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its long term commitments under financial instruments.

All sums owing on investments of £54.381 million (2017/18 £47.901 million) are due to be paid in less than one year.

Refinancing and Maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;

• monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved minimum %	Approved maximum %	Actual 31 March 2019 £'000	Actual 31 March 2019 %	Actual 31 March 2018 Restated £'000	Actual 31 March 2018 Restated %
Less than 1 year	0	15	5,500	3.9	5,500	3.9
Between 1 and 2 years	0	15	20,000	14.2	-	-
Between 2 and 5 years	0	15	2,000	1.4	22,000	15.6
Between 5 and 10 years	0	15	700	0.5	700	0.5
Between 10 and 20 years	0	30	18,100	12.8	14,300	10.1
Between 20 and 30 years	0	30	36,000	25.5	36,000	25.5
Between 30 and 40 years	0	40	31,594	22.4	35,394	25.1
Between 40 and 50 years	0	40	18,200	12.9	18,200	12.9
More than 50 years	0	10	9,000	6.4	9,000	6.4
Total			**141,094**	**100.0**	**141,094**	**100.0**

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

Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.

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

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

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

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2019	**31 March 2018**
	£'000	**£'000**
Increase in interest payable on new fixed rate borrowings	-	40
Increase in interest receivable on short term investments made in year	(686)	(582)
Impact on Surplus or Deficit on the Provision of Services	(686)	(542)
Share of overall impact credited to the HRA (net)	(140)	(122)
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)	27,906	27,841
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)	-	119

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

Price risk

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

Foreign exchange risk

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

21. Long Term Debtors

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

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

	Balance at 31 March 2017 £'000	Interest adjustment £'000	Advances in the year £'000	Repayments In the year £'000	Other movements £'000	Balance at 31 March 2018 £'000
Council House Mortgages	4	-	-	(4)	-	-
Improvement of Private Sector Houses	785	44	45	(37)	-	837
Finance lease debtors	3,712	-	-	(29)	-	3,683
Other Loans	50	-	-	(13)	-	37
Total	**4,551**	**44**	**45**	**(83)**	**-**	**4,557**

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The 'loss' for interest foregone is calculated based on the current market rate at the end of the year in which the advance is recognised for an equivalent loan, and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see the disclosures regarding the Financial Instruments Adjustment Account in Note 27).

22. Assets Held for Sale

	31 March 2019 £'000	31 March 2018 £'000
Balance at 1 April	958	500
Assets reclassified as held for sale from Property, Plant and Equipment	1,100	958
Disposals	(958)	(500)
Balance at 31 March	**1,100**	**958**

23. Short Term Debtors

	31 March 2019 £'000	31 March 2018 Restated £'000
Grants and Taxes	4,657	5,720
Trade Debtors	2,258	1,280
Prepayments	660	1,654
Housing Benefit Overpayments	736	1,020
NDR rate payers arrears	385	605
Council Tax rate payers arrears	599	592
Other Debtors	3,907	4,220
Total Short Term Debtors	**13,202**	**15,091**

The above short-term debtor values are presented net of impairments (allowances for non-collection). The Council's total provision for non-collection of debt is £7.5 million as at 31 March 2019 (£7.8 million as at 31 March 2018).

24. Short Term Creditors

	31 March 2019 £'000	31 March 2018 Restated £'000
Trade Creditors	(6,527)	(5,466)
Receipts in Advance	(1,977)	(1,174)
Other Taxes and Social Security	(1,114)	(520)
Collection Fund Agency	(7,252)	(6,488)
NDR Prepayments	(484)	(573)
Council Tax Prepayments	(374)	(368)
Other Creditors	(4,761)	(5,024)
Total Short Term Creditors	**(22,489)**	**(19,613)**

25. Provisions

Non-Domestic Ratings Appeals Provision

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(2,306)	(1,798)
RV list amendments charged against provision for appeals	332	732
Changes in provision for appeals	(2,204)	(1,240)
Balance at 31 March	**(4,178)**	**(2,306)**

As part of the Business Rates Retention scheme introduced from 1 April 2013, authorities are expected to meet the financial impact of successful appeals made against rateable values as defined by the Valuation Office Agency. As such, authorities are required to make a provision for these amounts. The appeals provision is shared between preceptors in proportion to the relevant precepting shares. The Council's proportionate share (40%) of the total provision is included in the Balance Sheet. (See Collection Fund Note C5 for details of the total provision of £10.443 million (2017/18: £5.764 million) reported in the Collection Fund accounts).

The adjustments to the provision made in 2018/19 are based on appeals against 2010 valuations that were shown as being outstanding on the Valuation Office list of March 2017, and an estimate of likely appeals against the 2017 valuations.

Pension Deficit Provision

	2018/19 £'000	2017/18 £'000
Balance at 1 April	-	-
Additional provisions made in the year	(42)	-
Balance at 31 March	**(42)**	**-**

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

Insurance Provision

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(322)	(397)
Additional provisions made in the year	(40)	(21)
Amounts used during the year	56	96
Balance at 31 March	**(306)**	**(322)**

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:

- **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.
- **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.
- **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.
- **Liability for claims** that would be insured if an appropriate policy was in force. For example employers liability claims for staff employed by the organisations that were combined to form Colchester Borough Council as part of the Local Government reorganisation of 1974.

26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement on page 22.

27. Unusable Reserves

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

	31 March 2019 £'000	31 March 2018 £'000
Revaluation Reserve	90,077	70,418
Capital Adjustment Account	311,614	317,650
Financial Instruments Adjustment Account	(373)	(427)
Pensions Reserve	(94,608)	(102,764)
Deferred Capital Receipts Reserve	3,618	3,623
Collection Fund Adjustment Account	(555)	963
Accumulated Absences Account	(444)	(483)
Total	**309,329**	**288,980**

Revaluation Reserve

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

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

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

	2018/19 £'000	**2017/18 £'000**
Balance at 1 April	**70,418**	**40,636**
Upward revaluation of assets	26,261	31,723
Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	(5,140)	(1,015)
Impairment losses	(127)	-
Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**20,994**	**30,708**
Difference between fair value depreciation and historical cost depreciation	(1,093)	(559)
Accumulated gains on assets sold/scrapped	(242)	(367)
Amount written off to the Capital Adjustment Account	**(1,335)**	**(926)**
Balance at 31 March	**90,077**	**70,418**

Capital Adjustment Account

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

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

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

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**317,650**	**298,639**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	(9,831)	(11,835)
Derecognition of components of non-current assets	(681)	(1,840)
Revaluation losses on property, plant and equipment	(13,142)	(9,422)
Revaluation losses on heritage assets	(16)	(173)
Reversal of previously recognised revaluation losses	5,980	27,651
Charges for impairment of non-current assets	(505)	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,905)	(3,100)
Amortisation of intangible assets	(379)	(444)
Revenue expenditure funded from capital under statute	(2,695)	(2,270)
Write off of Finance Lease Creditors	22	675
Long Term Debtors	(85)	(52)
Adjusting amounts written out of the Revaluation Reserve	1,335	926
Net written out amount of the cost of non-current assets consumed in the year	**(22,902)**	**116**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,280	2,768
Use of the Major Repairs Reserve to finance new capital expenditure	2,543	5,195
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,840	2,920
Capital grants and contributions transferred from the Capital Grants Unapplied Reserve	-	7
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,322	1,255
Capital expenditure charged against the General Fund and HRA balances	9,605	4,593
	17,590	**16,738**
Movements in the fair value of investment properties	(724)	2,157
Balance at 31 March	**311,614**	**317,650**

Financial Instruments Adjustment Account

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**(427)**	**(470)**
Amount by which costs charged to the Comprehensive Income and Expenditure Statement are different from costs chargeable in the year in accordance with statutory requirements	54	43
Balance at 31 March	**(373)**	**(427)**

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.

	2018/98 £'000	2017/18 £'000
Balance at 1 April	**(102,764)**	**(121,368)**
Re-measurement of the net defined benefit liability	12,881	20,666
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	(8,298)	(11,263)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,573	9,201
Balance at 31 March	**(94,608)**	**(102,764)**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**3,623**	**3,658**
Transfer to the Capital Receipts Reserve upon receipt of cash	(5)	(35)
Balance at 31 March	**3,618**	**3,623**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**963**	**234**
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	144	66
Amount by which Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Non-Domestic rates income calculated for the year in accordance with statutory requirements	(1,662)	663
Balance at 31 March	**(555)**	**963**

Accumulated Absences Account

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**(483)**	**(528)**
Settlement or cancellation of accrual made at the end of the preceding year	483	528
Amounts accrued at the end of the current year	(444)	(483)
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	39	45
Balance at 31 March	**(444)**	**(483)**

28. Cash Flow Statement Notes

Cash Flows from Operating Activities

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

	2018/19 £'000	2017/18 £'000
Interest Received	548	290
Interest Paid	(6,645)	(6,711)
Dividends Received	286	-

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

	2018/19 £'000	2017/18 £'000
Depreciation	9,831	11,835
Impairments and downward valuations	13,663	9,595
Reversal of previously recognised revaluation losses	(5,980)	(27,651)
Movement in the fair value of Investment Properties	724	(2,157)
Carrying value of non-current assets and assets held for sale sold and derecognised	3,587	4,940
Amortisation	379	444
Increase/(Decrease) in Creditors	2,415	(632)
(Increase)/Decrease in Debtors	1,511	(5,545)
(Increase)/Decrease in Inventories	24	(25)
Contributions to/(from) Provisions	1,898	433
Movement in the pension liability	4,725	2,062
Other non-cash movements	(101)	(44)
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	**32,676**	**(6,745)**

