



Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ
Tuesday, 17 October 2023 at 18:00**

The Governance and Audit Committee considers and approves the Council's Statement of Accounts and reviews the Council's annual audit letter. The Committee also deals with the Council's governance, risk management and audit arrangements. To make recommendations to the Council on functions such as Elections and bye laws, and determine Community Governance Reviews.

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

Have Your Say!

The Council welcomes contributions and representations from members of the public at most public meetings. If you would like to speak at a meeting and need to find out more, please refer to the Have Your Say! arrangements here: <http://www.colchester.gov.uk/haveyoursay>.

Audio Recording, Mobile phones and other devices

The Council audio records public meetings for live broadcast over the internet and the recordings are available to listen to afterwards on the Council's website. Audio recording, photography and filming of meetings by members of the public is also welcomed. Phones, tablets, laptops, cameras and other devices can be used at all meetings of the Council so long as this doesn't cause a disturbance. It is not permitted to use voice or camera flash functions and devices must be set to silent. Councillors can use devices to receive messages, to access meeting papers and information via the internet. Looking at or posting on social media by Committee members is at the discretion of the Chairman / Mayor who may choose to require all devices to be switched off at any time.

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to the Library and Community Hub, Colchester Central Library, using the contact details below and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are on each floor of the Town Hall. A water dispenser is available on the first floor.

Evacuation Procedures

Evacuate the building using the nearest available exit. Make your way to the assembly area in the car park in St Runwald Street behind the Town Hall. Do not re-enter the building until the Town Hall staff advise you that it is safe to do so.

Library and Community Hub, Colchester Central Library, 21 Trinity Square,

Governance and Audit Committee - Terms of Reference (but not limited to)

Accounts, Audit, Risk and Counter Fraud

To consider and approve the Council's Statement of Accounts and the Council's financial accounts, and review the Council's external auditor's annual audit letter.

To consider the findings of the annual review of governance including the effectiveness of the system of internal audit and approve the signing of the Annual Governance Statement.

To have an overview of the Council's control arrangements including risk management and in particular with regard to the annual audit plan and work programme, and to approve the policies contained in the Council's Ethical Governance Framework.

Miscellaneous regulatory matters

To make recommendations to Council on functions such as elections, the name and status of areas and individuals, and byelaws.

To determine and approve Community Governance Reviews.

An overview of the Council's complaint handling procedure and Local Government and Social Care Ombudsman investigations.

Shareholder Committee for Council owned companies

To consider, review and make recommendations to Cabinet regarding the activities and financial performance of Colchester Commercial (Holdings) Limited, its subsidiary companies and Colchester Borough Homes Limited.

Consider an annual review of the business plans of Colchester Commercial (Holdings) Limited (including its subsidiary companies) and performance of the companies including delivery of the dividend; and the Annual Report, Governance Statement and performance of Colchester Borough Homes Limited.

The creation of any arrangements for any future Council owned company including activities and performance.

Standards

To consider reports from the Monitoring Officer on the effectiveness of the Members' Code of Conduct, and to advise the Council on the adoption or revision of the Code.

To receive referrals from the Monitoring Officer into allegations of misconduct and to create a Hearings Sub-Committee to hear and determine complaints about Members and Co-opted Members referred to it by the Monitoring Officer.

To conduct hearings on behalf of the Parish and Town Councils and to make recommendation to Parish and Town Councils on improving standards or actions following a finding of a failure by a Parish or Town Councillor.

To inform Council and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints.

To grant dispensations, and to hear and determine appeals against refusal to grant dispensations by the Monitoring Officer.

To make recommendations to Council regarding the appointment of Independent Persons.

General

To review of the Constitution including governance issues around formal meetings, processes and member training and to make recommendations to Council.

The complete Terms of Reference of the Governance and Audit Committee are contained within the Council's Constitution.

COLCHESTER CITY COUNCIL
Governance and Audit Committee
Tuesday, 17 October 2023 at 18:00

The Governance and Audit Committee Members are:

Councillor Chris Pearson	Chair
Councillor Paul Smith	Deputy Chair
Councillor Dave Harris	
Councillor Alison Jay	
Councillor Sara Naylor	
Councillor Rhys Smithson	
Councillor William Sunnucks	

The Governance and Audit Committee Substitute Members are:

All members of the Council who are not Cabinet members or members of this Panel.

AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)

Please note that Agenda items 1 to 6 are normally dealt with briefly.

1 Welcome and Announcements

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, audio-recording of the meeting. Councillors who are members of the committee will introduce themselves.

2 Substitutions

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

3 Urgent Items

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

4 **Declarations of Interest**

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other registerable interest or non-registerable interest.

5 **Minutes of Previous Meeting**

No minutes are presented for approval at this meeting.

6 **Have Your Say! (Hybrid Council meetings)**

Members of the public may make representations to the meeting. This can be made either in person at the meeting, or by joining the meeting remotely and addressing the Committee via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Committee remotely may register their wish to address the meeting by e-mailing democratic.services@colchester.gov.uk by 12.00 noon on the working day before the meeting date. In addition, a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.

There is no requirement to pre-register for those attending the meeting in person.

7 **Local Government and Social Care Ombudsman – Annual Review Letter 2023** 9 - 16

The Committee will consider a report providing details of Colchester City Council's Local Government & Social Care Ombudsman's Annual Review Letter, on the number of complaints it has received regarding each local authority.

8 **Health and Safety Report 2023** 17 - 40

The Committee will consider a report providing it with an overview of the Council's Health and Safety activity during the year from 01 October 2022 to 30 September 2023.

9 **Amphora Future Strategy** 41 - 52

The Committee will consider a report recommending that it consider the Proposed Future Strategy for Amphora set out in Appendix A of the report, and to comment as necessary before commending it to the Council's Cabinet.

Please note that Appendices 1 and 2 are published in Part B of the agenda as they contain exempt information.

10 **Hibernation of Colchester Amphora Energy Ltd (CAEL)** 53 - 92

The Committee will consider a report inviting it to consider the formal hibernation of Colchester Amphora Energy Ltd (CAEL) and the transfer of its assets to Colchester City Council.

Please note that Appendix 2 is published in Part B of the agenda as it contains exempt information.

- 11 **Draft Statement of Accounts 2021/22** 93 - 206
The Committee will consider a report presenting the draft statement of accounts for 2021/2022 to it. The Committee will be invited to note the report.
- 12 **Work Programme 2023-2024** 207 - 210
The Committee will consider a report setting out its work programme for the current municipal year.
- 13 **Exclusion of the Public (not Scrutiny or Executive)**
In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

Part B
(not open to the public including the press)

- 14 **Amphora Future Strategy - Part B**
The not for publication appendices to the report by the Managing Direct, Colchester Commercial Holdings Ltd are attached.
Please note that Appendix 2 is also Appendix 2 to item 10 Hibernation of Colchester Amphora Energy Ltd.



Governance and Audit Committee

Item
7

17 October 2023

Report of	Head of Governance and Monitoring Officer	Author	Andrew Weavers
Title	Local Government and Social Care Ombudsman – Annual Review Letter 2023		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The Local Government & Social Care Ombudsman produces an Annual Review Letter on the number of complaints it has received regarding each local authority. This report provides details of Colchester City Council's Annual Review Letter for 2023.

2. Recommended Decision

- 2.1 To note the contents of the Local Government & Social Care Ombudsman's Annual Review Letter for 2023.

3. Reasons for Recommended Decision

- 3.1 To inform the Committee of the contents of the Local Government & Social Care Ombudsman's Annual Review Letter relating to Colchester City Council for 2023.

3. Alternative Options

- 3.1 No alternative options are presented.

4. Supporting Information

- 4.1 The Local Government & Social Care Ombudsman can investigate complaints about most council services, even if the service is outsourced to another organisation to provide. The Ombudsman issues an Annual Review Letter to each local authority. The Annual Review Letter for Colchester for the period ending 31 March 2023 is attached to this report at Appendix 1.
- 4.3 It is worth noting that anyone can choose to make a complaint to the Local Government & Social Care Ombudsman. Accordingly, the number of complaints is not an indicator of performance or level of customer service. In most instances there was no case to answer. The Local Government & Social Care Ombudsman will normally insist that the Council has the opportunity to resolve the complaint locally through its own complaints procedure before commencing its own investigation.
- 4.4 The Annual Review Letter was reported to Cabinet at its meeting on 6 September 2023. The Governance and Audit Committee has an overview of Local Government & Social Care Ombudsman investigations as part of its terms of reference. The Committee is asked to note that Ombudsman cases are reported to Principal Liaison meetings attended by senior staff from Colchester City Council and Colchester Borough Homes and to the Housing Portfolio Holder briefings ahead of publication.

5. Key Headlines

5.1 The Local Government & Social Care Ombudsman Annual Review Letter focuses on the outcomes of complaints and what can be learned from them. The statistics are on 3 key areas:

(i) Complaints upheld - The Ombudsman upholds complaints when it finds some form of fault in an authority's actions, including where the authority accepted fault before it investigated.

(ii) Compliance with recommendations - The Ombudsman recommends ways for authorities to put things right when faults have caused injustice and monitor their compliance with its recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

(iii) Satisfactory remedies provided by the authority – In these cases, the authority upheld the complaint and the Ombudsman agreed with how the authority offered to put things right. The Ombudsman encourages the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

The Ombudsman compares the three key annual statistics for each authority with similar types of authorities to work out an average level of performance.

	Period ending 31/03/23	Period ending 31/03/22	Period ending 31/03/21	Period ending 31/03/20
Complaints Upheld	2	1	No detailed investigations carried out	1
Compliance with Ombudsman's recommendations	100%	100%	No recommendations due for compliance	100%
Satisfactory remedies provided by the authority	0	0	No detailed investigations upheld	0

5.2 The Ombudsman upheld two complaints relating to housing allocations managed by Colchester Borough Homes on behalf of the Council. Neither of the upheld complaints had a finding of maladministration.

5.2.1 In the first case the complainant complained about the time it took the Council to support his stepson into suitable housing, thereby endangering both himself and his wife. The investigation concluded by making a finding of fault by the Council. Although the Council took reasonable steps to alleviate any immediate danger presented, the Ombudsman found the Council failed to act on evidence provided to it that demonstrated receipt of Disability Living Allowance. The Ombudsman also found that the Council had failed to make a referral to social care services when it had enough information to do so. There should have been a referral for a sheltered accommodation assessment sooner and this caused an injustice to the complainant. The Council agreed to the recommendations proposed by the Ombudsman in order to prevent any future similar occurrences by: (i) explaining what it will do to ensure evidence it receives as part of any application is considered and used as appropriate and (ii) make a payment to the complainant of £300 in recognition of the stress and trouble incurred from the ongoing living situation the Council could have otherwise reduced. Both recommendations were completed to the satisfaction of the Ombudsman.

5.2.2 In the second case the complainant complained he and his family were living in unsuitable housing which had a detrimental effect on his family's health. The Council was found to have appropriately followed legislation, policy and procedure in allocating housing. However, the Council were found to be at fault for misclassifying autism, failing to understand the complainant's additional needs and failing to record and explain a decision to remove the garden as a reasonable preference.

The Council is working with its partner organisations to review the assessment framework and how it will explain decisions to applicants with neurodevelopmental conditions. In addition, the Ombudsman recommended that the Council: (i) apologised in writing to the complainant, (ii) review the complainant's family's need for a garden and explain its decision fully in writing, and (iii) make a payment of £500 for the distress caused to the complainant and the time and trouble he has taken to deal with this complaint. All recommendations were completed to the satisfaction of the Ombudsman.

5.2.3 Whilst there was no finding of maladministration in either case, Colchester Borough Homes have reviewed their processes in the light of both complaints and made necessary improvements.

The Annual Review Letter also acknowledges that the Ombudsman had provided complaint handling on line training for Colchester Borough Homes staff.

5.4 The following table provides a comparison of complaints and enquires received. (NB. categories are those used by the Ombudsman)

Year	Benefits and Tax	Corporate and other services	Environmental Services & Public Protection & Regulation	Highways and Transport	Housing	Planning and Development	Other	Total
2022/23	2	0	0	0	4	4	0	10
2021/22	2	1	4	1	7	4	2	21
2020/21	2	1	4	4	1	3	0	15
2019/20	3	1	5	3	6	2	0	20
2018/19	0	1	4	0	5	10	0	20

5.5 The following table provides a comparison of enquires and decisions made by outcome.

Year	Incomplete / Invalid	Advice Given	Referred back for Local Resolution	Closed after Initial Enquiries	Detailed Investigations			Total
					Not Upheld	Upheld	Uphold Rate	
2022/23	0	0	6	2	0	2	100%	10
2021/22	1	3	5	10	2	1	33%	22
2020/21	1	0	5	7	0	0	N/A	13
2019/20	2	0	9	6	3	1	25%	21
2018/19	2	1	4	10	3	3	50%	23

5.6 The following table shows Colchester’s performance compared with other Borough, City and District Councils in Essex.

Name	Complaints Upheld % (numbers)	Compliance with recommendations	Satisfactory remedies provided by Council (numbers)
Basildon	100% (2)	100%	0% (0)
Braintree	67% (2)	None	0% (0)
Brentwood	13% (3)	100%	0% (0)
Castle Point	None	None	None
Chelmsford	50% (1)	100%	0% (0)
Colchester	100% (2)	100%	0% (0)
Epping Forest	67% (6)	100%	0% (0)
Harlow	50% (2)	100%	0%(0)
Maldon	0% (0)	None	None
Rochford	None	None	None
Tendring	67% (2)	100%	0% (0)
Uttlesford	100% (2)	100%	0% (0)

6. Strategic Plan References

6.1 The lessons learnt from complaints to the Local Government & Social Care Ombudsman link in with our Strategic Plan aims to be efficient accessible, customer focused and always looking to improve. Having an effective complaints process helps us to achieve the Strategic Plan’s themes of a Wellbeing, making Colchester an even better place to live and supporting those who need help most.

7. Publicity Considerations

7.1 Details of the Annual Review Letter are published on the Local Government and Social Care Ombudsman’s website and will also be published on the Council’s website.

8. Financial, Equality, Diversity and Human Rights, Consultation, Community Safety, Health and Safety, Risk Management and Environmental and Sustainability Implications

8.1 No direct implications.

Appendix 1 – Annual Review Letter 2023

19 July 2023

By email

Ms Donnelly
Chief Executive
Colchester City Council

Dear Ms Donnelly

Annual Review letter 2022-23

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2023. The information offers valuable insight about your organisation's approach to complaints. As always, I would encourage you to consider it as part of your corporate governance processes. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

The end of the reporting year, saw the retirement of Michael King, drawing his tenure as Local Government Ombudsman to a close. I was delighted to be appointed to the role of Interim Ombudsman in April and look forward to working with you and colleagues across the local government sector in the coming months. I will be building on the strong foundations already in place and will continue to focus on promoting improvement through our work.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Over the past two years, we have reviewed our processes to ensure we do the most we can with the resources we have. One outcome is that we are more selective about the complaints we look at in detail, prioritising where it is in the public interest to investigate. While providing a more sustainable way for us to work, it has meant that changes in uphold rates this year are not solely down to the nature of the cases coming to us. We are less likely to carry out investigations on 'borderline' issues, so we are naturally finding a higher proportion of fault overall.

Our average uphold rate for all investigations has increased this year and you may find that your organisation's uphold rate is higher than previous years. This means that comparing uphold rates

with previous years carries a note of caution. Therefore, I recommend comparing this statistic with that of similar organisations, rather than previous years, to better understand your organisation's performance.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations.

Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we were satisfied with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 26 July 2023. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

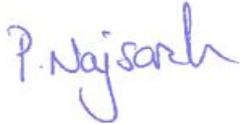
Supporting complaint and service improvement

I know that complaints offer organisations a rich source of intelligence and insight that has the potential to be transformational. These insights can indicate a problem with a specific area of service delivery or, more broadly, provide a perspective on an organisation's culture and ability to learn. To realise the potential complaints have to support service improvements, organisations need to have the fundamentals of complaint handling in place. To support you to do so, we have continued our work with the Housing Ombudsman Service to develop a joint complaint handling code that will provide a standard for organisations to work to. We will consult on the code and its implications prior to launch and will be in touch with further details.

In addition, our successful training programme includes practical interactive workshops that help participants develop their complaint handling skills. We can also offer tailored support and bespoke training to target specific issues your organisation might have identified. We delivered 105 online workshops during the year, reaching more than 1350 people. To find out more visit www.lgo.org.uk/training or get in touch at training@lgo.org.uk.

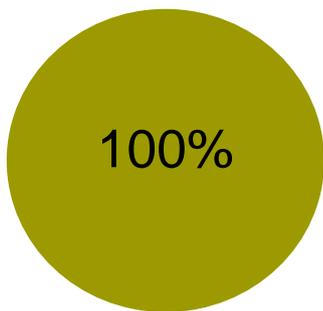
We were pleased to deliver an online complaint handling course to staff at CB Homes during the year. I welcome your Council's investment in good complaint handling training and trust the course was useful to you.

Yours sincerely,

A handwritten signature in blue ink that reads "P. Najsarek". The signature is written in a cursive style with a large initial 'P'.

Paul Najsarek
Interim Local Government and Social Care Ombudsman
Interim Chair, Commission for Local Administration in England

Complaints upheld



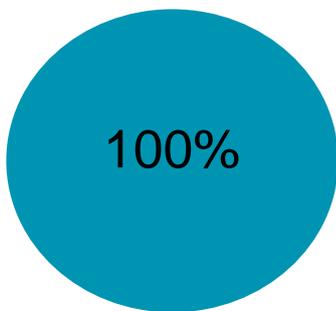
100% of complaints we investigated were upheld.

This compares to an average of **59%** in similar organisations.

2
upheld decisions

Statistics are based on a total of **2** investigations for the period between 1 April 2022 to 31 March 2023

Compliance with Ombudsman recommendations



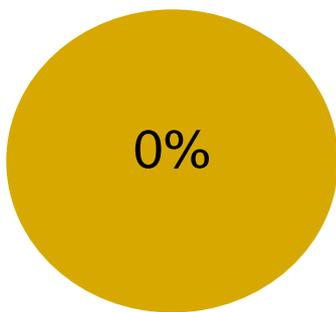
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **100%** in similar organisations.

Statistics are based on a total of **2** compliance outcomes for the period between 1 April 2022 to 31 March 2023

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **15%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **2** upheld decisions for the period between 1 April 2022 to 31 March 2023

17 October 2023

Report of	Corporate Governance Manager	Author	Hayley McGrath
Title	Health and Safety Report 2023		508605
Wards affected	N/A		

1. Executive Summary

- 1.1 This report provides members with an overview of the Council’s Health and Safety activity during the year from 01 October 2022 to 30 September 2023.
- 1.2 The Health and Safety policy and processes are reviewed annually to ensure that they are still appropriate to the Council’s needs and continue to be effective in managing the health and safety of staff and members of the public.
- 1.3 The main focus for this year has been on returning to a normal working environment following the Covid pandemic and ensuring that regular reviews and audits are now back on schedule. Following the resignation of the previous post holder the Council appointed an interim Health and Safety Manager, until the post could be permanently filled. The Interim Health and Safety Manager was an experienced Health and Safety expert and has created a bespoke management system, that is a comprehensive tool for managers to provide them with assistance in managing Health and Safety risks.
- 1.4 A permanent experienced Corporate Health and Safety Manager joined the Council in May this year. Since joining they have ensured that they have visited all service areas and have provided a high level of support to Managers to deal with issues such as the Moot Hall ceiling and reviews of working practices.
- 1.5 Whilst there has been an increase in the number of incidents being reported, serious incidents are low.

2. Recommended Decisions

- 2.1 Review the Health and Safety work undertaken between October 2022 and September 2023.
- 2.2 Approve the Health and Safety Policy for 2023/24.

3. Reason for Recommended Decision

- 3.1 The Leader of the Council has the ultimate responsibility for the management and monitoring of health and safety provision across all the Council’s undertakings. Cabinet are jointly and severally the primary duty holders for health and safety across the Council’s undertakings.
- 3.2 The Health and Safety Policy is an integral part of the risk management process, which forms part of the policy framework. As such it is appropriate to provide an annual report on Health and Safety to the Governance and Audit Committee, to assist with the Committee’s responsibility for reviewing the effectiveness of risk management.

4. Background Information

- 4.1 Colchester City Council has general duties under the Health and Safety at Work etc. Act 1974 and specific duties under the Management of Health and Safety at Work Regulations 1999, to ensure that employees, and others who may be affected, can work safely without risk to their safety or health.
- 4.2 Overall responsibility for Health and Safety rests with Cabinet but is overseen by the Chief Operating Officer and managed by the Corporate Health and Safety Manager and Designated Officers within services, who form the Health and Safety Committee.

5. Summary of Work Undertaken – October 2022 to September 2023.

- 5.1 A focus for this year has been on implementing the new Health and Safety management system, starting with the high-risk sites such as Leisure World and Neighbourhoods Services. The management system is a comprehensive tool to not only store site records but allows access to toolbox talks and Health and Safety templates. There is also a self-audit that can be completed by managers to ensure that the health and safety risks of their service are appropriately managed, this can be updated monthly. This system will continue to be rolled out across the City Council during 2023/24
- 5.2 There is a rolling programme of Fire Risk Assessments for all corporate buildings (primarily used as City Council staff workplaces) which are undertaken by an external Fire Safety Consultant. Work has been undertaken during the year to identify other sites and functions to review including the Secret Chapel at the Castle and Charter Hall. No significant issues have been identified, with recommendations primarily relating to record keeping, training and fire drills. All have been accepted and are being implemented.
- 5.3 The Rowan House refurbishment was completed in June 2023 and a phased approach was organised for the return of staff. Fire marshal and First Aid training was given to the nominated staff to carry out these roles. A practice of a full evacuation of Rowan House was also completed in August. A new Fire risk assessment and Fire Strategy was completed, and actions addressed. We have one PEEP (Personal Emergency Evacuation Plan) at Rowan House on the City Council floor.
- 5.4 A new Ofqual Fire Marshal training course was introduced in 2023 and 2 courses were delivered. Several e-learning courses have been created and are due to go live later in 2023, e.g., Manual Handling, Display Screen Equipment Assessment, Control of Substances Hazardous to Health, Lone Working, Personal Safety, Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, Fire Safety, Working at Height, Driving Safety and Introduction to First Aid.
- 5.5 A new Power App system has been developed for reporting Health and Safety incidents and near misses, this is being trialled by Leisure World and will be rolled out to the rest of the City Council during 2023/24. The new system will allow for better monitoring of trends and identification of where the accident hot spots are.
- 5.6 The Corporate Health and Safety Manager continues to support all services and visit sites on a regular Basis and completed spot checks of various services.
- 5.7 The Corporate Health and Safety Manager continues to work with a supplier who provides specialised chairs and desk for those staff that have medical issues. The feedback has been very positive and ensures we are looking after staff on site and for those working from home.