Cash and Cash Equivalents

	2018/19 £'000	2017/18 £'000
Cash held by the Council	8	10
Bank current accounts	273	253
Short term deposits	19,264	13,331
Bank overdraft	(3,245)	(3,988)
Cash Flow Statement - Total Cash and Cash Equivalents	**16,300**	**9,606**

Reconciliation of Liabilities arising from Financing Activities

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

29. Trading Operations

The Council has established various trading units where the service is required to operate in a commercial environment by generating income from other parts of the Council, other organisations or the public in order to either offset expenditure incurred, or in certain instances, operate within an approved level of subsidy. The significant operations of a trading nature included within the Comprehensive Income and Expenditure Statement (CIES) on page 23 are set out below:

		2018/19			2017/18		
Description	Line of the CIES	Income	Expenditure	(Surplus) / Deficit	Income	Expenditure	(Surplus) / Deficit
		£'000	£'000	£'000	£'000	£'000	£'000
Colchester Leisure World	Policy & Corporate	(5,098)	5,693	595	(4,837)	5,531	694
Trade Refuse	Environment	(536)	456	(80)	(519)	469	(50)
Building Control Chargeable Account	Communities	(398)	529	131	(406)	472	66
Land Charges	Customer	(257)	201	(56)	(299)	276	(23)
Cemetery & Crematorium	Environment	(1,450)	971	(479)	(1,370)	838	(532)
Events (Commercial) (Note 1)	Policy & Corporate	-	-	-	(634)	1,097	463
Monitoring & Response Services (Note 1)	Policy & Corporate	-	-	-	(1,044)	1,463	419
Off Street Parking (Note 2)	Environment	(1,031)	1,125	94	-	-	-
Net (Surplus) / Deficit on Trading Operations		**(8,770)**	**8,975**	**205**	**(9,109)**	**10,146**	**1,037**

Note 1: The trading operations of Events and Monitoring and Response Services were transferred from the Council to its subsidiary company Colchester Amphora Trading Limited on 1 April 2018.

Note 2: The trading operation for Off Street Parking was operational from 1 April 2018 under a joint arrangement**.**

30. Members' Allowances and Expenses

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

	2018/19 £'000	2017/18 £'000
Allowances	511	502
Expenses	5	5
Total	**516**	**507**

31. Officers' Remuneration

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

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

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

Note 2: The Assistant Director for Policy and Corporate started at the Council on 11 June 2018. An interim officer was contracted to fulfil this role for the period from 27 March to 14 June 2018 prior to their recruitment. Payments to the recruitment agency in respect of this placement for salaries and fees totalled £34,573 (including VAT). The normal recruitment and contract processes were undertaken for the engagement of this interim officer.

Note 3: The Section 151 Officer left the Council on 1 March 2019. An interim officer was contracted to fulfil this role for period from 21 January 2019 to the year end. Payments to the recruitment agency in respect of this placement for salaries and fees totalled £29,453 (including VAT) in 2018/19. The normal recruitment and contract processes were undertaken for the engagement of this interim officer.

2017/18

Post holder	Salary, Fees and Allowances	Bonuses	Expense Allowances	Employers Pension contributions	Total Remuneration
	£	£	£	£	£
Chief Executive (Head of Paid Service)	107,338	-	11	4,763	**112,112**
Executive Director	103,113	-	11	15,572	**118,696**
Executive Director	101,113	-	11	15,270	**116,394**
Executive Director	101,113	-	-	15,268	**116,381**
Head of Operational Services (Note 2)	31,734	-	11	4,793	**36,538**
Head of Professional Services (Note 1)	27,812	-	11	1,547	**29,370**
Assistant Director for Communities	76,248	-	11	11,515	**87,774**
Assistant Director for Customer	75,928	-	11	11,515	**87,454**
Assistant Director for Environment (Note 3)	21,265	-	-	3,297	**24,562**
Assistant Director for Policy & Corporate (Note 4)	78,044	-	-	11,786	**89,830**
Monitoring Officer	66,965	-	-	10,112	**77,077**
Section 151 Officer	66,965	-	11	10,113	**77,089**
Returning Officer	745	-	-	-	**745**

A senior management restructure was implemented from 1 July 2017. The information shown above for 2017/18 shows the senior officers roles before and after the restructure.

Note 1: The Head of Professional Services left the Council on 19 May 2017.

Note 2: The Head of Operational Services left the Council on 31 August 2017.

Note 3: The Assistant Director for Environment started at the Council on 18 December 2017. An interim consultant was contracted to fulfil this role for the period from 1 June to 21 December 2017 prior to their recruitment. Payments to the recruitment agency in respect of this placement for salaries and fees totalled £102,439.

Note 4: The Assistant Director for Policy and Corporate left the Council on 30 March 2018.

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	
	2018/19	2017/18
£50,000 - £54,999	10	11
£55,000 - £59,999	2	1
£60,000 - £64,999	-	1
£65,000 - £69,999	5	4
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-

32. Termination Benefits (Exit Packages)

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

Total cost of exits include payments to individuals of £560,720 in 2018/19 (£434,260 in 2017/18) and payments to the pension fund authority of £241,536 in 2018/19 (£147,010 in 2017/18) in respect of strains on the pension fund.

In 2017/18 two senior officers left the Council. The cost of their exit packages included payments to the two officers totalling £102,159 and payments to the pension fund authority totalling £41,778 in respect of strains on the pension fund.

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

2018/19 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	14	6	20	215,026
£20,001 - £40,000	6	4	10	279,495
£40,001 - £60,000	3	2	5	240,983
£60,001 - £80,000	-	1	1	61,192
Total cost included in bandings	**23**	**13**	**36**	**796,696**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				5,560
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				**802,256**

2017/18 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	12	21	198,508
£20,001 - £40,000	3	-	3	88,601
£40,001 - £60,000	-	1	1	43,633
£60,001 - £80,000	1	-	1	60,456
£80,001 - £100,000	1	-	1	84,306
£100,001 - £120,000	-	1	1	105,490
Total cost included in bandings	**14**	**14**	**28**	**580,994**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				277
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				**581,271**

33. External Audit Costs

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

	2018/19 £'000	**2017/18 £'000**
External audit services	50	55
Certification of grant claims and returns	27	14
Other services - National Fraud Initiative	2	-
Total	**79**	**69**

34. Grant Income

Credited to Services:

	2018/19 £'000	2017/18 £'000
DWP Grants for Benefits		
Rent Allowances	34,524	36,563
Rent Rebates	15,468	16,275
Administration	493	537
Other	521	538
MHCLG NDR and LCTS Admin	399	409
MHCLG Other	2,641	1,723
Arts Council	215	221
Governmental Agencies	551	78
Joint Finance Contributions	989	56
Essex County Council	3,450	1,148
Essex Police and Crime Commissioner	111	102
Essex Fire and Rescue	59	45
Other Local Authorities	808	351
Colchester Primary Care Trust	6	68
Other Miscellaneous Grants	165	52
Total	**60,400**	**58,166**

Credited to Taxation and Non Specific Grant Income:

	2018/19 £'000	2017/18 £'000
Revenue Support Grant	275	920
Transition Grant	-	88
New Homes Bonus	3,443	4,793
Business Rates Section 31 Grants	2,106	1,870
New Burdens	56	40
EU Exit Preparation	17	-
Other	-	20
Capital Grants received from:		
MHCLG	479	580
Arts Council England	-	208
Section 106 Developer Contributions	1,193	1,528
BEIS	148	141
Insurance	-	362
Other	20	101
Total	**7,737**	**10,651**

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

	2018/19 £'000	2017/18 £'000
Commuted sums received from developers	(2,210)	(2,191)
Other grants	(658)	(205)
Total	**(2,868)**	**(2,396)**

Long Term Liabilities

Grants Receipts in Advance – Capital

	2018/19 £'000	2017/18 £'000
Section 106 developer contributions	(10,889)	(7,512)
Other grants	(3,564)	(1,293)
Total	**(14,453)**	**(8,805)**

35. Related Parties

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

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for the statutory framework under which the Council operates, provides funding in the form of grants and prescribes the terms for many of the Council's material transactions with other parties (for example Council Tax billing, Business Rates billing, Housing Benefit administration). Grants received from Central Government are disclosed at Note 34.

Elected Members of the Council

Members of the Council have direct control over the Council’s financial and operating policies. Total Members’ allowances and expenses are disclosed in Note 30.

In 2018/19 the Council awarded a grant of £13,000 to the Beacon House charity through its voluntary welfare grant scheme to support the charity’s project costs. Councillor Bourne was a member of the Cabinet and a trustee of Beacon House charity in the financial year when the grant was paid over to the charity.

Senior Officers at the Council

Senior officers at the Council are able to influence the Council’s financial and operational policies, within the provisions of the Council’s regulations and schemes of delegation. Remuneration of the Council’s senior officers is shown in Note 31. No senior officers disclosed any material direct related party transactions with the Council during the year.

An annual review of the senior officers related party declarations identified that there were no material related party transactions during 2018/19.

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

	2018/19			2017/18		
	Expenditure £’000	**Income £’000**	**Loans £’000**	**Expenditure £’000**	**Income £’000**	**Loans £’000**
Colchester Commercial Holdings Limited	2,092	286	-	171	-	-
Colchester Amphora Trading Limited	-	-	-	37	-	-
Colchester Amphora Homes Limited	-	-	250	18	-	-
Colchester Amphora Energy Limited	73	-	212	-	-	-
Colchester Community Stadium Limited	500	217	32	-	300	44
Colchester Mercury Theatre Limited	195	-	-	222	-	-
Colchester Primary Care Trust	-	6	-	-	203	-
Parish Councils	1,748	-	-	1,624	-	-
Essex County Council	354	2,705	-	217	3,057	-
North Essex Gardens Communities Limited	179	-	-	-	-	-

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

The Council’s interest in Colchester Borough Homes Limited is considered to be material in both financial and qualitative terms. Therefore, the company’s transactions have been accounted for within the Council’s Group accounts reported on pages 141 to 159.

The Council has underwritten the pension deficit for Colchester Commercial Holdings Limited a wholly owned subsidiary company of the Council and the pension deficit for its subsidiary Colchester Amphora Trading Limited.

In March 2018 ‘Our Colchester’ a Business Improvement District company was incorporated. The company became operational in October 2018. The Council acts as an agent in collection Business Rates on behalf of ‘Our Colchester’ for which it is paid an annual fee of £7,300 (£nil 2017/18). In 2018/19, the Council advanced a loan to the Bid Company of £62,000, repayable over 4 years; as detailed at Note 20.

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

36. Leases

Finance Leases – Council as Lessee

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

	31 March 2019 £'000	31 March 2018 £'000
Other Land and Buildings	822	534
Vehicles, Plant, Furniture and Equipment	1,208	1,865
Total	**2,030**	**2,399**

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 2019 £'000	31 March 2018 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	680	778
Non-current	711	1,406
Finance costs payable in future years	1,315	1,521
Minimum Lease Payments	**2,706**	**3,705**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	821	982	680	778
Later than one year and not later than five years	654	1,459	494	1,179
Later than five years	1,231	1,264	217	228
Total	**2,706**	**3,705**	**1,391**	**2,185**

Finance Leases – Council as Lessor

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.
- a building and associated land in 2017 with a lease term of 125 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 2019 £'000	31 March 2018 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	30	29
Non-current	3,658	3,683
Unearned finance income	34,879	35,066
Unguaranteed residual value of property	17	17
Gross investment in the lease	**38,584**	**38,795**

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 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	219	218	219	218
Later than one year and not later than five years	911	885	894	885
Later than five years	37,454	37,692	37,454	37,675
Total	**38,584**	**38,795**	**38,567**	**38,778**

Operating Leases – Council as Lessee

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

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	374	410
Later than one year and not later than five years	1,060	1,370
Later than five years	380	387
Total	**1,814**	**2,167**

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	120	120
Later than one year and not later than five years	424	479
Later than five years	56	161
Total	**600**	**760**

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

	2018/19 £'000	2017/18 £'000
Minimum lease payments	471	459
Contingent rent payments	65	21
Sub lease minimum lease payments received	(203)	(201)
Sub lease contingent rent payments received	(12)	(12)

Operating Leases – Council as Lessor

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

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

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than one year	1,850	1,832
Later than one year and not later than five years	6,183	6,703
Later than five years	71,095	71,807
Total	**79,128**	**80,342**

The minimum lease payments receivable does not include rents that are contingent on events taking place after the leases were entered into, such as adjustments following rent reviews. In 2018/19 a total of £1.6 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2017/18: £1.3 million).

37. Defined Benefit Pension Scheme

Participation in the Local Government Pension Scheme

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

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

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

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

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

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

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

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

Transactions relating to Post-employment Benefits

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

	2018/19 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	6,862	7,926
Past Service Cost	540	244
Liabilities assumed/(extinguished) on settlements	(3,879)	(240)
Settlements price received/(paid)	2,162	106
Financing and Investment Income and Expenditure:		
Net interest expense	2,541	3,163
Pension fund administration expenses	72	64
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	(12,881)	(20,666)
Total charged to the Comprehensive Income and Expenditure Statement	**(4,583)**	**(9,403)**
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.	(8,298)	(11,263)
Employer's contributions payable to the scheme	3,573	9,201
Total charged to the Movement in Reserves Statement	**(4,725)**	**(2,062)**

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:

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(279,528)	(278,903)
Fair value of plan assets	184,920	176,139
Net liability	**(94,608)**	**(102,764)**

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

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(278,903)	(282,765)
Current service cost	(6,862)	(7,926)
Interest cost	(6,939)	(7,556)
Change in financial assumptions	(12,532)	13,224
Change in demographic assumptions	15,649	-
Liabilities assumed/(extinguished) on settlements	3,879	240
Benefits paid net of transfers in	7,615	7,119
Past service costs	(540)	(244)
Contributions by scheme participants	(1,284)	(1,388)
Unfunded pension payments	389	393
Balance at 31 March	**(279,528)**	**(278,903)**

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	176,139	161,397
Interest on assets	4,398	4,393
Return on assets less interest	9,764	7,442
Administration expenses	(72)	(64)
Contributions by employer	3,573	9,201
Contributions by scheme participants	1,284	1,388
Benefits paid net of transfers in	(8,004)	(7,512)
Settlement prices received/(paid)	(2,162)	(106)
Balance at 31 March	**184,920**	**176,139**

Local Government Pension Scheme assets comprised:

	31 March 2019		31 March 2018	
	£'000	%	£'000	%
Equities	115,129	62	114,958	66
Gilts	9,815	5	11,718	7
Other bonds	10,808	6	6,543	4
Property	16,442	9	16,708	9
Cash	4,870	3	6,057	3
Alternative assets	18,030	10	13,011	7
Other managed funds	9,826	5	7,144	4
Total	**184,920**	**100**	**176,139**	**100**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates being based on the latest full triennial valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary are:

	31 March 2019	31 March 2018
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	21.3 years	22.2 years
Women	23.6 years	24.7 years
Future pensioners retiring in 20 years		
Men	22.9 years	24.4 years
Women	25.4 years	27.0 years
Rate of RPI inflation	3.4% p.a.	3.3% p.a.
Rate of CPI inflation	2.4% p.a.	2.3% p.a.
Rate of increase in salaries	3.9% p.a.	3.8% p.a.
Rate of increase in pensions	2.4% p.a.	2.3% p.a.
Rate for discounting scheme liabilities	2.4% p.a.	2.55% p.a.

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

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

Sensitivity analyses on the Present Value of the Defined Benefit Obligation

Adjustments made to:	+ 1 year/ + 0.1% change £'000	No change £'000	- 1 year/ - 0.1% change £'000
Discount rate (increase/decrease by 0.1%)	274,485	279,528	284,668
Long term salary increase (increase/decrease by 0.1%)	279,996	279,528	279,063
Pension increases and deferred revaluation (increase/decrease by 0.1%)	284,195	279,528	274,945
Life expectancy assumptions (increase/decrease by 1 year)	290,146	279,528	269,306

Impact on the Council's Cash Flows

The objectives of the scheme are to keep the Council's contributions at as constant a rate as possible. The Council has agreed a funding strategy with the scheme's actuary to repay the deficit over the next 18 years and 6 months. Funding levels are monitored on an annual basis. The next triennial valuation will be based on data as at 31 March 2019 and will be implemented with effect from 1 April 2020.

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2019 is £2.909 million.

The actuary's estimate of the duration of the Employer's liabilities for 2018/19 is 19 years (2017/18: 19 years).

38. Contingent Liabilities

The Council has identified two employee related contingent liabilities, both of which are currently proceeding through the relevant council and legal procedural processes. Based on timing of such procedures and due processes, the Council is unable to assess the likelihood of the financial impact and probability of the claims being successful as at 31 March 2019.

39. Trust Funds

The Council acts as a trustee for several trust funds. The funds are not considered to be assets of the Council and so they have not been included within the Council's Balance Sheet on page 24. See pages 173 – 178 for details of the nature and value 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	2018/19 £'000	2017/18 £'000
Dwelling rents		(26,088)	(26,355)
Non-dwelling rents	H3	(1,022)	(912)
Charges for services and facilities		(2,743)	(2,608)
Contributions towards expenditure		(81)	(75)
Total Income		**(29,934)**	**(29,950)**
Repairs and maintenance		4,812	4,727
Supervision and management		8,664	8,444
Rents, rates, taxes and other charges		170	190
Depreciation	H9	4,533	6,858
Impairment losses		110	-
Revaluation losses		9,181	7,329
Reversal of previously recognised revaluation losses		(4,217)	(25,059)
Derecognition of non-current assets		600	594
Amortisation	H10	53	57
Debt management costs		70	79
Movement in the provision for bad debts		-	(49)
Total Expenditure		**23,976**	**3,170**
Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement (Page 23)		**(5,958)**	**(26,780)**
HRA services share of Corporate and Democratic Core		383	341
Net (Income)/Expenditure for HRA Services		**(5,575)**	**(26,439)**
HRA share of the Other Operating Expenditure			
(Gain)/Loss on sale of HRA non-current assets		(2,092)	(1,692)
Capital Receipts not linked to sales		-	(110)
HRA share of the Financing and Investment Income and Expenditure			
Interest payable and similar charges	H8	5,637	5,661
Interest and investment income		(113)	(51)
Movement in the provision for bad debts		144	-
(Surplus)/Deficit for the year on HRA services		**(1,999)**	**(22,631)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

	Notes	**2018/19**	**2017/18**
		£'000	**£'000**
Balance on the HRA at 1 April		**3,905**	**2,946**
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	Page 127	1,999	22,631
Adjustments between accounting basis and funding basis under statute	Note 9	(1,340)	(21,763)
Transfers (to)/from Earmarked Reserves		-	91
Increase/(Decrease) in the year on the HRA Balance		**659**	**959**
Balance on the HRA at 31 March		**4,564**	**3,905**

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 2019, 0.37% of lettable properties were vacant (0.87% at 31 March 2018).