5.8 During the period 1020 health and safety incidents including near misses were reported across the Council compared to 880 last year. The majority of these have come from the leisure centres and include all reports of members of the public sustaining an injury playing sport, such as twisted ankles. The service with the second highest level of reports was Neighbourhood Services, primarily due to the physical nature of the work that is undertaken. The Corporate Health and Safety Manager has been working closely with the Neighbourhoods teams to monitor Health and Safety issues, identifying trends and training needs, to improve resilience and ensure healthy working environments. The table below provides a breakdown of the figures:

Service/Department	2022-2023	2021-2022
Leisure World Colchester	556	554
Sports park and Dual use facilities	150	95
Neighbourhood Services	130	119
Others	184	112
Total	1020	880

5.9 There were 2 serious incidents reported this year. Serious incidents are notifiable to the Health and Safety Executive and are often referred to as “RIDDOR incidents”. The 2 RIDDOR incidents were reported to the Health and Safety Executive. A staff member was struck by a moving vehicle which resulted in a bone fracture to the foot. The Health and Safety Executive took no further action. The second incident was a spinal injury to a customer in the Leisure Pool at Leisure World, which was a result of a pre-existing condition. The Health and Safety Executive took no further action.

6. Health & Safety Policy 2023/24

6.1 The Health and Safety policy sets out the City Council’s commitment to managing health and safety risks, organisation structure and the individual responsibilities, at all levels of the organisation.

6.2 The policy at Appendix A is supported by a set of arrangements that detail what the City Council will do in practice to achieve the aims set out in the health and safety policy and successfully manage health and safety. Services supplement these arrangements with their own additional health and safety procedures where necessary for example due to the specific or higher risks involved in their work.

6.3 The policy is still considered fit or purpose and has been updated to reflect the latest organisation structure.

7. Equality, Diversity and Human Rights implications

7.1 Equality Impact Assessment (EIA) [link](#)

8. Strategic Plan References

8.1 The failure to adequately identify and manage health and safety issues will affect the ability of the Council to achieve its strategic objectives.

9. Consultation

9.1 Details of consultation is included in Document Information section of the policy.

10. Health and Safety Implications

10.1 The failure to adequately identify and manage health and safety issues may have an impact on the ability of the Council to deliver effective services.

11. Risk Management Implications

11.1 The failure to adequately identify and manage health and safety issues may have an impact on the ability of the Council to deliver effective services.

12. Environmental and Sustainability Implications

12.1 There are no environmental or sustainability implications as a result of this report.

13. Standard References

13.1 There are no particular references to publicity considerations or financial, wellbeing and community safety implications.

Appendices

Appendix A: Health and Safety Policy 2023/24



Colchester
City Council

Health and Safety Policy

2023/2024

www.colchester.gov.uk

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1. INTRODUCTION

This policy sets out our commitment to the health, safety and wellbeing of those working for Colchester City Council and anyone else who interacts with the services that we provide.

As an employer, we are aware of our general duties under the Health and Safety at Work etc. Act 1974 and our specific duties under the Management of Health and Safety at Work Regulations 1999. Where additional legislation relates to the activities that we are carrying out we will also ensure that our duties are fulfilled and our employees and others who may be affected can work safely without risk to their safety or health.

We will monitor and review this policy and associated documentation as necessary, at least every three years, unless any significant changes occur in the meantime.

“Colchester City Council is committed to the health, safety and wellbeing of its employees, customers and anyone who interacts with our services. We strive to create an environment in which our employees feel that their health, safety and wellbeing is integral to the organisation. We encourage everyone to be part of this positive culture so that we can continue to improve our standards throughout the organisation.”

2. STATEMENT

Colchester City Council is fully committed to complying with its statutory duties under the Health and Safety at Work etc. Act 1974 and associated legislation. The Council values the health, safety and wellbeing of its employees and will take all reasonably practicable measures to ensure a safe and healthy working environment for all employees, contractors, the public and others that may be affected by its activities.

The Council recognises that good health, safety, and wellbeing is integral to our organisational and business performance and our service delivery decisions will always consider the impact on health, safety, and wellbeing. This will help to deliver the Council's philosophy of a positive safety culture.

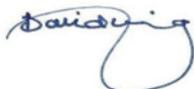
The Council will maintain an appropriate health and safety management system and organisation structure to support its statutory duties. We will:

- Assess risks and put adequate control measures in place
- Consult with employees on matters affecting their health and safety
- Provide and maintain a safe place of work with safe plant, equipment and personal protective equipment
- Ensure safe use, handling and storage of substances
- Provide information, instruction, training and supervision for employees to ensure that they are competent to carry out their tasks safely
- Prevent incidents, injuries and cases of work-related ill-health
- Maintain safe and healthy working conditions

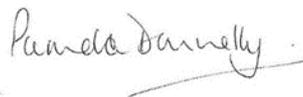
All employees are required to follow this health and safety policy at all times and adhere to their own statutory requirements. We encourage any feedback on health and safety in the workplace and will actively seek to rectify any areas of concern.

All contractors and others working for Colchester Borough Council or providing our services are required to maintain health and safety standards in accordance with this health and safety policy, or their own where applicable.

The effectiveness of this policy will be monitored and reviewed as necessary, at least every three years or when circumstances otherwise dictate.



Councillor David King
Leader of the Council

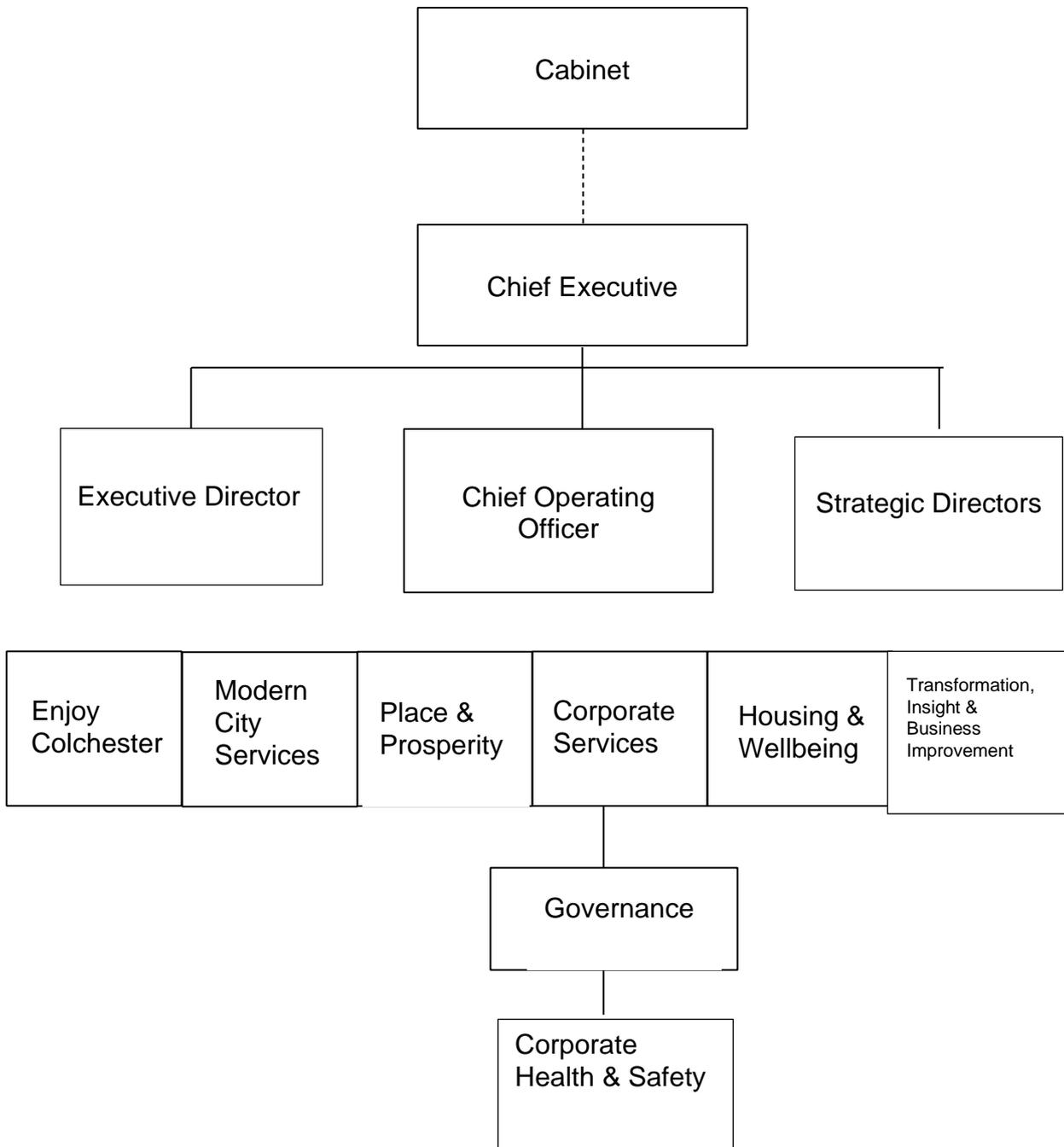


Pamela Donnelly
Chief Executive

September 2023

3. ORGANISATION

3.1 Organisation Structure



4. RESPONSIBILITIES

4.0 Leader of the Council and Cabinet

The Leader of the Council has the responsibility for the management and monitoring of health and safety provision across the whole of the Council's undertakings. Cabinet are jointly and severally the primary duty holders for health and safety across the Council's undertakings.

1. Ensure that adequate financial and other resources are provided, so that the health and safety policy can achieve its aims.
2. Give due regard to requests from the Chief Executive for financial and other resources to meet statutory duties and other obligations regarding health and safety management.
3. Ensure that the Chief Executive has in place an effective health and safety policy and management system, which will ensure that all health and safety hazards and risks within the Council are adequately controlled.
4. Require the Chief Executive to be able to confirm, during the reporting period; health and safety performance, any major incidents or failure in the health and safety management system, accident history and key improvements to health and safety that have been implemented.

4.1 Chief Executive

1. Overall responsibility for health and safety throughout the Council.
2. Support other duty holders to fulfil their health and safety responsibilities.
3. Preparation of an effective health and safety policy statement, organisation for carrying out that policy, measures for ensuring that it is implemented and communicated to all employees.
4. Ensure that this health and safety policy is reviewed, at least every three years or when circumstances otherwise dictate.
5. Ensure that health and safety is given an appropriately high priority and is not compromised, so putting employees or other persons at risk to their health and safety.
6. Ensure that the Strategic Directors are aware of the health and safety policy and understand their responsibilities for effective health and safety management.
7. Ensure that the Strategic Directors implement the policy through effective local arrangements and suitable monitoring arrangements.
8. Ensure that adequate financial and other resources are available to meet statutory duties and requirements of this health and safety policy.
9. Ensure that the Council has appointed a competent Corporate Health and Safety Manager for the purpose of advising on meeting its statutory duties and for advising and monitoring on health and safety.
10. Set a personal example at all times with respect to health and safety.

4.2 Chief Operating Officer (with Responsibility for Health and Safety)

1. Support other duty holders to fulfil their health and safety responsibilities.
2. Accountable to the Chief Executive for health and safety within all Services.
3. Ensure that Heads of Service are aware of the health and safety policy and understand their responsibilities for effective health and safety management.
4. Provide leadership on health and safety and support and promote continuous improvement programmes.
5. Lead the provision and function of the health and safety committee.
6. Monitor health and safety performance at Senior Leadership Team through quarterly updates, an annual review and ensuring health and safety is an agenda item.
7. Ensure that there is sufficient financial or other resource for effective health and safety management and identify any short falls in resources that may negatively impact health and safety.
8. Provide support to the Corporate Health and Safety Manager and Health and Safety Designated Officers.
9. Ensure that if any serious health and safety occurrence or failure in health and safety occurs, the relevant person/s are held accountable for any deficiency in fulfilling their responsibilities under the health and safety policy and will be required to demonstrate to the Senior Leadership Team, remedial actions have been implemented to prevent a similar reoccurrence.
10. Set a personal example at all times with respect to health and safety.

4.3 Executive Director & Strategic Directors

1. Support other duty holders to fulfil their health and safety responsibilities.
2. Accountable to the Chief Executive for health and safety within their remits.
3. Ensure that Heads of Service are aware of the health and safety policy and understand their responsibilities for effective health and safety management.
4. Support and promote health and safety continuous improvement programmes.
5. Support the provision and function of the health and safety committee.
6. Monitor health and safety performance at Senior Leadership Team through quarterly updates, an annual review and ensuring health and safety is an agenda item.
7. Ensure that there is sufficient financial or other resource for effective health and safety management and identify any short falls in resources that may impact health and safety.
8. Ensure that if any serious health and safety occurrence or failure in health and safety occurs, the relevant person/s are held accountable for any deficiency in fulfilling their responsibilities under the health and safety policy and will be required to demonstrate to the Senior Leadership Team, remedial actions have been implemented to prevent a similar reoccurrence.
9. Set a personal example at all times with respect to health and safety.

4.4 Heads of Service

1. Support other duty holders to fulfil their health and safety responsibilities.
2. Accountable to the Chief Operating Officer.
3. Ensure that their Service Managers are aware of the health and safety policy and understand their responsibilities for effective health and safety management.
4. Support the development, modification and delivery of a health and safety management system and ensure local process compliance.
5. Support and promote health and safety continuous improvement programmes.
6. Monitor and review health and safety processes and performance in their Services, and include appropriate health and safety actions within relevant strategies and business plans.
7. Ensure that there is sufficient financial or other resource for effective health and safety management and identify any short falls in resources that may impact health and safety.
8. Identify health and safety training needs for their Service and ensure this follows the health and safety training matrix and is in line with the Council and legislative requirements.
9. Ensure that their Service Managers have suitable and sufficient risk assessments in place to eliminate or control and reduce risks to acceptable levels including those required under relevant statutory provisions and ensure these are supported by method statements where required.
10. Ensure that for any premises under their direct control and management, adequate arrangements are in place for fire safety management and supported by a suitable and sufficient fire risk assessment completed by a competent person.
11. Ensure there is a process to employ competent contractors with the correct skills, knowledge, attitude, training and experience.
12. Ensure that all materials, plant, vehicles, equipment and personal protective equipment procured for use comply with legislation, commercial and any other specific standards which ensure that it is safe and without risk to health when used correctly.
13. Ensure that arrangements are implemented in respect to the requirements of the Construction (Design and Management) Regulations 2015.
14. Ensure health and safety is considered during tender of new contracts and contractors employed are competent with suitable health and safety arrangements in place. Monitor and review contractors' health and safety processes and performance.

15. Support the carrying out of regular health and safety audits and inspections and ensure the outcomes of these are completed within the agreed timescales.
16. Ensure that if any serious health and safety occurrence or failure in health and safety occurs, the relevant person/s are held accountable for any deficiency in fulfilling their responsibilities under the health and safety policy and will be required to demonstrate to the Senior Leadership Team, remedial actions have been implemented to prevent a similar reoccurrence.
17. Set a personal example at all times with respect to health and safety.

4.5 Managers and Supervisors

1. Support other duty holders to fulfil their health and safety responsibilities.
2. Accountable to their Group Manager for health and safety within their Services.
3. Read, understand and implement the requirements of the health and safety policy and health and safety management system.
4. Support and promote health and safety continuous improvement programmes and regularly communicate with employees on health and safety issues.
5. Monitor and review health and safety processes and performance in their areas, teams and premises and ensure regular health and safety audits and inspections are carried out and outcomes of these are completed within the agreed timescales.
6. Ensure that the requirements of risk assessments and method statements are implemented, in place during work and communicated to all employees within their team.
7. Ensure that all employees within their group have appropriate information, instruction and training that follows the health and safety training matrix and is in line with Council and legislative requirements.
8. Not to put any person at an unacceptable risk during the course of work and stop work where any new hazards are identified until the risk has been assessed and controlled and if required reduced to an acceptable level.
9. Ensure that all plant, vehicles and equipment are adequately maintained so it is safe for use and any defective plant, vehicles and equipment is withdrawn from use immediately.
10. Ensure that all employees within their team have the correct level of personal protective equipment as identified by risk assessments and that it is maintained or replaced when necessary.
11. Receive, review and remedy any concerns in respect to health and safety. When concerns cannot be resolved at a local level, they shall be referred to the Service Manager and if still unresolved to the Corporate Health and Safety Manager.

4.6 Corporate Health and Safety Manager

1. Support other duty holders to fulfil their health and safety responsibilities.
2. Review, develop and communicate the health and safety policy and management system in conjunction with other responsible duty holders.
3. Provide competent advice in relation to all health and safety matters and ensure duty holders are kept up-to-date on all relevant health and safety issues.
4. Ensure own competence is maintained through continual professional development.
5. Identify key health and safety training needs and advise on methods of implementation and delivery.
6. Provide a pro-active resource for the development and delivery of health and safety inspections and audits on an agreed programme basis.
7. Provide a reactive resource for the reporting, recording and investigating of accidents and incidents and provide statistical information to the health and safety committee.
8. Provide corporate safety initiatives and ensure there is a continual improvement programme for effective health and safety management and advise on the implementation of programmes.
9. Attend health and safety committee meetings and other relevant health and safety groups and provide guidance and advice where required.
10. Review the performance of health and safety within the Council as a whole, in conjunction with the Senior Leadership Team.
11. Provide a report to the Senior Leadership Team on a regular basis which details health and safety performance and update the Executive Director with health and safety responsibilities on all significant health and safety matters.
12. Ensure there is a continual improvement programme for effective health and safety management.
13. Provide a useful and relevant information service, with documents to assist others with their duties and ensure information is updated on a regular basis.
14. Communicate with and provide support, direction and guidance to Health and Safety Designated Officers and ensure they provide support on health and safety matters to duty holders within their area of remit in accordance with their responsibilities.

15. Support duty holders with enforcement agency requests for information, visits and inspections and if required, be the primary point of communication with relevant enforcement agencies.
16. Set a personal example at all times with respect to health and safety.

4.7 Designated Officers for Health and Safety

1. Support other duty holders within their areas of remit to fulfil their health and safety responsibilities.
2. Read, understand and implement requirements of the health and safety policy and health and safety management system.
3. Be the initial point of contact for health and safety guidance to colleagues and managers in their service area and refer to the Corporate Health and Safety Manager for advice and guidance as appropriate.
4. Support and promote health and safety continuous improvement programmes and regularly communicate with employees on health and safety issues, encouraging suggestions for improvement from colleagues and encourage them to report any health and safety concerns.
5. Attend all health and safety committee meetings or ensure that a suitable deputy attends if unavailable and prepare a report as required.
6. Support other duty holders ensuring that all employees within their responsibility have appropriate information, instruction and training that follows the health and safety training matrix and is in line with legislation.
7. Carry out health and safety review and monitoring as agreed with the Corporate Health and Safety Manager and ensure regular health and safety audits and inspections are carried out and outcomes of these are completed within the agreed timescales.
8. Set a personal example at all times and act as an ambassador with respect to health and safety.

Managers, at all levels, are responsible for the health and safety of their team - this cannot be delegated. However the Designated Officers can support and assist Managers with meeting their obligations.

4.8 Employees

1. Support other duty holders to fulfil their health and safety responsibilities.
2. Read, understand and comply with the requirements of the health and safety policy and health and safety management system.
3. Take reasonable care of the health and safety of themselves and others who may be affected by their acts and or omissions.
4. Work safely at all times, in accordance with the information, instruction, training, risk assessments and method statements provided.
5. Use the correct plant, vehicles, equipment and materials for tasks and keep them in good condition and never use anything for which it is not intended or they are not trained or competent to use.
6. Comply with all safety control measures appropriately, including any personal protective equipment issued and never intentionally or recklessly interfere with or misuse anything provided in the interest of health and safety.
7. Attend and participate in all training provided in the interest of health and safety.
8. Report immediately to their Manager or Supervisor any accidents, incidents, verbal abuse, near misses, occupational diseases and health and safety concerns, including defects to personal protective equipment, plant, vehicle, equipment and material, and any hazards or risks believed to be inadequately controlled.
9. Set a personal example at all times with respect to health and safety.

5. DOCUMENT INFORMATION

Title:	Health and Safety Policy
Status:	Draft for Cttee
Version:	13
Consultation:	SMT, Health and Safety Committee, and Unison
Approved By:	SLT and Governance and Audit Committee
Approval Date:	To be considered October 2023
EQIA:	Yes - link
Review Frequency:	Annually or earlier if notable changes occur

5.1 Document Control

Date	Version	Description	Sections Affected	Approved by
September 2015	1	Initial draft	All	
April 2016	2	Updated draft. Moved arrangements to separate document.	All except 1 and 2	
June 2016	3	Updated following SMT meeting.	4.0 and 4.9	SMT
July 2016	4	Final draft version - Signatures added	2	Leader of Council and Chief Executive
August 2016	5	Minor amendments following Unison consultation. Final version.	2, 4.1, 4.3, 4.4, 4.5,	Unison and Executive Director
October 2016	6	Review and endorse the revised Health and Safety policy for 2016/17.	All	Governance and Audit Committee
October 2017	7	Annual review. Organisation structure and job titles updated. Minor amendments to improve comprehension.	All	Corporate Health and Safety Officer
June 2018	8	Updated statement with new leader's signature to approve commitment. Updated structure to include Commercial.	2, 3.1	Corporate Health and Safety Officer, and Leader of Council and Chief Executive

October 2018	8.1	Approved Policy for 2018/19	None	Governance and Audit Committee
October 2019	9	Approved Policy for 2019/20.	3.1, 4.2	Governance and Audit Committee
		Updated organisation structure and responsibility for H&S to CEO from Strategic Director		
October 2020	10	Approved Policy for 2020/21. Updated organisation structure.	3.1	Governance and Audit Committee
October 2021	11	Approved Policy for 2021/22. Updated: <ul style="list-style-type: none"> • H&S Statement agreed by new Council leader. • Organisation structure. • Policy review timings clarified. 	2, 3.1	Governance and Audit Committee
October 2022	12	Draft Policy for 2022/23. Updated: Change of Leader and Chief Executive.	2	Governance and Audit Committee
October 2023	13	Draft Policy for 2023/24 Updated : Council management structure	3, 4	Awaiting Governance and Audit Committee approval.