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

	31 March 2019	31 March 2018
Analysis by Type of Dwelling:		
Houses and Bungalows	2,956	2,965
Flats and Maisonettes	2,944	2,980
Total Dwellings	**5,900**	**5,945**
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,385	2,416
2 Bedrooms	1,747	1,755
3 Bedrooms	1,674	1,680
4 or more Bedrooms	94	94
Total Dwellings	**5,900**	**5,945**
The change in stock can be summarised as follows:		
Stock at the beginning of the year	5,945	5,984
Add: New Build, Acquisitions, Conversions etc.	11	16
Deduct: Sales, Demolitions, Conversions, etc.	(56)	(55)
Stock at the end of the year	**5,900**	**5,945**

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 2019 in the 2018/19 accounts and this is reflected in the valuation shown below:

Balance Sheet valuation of HRA Assets	**31 March 2019 £'000**	**1 April 2018 £'000**
Council Dwellings	361,047	344,203
Other Land and Buildings	10,199	9,781
Vehicles, Plant, Furniture and Equipment	96	173
Surplus Assets	50	50
Assets Held for Sale	-	958
Total	**371,392**	**355,165**

H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2019 was £953.8 million (£914.8 million as at 1 April 2018). 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

	2018/19 £'000	**2017/18 £'000**
Garages and other charges	(931)	(828)
Land and other buildings	(91)	(84)
Total – Non-Dwelling Rents	**(1,022)**	**(912)**

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 £0.094 million from Supporting People charges in 2018/19 (2017/18: £0.078 million) is shown under Charges for Services and Facilities.

H5. Major Repairs Reserve

	2018/19 £’000	2017/18 £’000
Balance as at 1 April	1,663	-
Transfers in – depreciation (Note H9)	4,533	6,858
Capital Spending on Dwelling Stock met from Reserve	(2,543)	(5,195)
Balance as at 31 March	**3,653**	**1,663**

H6. Pension Reserve

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

H7. HRA Capital Financing

Capital Financing	2018/19 £’000	2017/18 £’000
HRA Capital Expenditure		
Dwelling Stock	8,875	7,692
New Build - Council Dwellings	3	2
Dwelling Acquisitions	1,348	197
Investment in Information Technology	-	76
Total	**10,226**	**7,967**
Financed by:		
Capital Grants	967	134
Capital Receipts	1,780	625
Revenue Contributions	4,934	1,922
Retained Right To Buy Receipts Reserve	1	91
Major Repairs Reserve	2,544	5,195
Total	**10,226**	**7,967**

Summary of HRA Capital Receipts – Right To Buy	**2017/18 £'000**	**2016/17 £'000**
Sale of Council Houses – Direct	3,143	4,257
Sale of Council Houses – Deferred	-	4
Total	**3,143**	**4,261**

Receipts from the sale of Council houses have decreased in 2018/19. 29 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2018/19 (46 in 2017/18).

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

Of the total capital receipts of £3.143 million, £0.517 million was paid to the Secretary of State under the pooling arrangements. The retained balance of £2.626 million can be used to finance capital expenditure or provide for the repayment of existing HRA debt (see Note 19).

In addition, a principal repayment of £0.256 million was paid to the Secretary of State under the terms of the Right To Buy Receipts retention agreement, which the Council entered into on 1st July 2012.

H8. Interest Payable

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

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

	2018/19 £'000	**2017/18 £'000**
HRA Interest Charge	5,637	5,661

H9. Depreciation Charges

	2018/19 £'000	2017/18 £'000
Council Dwellings	4,047	6,469
Other Land and Buildings	431	348
Vehicles, Plant and Equipment	55	41
Total Depreciation	**4,533**	**6,858**

H10. Amortisation

	2018/19 £'000	2017/18 £'000
Housing Integrated Computer Systems	53	57

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

H11. Rent Arrears

The arrears at 31 March 2019 totalled £0.959 million. This excludes prepayments of £0.655 million and is analysed as follows:

	2018/19 £'000	2017/18 £'000
Due from Current Tenants	556	556
Due from Former Tenants	403	377
Total Rent Arrears	959	933
Prepayments	(655)	(617)
Net Rent Arrears	**304**	**316**

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 2019 the provision totalled £0.715 million (2017/18: £0.681million).

H12. Revenue Balances

Out of the revenue balance of £4.6 million, a sum of £3.0 million has already been committed for future use.

	2018/19 £'000	2017/18 £'000
Revenue Balance at 1 April	3,905	2,946
Adjust: Housing Revenue Account Surplus/(Deficit)	659	959
Revenue Balance at 31 March (page 128)	**4,564**	**3,905**
Less: Committed Sum		
Investment in Housing Stock 2019/20 and Future Years	(2,773)	(2,116)
Estimate Balance Carried Forward	(191)	(189)
Uncommitted Balance	**1,600**	**1,600**

H13. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing that have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£2.773 million) will be used to support spending in future years.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	Notes	2018/19 Council Tax £'000	2018/19 NDR £'000	2018/19 Total £'000	2017/18 Council Tax £'000	2017/18 NDR £'000	2017/18 Total £'000
Income							
Council Tax		(105,276)	-	(105,276)	(98,742)	-	(98,742)
Non-Domestic Rates		-	(65,042)	(65,042)	-	(63,466)	(63,466)
		(105,276)	**(65,042)**	**(170,318)**	**(98,742)**	**(63,466)**	**(162,208)**
Precepts Demands and Shares							
Central Government		-	30,944	30,944	-	30,317	30,317
Colchester Borough Council		13,218	24,756	37,974	12,561	24,254	36,815
Essex County Council		75,700	5,570	81,270	71,140	5,457	76,597
Essex Fire and Rescue		4,361	619	4,980	4,220	606	4,826
Police and Crime Commissioner for Essex		10,472	-	10,472	9,601	-	9,601
Charges to Collection Fund							
Transitional Protection Payment		-	524	524	-	1,776	1,776
Cost of Collection Allowance		-	238	238	-	241	241
Interest		-	19	19	-	-	-
Provision for Bad Debts	C5	338	355	693	325	285	610
Provision for Appeals	C5	-	4,679	4,679	-	1,270	1,270
Apportionment of Previous Year Surplus/(Shortfall)							
Central Government		-	747	747	-	(1,198)	(1,198)
Colchester Borough Council		9	598	607	48	(958)	(910)
Essex County Council		50	134	184	275	(216)	59
Essex Fire and Rescue		3	15	18	17	(24)	(7)
Police and Crime Commissioner for Essex		7	-	7	37	-	37
		104,158	**69,198**	**173,356**	**98,224**	**61,810**	**160,034**
Movement on the Collection Fund Balance							
(Surplus)/Deficit for the year		(1,118)	4,156	3,038	(518)	(1,656)	(2,174)
(Surplus)/Deficit at the beginning of the year		(453)	(2,264)	(2,717)	65	(608)	(543)
(Surplus)/Deficit as at 31 March	C4	**(1,571)**	**1,892**	**321**	**(453)**	**(2,264)**	**(2,717)**

NOTES TO THE COLLECTION FUND ACCOUNTS

C1. General

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

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

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 2018/19 was 61,960 (61,132 in 2017/18). This takes into account Local Council Tax Support, which replaced the payment of Council Tax benefit compensation with a Council Tax Reduction Scheme that each authority administers. The tax base for 2018/19 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,422	6/9	5,615
B	20,905	7/9	16,259
C	19,337	8/9	17,188
D	13,966	9/9	13,966
E	8,041	11/9	9,828
F	3,827	13/9	5,528
G	2,255	15/9	3,758
H	152	18/9	304
Contributions in lieu for Ministry of Defence Properties			761
Total Band D			**73,207**
Net effect of premiums and discounts			(11,247)
Council Tax Base for the calculation of Council Tax			**61,960**

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%.

Central Government sets a baseline level of business rates funding deemed to be applicable to each area. Councils either receive a 'top-up' if business rates collected are below this deemed level of funding, or pay a 'tariff' if business rates collected are above this deemed level of funding. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In 2018/19 the Council paid a tariff of £19.3 million (2017/18: £18.7 million).

The business rates shares that were estimated before the start of the financial year have been paid in 2018/19 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 (£312,162 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 2018/19 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 £0.644 million from being in the pool in 2018/19 (£0.834 million in 2017/18).

The total Non-Domestic Rateable value at the 2018/19 year end was £164.684 million (2017/18: £161.895 million) and the Standard Non-Domestic rate multiplier for the year was 49.3p (2017/18: 47.9p).

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 2019 will be distributed in proportion to the value of the respective precepts as shown below:

	2018/19			2017/18		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Colchester Borough Council	(202)	757	555	(57)	(905)	(962)
Central Government	-	946	946	-	(1,132)	(1,132)
Essex County Council	(1,152)	170	(982)	(331)	(204)	(535)
Essex Fire and Rescue	(66)	19	(47)	(19)	(23)	(42)
Police and Crime Commissioner for Essex	(151)	-	(151)	(46)	-	(46)
Total (Surplus)/Deficit	**(1,571)**	**1,892**	**321**	**(453)**	**(2,264)**	**(2,717)**

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.