Date: 17 October 2023

Report of	Managing Director (Interim) Colchester Commercial (Holdings) Ltd	Author	Richard Carr ☎ 282421
Title	Amphora Future Strategy		
Wards affected	All wards		

1. Executive Summary

- 1.1 Much has been achieved through the Amphora arrangements but a change in the external environment and, in particular, the City Council's ability to accommodate risk requires a new strategy for the future. At the heart of this lies a simplification of Amphora to focus on services which can genuinely trade, the hibernation of Colchester Amphora Energy Limited (CAEL) and Colchester Amphora Homes Ltd (CAHL) and the repurposing of skills within the company to support the delivery of the City Council's strategic objectives.

2. Recommended Decision

- 2.1 The Committee is recommended to consider the Proposed Future Strategy for Amphora set out in Appendix A, supported by the Board of Colchester Commercial (Holdings) Ltd, and to comment as necessary before commending it to the Council's Cabinet.

3. Reason for Recommended Decision

- 3.1 The proposed Strategy seeks to respond to the change in the external environment which has impacted on both the City Council and its wholly owned trading companies. In particular, the change in the City Council's ability to accommodate risk.

4. Alternative Options

- 4.1 The principal alternative to the Strategy proposed would be a continuation of the current arrangements. However, this would require the City Council to underwrite costs for an indefinite period, with little certainty about when those costs might be recovered. This would place added strain on the City Council's already challenging financial position.

5. Background Information

- 5.1 The background is set out in Appendix A and, in particular, section 2.

6. Equality, Diversity and Human Rights implications

- 6.1 The proposals set out in Appendix A are designed to help the City Council achieve its objectives and discharge its obligations.

7. Strategic Plan

7.1 The proposals contained in Appendix A are set in the context of the Council's Strategic Plan and section 4 in particular seeks to address the City Council's strategic objectives.

8. Consultation

8.1 The implementation of the proposed Strategy will entail appropriate staff consultation.

9. Publicity Considerations

9.1 The rationale for the proposed Strategy should help with the public explanation of the proposals.

10. Financial implications

10.1 Section 7 refers.

11. Health, Wellbeing and Community Safety Implications

11.1 The proposals set out in Appendix A are designed to help the Council achieve its objectives and discharge its obligations.

12. Health and Safety Implications

12.1 There are no specific health and safety implications associated with the proposals set out in Appendix A.

13. Risk Management Implications

13.1 The proposals set out in Appendix A are designed to respond to a change in the risk environment. In addition, section 9 sets out the risks that will need to be managed in the implementation of the proposals.

14. Environmental and Sustainability Implications

14.1 The proposals entail the hibernation of CAEL which was established to progress the delivery of a low carbon heat network. For circumstances outside of CAEL's control and explained in the report, this is not possible in the way envisaged originally but the assets created are proposed to transfer to the City Council to enable this to be taken forward in the future.

Appendices

Appendix A: Proposed Strategy for Amphora: Report to Board of Colchester Commercial Holdings (September 2023)

- Appendix 1: STRICTLY CONFIDENTIAL - 5 Year View Trading Areas

- Appendix 2: STRICTLY CONFIDENTIAL - CIPFA Report - CCC CCHL Companies Review

PROPOSED STRATEGY FOR AMPHORA

To: Colchester Commercial Holdings Ltd Board

Date: 26 September 2023

From: Interim Managing Director

1. PURPOSE

1.1 Taking account of the current external environment, and in particular, its impact of the City Council's ability to accommodate risk, to propose a future strategy for Amphora, based on the refocussing and simplification of the current arrangements.

2. BACKGROUND

2.1 The Amphora group of companies, comprising a holding company (**Colchester Commercial Holdings Ltd**) and three subsidiaries were incorporated in 2017 as Local Authority Trading Companies. They are wholly owned by the City Council and were intended to generate income for the authority, including in the form of dividends and, in some instances, to take advantage of Government grants for the development of new forms of energy generation (a low carbon heat network) and the roll out of fibre, which were not readily available at the time to Council directly.

2.2 The subsidiary companies are:

- * **Colchester Amphora Trading Ltd (CATL)**, which delivers a range of services, some of which are genuinely trading, such as Events, Helpline and Colchester Fibre, whilst others are essentially functions provided back to the City Council, such as estates management or support with the delivery of the capital programme.
- * **Colchester Amphora Homes (CAHL)**, which was intended to deliver new housing by borrowing from the City Council to acquire land and cover the costs of development. This approach was intended to take advantage of the ability of local authorities to borrow more cheaply than a commercial organisation. The plan was to focus, in particular but not exclusively, on the development of new homes as part of the Northern Gateway.
- * **Colchester Amphora Energy Ltd (CAEL)**, which was designed to take advantage of grant regimes available at the time to bring about the development of a low carbon heat network, again to support the development of the Northern Gateway.

2.3 Much has been achieved as a result of these arrangements and the companies have attracted some committed and highly skilled staff. However, over time, a succession of reviews (the City Council's Corporate Peer Challenge in 2022, a review by Ethical Consulting and subsequently by CIPFA (the Chartered Institute of Public Finance and Accountancy), Appendix 2, have pointed to improvements required. At the heart of these lies the need to revisit the purpose of the companies, taking account of significant changes in the external environment in which both the City Council and therefore its trading companies now find themselves.

3. CHANGED CONTEXT

3.1 There are various facets that have contributed to a changed context in which the City Council and therefore its trading companies find themselves in, but these include:

- * A more **challenging economic environment**, which has included higher costs and more subdued property values. Amongst other things, this has resulted in greater **strain on the City Council's finances** and **reduced its ability to accommodate risk**. This is especially significant for the original plans for new housing to be delivered by CAHL and the approach to the development to the Northern Gateway; in essence, the City Council's ability to fund investments through its companies, taking the risk that these would result in a commercial return, is considerably more constrained now than in the past.
- * As a result of the difficulties in which some councils elsewhere have found themselves, greater scrutiny of local authority borrowing.
- * Less emphasis on grants being made to arm's length bodies, rather than councils themselves, to support initiatives such as low carbon energy and fibre connectivity.

3.2 Meanwhile, locally, the City Council has been reviewing aspects of its operations. Mostly notably in this context, is its approach to the management of assets and it is anticipated that the City Council will move to a '**corporate landlord**' model, where decisions about its assets are taken corporately, rather than left to individual service areas to determine. This approach has much to commend it and does entail a move away from a rather dispersed approach to asset management, with different functions being discharged by different parts of the 'Colchester family'.

3.3 Particularly in view of these changed circumstances and developments, it is appropriate for the Board to review the future strategy for Amphora and to consider the best approach to meeting the City Council's objectives.

4. SUPPORTING THE CITY COUNCIL'S STRATEGIC OBJECTIVES

4.1 As part of the 'Colchester family', the starting point for any review of Amphora's strategy should be to consider how best the delivery of the City Council's strategic objectives can be supported, against the background of the changes mentioned in paragraph 3.1 above. Particularly important in this context are the Council's objectives relating to the Northern Gateway, housing and wider regeneration, the move to low carbon energy generation and the economic development of the City.

4.2 The planning permissions in place for the **Northern Gateway** recognise the strategic significance of the site to Colchester and provide for a mixed-use development, covering employment, housing, leisure and health facilities. Various teams within the Amphora group have been supporting the delivery of the development, including with the relocation of the rugby club and the creation of a new sports centre, and the leisure and retail element of the site, currently referred to as Turnstone. The full development is impacted by the need to secure infrastructure enhancements, including the upgrading of junction 28 on the A12 and associated road improvements, which again Amphora has been supporting. However, there is a dependency here on Essex County Council (ECC), as the highways authority, and National Highways. Until these infrastructure works have been agreed with the highway authorities and delivered, other aspects of the development cannot be progressed. This includes the housing and heat network, for which CAHL and CAEL were established to deliver.

4.3 In effect, the City Council has assumed the role of master developer for the Northern Gateway, funding key elements of the scheme, albeit with some third-party contributions, in anticipation of future value from rental income from premises created, capital receipts (from selling the private housing element of the development) or dividends from the Amphora companies supporting the delivery of different elements of the overall project. However, the factors described in 3.1 mean that it is now questionable whether the City Council can continue to act as a master developer, and this therefore has implications for the Amphora companies. This is especially compounded by rising construction costs and more subdued property values.

4.4 All this does not mean that the City Council should abandon its aspirations for the Northern Gateway. Some compromises may need to be struck, but the change in circumstances should propel a review of the strategic delivery options available, as an alternative to the Council acting as a master developer. These include joint venture arrangements, or even a partial or full disposal of the site, or a combination of both. In this context, while it may no longer be appropriate for Amphora to play the roles envisaged originally, the skills within the company could be repurposed to assist with the assessment of strategic delivery options and the management of which ever option or combination of options is selected by the City Council. For a development scheme of this nature, it is especially important that the Council has access to the appropriate skills. It is also important that the Northern Gateway is managed as a 'multifaceted programme' to understand the interplay between the different elements of the development and to manage the links between the development and the Council's Medium Term Financial Plan and Capital Programme.

4.5 The City Council's **housing and wider regeneration** objectives are arguably more important than ever as the 'cost of living crisis' compounds the difficulties experienced by an increasing number of residents in finding somewhere to live that is within their means. Although many councils established Local Authority Housing Companies in a similar way to Colchester, in practice, few have been able to make a significant contribution to housing supply through such vehicles. This is because the factors set out in paragraph 3.1 mean that, like Colchester, many councils are now unable to accommodate the financial risks associated with advancing funds to their housing companies in the hope that this will result in both new homes and a commercial return to the sponsoring authority. This reinforces the suggestion made by CIPFA, as part of their review referred to in paragraph 2.3, that Amphora Homes should be 'hibernated' or moved to a dormant status, as the prospects of it being able to recover its costs in the foreseeable future are currently limited. However, as with the Northern Gateway, the skills within Amphora could be used by the Council in a different way that helps it to develop and deliver a strategy to alleviate the emerging housing crisis in Colchester. This might include supporting the delivery of existing housing locations with the Local Plan, exploring the scope to put forward sites within the Council's ownership for potential housing development in the forthcoming 'call for sites' and helping to overcome obstacles to several garage site redevelopments.

4.6 The delays with the development of the Northern Gateway site have inhibited the ability of CAEL to complete the low carbon heat network and its prospect of generating an income in the foreseeable future; in essence, CAEL will have no customers to sell the heat that would be generated by the network it was established to create until homes and other facilities are built. CAEL has no influence over the timing of when this will be. It is for this reason that CIPFA recommended that CAEL should be hibernated and that the assets created (bore holes) should be transferred to the City Council. Proposals for this hibernation are included elsewhere on this agenda. In due course, the Council will need to consider how it wishes to deliver the operational management functions of the heat network that CAEL was to perform. In the meantime, the climate change agenda and the concern to move to **low**

carbon forms of energy generation remains a strategic priority for the City Council. Once again, the skills within Amphora have the potential to help the Council in working towards these ambitions, including by supporting the delivery of the micro grid and solar panel farm proposed for the northern part of the Northern Gateway and arguably other projects within the Council's Capital Programme. As with the housing and regeneration objectives, it would make sense to redeploy these skills, even though the original intention to apply them through a quasi-commercial model is no longer viable for the reasons set out in paragraph 3.1. Assuming these skills remain within Amphora (but transferred to CATL), the associated costs would need to be reflected in a review of the Management Fee paid to the company by the City Council.

4.7 The City Council is also concerned to strengthen and enhance the **economic performance** of Colchester. A number of services delivered by Amphora contribute to this objective but the role of **Colchester Fibre** is particularly relevant in this context. The origins of Colchester Fibre lie in a recognition of the importance of access to broadband connectivity to future business development, including for the creative sector, as well as to residents. Colchester secured a Government grant of c£3.3m to support the roll out of full fibre broadband at a time when the city was not well served by commercial suppliers. Over time, a network has been created that is currently serving about 500 residential customers and 80 businesses in the city and beyond, as well as delivering operational savings from broadband provision to the City Council within its own assets. Whilst Colchester Fibre is technically loss making at the moment, it has the potential to grow significantly, and a number of options are being reviewed for expanding both the residential and the business customer base with several third parties who are interested in partnering with the company. These options require proper appraisal and assessment and recommendations for Colchester Fibre will be brought forward to the Board when this has been completed. In the meantime, the proposal is that Colchester should remain part of Amphora for the time being.

4.8 The City Council's recently adopted Strategic Plan reflects a commitment to deliver **modern services** and the use and maintenance of the Council's assets has the potential to make an important contribution to that objective, and, indeed, the others discussed already. In this context, the City Council commissioned CIPFA to carry out an Asset Management Review which, as mentioned in paragraph 3.2 above, has recommended a move to a **Corporate Landlord** model. Currently, Amphora delivers an estates management service for the City Council in return for a management fee, whilst facilities management support is provided by Colchester Borough Homes. Although the current distribution of functions across the Colchester family could be accommodated within a Corporate Landlord model, the current arrangements have led to some ambiguities. In view of this, it is anticipated that the City Council will wish to repatriate all asset-related functions within the local authority.

5. CAPITAL PROGRAMME DELIVERY

5.1 Amphora employs several staff with technical and other project-management related expertise that are needed to support the delivery of the City Council's Capital Programme, including schemes that are funded from the authority's own resources, including borrowing, accessing external funding such as grants either from Government or others, or developer contributions. The costs of these staff are recouped from a combination of a management fee and project specific charges. Theoretically, the skills could be traded, ie. offered to third parties on a chargeable basis but in practice the scope for this has been constrained by capacity considerations.

5.2 The City Council is seeking to strengthen its approach to project delivery, which is to be welcomed as at times ambiguity over the sponsorship, scope, financial and time parameters for projects has led to confusion, potential rework and, historically, strained relations. Arguably, the current charging arrangements have deterred some Council staff from drawing on the necessary technical expertise that exists within Amphora to the detriment of project delivery.

5.3 Going forward, there are three main options for those services that Amphora currently provides to support the delivery of the Council's capital programme:

- (i) Transfer the staff into the City Council
- (ii) Retain the current arrangement but move to a management fee covering the full costs of the service provided to the City Council
- (iii) Move to a Shared Service model

5.4 None of these options would negate the need for proper project management disciplines and procedures to be applied consistently as described in paragraph 5.2 above. But the first and second might help overcome the current disincentive for the City Council to take technical advice when needed. The third option could help deliver financial benefits and resilience and is a recognition that many authorities are struggling to source the required technical skills to deliver their capital programmes and end up resorting to expensive consultants or agency staff. Some preliminary discussions have commenced with one authority about a shared service option, but these arrangements require a genuine commitment politically and managerial to work, and effective governance.

5.5 Pending further analysis of the viability of a Shared Service model, it is recommended that the second option is pursued for the time being, not least as this would leave open the other two options later.

6. TRADED SERVICES

6.1 The residual services delivered by Amphora through CATL cover **Events, Helpline and CCTV**, the latter of which is closely linked to the capability created by Colchester Fibre. These services are already servicing customers beyond the City Council; for example, Events has secured contracts with two other neighbouring councils. As a group, they are profitable and indeed there could be scope to grow this income further. Although there is a need to agree any appropriate mechanism for continued investment, they are not capital intensive and can trade in a way that does not expose the City Council to unmanageable risk.

6.2 Conceivably, these services could be brought into the Council and continue to trade but they have developed a reputation and a culture which should not be jeopardised. On balance, there is no obvious advantage to be gained from moving them out of a company structure, especially if that were simplified by virtue of the proposals set out in this report, including with more proportionate overheads.

6.3 As these services win business from other customers, the 'Teckal' arrangements which allow local authorities to place work with any commercial companies they have established without market testing that work, can no longer be relied upon. This is because of the increased likelihood that the proportion of Amphora's turnover that is accounted for by customers, other than the City Council,

would exceed the appropriate legal thresholds. In other words, it becomes more likely that the City Council cannot place work with Amphora without some form of market testing. This does bring a degree of risk with it, as the company could lose business to competitors. This will need to be monitored regularly.

6.4 As with the support for the delivery of capital projects, there is the potential for at least some of the services delivered to move to a Shared Services model if there was a genuine appetite for this amongst other councils.

7.0 FINANCIAL IMPLICATIONS

7.1 Detailed work will be required with the City Council to model the full impacts of the proposals set out in the report. However, the underpinning assumptions are that:

- * Where staff and functions are transferred into the City Council, there is a reduction in the management fee paid to Amphora, taking this into account.
- * Where staff are retained within Amphora, but they provide support to the City Council, the costs of this are recovered fully from the Council through an appropriate management fee.
- * Traded services are given the maximum scope to realise their true potential of generating future income to the Council. This includes a review of overhead costs charged by the City Council through the current Service Level Agreement. There will also need to be and an agreed approach to investment in the companies in order that they remain competitive.

7.2 Projections for Traded Services based on current contracts are set out in Appendix 1.

7.3 The transfer of residual assets and liabilities arising from the proposed hibernation of CAEL and CAHL will need to be agreed with the City Council in a way that protects the interests of both parties.

8.0 STAFFING IMPLICATIONS

8.1 The strategy set out in this report has significant staffing implications and as such appropriate staff consultation is planned. However, if the principle of redeploying skills within Amphora in the way described is accepted, whilst some staff may end up working for a different part of the Colchester family, they should not be disadvantaged in terms of their conditions of employment.

9.0 RISKS

9.1 This strategy is designed to respond to the substantive risks that flow from the circumstances described in paragraph 3.1 and in particular to the constraints on the City Council's ability to accommodate risk.

9.2 Risks that will need to be monitored closely arising from this strategy, include the potential loss of staff if the delivery of the proposals is not managed carefully. Some staff who currently work for Amphora but who would transfer to the Council if the proposals set out in this report are agreed, might not welcome such a move due to their perspectives about the differences in culture between a local authority and trading company and the value that might be placed on their professional expertise by

a local authority. Unless managed carefully, this could also compromise the City Council's ability to recruit appropriate expertise in the future.

9.3 It will also be important to review regularly the Teckal implications of further trading as described in paragraph 6.

9.3 None of the proposals negate the need for effective working relationships within the Colchester family at all levels, nor the application of appropriate project management disciplines as described in paragraph 5.4.

10. TRANSITION PLANNING

10.1 Without pre-empting decisions the made by the Board and the City Council on this proposed strategy, transition planning is underway, including to cover:

- * Staff communication
- * Staff consultation on the implications of the proposed transfer of functions
- * Financial implications based on the principles set out in paragraph 7
- * Future company structure and governance
- * Programme management arrangements for the Northern Gateway and the assessment of strategic delivery options
- * Consideration of how those teams that would transfer from Amphora onto the City Council would be accommodated within the Council's management arrangements and the operation of the 'Corporate Landlord' model in practice and the delivery of future housing support
- * Measures to mitigate the risks identified in 9 above

11. CONCLUSION

11.1 Much has been achieved through the Amphora arrangements but a change in the external environment and in particular the City Council's ability to accommodate risk requires a new strategy for the future. At the heart of this lies a simplification of Amphora to focus on services which can genuinely trade, the hibernation of CAEL and CAHL and the repurposing of skills within the company to support the delivery of the City Council's strategic objectives.

12. RECOMMENDATIONS

12.1 The Board is recommended to endorse the strategy set out in the report and commend it to the City Council, based on the following core elements:

- A move to a simplified Amphora with a focus on services which can genuinely trade and thereby bring financial benefits to the City Council.
- The hibernation of CAEL and CAHL but the repurposing of the skills they contain to support the delivery of the Council's strategic objectives.

- The transfer of the Estates function and the staff within it to the City Council as part of a move by the local authority to a Corporate Landlord model.
- For the time being, the retention of those staff who support the delivery of capital projects within Amphora but on the basis that their costs are met in full by the City Council through a management fee, pending the further exploration of a Shared Services model with other councils.
- A further report on the opportunities and implications of developing Colchester Fibre.

12.2 The Board commissions a report on a revised company structure, reflecting the simplification proposals set out in the proposed strategy.

Date: 17 October 2023

Report of	Managing Director (Interim) Colchester Commercial (Holdings) Ltd	Author	Richard Carr ☎ 282421
Title	Hibernation of Colchester Amphora Energy Ltd (CAEL)		
Wards affected	All wards		

1. Executive Summary

1.1 In the context of the proposed Amphora Future Strategy contained elsewhere on the agenda, to recommend the formal hibernation of Colchester Amphora Energy Ltd (CAEL) and the transfer of its assets to the City Council. Delays with the development of the Northern Gateway, due to factors outside of the company’s control, has impacted the completion of the low carbon heat network. The absence of customers in the foreseeable future for the heat that the network would supply means that the company is incurring costs which it is unable to recover for the time being. The proposed hibernation would leave the City Council with options for the completion of the project in the future.

2. Recommended Decision

- 2.1 That CAEL is prepared for, placed into and maintained in a dormant state as set out under section 2, Appendix 1 – ‘Report to the Board of CAEL – Placing the Company into Dormancy’.
- 2.2 That CAEL’s contracts and agreements are transferred or otherwise dealt with in accordance with recommendations detailed in the table below and at section 8 of Appendix 1:

Agreement	Parties	Recommendation
Heat Pump Agreement	CAEL and GEA	Novate agreement: From CAEL/GEA To Council/GEA
Development Management Services Agreement	CAEL and Council	Instructions from the Council to CAEL to (i) suspend the agreement under clause 9 and (ii) authorisation for CAEL board to terminate the agreement under clause 10.1 if the suspension is for six months or more
Technical Consultancy Agreement	CAEL and WSP	Novate agreement: From CAEL/WSP To Council/WSP

		Novation agreement to incorporate terms and conditions of WSP's appointment from the GLA framework agreement
Facility Agreement	CAEL and Council	Terminate the agreement by Deed of Termination and Release to provide for simultaneous termination of the agreement and release from the debentures. Removal of charges from Companies House. Provision incorporated in the Deed of Termination and Release for the partial write-off of the outstanding loan.
Grant Agreement	CAEL and Council	No action required for dormancy
Concession Agreement	CAEL and Council	Terminate by Deed of Termination (mutual agreement)

- 2.3 That the employment of CAEL's staff is transferred in accordance with arrangements set out under section 8 of Appendix 1;
- 2.4 That the G&A Committee resolves to approve the Shareholder resolutions set out in Appendix 5.