	2018/19			2017/18		
	Council Tax £'000	**NDR £'000**	**Total £'000**	**Council Tax £'000**	**NDR £'000**	**Total £'000**
Balance at 1 April	3,524	1,103	4,627	3,586	1,305	4,891
Write-offs during year for previous years	(367)	(359)	(726)	(387)	(487)	(874)
Contributions to provisions during year	338	355	693	325	285	610
Net increase/(decrease) in Provision	(29)	(4)	(33)	(62)	(202)	(264)
Balance at 31 March	**3,495**	**1,099**	**4,594**	**3,524**	**1,103**	**4,627**

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

	2018/19			2017/18		
	Council Tax £'000	**NDR £'000**	**Total £'000**	**Council Tax £'000**	**NDR £'000**	**Total £'000**
Balance at 1 April	449	441	890	461	522	983
Write-offs during year for previous years	(125)	(143)	(268)	(75)	(195)	(270)
Contributions to provisions during year	115	142	257	63	114	177
Net increase/(decrease) in Provision	(10)	(1)	(11)	(12)	(81)	(93)
Balance at 31 March	**439**	**440**	**879**	**449**	**441**	**890**

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.

	2018/19			2017/18		
	Council	**Other Shares**	**Total**	**Council**	**Other Shares**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April	2,306	3,458	5,764	1,798	2,696	4,494
RV list amendments charged against provision for appeals	(332)	(499)	(831)	(732)	(1,099)	(1,831)
Changes in provision for appeals	2,204	3,306	5,510	1,240	1,861	3,101
Net increase/(decrease) in Provision	1,872	2,807	4,679	508	762	1,270
Balance at 31 March	**4,178**	**6,265**	**10,443**	**2,306**	**3,458**	**5,764**

C6. Debtors for Local Taxation

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

	31 March 2019	**31 March 2018**
	£'000	**£'000**
Less than one year	2,740	2,748
More than one year	6,323	1,461
Total Debtors for Local Taxation	**9,063**	**4,209**

GROUP ACCOUNTS

1. Introduction

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

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

A review was undertaken in 2018/19 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 as a wholly owned subsidiary and prepare Group Accounts.

In previous financial years the Council has consolidated the accounts of its wholly owned subsidiary company Colchester Community Stadium Limited into its Group accounts. During the review of the Council's Group entities undertaken in 2018/19 it was concluded that that the accounts for this subsidiary company are not material to the Council's Group accounts. As such prior period adjustments have been made to the 2017/18 comparatives in the Group accounts to remove the consolidated accounts of this entity.

The statements are intended to present financial information about the parent (the Council) and the subsidiary (Colchester Borough Homes 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 2018/19 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 reported on pages 26 to 46 have been adopted by the Council in preparing the group accounts.

GROUP MOVEMENT IN RESERVES STATEMENT

	Revenue Reserves			Capital Reserves						
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
							Restated	Restated	Restated	Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 (Page 144)	**5,586**	**3,905**	**23,963**	**341**	**1,663**	**-**	**(7,132)**	**28,326**	**288,980**	**317,306**
Total Comprehensive Income and Expenditure	(11,361)	1,999	-	-	-	-	(521)	(9,883)	33,875	23,992
Adjustments between accounting basis and funding basis under regulations	10,414	(1,340)	-	2,462	1,990	-	-	13,526	(13,526)	-
Transfers to/from Earmarked Reserves (Note 10)	3,295	-	(883)	(2,412)	-	-	-	-	-	-
Increase/(Decrease) in year	**2,348**	**659**	**(883)**	**50**	**1,990**	**-**	**(521)**	**3,643**	**20,349**	**23,992**
Balance at 31 March 2019 (Page 144)	**7,934**	**4,564**	**23,080**	**391**	**3,653**	**-**	**(7,653)**	**31,969**	**309,329**	**341,298**
Balance at 31 March 2017	**9,381**	**2,946**	**20,221**	**2,112**	**-**	**7**	**(8,838)**	**25,829**	**220,801**	**246,630**
Total Comprehensive Income and Expenditure	(5,035)	22,631	-	-	-	-	1,706	19,302	51,374	70,676
Adjustments between accounting basis and funding basis under regulations	1,563	(21,763)	-	1,739	1,663	(7)	-	(16,805)	16,805	-
Transfers to/from Earmarked Reserves (Note 10)	(323)	91	3,742	(3,510)	-	-	-	-	-	-
Increase/(Decrease) in year	**(3,795)**	**959**	**3,742**	**(1,771)**	**1,663**	**(7)**	**1,706**	**2,497**	**68,179**	**70,676**
Balance at 31 March 2018 (Page 144)	**5,586**	**3,905**	**23,963**	**341**	**1,663**	**-**	**(7,132)**	**28,326**	**288,980**	**317,306**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2018/19			2017/18		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure Restated	Gross Income Restated	Net Expenditure Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core	408	(791)	(383)	378	(875)	(497)
Executive Management Team	723	(2)	721	777	-	777
Communities	8,063	(2,675)	5,388	9,477	(2,876)	6,601
Customer	58,226	(54,755)	3,471	61,467	(58,481)	2,986
Environment	20,222	(12,568)	7,654	19,004	(11,699)	7,305
Housing Revenue Account	25,674	(29,999)	(4,325)	4,288	(29,985)	(25,697)
Policy and Corporate	32,711	(14,994)	17,717	29,304	(15,297)	14,007
Non-Distributed Costs	(1,054)	-	(1,054)	231	-	231
Net Cost of Services	**144,973**	**(115,784)**	**29,189**	**124,926**	**(119,213)**	**5,713**
Other operating income and expenditure	2,651	(2,396)	255	2,245	(1,877)	368
Financing and investment income and expenditure	10,670	(4,029)	6,641	10,751	(5,163)	5,588
Taxation and non-specific grant income	-	(24,890)	(24,890)	-	(27,918)	(27,918)
Group (Surplus)/Deficit on Provision of Services	**158,294**	**(147,099)**	**11,195**	**137,922**	**(154,171)**	**(16,249)**
(Surplus)/Deficit on revaluation of non-current assets (Note 27)			(20,994)			(30,708)
Net actuarial losses/(gains) on pension fund assets and liabilities			(14,193)			(23,719)
Other Comprehensive (Income)/Expenditure			**(35,187)**			**(54,427)**
Total Group Comprehensive (Income)/Expenditure			**(23,992)**			**(70,676)**

GROUP BALANCE SHEET

	Notes	31 March 2019 £'000	31 March 2018 £'000 Restated
Property Plant and Equipment		517,612	498,204
Heritage Assets	15	1,328	1,328
Investment Properties	16	41,891	39,868
Intangible Assets	18	152	552
Long Term Investments	20	6	6
Long Term Debtors	21	4,623	4,557
Total Long Term Assets		**565,612**	**544,515**
Short Term Investments	20	34,640	34,570
Assets Held for Sale	22	1,100	958
Inventories		177	201
Short Term Debtors	G7	13,127	15,058
Short Term Loans		477	-
Cash and Cash Equivalents	G8	21,141	15,364
Total Current Assets		**70,662**	**66,151**
Bank Overdraft		(3,245)	(3,988)
Short Term Borrowing		(7,293)	(7,282)
Short Term Creditors	G9	(22,805)	(19,919)
Short Term Provisions		(4,413)	(2,419)
Grants Receipts in Advance - Revenue	34	(2,868)	(2,396)
Total Current Liabilities		**(40,624)**	**(36,004)**
Long Term Creditors – Finance Leases	36	(711)	(1,406)
Long Term Provisions		(306)	(404)
Long Term Borrowing		(135,594)	(135,594)
Pension Scheme Liability	G14	(103,273)	(111,132)
Grants Receipts in Advance – Capital	34	(14,453)	(8,805)
Other Long Term Liabilities		(15)	(15)
Total Long Term Liabilities		**(254,352)**	**(257,356)**
Total Net Assets		**341,298**	**317,306**
Usable Reserves		31,969	28,326
Unusable Reserves		309,329	288,980
Total Reserves		**341,298**	**317,306**

GROUP CASH FLOW STATEMENT

	2018/19 £'000	2017/18 Restated £'000
Net Surplus/(Deficit) on the Provision of Services (Page 143)	**(11,195)**	**16,249**
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements (Note G11)	**34,335**	**(5,037)**
Adjustments for items included in Investing and Financing Activities:		
Capital grants credited to the Surplus/Deficit on the Provision of Services	(1,840)	(2,920)
Proceeds from the sale of short and long term investments	34,500	32,500
Proceeds from the sale of non-current assets	(5,172)	(4,957)
Adjustments for items included in Investing and Financing Activities:	**27,488**	**24,623**
Net Cash Flows from Operating Activities	**50,628**	**35,835**
Investing Activities:		
Purchase of non-current assets	(21,960)	(14,596)
Purchase of short and long term investments	(34,500)	(34,500)
Proceeds from the sale of non-current assets	5,177	4,806
Other payments and receipts	7,540	4,558
Net Cash Flows from Investing Activities	**(43,743)**	**(39,732)**
Financing Activities:		
Cash receipts of long term borrowing	-	5,000
Cash payments for the reduction of the outstanding finance lease liabilities	(740)	(1,215)
Other payments and receipts	375	1,922
Net Cash Flows from Financing Activities	**(365)**	**5,707**
Net Increase/(Decrease) in Cash and Cash Equivalents	**6,520**	**1,810**
Cash and Cash Equivalents at 1 April (including Bank Overdraft balance) (Note G11)	11,376	9,566
Cash and Cash Equivalents at 31 March (including Bank Overdraft balance) (Note G11)	**17,896**	**11,376**

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 26 – 126 and the Group Financial Statements are cross referenced to them where relevant.

G2. Prior year adjustments

In previous financial years the Council has consolidated the accounts of its wholly owned subsidiary company Colchester Community Stadium Limited into its Group accounts. During the review of the Council's Group entities undertaken in 2018/19 it was concluded that that the accounts for this subsidiary company are not material to the Council's Group accounts. As such prior period adjustments have been made to the 2017/18 comparatives in the Group accounts to remove the consolidated accounts of this entity.

The classification of the pension reserve held by the Council's subsidiary company Colchester Borough Homes Limited has been reclassified from unusable reserves to usable reserves in the 2017/18 comparatives in the Movement in Reserves Statement and the Balance Sheet. This adjustment is a reporting change to the prior year comparatives within the accounts.

G3. Subsidiary Companies consolidated into the Group Accounts

Colchester Borough Homes Limited is a wholly owned subsidiary company of the Council. The Council is represented on the Board of the company. The Council and the Board agrees the annual delivery plans for the company

G4. 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.

G5. Group Expenditure and Funding Analysis

2018/19	Council Year end Management Report	Adjustments	Net Expenditure chargeable to GF, HRA and Subsidiary Balances	Adjustments between Funding and Accounting Basis				Net Expenditure in the Group CIES (Page 143)
				Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	(407)	24	**(383)**	-	-	-	**-**	**(383)**
Executive Management Team	657	1	**658**	-	78	(15)	**63**	**721**
Communities	1,674	1,009	**2,683**	2,017	678	10	**2,705**	**5,388**
Customer	4,091	(1,409)	**2,682**	97	708	(16)	**789**	**3,471**
Environment	4,673	(264)	**4,409**	2,023	1,208	14	**3,245**	**7,654**
Housing Revenue Account	(659)	(9,411)	**(10,070)**	5,726	18	1	**5,745**	**(4,325)**
Policy and Corporate	9,323	392	**9,715**	6,774	1,260	(32)	**8,002**	**17,717**
Non-Distributed Costs	-	706	**706**	78	(1,838)	-	**(1,760)**	**(1,054)**
Net Cost of Services	**19,352**	**(8,952)**	**10,400**	**16,715**	**2,112**	**(38)**	**18,789**	**29,189**
Other operating income and expenditure			2,005				(1,750)	**255**
Financing and Investment income and expenditure			14,284				(7,643)	**6,641**
Taxation and Non Specific Grant income			(24,568)				(322)	**(24,890)**
(Surplus)/Deficit on Provision of Services			**2,121**				**9,074**	**11,195**
Opening GF, HRA and Subsidiary Balances (Page 142)			**(2,359)**					
(Surplus)/Deficit on Provision of Services			2,121					
Other Comprehensive Income and Expenditure			(1,312)					
Transfers to Earmarked Reserves			(3,295)					
Closing GF, HRA and Subsidiary Balances (Page 142)			**(4,845)**					

2017/18 - Restated

				Adjustments between Funding and Accounting Basis				
	Council Year end Management Report	**Adjustments**	**Net Expenditure chargeable to GF, HRA and Subsidiary Balances**	**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**	**Net Expenditure in the Group CIES (Page 143)**
		Restated	**Restated**	**Restated**	**Restated**	**Restated**	**Restated**	**Restated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate and Democratic Core	(450)	(47)	**(497)**	-	-	-	**-**	**(497)**
Executive Management Team	656	-	**656**	-	105	16	**121**	**777**
Communities	4,268	(916)	**3,352**	2,518	740	(9)	**3,249**	**6,601**
Commercial	1,013	(1,013)	**-**	-	-	-	**-**	**-**
Customer	3,999	(1,951)	**2,048**	103	845	(10)	**938**	**2,986**
Environment	2,771	1,751	**4,522**	1,483	1,316	(16)	**2,783**	**7,305**
Housing Revenue Account	(959)	(7,678)	**(8,637)**	(17,080)	19	1	**(17,060)**	**(25,697)**
Policy and Corporate	7,676	920	**8,596**	3,655	1,783	(27)	**5,411**	**14,007**
Non-Distributed Costs	-	6,083	**6,083**	121	(5,973)	-	**(5,852)**	**231**
Net Cost of Services	**18,974**	**(2,851)**	**16,123**	**(9,200)**	**(1,165)**	**(45)**	**(10,410)**	**5,713**
Other operating income and expenditure			1,690				(1,322)	**368**
Financing and Investment income and expenditure			10,407				(4,819)	**5,588**
Taxation and Non Specific Grant income			(24,269)				(3,649)	**(27,918)**
(Surplus)/Deficit on Provision of Services			**3,951**				**(20,200)**	**(16,249)**

Opening GF, HRA and Subsidiary Reserves (Page 142)	**(3,489)**
(Surplus)/Deficit on Provision of Services	3,951
Other Comprehensive Income and Expenditure	(3,053)
Transfers to Earmarked Reserves	232
Closing GF, HRA and Subsidiary Reserves (Page 142)	**(2,359)**

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

		2018/19 £'000	2017/18 Restated £'000
Employee related expenditure		35,830	37,184
Other services expenses		84,202	85,875
Support services recharges		3,662	4,321
Depreciation, amortisation and impairment		21,278	(2,454)
Interest payments		6,582	6,584
Precepts and levies		1,748	1,546
Payments to Housing Capital Receipts Pool		773	678
Pension Fund expenditure		2,823	3,499
Increase in bad debt provisions		171	-
Losses on the disposal of assets		130	21
Changes in the fair value of investment properties		1,043	615
Other expenditure		52	53
Total Expenditure	**Page 143**	**158,294**	**137,922**
Fees, charges and other service income		(61,490)	(62,944)
Interest and investment income		(681)	(375)
Income from Council Tax and Non Domestic Rates		(17,153)	(17,267)
Government grants and contributions		(62,030)	(66,920)
Gains on the disposal of assets		(2,148)	(1,692)
Income in relation to investment properties		(2,372)	(2,016)
Changes in the fair value of investment properties		(319)	(2,772)
Decrease in bad debt provisions		(372)	-
Other income		(534)	(185)
Total Income	**Page 143**	**(147,099)**	**(154,171)**
Group (Surplus)/Deficit on the Provision of Services	**Pages 143, 147 & 148**	**11,195**	**(16,249)**

G6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on 30 July 2019 (see page 21). 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 2019 that would materially affect these Group accounts, and as such no adjustments have been made to the figures reported in the Group financial statements or notes.

G7. Short Term Debtors

	31 March 2019 £'000	31 March 2018 Restated £'000
Grants and Taxes	4,657	5,720
Trade Debtors	2,085	1,158
Prepayments	755	1,744
Housing Benefit Overpayments	736	1,020
NDR rate payers arrears	385	605
Council Tax rate payers arrears	599	592
Other debtors	3,910	4,219
Total Short Term Debtors	**13,127**	**15,058**

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 2019 £'000	31 March 2018 Restated £'000
Cash in hand held by the group	9	12
Bank current accounts	1,868	2,021
Short term deposits	19,264	13,331
Total Cash and Cash Equivalents	**21,141**	**15,364**

G9. Short Term Creditors

	31 March 2019 £'000	31 March 2018 Restated £'000
Trade creditors	(6,552)	(5,543)
Receipts in advance	(1,977)	(1,174)
Other taxes and social security	(1,264)	(520)
Collection Fund agency	(7,252)	(6,628)
NDR prepayments	(484)	(573)
Council Tax prepayments	(374)	(368)
Other creditors	(4,902)	(5,113)
Total Short Term Creditors	**(22,805)**	**(19,919)**

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 142.

Subsidiaries Reserves

	31 March 2019 £'000	31 March 2018 Restated £'000
Colchester Borough Homes Limited:		
Income and Expenditure Account	1,012	1,236
Defined benefit pension scheme reserve	(8,665)	(8,368)
Total Subsidiaries Reserves	**(7,653)**	**(7,132)**

G11. Cash Flow Statement Notes

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

	2018/19 £'000	2017/18 Restated £'000
Depreciation	9,831	11,835
Impairments and downward valuations	13,663	9,595
Reversal of previously recognised revaluation losses	(5,980)	(27,651)
Movement in the fair value of Investment Properties	724	(2,157)
Carrying value of non-current assets and assets held for sale sold or derecognised	3,587	4,940
Amortisation	379	444
Increase/(Decrease) in Creditors	2,992	(29)
(Increase)/Decrease in Debtors	987	(5,832)
(Increase)/Decrease in Inventories	24	(25)
Contributions to/(from) Provisions	1,895	504
Movement in pension liability	6,334	3,383
Other non-cash movements	(101)	(44)
Adjustments to Net Surplus/Deficit on the Provision of Services for non-cash movements	**34,335**	**(5,037)**

Cash and Cash Equivalents

	2018/19 £'000	2017/18 Restated £'000
Cash in hand held by the Council	9	12
Bank current accounts	1,868	2,021
Short term deposits	19,264	13,331
Bank overdraft	(3,245)	(3,988)
Group Cash Flow Statement - Total Cash and Cash Equivalents	**17,896**	**11,376**

G12. Officers' Remuneration

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

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

Colchester Borough Homes Limited

	Financial Year	Salary, Fees and Allowances £	Employers Pension contributions £	Total Remuneration £
Chief Executive	**2018/19**	**102,487**	**16,691**	**119,178**
	2017/18	99,364	16,494	115,858
Director of Housing	**2018/19**	**77,249**	**12,823**	**90,072**
	2017/18	75,376	12,553	87,929
Director of Property Services (Note 1 below)	**2018/19**	**57,751**	**9,538**	**67,289**
	2017/18	75,592	12,553	88,145
Director of Resources (Note 2 below)	**2018/19**	**18,940**	**3,144**	**22,084**
	2017/18	74,134	12,553	86,687

Note 1: The Director of Property Services left the company on 31 December 2018. This position remained vacant from this date and was covered by an officer acting up during this period.