3. Reason for Recommended Decision

- 3.1 Given delays with the development of the Northern Gateway, the company is unable to complete the delivery of the low carbon heat network on a commercial basis, in the foreseeable future. This position may change in the future but for the moment, transferring the assets created to the City Council and hibernating CAEL, would keep open options for the completion of the scheme in the future, whilst curtailing the costs currently being incurred.

4. Alternative Options

- 4.1 Alternatively, the City Council would need to agree to continue to underwrite the costs of CAEL, in the knowledge that there is no realistic prospect of an offsetting income in the foreseeable future.

5. Background Information

5.1 The background is set out in Appendix 1.

6. Equality, Diversity and Human Rights implications

6.1 The proposals set out in Appendix 1 do not impact on the City Council's obligations covering equality, diversity and human rights.

7. Strategic Plan References

7.1 The proposals contained in Appendix 1 flow from the proposed Amphora Future Strategy that sits elsewhere on the agenda. That Strategy describes the links to the Council's Strategic Plan and objectives.

8. Consultation

8.1 CAEL employs one member of staff who has been consulted on their intended transfer to Colchester Amphora Trading Ltd either at or before the point of hibernation.

9. Publicity Considerations

9.1 The rationale for the proposed decision should help with the public explanation of the proposals.

10. Financial implications

10.1 As part of the proposed hibernation process, CAEL's assets will be acquired by the City Council which has also agreed to meet the costs incurred by the company, up to the point it becomes dormant. This is set out in a letter from the City Council dated 21 August 2023 (Appendix 6 – Comfort letter).

11. Health, Wellbeing and Community Safety Implications

11.1 The proposals set out in Appendix 1 have no particular health, wellbeing and safety implications.

12. Health and Safety Implications

12.1 There are no specific health and safety implications associated with the proposals set out in Appendix 1.

13. Risk Management Implications

13.1 Given the understandings reached with the City Council, the proposed hibernation of CAEL effectively extinguishes the principal risks to the company which are associated with its inability to complete the project for which it was established and to recoup income from customers, for reasons outside of its control.

The residual risks stem from a failure of the arrangements with the City Council to be fully completed. However, given the discussions that have taken place with the City Council, this risk is considered manageable although it will need careful monitoring and management.

The risk of the company being reactivated inadvertently referred to in the attached report, Appendix 1, Section 6 should also be noted.

Environmental and Sustainability Implications

- 14.1 The proposals entail the hibernation of CAEL which was established to progress the delivery of a low carbon heat network. For circumstances outside of CAEL's control and explained in the report, this is not possible in the way envisaged originally but the assets created are proposed to transfer to the City Council to enable this to be taken forward in the future.

Appendices

1. Report on the Hibernation of CAEL.
2. CIPFA Report
3. Report on Governance & Decision Making, by Anthony Collins Solicitors
4. Report on Agreements Review, by Anthony Collins Solicitors
5. CCHL - Shareholder Resolution
6. Comfort Letter

REPORT TO THE BOARD OF DIRECTORS OF COLCHESTER AMPHORA ENERGY LTD

Re. Putting the Company into Dormancy

1. EXECUTIVE SUMMARY

- 1.1 This report sets out for the Board's formal consideration the options for the treatment of Colchester Amphora Energy Ltd (CAEL) and recommendations, for the Board's formal determination, that CAEL is prepared for and placed into dormancy.
- 1.2 The recommendations set out under section 2 below reflect discussions and informal agreement to date between the Board, the Board of Colchester Commercial (Holdings) Ltd (CCHL), in its capacity as CAEL's parent company, and Colchester City Council (the Council), as CAEL's ultimate shareholder. The recommendations at section 2 are in consideration of the recommendations of the Chartered Institute of Public Finance (CIPFA), and advice received from Anthony Collins LLP (Anthony Collins) as regards CAEL.
- 1.2 On consideration of this report and having considered the matters set out in section 172 of the Companies Act 2006, if the Board is satisfied that the recommendations set out under section 2 are in the best interests of the company, the Board is invited to approve the resolutions set out at appendix 4 to effect the recommendations.

2. RECOMMENDATIONS

- 2.1 That CAEL is prepared for, placed into and maintained in a dormant state as set below under sections 6,7,8 and 9.
- 2.2 That CAEL's contracts and agreements are transferred or otherwise dealt with in accordance with recommendations detailed in the table below and at section 8;

Agreement	Parties	Recommendation
Heat Pump Agreement	CAEL and GEA	Novate agreement: From CAEL/GEA To Council/GEA
Development Management Services Agreement	CAEL and Council	Instructions from the Council to CAEL to (i) suspend the agreement under clause 9

		and (ii) authorisation for CAEL board to terminate the agreement under clause 10.1 if the suspension is for six months or more
Technical Consultancy Agreement	CAEL and WSP	Novate agreement: From CAEL/WSP To Council/WSP Novation agreement to incorporate terms and conditions of WSP's appointment from the GLA framework agreement
Facility Agreement	CAEL and Council	Terminate the agreement by Deed of Termination and Release to provide for simultaneous termination of the agreement and release from the debentures. Removal of charges from Companies House. Provision incorporated in the Deed of Termination and Release for the partial write-off of the outstanding loan.
Grant Agreement	CAEL and Council	No action required for dormancy
Concession Agreement	CAEL and Council	Terminate by Deed of Termination (mutual agreement)

2.3 That the employment of CAEL's staff is transferred in accordance with arrangements set out under section 8 below;

2.4 That Board resolves to approve the Board resolutions and the form and circulation of the shareholder resolutions set out in appendix 4 of this report to effect CAEL's dormancy.

3. INTRODUCTION

3.1 This report details the options and recommended course of action for the Board's consideration and determination as regards the treatment of CAEL in view of the recommendations contained in a report prepared by CIPFA following its review of the Council's companies.

3.2 The Board has previously considered the findings of the CIPFA report – Colchester City Council: *Review of the CCHL Companies January 2023*, which have also been considered by the board of CCHL and the Council. The report is appended (appendix 1).

3.3 The recommendations set out below are further in consideration of the advice of Anthony Collins as set out in their below detailed reports, which are also appended to this report:

3.3.1 Report to Colchester City Council - *CAEL: Governance and Decision-Making May 2023* (appendix 2);

3.3.2 Report to Colchester City Council and Colchester Amphora Energy Ltd – *Agreements Review July 2023* (appendix 3).

3.4 This report sets out those matters which have been discussed and informally agreed by the Board, CCHL and the Council, and in view thereof, the key issues for the Board's consideration and formal determination:

3.4.1 The CIPFA report and recommendations;

3.4.2 Winding up CAEL and the implications;

3.4.3 Placing CAEL into dormancy and the implications;

3.4.4 Preparing CAEL for dormancy;

3.4.5 The treatment of CAEL's agreements, assets, liabilities and staff;

3.4.6 Maintaining CAEL's dormant status;

3.4.7 Governance, decision-making and resolutions (the process and resolutions required to effect and subsequently maintain the dormancy of CAEL).

Subject to the Board's approval, the resolutions to effect the recommendations detailed in this report, are appended (appendix 4).

4. THE CIPFA REPORT & RECOMMENDATIONS

4.1 At section 5.3 of the CIPFA Report three broad recommendations for CAEL are advanced:

4.1.1 Recommendation 1. leave it CAEL as is (i.e. 'do nothing');

4.1.2 Recommendation 2. find an alternative delivery mechanism (i.e. wind up and dissolve CAEL);

4.1.3 Recommendation 3. put CAEL into a dormant state (i.e. CAEL will continue to exist as a company but will not carry on its business).

4.2 The Board has previously agreed with CCHL and the Council that 'doing nothing' is not an option as uncertainty around the future of the Northern Gateway project, the heat network component of which was the purpose for which CAEL was set up, means the company has no current or medium prospect of continuing to meet its liabilities without relying on further financial support from the Council. As such, CAEL remaining in its current state is not considered further here.

4.3 Winding-up and dissolving CAEL has previously been considered and the Board, CCHL and the Council have agreed against this course of action in consideration of the implications of dissolving the company as set out below. However, for comparative purposes winding up CAEL as against placing the company into dormancy is briefly considered below.

4.4 CIPFA's recommended course of action is that CAEL be made dormant as this affords the greatest agility and allows for the consideration of longer-terms options including the potential 'resuscitation' of the company. Placing CAEL into dormancy is also the recommendation of Anthony Collins.

5. WINDING UP CAEL AND THE IMPLICATONS

5.1 Winding up CAEL is the process by which the company will be prepared for the submission of an application to voluntarily 'strike-off' the company from the register of companies maintained by the Registrar of Companies (Companies House), and subsequently dissolved. The voluntary strike-off procedure is relatively quick and

simple and is provided for under sections 1003 to 1011 of the Companies Act 2006 (CA2006). However, winding up the company involves significant preparatory work to be undertaken as detailed at below at paragraph 5.3.

5.2 While CAEL does not formally have to discharge all its liabilities before it is struck-off, in preparation for its voluntary strike-off CAEL's creditors must be notified of the company's intention to apply for voluntary strike-off and its directors will commit an offence if they are aware of liabilities and fail to notify known creditors.

5.3 In the process of winding up CAEL for voluntary strike off and before the strike off application is submitted, in addition to notifying the company's creditors of the proposed voluntary strike off, the Board will need to:

5.3.1 Obtain tax advice / undertake a full assessment of the company's existing tax liabilities;

5.3.2 Discharge / transfer the company's debts and financial liabilities;

5.3.3 Transfer the company's property and assets (tangible and intangible);

5.3.4 Provide for the transfer or otherwise of the company's staff;

5.3.5 Transfer (novate, assign) or terminate (if possible and appropriate) the company's contracts and commercial agreements;

5.3.6 Consider and effect how the company's share capital may be lawfully returned to CCHL / the Council, or how the share capital reduced before applying for strike off;

5.3.7 Consider and effect how any distributions may be made to CCHL / the Council;

5.3.8 Close bank accounts, cancel insurance policies etc.

Any property or rights in which CAEL has a beneficial interest immediately prior to its dissolution which have not been transferred will be deemed 'ownerless property' once the company has been dissolved and will pass to the Crown as a matter of law.

5.4 The application to voluntarily strike-off CAEL is made by the submission to Companies House of Form DS01 and the CA2006 specifies those who must be served with a copy of the application. The CA2006 also specifies the circumstances in which CAEL would be unable to submit an application for voluntary strike off which include where, in the three months preceding the intended submission, the company

has traded or otherwise carried on its business, disposed for value property or rights that the immediately before ceasing to trad or carry on it's business, the company held for such purposes, and engaging in any activity other than one that is necessary or expedient for the purpose of making the strike application, concluding the company's affairs or complying with a statutory obligation.

- 5.5 On being satisfied with CAEL's application for voluntary strike Companies House will register it on the company's public record and publish notification in the Gazette. Not less than two months after this publication, CAEL will then be dissolved by Companies House and will no longer exist. However, until Companies House publishes notification CAEL's dissolution, technically the company will still need to file accounts and any other such Companies House documents which fall to be filed during this period.
- 5.6 In certain circumstances, interested persons can also object to CAEL's application for voluntary strike off in the two months following its publication in the Gazette, and in further circumstances can apply for the company to be restored subsequent to its dissolution.
- 5.7 **The key point to be remembered is that save for exceptional circumstances, once CAEL has been dissolved it will cease to exist and cannot be resurrected. As such, if the same or similar circumstances arise for which CAEL was originally established or may be repurposed, it will not be possible to bring CAEL back to life and if necessary, an entirely new company will have to be established.**
- 5.8 **For the reasons set out above, it is recommended that CAEL is not struck-off and dissolved at this time.**

6. PLACING CAEL INTO DORMANCY AND THE IMPLICATONS

- 6.1 The alternative to winding up and dissolving CAEL recommended by CIPFA and Anthony Collins, and as yet the 'minded to' option of the Board, CCHL and the Council, is to place the company into a 'dormant state' for the purpose of Companies House.
- 6.2 As a dormant company CAEL will not, and indeed cannot, trade or carry on its business or any activities which generate income, but it will continue to exist as a legal entity and can be revived in the future simply by recommencing its business. CAEL can remain dormant indefinitely unless and until it intentionally or inadvertently

becomes active again, or is voluntarily struck off or the subject of compulsory strike off by Companies House. The company will become active again if it trades or undertakes activities other than its statutory filing requirements.

- 6.3 While it is dormant, CAEL is required to have a least one natural person as a director, who will remain bound by their statutory, common law and fiduciary duties as a company director, and the company will still be required to file with Companies House annual accounts (for a dormant company) and the company's annual confirmation statement. The composition of the Board during CAEL's dormancy and which director(s) are remain in office during the period will need to be decided.
- 6.4 Once CAEL informs HMRC that it is dormant, the company will no longer be required to pay corporation tax or file a tax return until it starts trading again.
- 6.5 For its purposes, Companies House will determine whether CAEL is and remains dormant. CAEL will become dormant when it has no significant accounting transactions recorded in the fiscal years for which it files accounts with HMRC and Companies House. Significant accounting transactions do not include filing fees or penalties paid to Companies House. A company which qualifies as 'small' under Companies House rules can file 'dormant accounts' without including an auditor's report, and as a subsidiary of CCHL / the Council, CAEL may also be otherwise exempt from audit requirements. CAEL is not required to notify Companies House if it becomes active again by recommencing trading or carrying on its business, as the first filing of accounts thereafter will show Companies House that the company is active again and as such it will no longer be considered dormant by Companies House.
- 6.6 The reactivation of CAEL would require the submission of an application to HMRC not less than three months before the company recommences trading or receiving income and also requires:
 - 6.6.1 registering for corporation tax no more than three months from the date of the reactivation notification to HMRC;
 - 6.6.2 submitting all company account to Companies House within nine months of CAEL's accounting reference date;
 - 6.6.3 submitting CAEL's tax returns to HMRC within twelve months of the company's accounting reference date.
- 6.7 **There are a number of advantages to placing CAEL into a dormant state rather than winding up and dissolving the company. As detailed above, such**

advantages include CAEL continuing to exist as a legal entity whilst it is dormant and as such it being possible to quickly and easily resurrect the company at any time – either for the purpose for which it was originally established or otherwise. It should also be easier and quicker to wind up and dissolve CAEL after a period of dormancy if to do so is subsequently determined as the best course of action, as much of the work undertaken in preparing the CAEL for dormancy will also be required for winding up the company in preparation for dissolution.

- 6.8 It must be remembered however if CAEL is placed into a dormant state, the filing requirements for a dormant company must be satisfied, and care must be taken not to reactivate CAEL inadvertently, as regardless of intention, once Companies House considers the company active again, all the company's various obligations will become live.
- 6.9 For the reasons set out above, it is recommended that CAEL is placed into dormancy for the immediate future.

7. PREPARING CAEL FOR DORMANCY

- 7.1 Many of the steps required to be taken in preparation for CAEL to be placed into dormancy are the same or similar to those which would be taken in winding up the company for voluntary strike off and dissolution. Preparing CAEL for dormancy will require:
- 7.1.1 tax advice / a full assessment of the company's existing tax liabilities;
 - 7.1.2 the company to cease trading or carrying on its business or any activities which generate the company income;
 - 7.1.3 the satisfaction of the company's debts and financial liabilities to the extent possible, and likewise to the extent possible, the collection of all monies due from creditors;
 - 7.1.4 the transfer to the Council or as appropriate the company's property, assets (tangible and intangible) and liabilities (see further section 8 below);
 - 7.1.5 the transfer (novation, assignment) or termination of the company's contracts and commercial agreements (see further below section 8 below);
 - 7.1.6 the transfer or otherwise of the company's staff;

- 7.1.7 considering and effecting how the company's share capital may be lawfully returned to CCHL / the Council, or how the share capital reduced before applying for strike off;
- 7.1.8 considering and effecting how any distributions may be made to CCHL / the Council;
- 7.1.9 considering and effecting the composition of the Board during the company's dormancy;
- 7.1.10 considering and effecting arrangements to ensure the required Companies House filings are undertaken during the company's dormancy;
- 7.1.11 notifying HMRC of the intention to make CAEL dormant, and submission of corporation tax return if required and the settlement of any outstanding corporation tax;
- 7.1.12 close payroll, bank accounts etc.

8. The Transfer of CAEL's Contracts, Agreements and Staff

- 8.1 Anthony Collins' advice as regards dealing with CAEL's various contracts and agreements is appended to this report (appendix 3) and their recommendations are summarised in the below table.

Agreement	Parties	Recommendation
Heat Pump Agreement	CAEL and GEA	Novate agreement: From CAEL/GEA To Council/GEA
Development Management Services Agreement	CAEL and Council	Instructions from the Council to CAEL to (i) suspend the agreement under clause 9 and (ii) authorisation for CAEL board to terminate the agreement under clause 10.1 if the suspension is for six months or more
Technical Consultancy	CAEL and WSP	Novate agreement:

Agreement		From CAEL/WSP To Council/WSP Novation agreement to incorporate terms and conditions of WSP's appointment from the GLA framework agreement
Facility Agreement	CAEL and Council	Terminate the agreement by Deed of Termination and Release to provide for simultaneous termination of the agreement and release from the debentures. Removal of charges from Companies House. Provision incorporated in the Deed of Termination and Release for the partial write-off of the outstanding loan.
Grant Agreement	CAEL and Council	No action required for dormancy
Concession Agreement	CAEL and Council	Terminate by Deed of Termination (mutual agreement)

8.2 **It is recommended that the agreements detailed in the above table are transferred according to the recommendations detailed in the table.**

8.3 CAEL currently has a single employee – Mr Michael Woods whose employment will transfer pursuant to agreed arrangements.

9. MAINTAINING CAEL'S DORMANT STATUS

9.1 As detailed above, once CAEL is dormant there are a number of obligations which must be satisfied to maintain the company's dormant status:

9.1.1 the company must have at least one director who is a natural person;

9.1.2 the company must file with Companies House annual accounts for a dormant company (with an auditor's report if required);

9.1.3 the company must file with Companies House its annual confirmation statement;

9.1.4 the company must not trade, carry on its business or receive income.

The directors will be liable for failing to file the company's annual accounts and confirmation statement as required.

9.2 During the period of its dormancy CAEL will be considered active / reactivated and as considered for corporation tax purposes if, whether intentionally or not, the company engages in any of the following activities:

9.2.1 trading, carrying on its business or professional activities;

9.2.2 buying / selling goods with the intention of making a profit or create a surplus;

9.2.3 provides services;

9.2.4 earns interest;

9.2.5 manages investments;

9.2.6 receives an income.

10. GOVERNANCE, DECISION-MAKING AND RESOLUTIONS

10.1 Anthony Collins' report on the governance and decision-making process to effect the dormancy of CAEL is appended (appendix 2). In summary, in consideration of the Board approving the recommendations set out above under section 2, and their subsequent approval by the CCHL board and ultimately the Council, the procedure is as follows:

10.1.1 the Board approves the CAEL Board resolutions and the form and circulation of the CCHL shareholder resolutions and the Council shareholder resolutions at appendix 4 to the CCHL board (in its capacity as the board of CAEL's parent company) with the recommendation that the CCHL board likewise approves the CAEL board resolutions, CCHL shareholder resolutions and

Council shareholder resolutions and recommends their approval by CCHL as the first instance shareholder of CAEL;

10.1.2 the CCHL board approves the CAEL Board resolutions, the CCHL shareholder resolutions and CCC shareholder resolutions at appendix 4 and approves their circulation to CCHL as CAEL's first instance shareholder with the recommendation that they are approved and circulated to the Council as CAEL's ultimate shareholder with the recommendation that Council approves the resolutions.

10.1.3 the Council in its capacity as CAEL's ultimate shareholder approves the resolutions.

10.2 The Council's shareholder function is ultimately exercised on behalf of the Council in the whole by the Cabinet, or delegated as it deems fit, in consideration of the recommendations of the Council's Audit and Governance Committee.

10.3 **The Board is recommended to approve the CAEL Board resolutions and the form of and circulation to the shareholder of shareholder resolutions at appendix 4.**

11. SUMMARY

11.1 For the reasons set out above, it is recommended that CAEL is placed into a dormant state.

11.2 On the Board being satisfied that CAEL being placed into a dormant state in accordance with the recommendations set out in this report, the Board is invited to approve the Board resolutions, and the form and circulation of the shareholder resolutions, attached at appendix 4.

Appendix 1

Colchester City Council: *Review of the CCHL Companies*, CIPFA, January 2023

[place holder]

Appendix 2

Report to Colchester City Council - *CAEL: Governance and Decision-Making*, Anthony Collins, May 2023

[place holder]

Appendix 3

Report to Colchester City Council and Colchester Amphora Energy Ltd, *Agreements Review*, Anthony Collins, July 2023

[place holder]

Appendix 4

CAEL Board Resolutions and CCC Shareholder Resolutions

[place holder]

1. INTRODUCTION

- 1.1 We are instructed by Mr Julian Wilkins, the Legal Services Manager of Colchester City Council (the “Council”) We are asked to advise on the governance and decision-making arrangements on the potential winding-up or ‘hibernating’ (of Colchester Amphora Energy Ltd (“CAEL”).
- 1.2 We understand that in due course the Council may commission wider advice on options for the treatment of CAEL. As such this report is not concerned with the merits of either winding-up (dissolving the company) or hibernating it (placing the company into a state of dormancy), or the means by which the either course of action may be effected and what is involved. We understand the Council may require advice on such matters in due course which we would be happy to provide, however, they are beyond the scope of our immediate instructions.
- 1.3 CAEL is a subsidiary of Colchester Commercial (Holdings) Ltd (“CCHL”). CCHL is sole shareholder of CAEL. CCHL is wholly owned by the Council and as such the Council is the ultimate shareholder of CAEL.
- 1.4 In preparing this report we have reviewed and considered the following documents:
- 1.4.1 CAEL – Articles of Association and Companies House record;
 - 1.4.2 CCHL – Articles of Association and Companies House record;
 - 1.4.3 Group Governance Agreement dated 28 November 2017;
 - 1.4.4 The Council’s Constitution (dated November 2022):
 - Part 3 A, Responsibility for Functions;
 - Part 3 C, Scheme of Delegation to Cabinet Members;
 - Part 3 D, Scheme of Delegation to Officers;
 - Part 4 G, Governance and Audit Committee Procedure Rules.