Note 2: The Director of Resources left the company on 29 June 2018. An interim officer was contracted to fulfil this role for the period from 20 June 2018 to the year end. Payments to the recruitment agency in respect of this placement for salaries and fees totalled £80,509 (including VAT) in 2018/19. The normal recruitment and contract processes were undertaken for the engagement of this interim officer.

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

Remuneration Band	Number of Employees	
	2018/19	2017/18
£50,000 - £54,999	9	14
£55,000 - £59,999	3	2
£60,000 - £64,999	2	1
£65,000 - £69,999	6	4
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-

G13. Termination Benefits (Exit Packages)

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

Colchester Borough Council: Total cost of exits include payments to individuals of £560,720 in 2018/19 (£434,260 in 2017/18) and strain on pension fund costs of £241,536 in 2018/19 (£147,010 in 2017/18) paid to the pension fund authority Essex County Council. These costs have been previously reported in Note 32.

Colchester Borough Homes Limited: Total cost of exits include payments to individuals of £11,108 in 2018/19 (£16,486 in 2017/18) and strain on pension fund costs of £14,845 in 2018/19 (nil in 2017/18) paid to the pension fund authority Essex County Council.

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

2018/19 **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	15	6	21	215,026
£20,001 - £40,000	6	4	10	305,448
£40,001 - £60,000	3	2	5	240,983
£60,001 - £80,000	-	1	1	61,192
Total cost included in bandings	**24**	**13**	**37**	**822,649**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				5,560
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				**828,209**

2017/18 **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	12	22	214,993
£20,001 - £40,000	3	-	3	88,601
£40,001 - £60,000	-	1	1	43,633
£60,001 - £80,000	1	-	1	60,456
£80,001 - £100,000	1	-	1	84,306
£100,001 - £120,000	-	1	1	105,490
Total cost included in bandings	**15**	**14**	**29**	**597,479**
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				277
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				**597,756**

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 2018/19 £'000	**CBH 2018/19 £'000**	**Total 2018/19 £'000**	**Total 2017/18 Restated £'000**
Comprehensive Income & Expenditure Statement				
Cost of Services:				
Current service cost	6,862	2,249	9,111	9,749
Past Service Cost	540	-	540	244
Liabilities assumed/(extinguished) on settlements	(3,879)	-	(3,879)	(240)
Settlements price received/(paid)	2,162	-	2,162	106
Financing and Investment Income and Expenditure:				
Net interest expense	2,541	210	2,751	3,435
Pension fund administration expenses	72	12	84	74
Other Comprehensive Income and Expenditure:				
Re-measurement of the net defined benefit liability	(12,881)	(1,312)	(14,193)	(23,719)
Total charged to the Comprehensive Income & Expenditure Statement	**(4,583)**	**1,159**	**(3,424)**	**(10,351)**
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.	(8,298)	-	(8,298)	(11,263)
Employer's contributions payable to the scheme	3,573	-	3,573	9,201
Total charged to the Movement in Reserves Statement	**(4,725)**	**-**	**(4,725)**	**(2,062)**

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 2018/19 £'000	CBH 2018/19 £'000	Total 2018/19 £'000	Total 2017/18 £'000
Present value of the defined benefit obligation	(279,528)	(41,968)	(321,496)	(317,810)
Fair value of plan assets	184,920	33,303	218,223	206,678
Net liability	**(94,608)**	**(8,665)**	**(103,273)**	**(111,132)**

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

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

	CBC 2018/19 £'000	CBH 2018/19 £'000	Total 2018/19 £'000	Total 2017/18 £'000
Balance at 1 April	(278,903)	(38,907)	(317,810)	(320,071)
Current service cost	(6,862)	(1,883)	(8,745)	(9,749)
Interest cost	(6,939)	(1,003)	(7,942)	(8,600)
Change in financial assumptions	(12,532)	(2,167)	(14,699)	14,477
Change in demographic assumptions	15,649	2,395	18,044	-
Liabilities assumed/(extinguished) on settlements	3,879	(650)	3,229	240
Benefits paid net of transfers in	7,615	613	8,228	7,449
Past service costs	(540)	(30)	(570)	(244)
Contributions by scheme participants	(1,284)	(336)	(1,620)	(1,705)
Unfunded pension payments	389	-	389	393
Balance at 31 March	**(279,528)**	**(41,968)**	**(321,496)**	**(317,810)**

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

	CBC 2018/19 £'000	CBH 2018/19 £'000	Total 2018/19 £'000	Total 2017/18 £'000
Balance at 1 April	176,139	30,539	206,678	188,603
Interest on assets	4,398	793	5,191	5,165
Return on assets less interest	9,764	1,084	10,848	9,242
Administration expenses	(72)	(12)	(84)	(74)
Contributions by employer	3,573	862	4,435	9,985
Contributions by scheme participants	1,284	336	1,620	1,705
Benefits paid net of transfers in	(8,004)	(613)	(8,617)	(7,842)
Settlement prices received/(paid)	(2,162)	314	(1,848)	(106)
Balance at 31 March	**184,920**	**33,303**	**218,223**	**206,678**

GLOSSARY OF TERMS

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

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

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

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

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

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

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

Capital Financing Requirement
The statutory measure of a local authority’s underlying need to borrow for capital purposes.

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

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

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

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

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

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

Corporate and Democratic Core (CDC)
This incorporates the following subdivisions, the activities of which are not recharged to service under the
Service Reporting Code of Practice (SeRCOP):
- Democratic Representation and Management Costs Corporate Management Costs

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

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

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

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

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

Earmarked Reserves
Amounts set aside for specific future commitments or potential liabilities.

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

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

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

Financial Year
The period 1 April 2018 to 31 March 2019.

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

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

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

IFRS (International Financial Reporting Standards)
The collective name for the set of accounting standards which define the accounting treatments used by Central and Local Government in the UK, listed companies in the UK and the European Union.

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

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

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

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

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

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

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

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

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

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

Non-Domestic Rates (NDR)
Non-domestic rates are usually termed Business Rates. Business Rates contribute to the cost of providing local authority services. It is charged on the rateable value of each non-residential property multiplied by a uniform amount set annually by central government. Various reliefs are in operation. 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. Precepts are raised by Colchester Borough Council, Essex County Council, Police and Crime Commissioner for Essex, Essex Fire and Rescue and Town and Parish Councils.

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

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

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

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

Public Works Loan Board (PWLB)
A central government agency that offers long term loans to local authorities at interest rates marginally above the government's own cost of borrowing.

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

Revenue Support Grant (RSG)
Central government provides financial support towards the general expenditure of local authorities. The entitlement of each local authority is determined by a prescribed methodology.

Service Reporting Code of Practice (SeRCOP)
This guidance is produced by CIPFA and sets out the proper accounting practices for local authorities in respect of the content and presentation of the costs and income of services.

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

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

Opinion on the financial statements

We have audited the financial statements of Colchester Borough Council ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the Council and group Movement in Reserves Statements, the Council and group Comprehensive Income and Expenditure Statement, the Council and group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 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 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and S151 Officer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Head of Finance and S151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Head of Finance and S151 Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the 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 National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;

- 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.

Responsibilities of the Head of Finance and S151 Officer and the Council

As explained more fully in the Statement of the Head of Finance and S151 Officer's Responsibilities, the Head of Finance and S151 Officer is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Head of Finance and S151 Officer is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

The Council 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 for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor’s responsibilities in respect of the Council’s use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

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.

Use of our report

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 as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lisa Clampin
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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

	2018/19 £	2017/18 £
Income:		
Bank Interest	(4)	(1)
Net (Income)/Expenditure	**(4)**	**(1)**

BALANCE SHEET

	31 March 2019 £	31 March 2018 £
Current Assets:		
Cash at Bank	2,557	2,553
	2,557	**2,553**
Current Liabilities:		
Colchester Borough Council	(1,883)	(1,879)
Tendring District Council	(674)	(674)
	(2,557)	**(2,553)**
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

	2017/18 £	2016/17 £
Income:		
Registration Fees	-	(320)
Other Income	(20)	(4)
Expenditure:		
Subscriptions	-	90
Distributions to Freeburgesses	335	325
Administration expenses	-	40
Net (Income)/Expenditure	**315**	**131**

BALANCE SHEET

	30 September 2018 £	30 September 2017 £
Assets:		
Cash at Bank	12,001	11,981
Liabilities:		
Creditors	(335)	-
Represented by Accumulated Fund	**11,666**	**11,981**

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 2019 was £559,143 (31 March 2018: £525,725). A further sum of £36,795 is held on deposit pending transfer to the Colchester museums in future years (31 March 2018: £20,243).

INCOME AND EXPENDITURE STATEMENT

	2018/19 £	2017/18 £
Income:		
Interest on Investments	(17,045)	(16,450)
Interest on Cash at Bank	-	(47)
Expenditure:		
Distributions	16,540	16,236
Net (Income)/Expenditure	**(505)**	**(261)**

BALANCE SHEET

	31 March 2019 £	31 March 2018 £
Assets:		
Investments	559,143	525,725
Debtors	-	47
Cash at Bank	36,795	20,243
Liabilities:		
Creditors	(32,000)	(16,000)
Represented by Accumulated Fund	**563,938**	**530,015**

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

	2018/19 £	2017/18 £
Income:		
Interest Received	(17)	(6)
Dividends	(333)	(328)
Net Income	**(350)**	**(334)**

BALANCE SHEET

	31 March 2019 £	31 March 2018 £
Assets:		
Investments	10,173	9,984
Cash at Bank	8,934	8,584
Represented by Accumulated Fund	**19,107**	**18,568**

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 1 grant was paid out in 2018/19 (2 grants were paid out in 2017/18).

INCOME AND EXPENDITURE STATEMENT

	2018/19 £	2017/18 £
Income:		
Bank interest	(4)	(4)
Dividends	(366)	(359)
Donations	-	(1,000)
Expenditure:		
Grants paid	80	125
Net (Income)/Expenditure	**(290)**	**(1,238)**

BALANCE SHEET

	31 March 2019 £	31 March 2018 £
Assets:		
Investments	11,106	10,366
Cash at Bank	8,428	8,138
Represented by Accumulated Fund	**19,534**	**18,504**

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 2 grant applications were approved in 2018/19 (3 grant applications were approved in 2017/18).

INCOME AND EXPENDITURE STATEMENT

	2018/19 £	2017/18 £
Income:		
Dividends	(483)	(473)
Expenditure:		
Grants paid	265	359
Net (Income)/Expenditure	**(218)**	**(114)**

BALANCE SHEET

	31 March 2019 £	31 March 2018 £
Assets:		
Investments	14,644	13,668
Cash at Bank	4,457	4,239
Represented by Accumulated Fund	**19,101**	**17,907**

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

	2017/18 £	2016/17 £
Income:		
Investment income	-	-
Expenditure:		
Building repairs and improvement costs	-	-
Administrative expenses	-	-
Net (Income)/Expenditure	**-**	**-**

BALANCE SHEET

	30 September 2018 £	30 September 2017 £
Non-Current Assets:		
Mercury House (at cost) and Mercury Theatre (nominal)	83,384	83,384
Current Assets:		
Cash at Bank	150	150
Total Net Assets	**83,534**	**83,534**
Designated Funds:		
Capital Reserve	83,384	83,384
Other Charitable Funds	150	150
Total Unrestricted Funds	**83,534**	**83,534**

COLCHESTER BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, 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.

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

This statement explains how the Council has complied with the code and meets the requirements of regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's governance framework has been in place during the year ended 31 March 2019 and up to the date of the approval of the annual accounts.

Elements of the Framework

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

- **The Strategic Plan** – which identifies and communicates the Authority's vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the Strategic Plan and identifies the implications for the Council's governance arrangements.
- **The Constitution** - This is the fundamental basis of the Authority's governance arrangements and includes:
  - Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
  - Reviewing and updating procedure rules, financial procedure rules, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.
  - The Policy Framework which includes the documents relating to Corporate Governance including:
    - The Local Code of Corporate Governance.
    - A risk management strategy detailing processes and controls required to manage risks.
    - The Anti-Fraud and Corruption Policy
  - The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
    - A code of conduct which defines the standards of behaviour for all Members.
    - Planning procedures Code of Practice
    - Protocol on Member/Officer Relations
    - Media Protocol
    - Monitoring Officer Protocol
    - Chief Finance Officer Protocol
    - Resources Protocol
    - A whistle blowing policy for receiving and investigating complaints from the public and staff.
    - Gifts and Hospitality Guidance
- **The Chief Finance Officer Protocol** sets out the responsibilities to conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

- **The operation of a Governance and Audit Committee** which undertakes the core functions of an audit committee, as identified in CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities'. It also acts as the 'client' committee scrutinising the performance of the Colchester Commercial (Holdings) Limited and its subsidiary companies.
- **The operation of a Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council's policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **A performance management system** for all officers that identifies key objectives and development needs.
- **A member training and development programme**.
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **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 post of the Section 151 Officer for Colchester Borough Council was held permanently by the Strategic Finance Manager until February 2019, when they ceased working for the Council. An interim Section 151 Officer was appropriately appointed by full Council to fill the role for the remainder of the year. The arrangements in place ensured that the Council's financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the 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 Local Government and Social Care Ombudsman, the Information Commissioner's Office, Equal Opportunities Commission, Lexcel, Investors In People, the Vehicle Inspectorate, DEFRA, East England Tourist Board and the Office of Surveillance Commissioners.

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

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas. The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010).* The services' compliance with the Public Sector Internal Audit Standards was independently assessed and verified in November 2016.
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Governance and Audit Committee.
- **A comprehensive risk management process** that ensures the key risks across the 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 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 review are highlighted in the table at the end of the statement. Whilst it is not considered a significant control issue it should be noted that for a proportion of the year the Local Plan Committee was chaired by a Council officer rather than a Council Member, as an agreement could not be reached over the who should be appointed. Whilst this is permitted, it is not good practice. This was resolved during the year and has not been repeated for the coming year.

Effectiveness of Other Organisations

The Council owns six companies:

- Colchester Borough Homes (CBH) which was created in 2003,
- Colchester Community Stadium Limited (CCSL) created in 2007
- Colchester Commercial (Holdings) Limited (CCHL), and its three subsidiary companies –
- Colchester Amphora Trading Limited,
- Colchester Amphora Energy Limited and
- Colchester Amphora Housing Limited.

It also leads two joint (with other local authorities) services:

- Colchester & Ipswich Museums Service (CIMS)
- North Essex Parking Partnership (NEPP)

As these are limited companies there is no requirement for them to produce Governance Statements in this format. However, it is recognised by the Council, that it is essential for these companies to operate effective governance procedures to ensure appropriate and cost-effective service provision and protection of Council assets.

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

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

The CCHL group was created to enable a more commercial approach to be taken to deliver revenue generating Council services and to develop innovative options for new services in the future, such as a heat exchange system for the Borough. Whilst the CCHL group are operating in a commercial environment, and therefore can take a different approach to service delivery they are still delivering services on the Council's behalf. Therefore, it is necessary to ensure that it operates effectively to deliver the best possible outcomes for the Council. This was the first year of operation of the companies and therefore some processes are still in development. During the review it was noted that that there was some political crossover during the year, with a CBC Cabinet member chairing the CCHL board, but this has been resolved going forward. However, there were no significant control weaknesses that need to be included in this statement.

The Council is the lead partner in the Colchester & Ipswich joint museum service. Due to the nature of the arrangement, the joint museum service conducts its own annual governance review which includes an assessment of internal control. Therefore, it is not intended to include any details relating to this service within this statement.

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

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 2018/19, 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 2019 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Review of Actions from 2017/18 Statement

There were four actions included in the Annual Governance Statement for 2017/18:

- Security of Premises / Information
- Contract Management
- Project Management
- Financial Management

Further work has been undertaken to strengthen building security and the additional arrangements for the main office building are working well. There have been additional IT security tests undertaken during the year and targeted additional training and awareness activity has been carried out.

Contract management arrangements are being embedded, and the procurement team has been strengthened with the transfer of a part time member of staff from the external procurement hub into the Council, on a full-time basis. However, it is felt that there needs to be further promotion of the contract procedure rules.

An extensive training programme for project management has been delivered during the year and the governance process is embedded into projects. There still needs to be some development of post-implementation process.

There have been changes in senior officers in the Finance team during the year, however the financial management processes have been strengthened and training has been delivered to relevant officers.

Conclusion & Significant Governance Issues

Overall the control arrangements in place during the 2018/19 financial year have been effective and were appropriate. However, the review 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 review process during 2019/20 -

No.	Issue	Action
1.	**Data Protection** During the governance review it was noted that, whilst there were no reportable data breaches during the year, there still needs to be some strengthening of the controls around the protection of data and use of personal information, including respecting individuals' rights and access arrangements.	A comprehensive framework of data protection actions will be delivered during 2019/20 including: • Compiling a complete register of Information Assets and Data Flows. • Delivery of Data Protection refresher training • Strengthening of data retention policies. • Reviewing data actions in the procurement process • Reviewing compliance of privacy impact assessments. • Implement security measures as agreed by SMT. • Conducting data protection audits at remote sites and ensuring recommendations are embedded and are effective.
2.	**Project Management** Whilst the project management processes have continued to be embedded, and a robust framework exists, which is beginning to demonstrate good management during the project initiation and implementation phases, there is still some improvement required to the post implementation stage. It should be ensured that there is a robust post-implementation review process that includes an honest assessment of what worked well and what didn't, monitoring and reporting of delivery against performance indicators, and knowledge sharing for future projects.	Cabinet agreed in January 2019 to review governance processes and programme reporting for all CBC transformation activity to provide greater oversight, strengthen programme management (pre- and post-implementation) and coordinate resources across Policy and Corporate and other services. A new Corporate Programmes and Projects SharePoint site, SMT governance and training will be established.

No.	Issue	Action
3.	**Long Term Decision Making** Senior officers, and Members, recognised that the closeness of the political balance during the year had had an impact on longer term decision making, with the focus being on more reactive and shorter-term goals. This has caused some constraints on resources and officer ability to respond.	Working relationships between SMT and Cabinet members continue to be strengthened through informal meetings, member training, awareness raising and Portfolio briefings on key internal and external factors, demographics, legislation, policy development and trends affecting the Council. Refresher training on Members' code of conduct to be provided to all Members. Officers are supporting the administration to ensure political priorities are aligned with the three year Strategic Plan and MTFF issues.
4.	**Finance System** The internal audit IT review of one of the financial systems highlighted a significant number of control weaknesses. Including licensing of the system, backup of data, disaster recovery plans and service level agreements with the supplier.	The current Finance system is scheduled to be upgraded by end of financial year 19/20. The contract is in place and initial technical work has been completed. The new version of the software will be implemented alongside an updated contract with SLAs, a review of process and is expected to resolve the significant control weaknesses identified. ICT and Finance see this new system implementation as a critical priority in this financial year.

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

Signed:

Councillor Mark Cory Leader of the Council	Adrian Pritchard Chief Executive

on behalf of Colchester Borough Council