2. CAEL

- 2.1 CAEL is a private limited company limited by shares and was incorporated under the Companies Act 2006 (the “CA2006”) on 1 June 2017. Pursuant to a special resolution of the shareholder (CCHL) the company adopted new Articles of Association (the “CAEL Articles”) on 17 October 2017. CAEL is a subsidiary of CCHL..

- 2.2 On 28 November 2017 CAEL entered into a Group Governance Agreement (the “Governance Agreement”) with Colchester Borough Council, CCHL, Colchester Amphora Trading Ltd and Colchester Amphora Homes Ltd. The Governance Agreement takes precedence where there is any inconsistency between its provisions and the CAEL Articles.
- 2.3 Subject to the CAEL Articles and the Governance Agreement, the CAEL Directors are responsible for the management of the company’s business, for the purpose of which they may exercise all the powers of the company. Under the CAEL Articles, CCHL has a reserve power pursuant to which, by way of a special resolution, CCHL may direct the CAEL directors to take or refrain from taking a specified action.
- 2.4 Decisions of the CAEL Board are determined by a majority decision of the CAEL Directors at a meeting of the CAEL Board, or a unanimous decision where the decision is in the form of a written resolution.
- 2.5 The CAEL Articles provide that shareholder decisions are determined by a show of hands on a resolution put to the vote at a general meeting (unless a poll vote is demanded). The CAEL Articles make no reference to written shareholder resolutions, however, they are provided for under the CA2006. An ordinary shareholder resolution is determined by a simple majority; a special shareholder resolution must be approved by not less than 75% of the shareholders entitled to vote on it.
- 2.6 Companies House records the board of directors of CAEL (the “CAEL Board”) as comprising two directors (the “CAEL Directors”).

3. THE CURRENT STATUS OF THE MATTER

- 3.1 We understand that discussions and considerations for the future treatment of CAEL are in the initial stages and follow a review undertaken by CIPFA and recommendations made in light thereof. We understand that in due course the Council may require substantive advice on options for the company which are likely to include it being wound-up or prepared for dormancy.

4. CCHL

- 4.1 CCHL is a private limited company limited by shares and was incorporated under the Companies Act 2006 (the “CA2006”) on 1 June 2017. Pursuant to a special resolution of the shareholder (the Council) the company adopted new Articles of Association (the “CCHL Articles”) on 17 October 2017. CCHL is the holding company of CAEL and CAEL’s shareholder.
- 4.2 On 28 November 2017 CCHL entered into the Governance Agreement with Colchester Borough Council, CAEL, Colchester Amphora Trading Ltd and Colchester Amphora Homes Ltd. The Governance Agreement takes precedence where there is any inconsistency between its provisions and the CCHL Articles.

- 4.3 Subject to the CCHL Articles and the Governance Agreement, the CCHL Directors are responsible for the management of the company's business, for the purpose of which they may exercise all the powers of the company. Under the CCHL Articles, the Council (as shareholder) has a reserve power pursuant to which, by way of a special resolution, the Council (as shareholder) may direct the CCHL directors to take or refrain from taking a specified action.
- 4.4 Decisions of the CCHL Board are determined by a majority decision of the CCHL Directors at a meeting of the CCHL Board, or a unanimous decision where the decision is in the form of a written resolution.
- 4.5 The CCHL Articles provide that shareholder decisions are determined by a show of hands on a resolution put to the vote at a general meeting (unless a poll vote is demanded). The CCHL Articles make no reference to written shareholder resolutions, however, they are provided for under the CA2006. An ordinary shareholder resolution is determined by a simple majority; a special shareholder resolution must be approved by not less than 75% of the shareholders entitled to vote on it.
- 4.6 Companies House records the board of directors of CCHL (the "CCHL Board") as comprising four directors (the "CCHL Directors").

5. THE GOVERNANCE AGREEMENT AND DELEGATIONS SCHEDULE

- 5.1 The Governance Agreement provides for an advisory "Shareholder Committee" the purpose of which in respect of CAEL (and the other CCHL subsidiary companies) is to:
- 5.1.1 *(6.1.1) Receive, review and comment on or recommend any amendments to the CCHL business plan;*
 - 5.1.2 *(6.1.2) Review the financial performance of the group;*
 - 5.1.3 *(6.1.3) Make recommendations to the Council on how it should exercise the function flowing from its ownership of shares.*
- 5.2 The Shareholder Committee has no power to make decisions on behalf of the Council or CCHL – its remit is to advise CCHL and the Council in its capacity as the shareholder of the companies.
- 5.3 The Governance Agreement provides that until otherwise resolved by the Council, the Council's "Trading Board" shall fulfil the role of the Shareholder Committee.
- 5.4 We understand that Shareholder Committee function is now performed by the Council's Governance and Audit Committee. The procedure rules for the Audit and Governance Committee set out at Part 4, Section G of the Council's Constitution include its terms of reference as the Shareholder Committee for Colchester Commercial (Holdings) Ltd, as set out below at paragraph 6.2.4.
- 5.5 In accordance with the Governance Agreement, the CCHL Board reports to the Shareholder Committee or the Council both as the board of CCHL, and in the CCHL Board's capacity as the 'first instance' shareholder of CAEL and the other subsidiary companies. In exercising the Council's shareholder function in respect of the subsidiary

companies the CCHL Board determines those matters delegated to it for the purpose set out in schedule 1 of the Governance Agreement.

- 5.6 Schedule 1 to the Governance Agreement is a “Delegations Schedule” which details particular matters for the determination of the Council or the delegation of their determination to CCHL or CAEL. The Delegations Schedule provides that the following matter is for the determination of the Council:

Making any petition or passing any resolution to wind up the relevant party or making any application for an administration or winding up order or any order having similar effect or giving notice of intention to appoint an administrator or file a notice of appointment of an administrator.

As such, a decision to wind up CAEL is to be made by the Council in its capacity as the company’s ultimate shareholder.

- 5.7 Additionally, the Delegations Schedule includes various matters categorised as “corporate”, “operational” or “finance” which may also be required in the winding up of the company or in preparing for it to become dormant. Under the Delegations Schedule, decisions on such matters may be reserved to the Council or delegated to CCHL or CAEL.
- 5.8 Once the future of CAEL has been determined it will be possible to identify all the matters which need to be determined to effect the company’s winding up or dormancy and whether, under the Governance Agreement, decisions on such matters are also to be made by the Council, or if they have been delegated to CCHL or CAEL.
- 5.9 Those matters which fall for the Council’s determination (along with the decision to wind up the company or prepare it for dormancy) could be included in a single set of shareholder resolutions (with conditions or limits if necessary) which once approved by the Council would negate or reduce the need for further resolutions. Alternatively, provided sufficient information was available to the Council for the purpose, the Council may resolve to approve the given course of action (winding up or dormancy etc) and delegate to CCHL / CAEL overarching authority to take such steps as necessary to effect the given course of action (again with conditions or limits if necessary). Either way, it will be necessary to check whether any of the matters falling for the determination of the Council are required to be resolved as special resolutions under the CA2006.
- 5.10 The operational winding up of CAEL or its preparation for dormancy will be the responsibility of the CAEL Board.

6. COUNCIL DECISION-MAKING AS SHAREHOLDER

- 6.1 The Council operates an ‘executive arrangement’ model of governance and as such the Council’s role and decision-making as shareholder of its companies is an executive function. This is reflected in the arrangements for the Council’s exercise of its shareholder function and shareholder decision-making provided for in the Council’s Constitution.

6.2 The Council's Constitution provides that:

6.2.1 **Part 3, Section C: Functions Retained by the Leader of the Council and Portfolio Holder for Strategy:**

(16) *Client role for Colchester Commercial (Holdings) Ltd*

6.2.2 **Part 3, Section C: Delegation to Deputy Leader of the Council and Portfolio Holder for Local Economy and Transformation:**

(9) *To review and monitor the performance of Colchester Commercial (Holdings) Ltd and its subsidiaries: Colchester Amphora Housing Ltd, Colchester Amphora Trading and Colchester Amphora Energy Ltd together with the commercial aspects of Sports and Leisure.*

6.2.3 **Part 3, Section D: Scheme of Delegation to Officers**

Delegated to All Strategic Directors:

1. *Authority to act as client officer for the Council in relation to matters related to Colchester Commercial (Holdings) Limited and its subsidiary companies.*

2. *Authority to act as the Council's shareholder representative in relation to Colchester Commercial (Holdings) Limited and to cast the Council's vote at any relevant Board or shareholder meeting.*

6.2.4 **Part 4, Section G: Audit and Governance Committee – Rules of Procedure**

Terms of Reference as Shareholder Committee for Colchester Commercial (Holdings) Ltd:

6.2.4.1 (8) *Consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies i.e. Colchester Amphora Housing, Colchester Amphora Energy and Colchester Amphora Trading.*

6.2.4.2 (9) *Receive, review and recommend to Cabinet Colchester Commercial (Holdings) Limited's business plans (including its subsidiary companies) annually and to review performance including delivery of the dividend.*

6.2.4.3 (10) *Monitor, challenge and make recommendations to Cabinet regarding Colchester Commercial (Holdings) Limited and its subsidiary companies.*

6.2.4.4 (11) *Make recommendations to Cabinet on how it should exercise the functions flowing from its ownership of shares in Colchester Commercial (Holdings) Limited and its subsidiary companies.*

6.3 We note that pursuant to its terms of reference the Audit and Governance Committee, in its capacity as the Shareholder Committee, makes recommendations to the Cabinet

as to the Cabinet's execution of the shareholder function in respect of CCHL and the subsidiary companies. The terms of reference make no mention of the Strategic Directors to whom the shareholder function has been delegated as detailed above at paragraph 6.2.3. However, in our view this does not put the Shareholder Committee terms of reference at odds with the scheme of delegation to officers which is still operable but may not in fact be the current arrangement.

- 6.4 The Cabinet is the Council's ultimate shareholder body and may retain and / or delegate the shareholder function and shareholder decision-making as deemed appropriate. As such, it would be expected that the terms of reference provide for the Shareholder Committee's reporting to the Cabinet as the ultimate shareholder body. As seemingly the Cabinet has delegated the shareholder function to each Strategic Director, a Strategic Director would be advised and assisted by the Shareholder Committee in the same way the Cabinet would be.

7. DECISION-MAKING AND THE DECISION-MAKING PROCESS

- 7.1 As detailed above, a decision to wind up CAEL falls to be made by the Council in its capacity as the company's ultimate shareholder, and whilst not expressly provided for in the Delegations Schedule, in our view so too would be a decision to effect the dormancy of the company given that such a course of action is likely to be outside of the company's current business plan, and involve matters which must be determined by the Council pursuant to the Delegations Schedule.
- 7.2 The exercise of the Council's shareholder function as regards CCHL and as the ultimate shareholder of CAEL and the other subsidiary companies is currently delegated to each of the Council's Strategic Directors. In making the Council's shareholder decisions a Strategic Director should be advised by the Shareholder Committee.
- 7.3 The delegation to the Strategic Directors is permissible under the Local Government Act 2000, pursuant to which the delegation of executive functions, and as such the delegation of the shareholder function and shareholder decision-making is within the gift of the Leader of the Council. The Leader's retention or delegation of executive functions is set out in the Constitution at Part 3 Section 3 and Section 4 as detailed above under paragraph 6.2. The Leader may require that a given shareholder decision is made by themselves, an individual Cabinet Member, another officer or committee of the Cabinet, or the Cabinet collectively. However, given that the Leader has retained the exercise of the 'client role' for CCHL (as detailed above at paragraph 6.2.1) which we take to mean the Council's commissioning function in respect of CCH, the Leader would likely be conflicted if also exercising the shareholder function in respect of CCHL or the subsidiary companies. As such, in our view it would be preferable for the Leader to delegate a shareholder decision to a Cabinet Member where the decision is not being made by Cabinet or a Strategic Director – as currently delegated.
- 7.4 Subject to the Council's Constitution, a shareholder decision may also be a key decision and / or subject to 'call-in'. In such an instance the decision will need to be

taken in accordance with the procedure for determining key decisions and if applicable so too the call-in procedure provided for in the Constitution.

- 7.5 Whether it is a Strategic Director, Cabinet Member or Cabinet who, acting in the capacity as CAEL's ultimate shareholder, determines that the company should be wound up or put into dormancy, the decision-making process will start with a resolution of the CAEL Board. To avoid the need to call general meetings to effect shareholder resolutions, we recommend using written shareholder resolutions and the process set out below is based on the same.

CAEL

- 7.6 At a duly convened and quorate meeting of the CAEL Board the CAEL Directors will need to resolve a proposed course of action as regards the company for the approval of the Council as the company's ultimate shareholder. The CAEL Board will need to have the information and any advice required to make an informed decision, and the CAEL Directors will each need to be satisfied that in making the decision s/he is acting in the best interests of the company and in compliance with his/her duties as a director.
- 7.7 Assuming the CAEL Board agrees on a proposed course of action, the CAEL Board will need to approve the form and circulation of a written shareholder resolution to the CCHL Board, with a recommendation that the CCHL Board approves the proposed course of action and circulates to the Council as shareholder a written resolution with a recommendation from the CCHL Board that the Council resolves to approve the written shareholder resolution put by the CAEL Board. The resolution may provide for the approval of specific matters set out within it which fall to be determined by the shareholder under the Delegations Schedule and / or a general authorisation for the CAEL Board to take such steps as necessary to effect the given course of action proposed for CAEL (e.g., winding up or dormancy).

CCHL

- 7.8 At a duly convened and quorate meeting of the CCHL Board the CCHL Directors will need to consider the course of action proposed by CAEL and the written shareholder resolution circulated by the CAEL Board. The CCHL Board will need to have the information and any advice required to make an informed decision in exercising its role as the 'first instance' shareholder of CAEL.
- 7.9 Assuming the CCHL Directors agree with the CAEL Board's proposed course of action, the CCHL Board will need to resolve accordingly and approve the circulation to the Council of the CAEL written shareholder resolution and the CAEL Board's recommendation that the Council approve the resolution. The CCHL Board resolution approving the form and circulation to the Council of the CAEL written shareholder resolution must be circulated to the Council with the original written shareholder resolution and recommendation put by the CAEL Board.

The Council as Ultimate Shareholder of CAEL

- 7.10 The written shareholder resolution put by the CAEL Board, and the CCHL Board resolutions in respect thereof, should be circulated in the first instance to a Strategic Director as they have the standing delegation under the Constitution. The Strategic Directors have each been delegated shareholder decision-making in respect of CAEL where, under the Delegations Schedule, a shareholder decision cannot be made by the CCHL Board acting as the first instance shareholder of CAEL.
- 7.11 If the decision remains with the Strategic Director s/he will determine the written shareholder resolution on behalf of the Council as the ultimate shareholder of CAEL.
- 7.12 The Strategic Director, Cabinet or Cabinet Member Cabinet determining the resolution will need to be satisfied that they have the information and advice required to make an informed decision and have consulted as may be required or appropriate. If the resolution is also a key decision under the Council's Constitution, it will need to be made in compliance with the rules and procedures for determining key decisions as set out in the Constitution, including if applicable, as regards call-in. The shareholder decision-maker would be assisted and advised by the Shareholder Committee.
- 7.13 Once the resolution has been determined the decision may be subject to call-in but then must be notified to the parties concerned with the duly executed written shareholder resolution returned to CAEL and copies retained by the Council and CCHL. Any special shareholder resolution will need to be filed with Companies House. As per paragraph 7.12 above, if the resolution is also a key decision, its determination, recording and publication will need to accord with the relevant rules and procedures of the Council's Constitution.

8. CONFLICTS OF INTEREST

- 8.1 At each stage of the decision-making process care will need to be taken to guard against potential conflicts of interest. Those making decisions on behalf of CAEL or advising them should not also be involved in decision-making on behalf of the shareholder or advising them.

9. SUMMARY

- 9.1 A decision to wind up or place CAEL into dormancy is a matter for the Council as the ultimate shareholder of the company in accordance with the Group Governance Agreement and Delegations Schedule.
- 9.2 The decision will be effected by a (written) shareholder resolution(s) proposed by the CAEL Board and circulated in the first instance to CCHL Board acting as the 'first instance' shareholder of CAEL. In turn, the CCHL Board will circulate the resolution to the relevant Strategic Director (or as may otherwise have been decided) for determination on behalf of the Council as CAEL's ultimate shareholder.

- 9.3 The operational implementation of the resolutions and thereby the winding up of CAEL or preparing it for dormancy will be the responsibility of the CAEL Board. There are procedures to be followed for either course of action in respect of which we would be happy to advise if required.
- 9.4 Effecting the board and shareholder resolutions required to implement the course of action determined for CAEL is not complex as a matter of law but is very much process driven. The requirements for shareholder decision-making are provided for under the CA2006 and the process is somewhat administratively burdensome as well as potentially confusing for those not familiar with it. In addition to the requirements of the CA2006, the decision-making process must give effect to the governance arrangements in place for the Council and its companies in accordance with the Constitution.
- 9.5 The key to effecting the decisions required to implement the course of action determined for CAEL is preparation and ensuring that the operational issues, actions and decisions required at each stage of winding up or preparing the company for dormancy (or any other course of action) and the decision-makers are identified in advance. We would expect that much can be agreed between the parties informally and then provided for in reports and the documents prepared to give effect to the agreed arrangements.
- 9.6 Resolutions can be formulated and 'bundled' where possible and circulated to the decision-maker with the information required to make an informed determination. This should then reduce the number of occasions on which a matter needs to be referred to a given decision-maker.
- 9.7 Potential conflicts of interest arising for decision-makers and those advising them need to be guarded against. It is important that the parties each understand the course of action decided upon for CAEL, what is required at each stage of the process and who needs to make the necessary decisions.

10. NEXT STEPS

- 10.1 Once the preferred course of action for CAEL has been decided we would be happy to advise further on the resolutions needed, the resolutions process, and to draft the necessary resolutions and reports if required.
- 10.2 Please do not hesitate to contact us with any queries or if any further information is required.

Anthony Collins

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AGREEMENTS REVIEW

1. BACKGROUND

- 1.1 Colchester Amphora Energy Limited (“CAEL”) was set up as part of the planned Northern Gateway project to deliver a low carbon heat network for residents, businesses and other commercial users (the Northern Gateway Heat Network or “NGHN”). CAEL is a wholly owned subsidiary of Colchester Commercial (Holdings) Limited (“CCHL”) which in turn is wholly owned by Colchester City Council (“Council”).
- 1.2 Due to the uncertainties surrounding the delivery phasing and dates of the Northern Gateway project, it has been decided to make CAEL dormant because it has no current or medium term prospect of being able to continue to meet all its liabilities without relying on shareholder support. There are also benefits to bringing arrangements to a close from an accounting perspective for the Council.
- 1.3 The objective is for the benefit of CAEL’s assets and existing agreements to be transferred to the Council. This will preserve flexibility for the Council, allowing a decision to be made about the extent to which the Council or its companies wish to be involved in future Northern Gateway infrastructure provision. The Council has asked for six agreements to be reviewed and for AC to set out the actions needed to achieve the objective.
- 1.4 There are two legal terms used in this report which describe how arrangements which have previously been made by CAEL may be “transferred” to the Council:
 - 1.4.1 An “assignment” is where the legal benefit is transferred to a party where there are no actions or live obligations to be fulfilled under the contract. The party to whom the benefit has been transferred can then use that benefit – for example a benefit of most contracts is to be able to enforce them if a supplier has not complied with its obligations.
 - 1.4.2 A “novation” is where all the parties must agree (the supplier, CAEL and the Council) to change the “customer” from CAEL to the Council. This is to be used where the Council needs to continue to order services or goods from the same supplier.
- 1.5 The recommendations for the reviewed agreements are either to assign, novate, leave alone or suspend. Each agreement needs dealing with properly to ensure that there are no questions left about CAEL’s obligations or the Council’s rights and responsibilities in future.

1.6 This advice does not factor in tax issues, and you have confirmed that the Council and Amphora group of companies will obtain separate advice about progressing the objective in a tax efficient manner. If a tax adviser has any comments on our proposals for each of the agreements, AC will gladly collaborate with them to ensure that the most efficient result is achieved.

2. HEAT PUMP AGREEMENTS

2.1 A fourth version of the proposed tender by GEA dated 6 March 2023 has been provided for review (“the Fourth Tender”) and it is assumed that this is the final version accepted by CAEL. The Fourth Tender only specifies “Amphora” as the customer (and not specifically CAEL), however it lists as being for the attention of Michael Woods – an employee of CAEL so it is reasonable to imply that CAEL is the customer.

2.2 The Fourth Tender states that a deposit of £165,732 was paid to GEA on 16 August 2021 and that the delivery date may not be until Q1 2025 due to the NGHN project delays.

2.3 A report by the Chartered Institute of Public Finance & Accountancy (“CIPFA”) dated January 2023 states that CAEL intended to novate this agreement to Pinnacle. Pinnacle is a contractor which was successful in CAEL’s procurement process for its requirements to construct an energy centre and to provide operations and maintenance for the NGHN. However, the Fourth Tender should be novated to the Council because it is unlikely that Pinnacle will be appointed at all as it is probably now too long since the conclusion of the tender process to rely on the result (see below).

2.4 As part of the novation, the Council would need to pay CAEL an amount to reflect the deposit already paid. The Council would then be required to pay the remainder of the purchase price to GEA at the relevant times set out in the Fourth Tender and GEA would act as if the Council had been the purchaser from the start of the transaction. Under the Fourth Tender the next payment, of 40% of the purchase price, is due at delivery of the “*main parts of the Scope of Supply to [the] Site*”.

2.5 The Council could consider whether or not to continue with the purchase of the heat pump altogether, instead of perusing novation, particularly if the future of the NGHN is unclear. GEA’s terms do not appear to give a right to cancel the order, but if this is potentially preferred position, careful negotiation would be needed to discuss this with GEA without causing contractual issues. It is acknowledged by CAEL that the terms of the heat pump purchase were not ideal – indeed there are very strict caps on GEA’s liability. This is because the purchase was concluded under considerable time pressure. It might be possible to negotiate the return of some of the deposit if there is goodwill from GEA if the manufacturing of the pump has not progressed. More information about this would be needed to see if there is any realistic prospect of such a negotiation succeeding.

- 2.6 To the extent that parts of the heat pump or any other equipment has been delivered, a sale and purchase agreement should be concluded between the Council and CAEL to transfer these assets. It might be appropriate to incorporate the sale and purchase terms into the novation agreement instead of having a separate agreement. This is a detail that can be worked out later.

3. DEVELOPMENT MANAGEMENT SERVICES

- 3.1 A development management services agreement has been entered into between the Council and CAEL dated 20 December 2019 (“the DMSA”). As part of the DMSA, CAEL is providing a wide range of management and design services to the Council. Whilst CAEL itself was carrying out some of the management function, it was sub-contracting much of the design to WSP.
- 3.2 Once CAEL is dormant, there will be no further services carried out under the DSMA. As the Council already has the benefit of this agreement, and there doesn’t appear to be any advantage in novating it to any other Amphora Group companies, the other options are to not do anything, or suspend or terminate the DMSA. If nothing is done, the DMSA is just left “hanging”, with neither party carrying out its obligations, which is unhelpful from an audit and legal perspective. To preserve future flexibility, all of the DMSA obligations could be suspended under clause 9. The Council can issue an instruction to suspend – this will trigger a requirement to pay CAEL up to the date of suspension. The Council has the right to re-mobilise the services if it wishes in future, but if not, the suspension can last any period until the Council decides how to re-procure the NGHN in future. Once 9 months of suspension have elapsed, the Council can terminate if it wants to, or if there are strong views it should be terminated now, the DMSA could be terminated now by agreement.
- 3.3 The DMSA has some key provisions missing, such as a copyright licence back to the Council and was said to be executed as a deed, but it does not comply with the required formalities so will take effect as a simple contract. Bearing in mind the relationship between the parties, neither of these issues is a significant problem but should be rectified if any further services were ever provided under the DMSA.

4. TECHNICAL CONSULTANCY - WSP

- 4.1 Pursuant to a tender response document dated 12 October 2018 (“the Tender”), WSP has and continues to provide consultancy services including the CDM principal designer role in relation to the NGHN. The services that WSP provided ranged from developing the technical specification, to modelling, and in future, project management during the construction phase.
- 4.2 It does not appear that any formal agreement was entered into between WSP and CAEL. An unsigned framework agreement has been provided with the Greater London Authority stated as the contracting entity alongside the Tender.

- 4.3 Although not an immediate risk to the project, it would be strongly recommended for CAEL to have an executed formal appointment of WSP. The framework terms deal with this by providing a template for this at Schedule 6A of the framework. This will ensure certainty as to the terms of the appointment and it should ideally be executed as a deed, both ensuring greater protection for CAEL and the Council. From a brief review, unfortunately the framework agreement and the Schedule 6A terms are missing key points (such as Construction Act compliance, CDM and copyright licensing) but this should be rectified when the appointment is formalised.
- 4.4 We assume that WSP's involvement in the NGHN is still ongoing, and that the Council wishes to retain WSP's services for future development of the NGHN. The agreement between CAEL and WSP can be formalised and novated to the Council all in one document.
- 4.5 As WSP planned to use a sub-contractor, Norr, to provide architectural services for the energy centre, collateral warranties should be required when Norr is appointed by WSP. However, there does not appear to be provision for collateral warranties in the WSP arrangements so this should also be remedied on novation.
- 4.6 If the Council does not formalise the appointment, then this may cut down its options in terms of later passing risk to the market. If the Council (or any Amphora Group company) were to take the project forward, it might be under a master concession arrangement with an external provider, such as Vital or Pinnacle. In this instance, the benefit of all the WSP work and contract would need to be transferred to that new entity, if indeed the objective were to pass the design, construction, operation and maintenance on to a single responsible external entity. That single entity would not currently accept a novation or assignment of a non-formalised appointment. Formalising the appointment is also required as part of the Council's contracts procedure rules.

5. FACILITY AGREEMENT

- 5.1 A facility agreement, providing a loan of up to £2,250,000 has been entered into between CAEL (as the borrower) and the Council (as the lender) dated 25 June 2019 ("the Facility Agreement"). A fully executed copy is not available but it may have been executed in counterpart. It is understood that approximately £1.3million has been drawn from this facility.
- 5.2 As part of the Facility Agreement, CAEL entered into a debenture with the Council dated 25 June 2019 which was executed in counterpart ("the Debenture"). The Debenture provides CAEL with a first legal mortgage over "*all estates or interests in any freehold, leasehold or commonhold property now owned by it...*" (clause 3.1), which also includes "*all buildings and fixtures and fittings...*" (clause 1.4(a)).
- 5.3 Once CAEL has been paid under the DMSA for all the management and design services it has provided up to date, and has been paid for all the other assets (such as

the GEA order) which are being transferred to the Council, it is likely that CAEL could then pay back the Council the borrowings under the Facility Agreement. Potentially, there will be some part of the loan which may have to be written off. Once the full amount of cash requirement is known up to the date of dormancy, then the write off amount will be known and at that stage, the Facility Agreement and Debenture could be terminated by mutual agreement. All this should be formalised in a very short deed of termination. Writing off debts is likely to be a financial benefit not given to any other entity so could be a subsidy subject to the Subsidy Control Act 2023 - however, it is assumed that any other market provider of loans would do the same so there is no real concern here.

6. GRANT AGREEMENT

- 6.1 A grant agreement has been entered into between CAEL and the Council, dated 25 March 2017 (“the Grant Agreement”). The Council agreed to provide CAEL with up to £220,000 towards the cost of set up of CAEL and the NGHN.
- 6.2 Clause 6.1 of the Grant Agreement shows that the last instalment of funds would have occurred in the financial year 2020-21, therefore there are no future planned payments by the Council to CAEL under the Grant agreement.
- 6.3 The Grant Agreement allows the funds to be used very broadly in connection with the NGHN, with only limited ineligible expenditures listed within Annex B. We presume the grant has been paid in full and expended by CAEL in accordance with the terms of the Grant Agreement.
- 6.4 The Grant Agreement does not appear to have any restrictions on dealing with assets which have been funded through the grant. This means that the assignments, transfers and novations suggested in this do not need specific Council consent if they relate to supplies, services or works funded by this grant.
- 6.5 As there does not appear to be any breach of the Grant Agreement, and the terms have been fulfilled, there is no particular need to assign, novate or terminate this agreement and it can be left in place during any dormant period.

7. CONCESSION AGREEMENT

- 7.1 A concession agreement has been entered into between the Council and CAEL dated 31 January 2018 (“the Concession Agreement”). The Concession Agreement granted CAEL the exclusive right to supply heat to the individual residential, commercial, retail and/or leisure units to be constructed within the concession area. The Council was required to ensure developers within the concession area entered into a connection and supply agreement with CAEL on terms in accordance with the Concession Agreement.
- 7.2 The Council could terminate the Concession Agreement. Although the termination provisions within clause 11 provide for only termination in the event of non-remedied

material breach and a party exceeding its liability cap, the CAEL and the Council would be able to terminate upon mutual agreement with one another and this should again be recorded in a very short Deed.

- 7.3 The other option is to suspend both parties' obligations by mutual agreement in case the concession agreement could be resurrected in future to be used between the Council and CAEL. Whilst the Concession Agreement was no doubt fit for the early stages of developing the NGHN, it is too lightweight to be used for the next stage. There are insufficient terms dealing with commercial viability in the early years of operation, and insufficient terms around the operation and maintenance of the project. In our view, it is therefore probably advisable to terminate and to put new arrangements in place once the options have been appraised.

8. PINNACLE AND PROCUREMENT

- 8.1 CAEL should clarify whether it has entered into any contractual arrangements or has any obligations towards Pinnacle. We would be happy to review any additional documentation relating to Pinnacle and the heat pump, as CIPFA's comment suggests such documents exist. AC's last involvement in the procurement process was when the procurement was paused after evaluation had been carried out. The procurement process should probably be formally abandoned without award, just so that there is a clear audit trail, and that if the Council or others need to conduct a further procurement process in future, there is no question of a challenge from Pinnacle that has any claims to be awarded the contract under the previous process.

9. OVERVIEW

- 9.1 The below table illustrates a high-level overview of the recommendations for each of the agreements reviewed.

AGREEMENT	RECOMMENDATION
HEAT PUMP AGREEMENT	NOVATE THE AGREEMENT TO THE COUNCIL
DEVELOPMENT MANAGEMENT SERVICES	SUSPEND BOTH PARTIES' OBLIGATIONS
TECHNICAL CONSULTANCY	FORMALISE THE AGREEMENT AND NOVATE IT TO THE COUNCIL – ADD COLLATERAL WARRANTIES AND A NUMBER OF OTHER MATTERS
FACILITY AGREEMENT	DEED OF TERMINATION WHICH RECORDS TERMS RELATING TO WRITE OFF
GRANT AGREEMENT	NO FURTHER ACTION

10. DECISION MAKING REQUIRED

- 10.1 As already advised, a decision to place CAEL into dormancy is a matter for the Council as the ultimate shareholder of the company in accordance with the November 2017 Group Governance Agreement and delegations schedule therein.
- 10.2 The decision will be effected by a (written) shareholder resolution(s) proposed by the CAEL board and circulated in the first instance to CCHL board acting as the 'first instance' shareholder of CAEL.
- 10.3 The operational implementation of the resolutions and thereby CAEL preparing and making all necessary arrangements prior to dormancy will be the responsibility of the CAEL board. There are procedures to be followed for either course of action in respect of which we would be happy to advise further.

11. NEXT STEPS

- 11.1 It is suggested that the implications of the decision to place CAEL into dormancy should now be documented so that all matters can be contained into one report for governance purposes. That report will then be the basis upon which the recommendation will be made.
- 11.2 We would be happy to support the Council and CAEL to implement some or all of the suggested courses of action above once necessary governance is completed. It might be useful to discuss the conclusions and we could attend a brief meeting to check you are in agreement with our advice.
- 11.3 If requested we would be happy to draft the necessary resolutions and cover reports if required from a governance perspective.
- 11.4 Please do not hesitate to contact us with any queries or if any further information is required.

Anthony Collins Solicitors LLP

24 July 2023

Richard Brooks, Partner, richard.brooks@anthonicollins.com

Claire Ward, Partner, claire.ward@anthonicollins.com

Colchester Commercial (Holdings) Ltd

Company Number: 10798878

Resolutions of the Board of Directors

THE COMPANIES ACT 2006
PRIVATE COMPANY LIMITED BY SHARES
RESOLUTIONS OF THE BOARD OF DIRECTORS OF
COLCHESTER COMMERCIAL (HOLDINGS) LIMITED

Company No: 10798878

("the Company")

[insert date of Board meeting] 2023

At a meeting of the Board of Directors of the Company held on the above date, in view of the recommendations and advice pertaining to Colchester Amphora Energy Ltd, ("CAEL") a subsidiary of the Company ("CCHL"), in the following reports:

- Colchester City Council, *Review of the CCHL Companies*, CIPFA January 2023
- Colchester City Council, *Colchester Amphora Energy Ltd, Governance and Decision-Making*, Anthony Collins, May 2023
- Colchester City Council and Colchester Amphora Energy Limited, *Agreements Review*, Anthony Collins, July 2023

on the Chair being satisfied as to the declaration of each Director as to the nature and extent of any interest s/he may have in the transactions proposed as the business of the meeting, and being satisfied as to the quorum of the meeting, having carefully considered the proposed transactions and the resolutions and recommendations of the Board of CAEL and having carefully considered the matters set out in section 172 of the Companies Act 2006,

THE BOARD RESOLVED TO:

1. Approve the resolutions and recommendations of the Board of CAEL;
2. Approve the form of, and circulation to, the Shareholder of the written CCHL shareholder resolutions;
3. Recommend to the Shareholder that it approve the written CCHL shareholder resolutions;
4. Approve the form of, and circulation to, Colchester City Council as the shareholder of the Company and ultimate shareholder of CAEL, the written Colchester City Council

Colchester Commercial (Holdings) Ltd

Company Number: 10798878

Resolutions of the Board of Directors

shareholder resolutions (subject to the Shareholder's prior approval of the written CCHL resolutions);

- 5. Recommend to Colchester City Council as the shareholder of the Company and ultimate shareholder of CAEL, that Colchester City Council approve the written shareholder resolutions (subject to the Shareholder's prior approval of the written CCHL resolutions);

.....

Chair of Colchester Commercial (Holdings) Ltd

Dated.....

The Directors
Colchester Commercial (Holdings)
Limited and its subsidiary companies
Rowan House
33 Sheepen Road
Colchester
CO3 3WG

21st August 2023

Dear Sirs,

Reference: Going Concern and Public Liabilities

We are writing to formally confirm our continued support for the Amphora companies.

As the parent organisation, we acknowledge and undertake our responsibility to provide ongoing financial support for the Amphora Group. This commitment is essential to enable the companies within the group to prepare their financial statements on a going concern basis and ensure their continued existence.

In this letter, we would like to draw your attention to the ongoing discussions between ourselves and Colchester Commercial Holdings Limited (CCHL) regarding the acquisition of Colchester Amphora Energy Limited's (CAEL) assets. The objective behind this initiative is to facilitate the hibernation of CAEL, which means it will not meet the criteria for the going concern basis in their accounts to 31st March 2023. However, we wish to confirm that CAEL will continue to receive our support until its hibernation.

We have agreed to purchase the assets of CAEL at its historical cost as at 31st March 2023.

Furthermore, we have agreed to provide subsidies, in the form of a management fee, to address the revenue reserves deficit within the company up to its date of hibernation.

Additionally, we wish to confirm that Colchester City Council (CCC) will retain all pension assets and liabilities arising under IAS19. This applies to employees of the Amphora group who are members of the Essex County Council Pension Fund, in accordance with the Deeds of Variation of Services Agreement dated 26 March 2020 between CCC, CCHL, and Colchester Amphora Trading Limited (CATL).

If you require any further information or clarification, please do not hesitate to contact us. We value open communication and are committed to addressing any concerns or queries you may have.

Yours sincerely,



Chris Hartgrove FCCA
Service Director (Shared) – Finance (Deputy Section 151 Officer)

17th October 2023

Report of	The Section 151 Officer	Author	Chris Hartgrove (chris.hartgrove@colchester.gov.uk)
Title	Draft Statement of Accounts 2021/22		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The Joint Finance Director (Section 151 Officer) is responsible for the preparation of the Council's annual Statement of Accounts. The Statements are prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code') and are based on International Financial Reporting Standards (IFRSs). The Statements are also required to give a "true and fair view" of the Council's financial position as at 31st March 2022, and the income and expenditure for the year then ended.
- 1.2 The Council is required to make the accounting records and related documents available for inspection each year in the exercise of the rights of interested persons under Section 26 of the Local Audit & Accountability Act 2014 and Section 15 of the Accounts & Audit Regulations 2015.
- 1.3 The inspection period for the financial year ending 31st March 2022 was due to commence on 1st August 2022 and run for a period of 30 working days from this date. However, it has not been possible for the Council to commence the inspection period as a shortfall in technical capacity within the Finance function has lengthened the Accounts preparation process and, in line with most councils nationally, Colchester City Council continues to experience major audit delays and the Statement of Accounts 2020/21 have not yet been finalised.
- 1.4 However, in the interests of transparency, the Council published an uncertified draft Statement of Accounts 2021/22 on the Council website on 15th September 2023 (**Appendix A**), which the Committee are asked to note.
- 1.5 The audited Statement of Accounts for 2021/22 will be presented to the Committee at a future meeting (date to be determined). This will provide an opportunity for the Committee to further scrutinise, and approve, the Statements prior to the issue of the Committee Chair's signature.

2. Recommended Decisions

- 2.1 To note the Draft Statement of Accounts 2021/22 (**Appendix A**) prior to the completion of the external audit process.

3. Reason for Recommended Decision

- 3.1 To enable the robust scrutiny the Council's annual Statement of Accounts 2021/22 in the interests of transparency and in accordance with generally accepted good practice.

4. Alternative Options

- 4.1 None.

5. Equality, Diversity and Human Rights implications

- 6.1 None.

7. Standard References

7.1 The local government financial reporting and audit regime exists within in a tightly regulated framework. For the accounting period 2021/22, this includes the:

- Local Government Act 1972 (Section 151)
- Local Government Act 2003 (Section 21(2))
- Local Audit and Accountability Act 2014 (various); and
- Accounts & Audit Regulations 2015.

7.2 The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('the Code').

7.3 There are a number of areas of risk embedded throughout the Statement of Accounts, which have been individually addressed and treated in accordance with guidance and professional judgement.

8. Environmental and Sustainability Implications

8.1 None.

9. Appendices

9.1 Colchester City Council's *draft* Statement of Accounts 2021/22 (published 15th September 2023) – **Appendix A**



DRAFT

STATEMENT OF **ACCOUNTS**

2021 | 2022



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Narrative Statement

Introduction

The Statement of Accounts for Colchester Borough Council for the year ended 31 March 2022 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local Colchester residents, Council Members, partners, other stakeholders and interested parties' confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts. The deadline for completion of the accounts for 2021/22 is 31st July for the unaudited statement of accounts and 30 November for the audited statement of accounts which have to be approved by the Audit Committee. This is a revised deadline for 2021/22 due to global pandemic and subsequent pressures put on Local Authorities. The Council is required to publish unaudited accounts by the 31st July. However, delays in approving the 2020/21 accounts has resulted in some slippage to this timeframe. The provisional 2021/22 accounts were published in early 2023. These have now been updated on the Council's website as at 15 September 2023.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operate in an environment of continuous improvement. This narrative report is structured as follows:

1. An Introduction to Colchester
2. Covid 19
3. Summary of Achievements
4. Governance
5. Summary of the 2021/22 Financial Performance of the Council
6. Strategic Risks
7. Liability for Pensions Costs
8. Future Plans
9. Collection Fund
10. Explanation of the Financial Statements
11. Other information

Introduction to Colchester

The borough of Colchester covers an area of 324 square kilometres in north east Essex. It borders Suffolk in the north, along with three Essex districts – Tendring in the east, Braintree in the west and Maldon in the south west.

At its centre is the town of Colchester, surrounded by villages and smaller towns of distinct and complementary character. Some are in the Dedham Vale, a designated area of outstanding natural beauty.

Our largest towns are Wivenhoe, Tiptree and West Mersea. The island of Mersea is at the south of our borough, and it forms the borough's principal coastal area. The centre of Colchester, broadly defined by the area within the Roman city walls, is a focal point for the whole borough – containing one of the Eastern region's busiest shopping destinations, as well as many major cultural experiences and leisure attractions.

Colchester is an increasingly popular place to live and work.

Colchester Borough Council is comprised of 51 councillors in 17 wards and operates according to the leader and cabinet model. In 2021-22 the Council has been controlled by a Conservative majority of 23 councillors, 12 Liberal Democrats councillors, 11 Labour councillors, 3 Highwood independent councillors and 2 Green Party councillors.

Covid 19

Background

The Council has continued to support residents and businesses as the country emerges from the global pandemic. During the first part of the year local businesses benefited from Covid related support grants as the country emerged from lockdowns. In May 2021 the local elections were successfully held with the additional safety measures that were required as a result of Covid. Our staff continue to work in a hybrid way, embracing both working from home and office working. Whilst all Covid restrictions have now been lifted the Council is looking to ensure that residents and businesses have the necessary support going forward.

Business Support

During the year the Council has continued to be instrumental in ensuring that local businesses are supported through the processing and distribution of grants. The pandemic has had and will continue to have a significant impact on businesses and the economy with the nature and scale of the event being unprecedented. Government released a package of support including a range of initiatives including grants and extended business rates reliefs. On 3 March 2021 the government confirmed that the Expanded Retail Discount would continue to apply in 2021/22 at 100% for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022. The government confirmed that there would be no cash cap on the relief received for the period from 1 April 2021 to 30 June 2021. From 1 July 2021, relief will be capped at £105,000 per business, or £2 million per business where the business is in occupation of a property that was required, or would have been required, to close, based on the law and guidance applicable on 5 January 2021. In total the Council administered further grant schemes as detailed below and gave out over £14.3 million to local businesses during 2021-22 across the business grant schemes.

- Additional Restrictions Business Grant Scheme
- Restart Grant Scheme
- Omicron Business Grant Scheme
- Various other schemes

Financial Impact

The Council has had considerable financial pressure as a result of the pandemic which has been partially mitigated through receipt of financial grants from Central Government including:

- Covid (unringfenced) grant: £0.993 million
- Sales, Fees and Charges compensation scheme: £1.077 million

The Council has continued to run services throughout the pandemic including, for example, regulatory services such as Planning and Building Control and this has helped to mitigate the financial impact of the pandemic. Moving forward, the Council has reset its Medium-

Term Financial Strategy (MTFS) in recognition of the impact of the pandemic and the Council's strategic objectives and set a balanced budget for 2022-23. The changing environment and "new normal" will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority.

Service Impact

Service delivery has continued throughout the pandemic with all our statutory services continuing to operate. Service changes within Environmental Services were initiated during the lockdowns to ensure that essential elements of waste collection continued.

Summary

The coronavirus pandemic has had a profound impact on all aspects of life in Colchester. Throughout 2021/22 the Council has adopted a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Going forward the Council will move into a recovery phase and will seek to continue to provide support to residents, businesses, and officers to ensure that the area recovers as soon as possible from this once in a generation global event.

Summary of Achievements

The Corporate Strategy

The Council regularly reviews and updates its strategic direction. The Council approved The Better Colchester Strategic Plan 2020/23 in October 2020. The Plan sets out the Council's priorities under five themes:

- Tackling the climate challenge and leading sustainability.
- Creating safe, healthy, and active communities.
- Delivering homes for people who need them.
- Growing a fair economy so everyone benefits.
- Celebrating our heritage and culture.

Each theme has three priorities for the plan period that have been and continue to be addressed in the Council's financial planning. The Strategic Plan Action Plan is reported twice yearly to Cabinet.

Some achievements and highlights include:

Tackling the climate challenge and leading sustainability

- The Council's carbon emissions were reduced by 12.8% (791.5 tonnes of CO₂e) since 2020 in line with our latest climate Emergency Action Plan.
- The Climate Change Team secured £500k of grant funding to replace Rowan House's 30-year old gas heating system with a low carbon system.
- Tools such as the Sustainability and Carbon Reduction Assessment Checklist were embedded to help service areas and projects achieve behaviour change and best practice.
- CAReless pollution 'No idling' campaign was awarded 'Highly Commended' at 'Sustainability Leaders Awards 2022' and achieved a 53% reduction in idling car engines at traffic lights in our Air Quality Management Areas.
- Stopped the use of glyphosate weedkiller on Colchester Borough Homes sites through consultation with residents.
- Urban planting has been completed.
- First year of wildflower and naturalising has taken place, having a positive impact on biodiversity.
- Supported Wivenhoe 'no mow, no sow' trial and started discussions to include further sites and the support for other Parish and Town Councils to adopt the same approach.

Creating safe, healthy and active communities

- Embedded Communities Can with the system, partners and communities including training and awareness, learning from best practice, capacity building and outcomes focus, enabling an Asset Based Community Development Approach.
- Review, promotion and support of Community Assets already in place to maximise their benefit to our residents including maximising the S106 development contributions available to support this.
- Collaborated and influenced outcomes through the new Alliance Neighbourhood Model of working across NEE with all system partners.
- Worked with Communities to maximise and deliver community infrastructure to mitigate the impacts of development (Community S106 programme).
- Improved the advice, support and signposting to grants to reduce the impact of increasing fuel prices and improve energy efficiency in homes.
- Worked to address the housing issues that exacerbate inequalities and impact on the most vulnerable, including supply, healthier homes, being able to remain in your home and tackling criminal landlords.
- Used new CCG funding to build capacity and improve outcomes which tackle inequalities across Colchester and Tendring.
- Influenced and worked with partners to leverage external funding aimed at improving outcomes for those suffering from Domestic Violence & our Refugee and Asylum Seeker Communities.

Delivering homes for people who need them

- The Council's commercial housebuilding company, Colchester Amphora Homes Ltd, completed their first mixed-use development including 30% affordable homes.
- The "New Council Housebuilding Programme" delivered a total of 78 additional affordable homes in 2021-2022, remaining on track to meet the target of 380 additional affordable homes between 2019-2024.
- A new HRA Asset Management Strategy and 30-Year Business Plan was agreed to provide a viable long-term programme for the 7,000 affordable homes managed by Colchester Borough Homes to maintain them with high levels of decency, safety compliance, and energy efficiency works; to benefit tenants.
- The "100 homes" project completed, 'buying back' 100 former council homes and undertaking works to improve their energy performance before making them available for new tenants.
- The Homelessness and Rough Sleeping Strategy Delivery Plan actions were reviewed, and an updated Delivery Plan and Progress Report was published.
- During 2021-2022 homelessness was prevented for 190 households and there were 108 households assisted into accommodation under the relief duty. • The Rough Sleeper Team provided assistance to 124 rough sleepers and accommodated 38, whilst 16 were accommodated under the governments' "Protect and Vaccinate" initiative, and 9 rough sleepers were reconnected.
- The Council secured £457,500 capital and £105,700 revenue funding under the governments "Rough Sleeper Accommodation Pathway" (RSAP) to purchase 6 ex-Council one-bed flats as "move on" accommodation and provide a support worker for 3 years.

Growing a fair economy so everyone benefits

- Support and grants have been provided to businesses to support them through the pandemic. As well as providing direct grants, we have worked with partners in North Essex Economic Board to jointly fund business support using Government funding. This has included: Click it Local which provided a year-long pilot online shopping portal for independent local businesses, a suite of business advice services (Digital, Financial, Import/Export, Skills), A Net Zero Business Support Programme.

- The support we have provided was recognised by the Local Government Chronicle with the Council shortlisted for a national award.
- We have started work with Essex County Council and partners to develop a Masterplan for the Town Centre.
- We have worked with the Colchester Business Improvement District (BID) to deliver new parklets on the High Street in October 2021 and are working with them to install new gateway signage to promote use of local town centre retail which will be installed later in 2022.
- Our work with 'We are Colchester' partners to deliver the Town Deal will include improved public spaces, easier transport, better digital connection, and new community facilities. We have prepared and submitted Business Cases to access funding and have completed considerable feasibility and design work.
- We have prepared a bid to attempt to attract Government Levelling Up funding for the Town Centre.
- We have prepared a new Economic Growth Strategy for the borough. This sets out our priorities for supporting the Borough's economy and job creation, focus our Economic Development work, and respond to Strategies of partner agencies such as Essex County Council. • We have an up-to-date Local Plan in place that allocates sufficient land and contains policies to encourage economic growth.
- We continue to approve of applications in line with policies to attract new businesses and allow existing firms to thrive. The former Andersons Yard at Marks Tey is being redeveloped and extended to facilitate this.
- The Asset Management Strategy was updated to focus on post Covid recovery and asset management initiatives continued to be undertaken on Council-owned sites (operational, investment and surplus) during 2021. Continued strategic and asset management of regeneration and development sites including Colchester Northern Gateway, Hythe, and the Town Centre.

Celebrating our heritage and culture

- Specialist agency Counterculture were appointed by open tender to deliver the Strategy, working with a Project Group including external stakeholders.
- Following extensive public and stakeholder consultation the new Cultural Strategy was endorsed by Cabinet in March 2022.
- The Council committed to extending Strategic Arts Partner funding to 2026, providing continuity of support to the key cultural assets underpinning delivery of the Cultural Strategy.
- Responding to feedback received during the consultation an early outcome achieved against the Strategy Action Plan was the launch of the Cultural and Creative Events Fund, which will support 28 projects in 2022.
- 2021 tourism campaigns aligned with the Government Roadmap Out Of Lockdown and included the 'Colchester and the Beautiful Borough Welcomes You Back' film and 'Colchester Roman Holiday' themed staycation campaign with sponsorship of the Liverpool Street ticket gates (Network Rail 915,206 verified passenger contacts).
- Partnership working with Visit Essex included a targeted consumer campaign featuring London Underground advertising; two of the five campaign images used were in the Borough of Colchester.
- Local tourism businesses support included free or discounted advertising on www.visitcolchester.com (extended into 2022).
- New tourism products developed; Hidden Colchester Walking Trail, Colchester to Wivenhoe Art and Heritage Trail (funded by Welcome Back Grant) and the Family Roman Trivia Trail.
- With the easing of COVID related restrictions, all three museums reopened during the summer with visitor numbers and income swiftly returning to pre-pandemic levels at the Castle, outperforming parallel museum services.
- The recovery at the castle was aided by the delivery of the Arts Council funded exhibition, 'Decoding the Roman Dead', a partnership research project with the University of Reading with digital outputs reaching more than 500,000 people through a collaboration with 'History Hit'.
- School numbers were slower to return but pre-pandemic levels were achieved in the last months of the financial year.
- A feasibility study for the redevelopment of the Natural History Museum was conducted by a consultant team alongside public and stakeholder consultation.

Key performance indicators for 2021/22

The Council has 16 key performance indicators that are reported to Cabinet twice a year. 2021/22 key performance indicator targets were approved by 10 March 2021 Cabinet. Actual performance in 2021/22 is shown below.

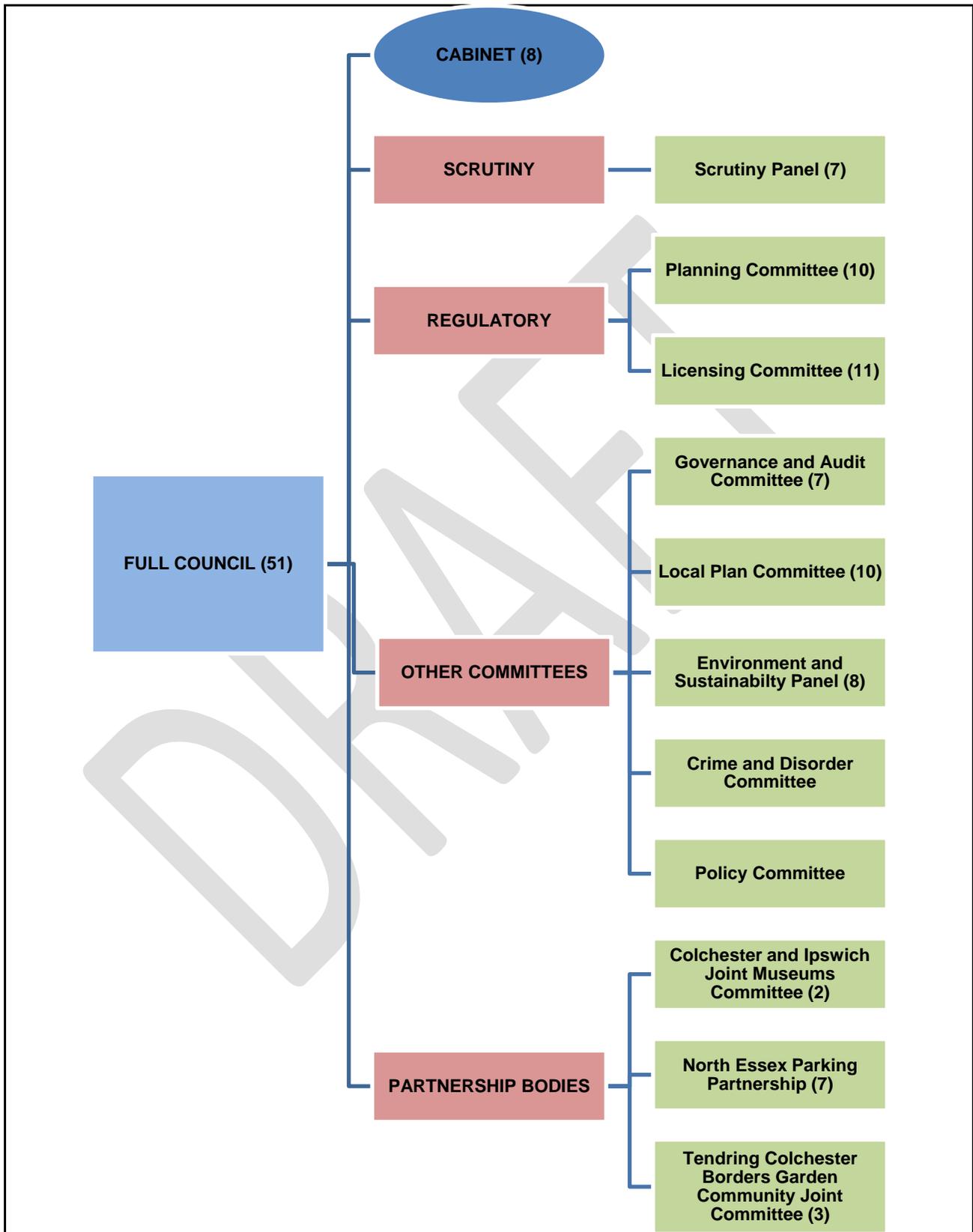
Area	Indicator	RAG Status	
		2020/21	2021/22
Housing Benefit	Time to process new claims and changes (two indicators)	Both Green	Both Green
Housing	Net additional homes provided	Red	Green
	Affordable homes delivered (gross)	Green	Red
	Homelessness cases prevented	Red	Green
	Rent collected	Red	Green
	Average time to relet council homes	Red	Red
Planning	Processing of major planning applications	Green	Green
	Processing of minor planning applications	Green	Green
	Processing of other planning applications	Green	Green
Resources and Organisational	Council Tax collected	Green	Green
	Business Rates collected	Red	Green
	Sickness rate in working days	Green	Red
Waste and recycling	Residual Waste per household	Red	Red
	Household waste reused, recycled and composted	Red	Red
	Number of weekly missed collections	Green	Green

Governance

Governance refers to the arrangements put in place to ensure that our intended outcomes are defined and achieved.

The key message from the Head of Internal Audit annual report for 2021/22 is that the Council's internal auditors TIAA are satisfied that Colchester Borough Council has reasonable and effective risk management control and governance processes in place. There has been a marked increase in the number of individual audits achieving a substantial assurance rating.

All the Councillors meet together as Full Council 9 times a year, in a public forum, to set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for Colchester Borough Council that were in place during 2021/22.



The Cabinet

The Cabinet consists of the Leader of the Council and up to seven other Councillors. The main functions are: -

- To propose the budget and policy framework for approval by the Council
- To carry out all of the Council's functions and take all decisions except:
 - (a) those reserved to Council, the Local Plan Committee, the Planning Committee and the Licensing Committee
 - (b) those delegated to the officers, providing those decisions are not in conflict with the approved budget policy framework
- To refer matters including the review of strategies and policies to the Scrutiny Panel for consultation, investigation and report

Scrutiny Panel

This Committee is responsible for overview and scrutiny, which supports the work of the Cabinet and the Council as a whole.

Licensing Committee

The Licensing Committee has specific responsibility for:

Considering all aspects of licence applications, variations, suspensions, and revocations across the spectrum of local authority licensing responsibilities with the exception of all matters relating to taxi and private hire licensing which are dealt with by the Taxi and Private Hire Licensing Panel.

Planning Committee

The Planning Committee has specific responsibility for:

- Building Regulations and Safety of Buildings and Premises
- Conservation and Listed Buildings
- Tree Preservation and Planting
- Strategic Highway and Transportation issues

Governance and Audit Committee

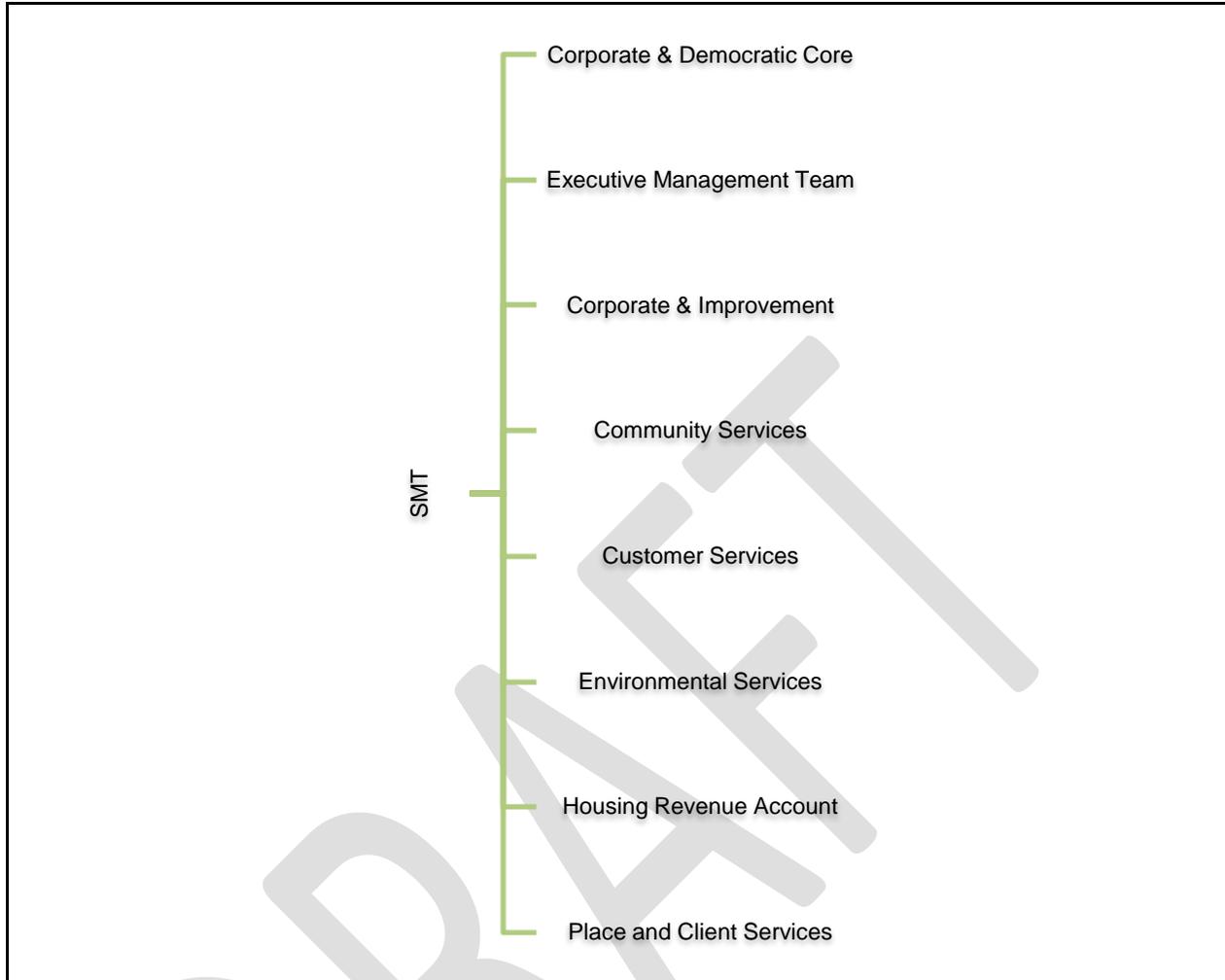
The Committee is made up of 7 Councillors and normally meets up to 8 times per year. Its function is to: -

- Consider and approves the Council's Statement of Accounts and review the Council's annual audit letter.
- Deal with the Council's governance, risk management and audit arrangements.
- Make recommendations to the Council on functions such as Elections and bye laws and determine Community Governance Reviews.

The Management Structure of the Council

Supporting the work of elected Members is the organisational structure of the Council headed by the Strategic Management Team (SMT). The senior management team consists of the Chief Executive, Deputy Chief Executive and Strategic Director of Policy and Place, and four Assistant Directors.

The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. Areas of responsibility are shown in the following diagram:



Organisations within the group accounts

There have been no changes in the organisations consolidated in the group accounts.

The group accounts include Colchester Borough Homes. CBH was created in 2003 as an Arms Length Management Organisation. It provides landlord services to the Council's housing tenants including:

- tenancy management, housing support and older persons services
- managing and maintaining the Council's housing stock
 - routine and emergency repairs
 - planned maintenance
 - major refurbishment and improvement programmes
- facilities management and the housing options service.

The group accounts include Colchester Commercial Holdings Ltd (CCHL). CCHL is 100% owned by the Council. The Council benefits from CCHL's commercial approach and freedoms. Activities include: -

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

CCHL also manages some of the Council's Capital Programme. In 2021/22 the company's turnover was £6.35m generating a profit of £0.268m.

Summary of the 2021/22 Financial Performance of the Council

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year.

	Final Budget	Outturn	Variation	Variation
	£'000	£'000	£'000	%
Corporate & Democratic Core	(106)	(147)	(41)	38.68%
Executive Management Team	669	679	10	1.49%
Corporate & Improvement	6,286	6,228	(58)	-0.92%
Communities	210	25	(185)	-88.10%
Customer	3,794	3,082	(712)	-18.77%
Environment	7,125	6,384	(741)	-10.40%
Housing Revenue Account	399	(65)	(464)	-116.29%
Place and Client Services	6,369	3,409	(2,960)	-46.48%
NEPP	819	797	(22)	-2.69%
CIMS	1,114	1,036	(78)	-7.00%
Benefits	(473)	(424)	49	-10.36%
General Fund/HRA	1,836	2,072	236	12.85%
HRA Contingency	108	0	(108)	-100.00%
Total Services	28,150	23,076	(5,074)	-18.02%
Pensions	395	335	(60)	-15.19%
MRP	1,945	2,289	344	17.69%
CLIA	0	(551)	(551)	
Provision for bad debts	(261)	(155)	106	-40.61%
Misc & Banking Adjustments	0	23	23	
Gov't Grants - Covid 19 - Income Support	(657)	(1,077)	(420)	63.93%
Misc Govt grants	0	(21)	(21)	
General service related items	1,296	0	(1,296)	-100.00%
Increase GF minimum balance (Nov 19 Cabinet)	(130)	0	130	-100.00%
Use of Reserves - Covid 19	(2,400)	(73)	2,327	-96.96%
Business Rates Pool	0	(864)	(864)	
Total Cost of Services	28,338	22,982	(5,356)	-18.90%

The main variances are detailed in the sections that follow: -

Community – (£185,000) surplus

- (£77,000) to be carried forward for future community safety initiatives
- (£108,000) additional income from the crematorium

Customer (£712,000) surplus

- (£305,000) Local Taxation & Business Rates savings relates to extra income.
- (£194,000) Benefits & Hub income variance relates to the balances of one-off new burdens funding for Test and Trace and Covid Response.
- (£202,000) Customer Digital & Systems savings due to some modules that will now be delivered in 22/23.

Environment (£741,000) surplus

- (£403,000) surplus on Neighbourhood services.
- (£333,000) savings mainly due to extra parking income.

Housing Revenue Account (£464,000) surplus due to carry forward

Place and Client Services (£2,960,000) surplus

- (£555,000) savings Place Strategy due to Local Plan costs falling into 2022/23
- (£452,000) savings on Housing due to delay in project.
- (£172,000) savings on Client commercial company due to increased dividend.
- (£694,000) savings on Commercial & Investment due to better than expected rental incomes.
- (£1,004,000) savings on Sport and Leisure.

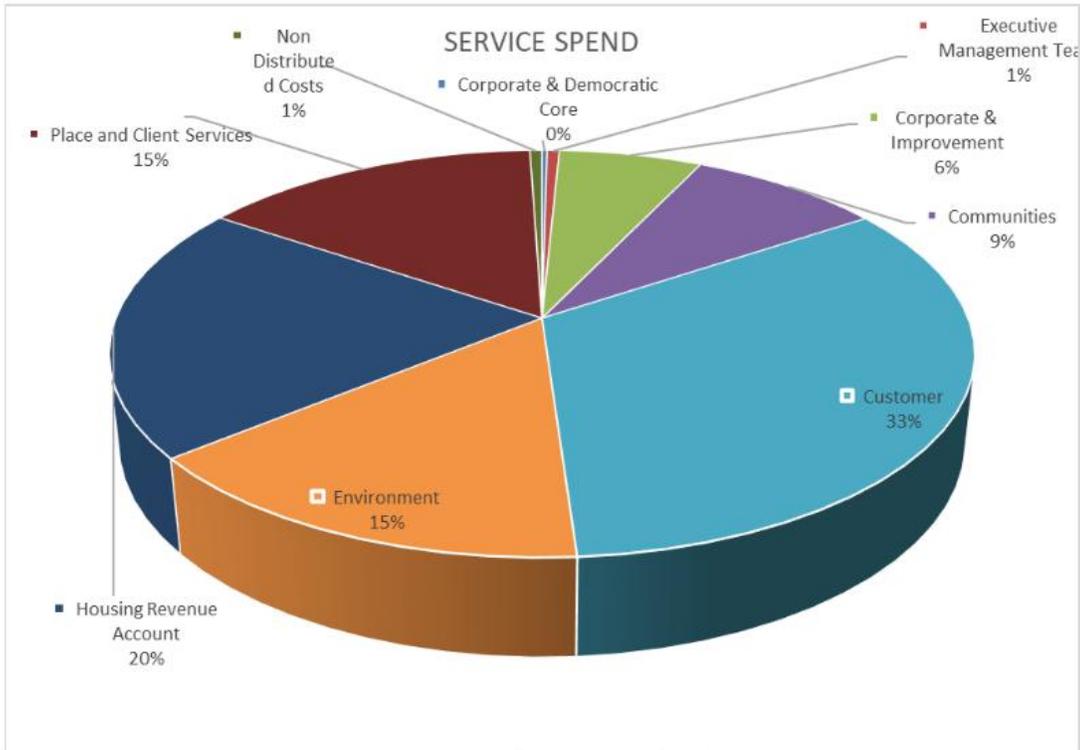
The 2021/22 provisional capital outturn was reported to 6th September 2022 Governance and Audit Committee and is summarised below:-

	Total Programme	2021/22 Original Budget £ (000)	2021/22 Outturn £ (000)	Future Years' Forecast £ (000)
Communities	10,688	4,418	3,148	(1,270)
Environment	3,559	1,264	738	(526)
Corporate & Improvement	41,979	4,768	1,797	(2,971)
Place & Client	14,571	9,400	4,135	(5,265)
Housing Revenue Account	53,964	42,772	25,607	(17,165)
Other	0	0	789	0
Total Capital Programme		62,622	36,214	(26,408)

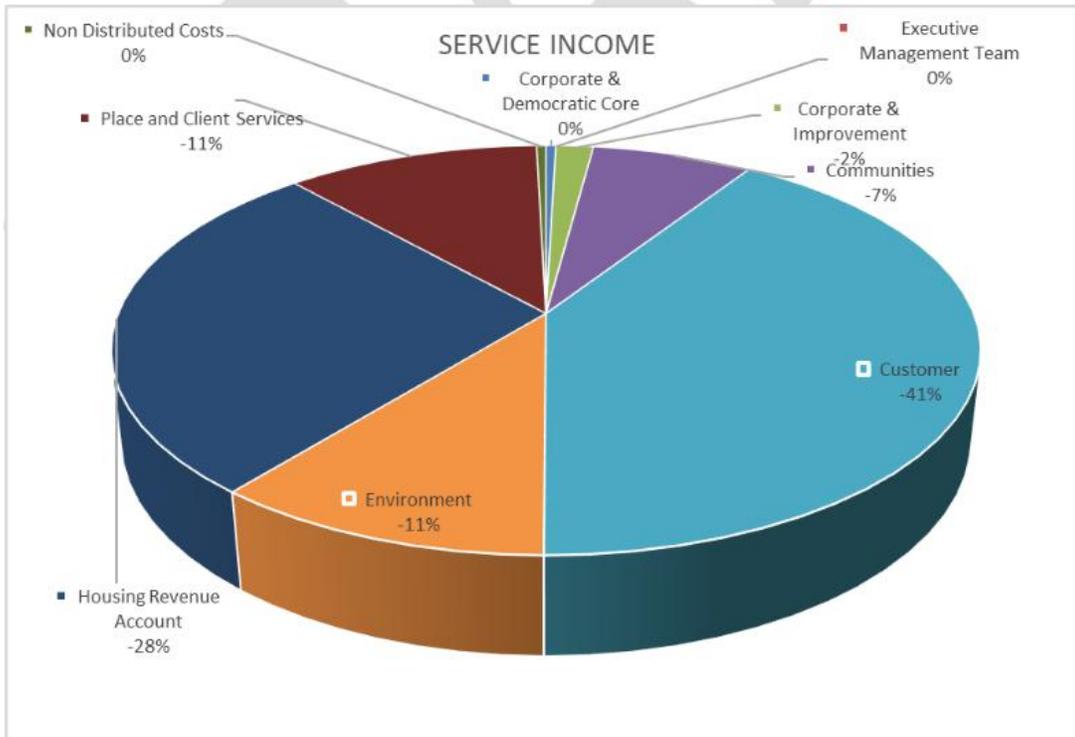
	2021/22 Outturn £ (000)
Funded By:	
RTB "one for one" receipts	(1,708)
External Grants & Contributions	(7,231)
Major Repairs reserve	(5,031)
Use of Specific Reserves	(5,520)
Use of Capital Receipts	(35)
Borrowing Requirement	(16,689)
Total Funding	(36,214)

An analysis of income and expenditure is shown in the graphs below:

The services provided by the Council are summarised in the Comprehensive Income and Expenditure Statement on page 24. The net cost of these services was £36.328m and was funded by council tax, business rates, investment income and grants.



Net service costs reflect sales, fees, and charges income in areas such as parking, sport & leisure, commercial & investment properties, and museums.



Strategic Risks

The Council has a comprehensive risk management process that is embedded across the organisation. This includes a strategic risk register, which is the responsibility of the senior management team, operational risk registers which are produced by each service and specific risk mitigation initiatives.

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

Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £107,975 million at 31st March 2021 to £83,763 million at 31st March 2022. It is detailed in Note 8 to the accounts.

- It is not an immediate deficit rather a long term view of the future liabilities, both for existing pensioners and current employees who are accruing pension entitlement.
- Nationally many pension funds in both the private and public sectors exhibit a deficit.
- The Essex pension fund is valued triennially, and additional contributions have already been initiated to address the problem over a period of years. The next triennial valuation will take place on 31 March 2022, where there will be more understanding of the COVID implications and its impact on the scheme.
- The pension scheme assets and liabilities include Colchester Commercial Holdings which were transferred from the Council with an effective date of 1 April 2019.

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.

Future Plans

Revenue

The Council's current Strategic Plan 2020-23 will be concluded on 31 March 2023. Work is beginning now to research, develop and engage widely on its replacement. There is no doubt that the context the Council is working in now is very different to the world in early 2020. The landscape and legislative context for public services is transforming before our eyes and communities have demonstrated time and again their incredible agility and power to affect positive change.

At the same time, inequalities have become yet further exacerbated post Covid, the cost-of-living crisis continues, and the new City of Colchester provides an opportunity to set new aspirations for inclusive economic growth, providing affordable housing, tackling the climate challenge, allowing nature to recover and building on the incredible diversity, culture and heritage of this borough for the benefit of all residents, businesses and visitors.

It is intended that the next Strategic Plan will be aligned to the Medium Term Financial Forecast (MTFF), see table below, becoming a five year plan for the Council from April 2023 – March 2028.

2023/24 Budget and MTFF	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Previous years budget	20,703	22,530	24,665	25,039	25,539
Cost pressures and Growth items	2,862	1,700	900	1,000	1,000
Capital financing	609	385	(276)	(300)	(303)
Income losses	0	(200)	(200)	(200)	0
Savings	(640)	(50)	(50)	0	0
Use of new homes bonus for one-off investment	(1,004)	300	0	0	0
Current years budget	22,530	24,665	25,039	25,539	26,236
Business rates	(5,956)	(5,500)	(5,044)	(4,589)	(4,134)
Govt Grant	0	0	0	0	0
New Homes Bonus	(650)	(650)	(650)	(650)	(650)
Council Tax	(13,757)	(14,221)	(14,653)	(15,173)	(15,662)
Previously planned use of reserves	935	935	935	935	935
Covid use of reserves	(1,700)	(200)	(200)	0	0
Budget Gap Cumulative	1,402	5,029	5,427	6,062	6,725

- In the finance tables expenditure is positive. A negative (bracketed) figure is an expenditure reduction.
- In the finance tables income is negative (bracketed).

Capital

The Capital Programme was reset for 2022/23 and later years as part of setting the 2022/23 Budget. This table below includes new schemes agreed in budget setting and presents the current future years forecast as at Quarter 2 of 2022/23.

	Total Programme	2021/22 Original Budget £ (000)	2021/22 Outturn £ (000)	Future Years' Forecast £ (000)
Communities	10,688	4,418	3,148	7,438
Environment	3,559	1,264	738	2,886
Corporate & Improvement	41,979	4,768	1,797	47,211
Place & Client	14,571	9,400	4,135	80,182
Housing Revenue Account	53,964	42,772	25,607	19,765
Other	0	0	789	0
Total Capital Programme	124,761	62,622	36,214	157,482

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 2021/22 the minimum prudent level of uncommitted balances required was £2.16 million, or 10% of net expenditure. This was achieved at 31st March 2022.

Collection Fund

The Council must operate a separate collection fund to account for business rates and council tax collected on behalf of the Council and other preceptors. The Collection Fund as a whole has a net deficit of £33.1m as at 31 March 2022. This reflects the high value of business rate reliefs granted in accordance with government regulations during the Covid pandemic. Specific grant funding has been received from the government towards this deficit, but under the accounting regulations this cannot be allocated directly to the Collection Fund. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

Explanation of Financial statements

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS)** – This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Council as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.
- **Comprehensive Income and Expenditure Statement (CIES)** – This statement summarises the expenditure and income for the year.
- **Balance Sheet** – This records the Council's year-end financial position. It shows the balances and the reserves at the Council's disposal, its long-term debt, net current assets and liabilities, and summarises information on the long-term assets held.
- **Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Expenditure Funding Analysis (EFA)** – This statement shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would be accounted for by private sector bodies under generally accepted accounting practices.
- **Notes to the Financial Statements** – The notes provide more detail about the items contained in the key financial statements, the Council's Accounting Policies, and other information to aid the understanding of the financial statements.
- **Housing Revenue Account (HRA)** – This records the Council's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Council Housing.
- **Collection Fund** – The Council is responsible for collecting council tax and non-domestic rates and the Council is responsible for keeping a separate account to detail the amounts owing to and from the Council, preceptors and the Department of Levelling Up, Housing and Communities.
- **Group Accounts** - These statements reflect not only the direct financial activities of the Council but also services provided by those bodies over which it has a formal controlling influence. The principal impact is to bring together and consolidate the financial position of the Council and its interest in Colchester Borough Homes Limited and Colchester Commercial Holdings Limited.

Other information

This Statement of Accounts is one of several publications giving information on the Council's performance. The various annual reports have been brought into one place here on the Council's website (www.colchester.gov.uk) for ease of reference.

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

Members of the public are welcome to attend Council, Cabinet and Panel meetings. You may also address meetings under the Have Your Say! scheme. Information about meetings, agendas and copies of Council minutes are available on the Council's website.

Our Fairness Policy

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

For more information about these accounts, please contact:

Emma Etherington, Finance Manager (Technical)
Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester CO3 3WG
E-mail: emma.etherington@colchester.gov.uk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate:

I certify that the accounts give a true and fair view of the financial position of the Council as at 31 March 2022 and its income and expenditure for the year then ended.

Andrew Small CPFA
Director (Shared) - Finance (Section 151 Officer)
XX Month 2023

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 the xx xxxx xxx

Councillor Chris Pearson
Chair of Governance and Audit Committee
Signed on behalf of Colchester Borough Council
XX Month 2023

Movement in Reserves

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	(2,030)	(36,276)	(4,489)	(6,307)	0	(6)	(49,108)	(340,517)	(389,625)
Movement in Reserves in 2021/22:									
(Surplus) deficit on the provision of services (accounting basis)	(1,337)	0	2,990	0	0	0	1,653	0	1,653
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(88,595)	(88,595)
Total Comprehensive Income and Expenditure	(1,337)	0	2,990	0	0	0	1,653	(88,595)	(86,942)
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	4,487	0	(3,004)	(2,898)	0	(33)	(1,448)	1,448	0
Net increase/decrease before transfers to Earmarked reserves	3,150	0	(14)	(2,898)	0	(33)	205	(87,147)	(86,942)
Transfers to/from Earmarked reserves - <i>note 11</i>	(3,281)	3,333	(52)	0	0	0	0	0	0
Increase/(Decrease) in Year	(131)	3,333	(66)	(2,898)	0	(33)	205	(87,147)	(86,942)
Balance at 31 March 2022	(2,161)	(32,943)	(4,555)	(9,205)	0	(39)	(48,903)	(427,664)	(476,567)

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21									
Balance at 1 April 2020	(1,900)	(20,540)	(4,306)	(12,888)	0	(24)	(39,658)	(346,577)	(386,235)
Movement in Reserves in 2020/21:									
(Surplus)/ deficit on the provision of services (accounting basis)	7,034	0	4,877	0	0	0	11,911	0	11,911
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(15,301)	(15,301)
Total Comprehensive Income and Expenditure	7,034	0	4,877	0	0	0	11,911	(15,301)	(3,390)
Adjustments between accounting and funding basis under regulation - note 6	(22,900)	0	5,626	(4,105)	0	18	(21,361)	21,361	0
Net increase/decrease before transfers to Earmarked reserves	(15,866)	0	10,503	(4,105)	0	18	(9,450)	6,060	(3,390)
Transfers to/from Earmarked reserves - note 11	15,736	(15,736)	(10,686)	10,686	0	0	0	0	0
Transfers between reserves							0	0	0
Increase/(Decrease) in Year	(130)	(15,736)	(183)	6,581	0	18	(9,450)	6,060	(3,390)
Balance at 31 March 2021	(2,030)	(36,276)	(4,489)	(6,307)	0	(6)	(49,108)	(340,517)	(389,625)

Comprehensive Income and Expenditure Statement

	2021/22			2020/21		
	Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Corporate & Democratic Core	327	(473)	(146)	629	(857)	(228)
Executive Management Team	792	(8)	784	981	(31)	950
Corporate & Improvement	9,229	(1,817)	7,412	15,688	(2,272)	13,416
Communities	12,505	(7,790)	4,715	13,647	(5,194)	8,453
Customer	48,549	(44,812)	3,737	46,579	(43,868)	2,711
Environment	22,135	(11,842)	10,293	21,468	(8,332)	13,136
Housing Revenue Account	29,702	(30,176)	(474)	31,497	(29,885)	1,612
Place and Client Services	21,970	(12,287)	9,683	21,405	(7,542)	13,863
Non-Distributed Costs	775	(451)	324	93	0	93
Cost of Services	145,984	(109,656)	36,328	151,987	(97,981)	54,006
Parish Council precepts	2,100	0	2,100	2,094	0	2,094
Payments to the Government Housing Capital Receipts Pool	506	0	506	507	0	507
(Gains)/Losses on the disposal of assets	0	(1,337)	(1,337)	0	(1,286)	(1,286)
Capital receipts not linked to disposals	0	0	0	0	(82)	(82)
Other Operating Expenditure	2,606	(1,337)	1,269	2,601	(1,368)	1,233
Pension interest cost and administration costs	2,230	0	2,230	2,199	0	2,199
Interest receivable and similar income	0	(532)	(532)	0	(220)	(220)
Interest payable and similar expenses	5,168	0	5,168	5,417	0	5,417
Changes in fair value of investment properties	0	(5,334)	(5,334)	0	(1,706)	(1,706)
Impairment losses	(155)		(155)	1,887	0	1,887
Other investment income	0	(172)	(172)	0	(227)	(227)
Income and expenditure in relation to investment properties	55	(2,200)	(2,145)	113	0	113
Financing and Investment Income and Expenditure	7,298	(8,238)	(940)	9,616	(2,153)	7,463
Council Tax Income	0	(14,995)	(14,995)	0	(14,471)	(14,471)
Non Domestic Rates	0	1,327	1,327	0	9,828	9,828
Non-ringfenced government grants	0	(15,195)	(15,195)	0	(37,984)	(37,984)
Capital grants and contributions	0	(6,141)	(6,141)	0	(8,164)	(8,164)
Taxation and non-specific grant income and expenditure	0	(35,004)	(35,004)	0	(50,791)	(50,791)
(Surplus) or Deficit on Provision of Services	155,888	(154,235)	1,653	164,204	(152,293)	11,911
Surplus on revaluation of non-current assets.			(54,980)			(31,476)
Actuarial (gains)/losses on pension assets/liabilities			(33,615)			16,175
Other Comprehensive Income and Expenditure			(88,595)			(15,301)
Total Comprehensive Income and Expenditure			(86,942)			(3,390)

Balance Sheet

		31 March 2022	31 March 2021 re- stated
		£'000	£'000
Property, Plant and Equipment	<i>Note 14</i>	659,864	596,457
Heritage Assets		1,332	1,332
Investment Properties	<i>Note 15</i>	46,210	40,811
Intangible Assets		2	5
Long Term Investments	<i>Note 24</i>	6	6
Long Term Debtors	<i>Note 19</i>	7,021	6,765
Investment in subsidiaries		1,580	1,580
LONG TERM ASSETS		716,015	646,956
Assets Held for Sale		0	675
Short Term Debtors	<i>Note 20</i>	17,926	34,685
Inventories		198	148
Short Term Investments	<i>Note 18</i>	53,054	40,520
Short Term Loans		45	1,560
Cash and Cash Equivalents	<i>Cash Flow</i>	27,459	16,816
CURRENT ASSETS		98,682	94,404
Short Term Creditors	<i>Note 21</i>	(58,400)	(48,071)
Provisions	<i>Note 25</i>	(2,126)	(3,400)
Short Term Borrowing	<i>Note 24</i>	(26,745)	(15,109)
Revenue grants receipts in advance	<i>Note 9</i>	(4,893)	(3,089)
CURRENT LIABILITIES		(92,164)	(69,669)
Capital grants receipts in advance	<i>Note 9</i>	(20,915)	(17,745)
Long Term Creditors		(54)	(104)
Provisions	<i>Note 25</i>	(113)	(131)
Pension Liabilities		(83,789)	(107,975)
Other Long Term Liabilities	<i>Note 8</i>	0	(17)
Long Term Borrowing	<i>Note 24</i>	(141,097)	(156,094)
LONG TERM LIABILITIES		(245,968)	(282,066)
NET ASSETS		476,565	389,625
General Fund		(2,161)	(2,030)
Earmarked Reserves	<i>Note 11</i>	(32,943)	(36,276)
Housing Revenue Account		(4,555)	(4,489)
Capital Receipts Reserve		(9,204)	(6,307)
Major Repairs Reserve		0	0
Capital grants and contributions		(39)	(6)
USABLE RESERVES		(48,902)	(49,108)
Revaluation Reserve		(200,203)	(148,354)
Capital Adjustment Account		(312,161)	(309,364)
Deferred Capital Receipts		(4,608)	(4,647)
Pensions Reserve		83,789	107,975
Collection Fund Adjustment Account		4,685	12,998
Accumulated Absences Account		537	537
Financial Instruments Adjustment Account		298	338
UNUSABLE RESERVES	<i>Note 12</i>	(427,663)	(340,517)
TOTAL RESERVES		(476,565)	(389,625)

Cash Flow Statement

	2021-22	2020-21
	£'000	£'000
Taxation	(35,471)	(23,519)
Grants and Contributions	(79,266)	(93,469)
Housing Rents	(26,891)	(29,466)
Sales of goods and rendering of services	(32,427)	(34,677)
Interest received	(443)	(225)
Dividends received	(172)	0
Cash inflows generated from operating activities	(174,670)	(181,356)
Cash paid to and on behalf of employees	25,151	24,744
Housing benefit payments	37,006	41,085
NNDR Tariff payments	20,039	20,039
Precepts paid	2,100	2,094
Cash paid to suppliers of goods and services	53,205	39,084
Payments to the capital receipts pool	507	506
Interest paid	5,183	5,417
Other operating cash payments	2,672	15,367
Cash outflows generated from operating activities	145,863	148,336
Net cashflows from operating activities	(28,807)	(33,020)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,667)	(5,124)
Purchase of property, plant and equipment, investment property and intangible assets	34,913	35,308
Purchase of short-term and long-term investments	92,500	84,600
Proceeds from the sale of short-term and long-term investments	(80,000)	(68,500)
Capital grants	(3,170)	0
Other payments for investing activities	51	0
Other receipts from investing activities	(6,151)	(11,248)
Net cashflows from investing activities	32,476	35,036
Cash Receipts - long/short term borrowing	(20,000)	(37,500)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	4	527
Repayments of long/short term borrowing	23,350	30,000
Changes in Council Tax and NNDR balances held for preceptors	(15,550)	20,842
Other financing activities	(2,116)	(158)
Net cashflows from financing activities	(14,312)	13,711
Net (Increase) / decrease in cash and cash equivalents	(10,643)	15,727

	2021-22	2020-21
	£'000	£'000
Cash and cash equivalents 1 April	16,816	32,543
Net increase / (decrease) in cash and cash equivalents	10,643	(15,727)
Cash and cash equivalents 31 March	27,459	16,816
Cash	11	8
Call accounts and short term deposits	19,009	10,500
MMF	0	0
Bank balances	8,439	6,308
Cash and cash equivalents 31 March	27,459	16,816

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NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

AP 1 - General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 (the Code of Practice) and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

AP 2 - Changes to Accounting Policies

There have been no changes to the Council's existing accounting policies in the 2021/22 financial year.

AP 3 - Accruals of Income and Expenditure

The Statement of Accounts has been prepared on an accruals basis for both income and expenditure on all revenue and capital transactions. This means that revenue (income) and expenditure (costs) are recognised as they are earned or incurred not as the money is received or paid. The Council has a £5,000 de minimis limit for accruals.

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

AP 4 – Overheads and Support Services

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

AP 5 - Charges to Revenue for Non-Current Assets

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

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

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

AP 6 - Revenue Expenditure Funded from Capital under Statute

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

AP 7 - Minimum Revenue Provision

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

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

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

AP 8 – Council Tax and Business Rates

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

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

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

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

AP 9 – Employee Benefits Benefits Payable during Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price.
- unquoted securities – professional estimate.
- unitised securities – current bid price.
- property – market value.

The change in the net pension liability is analysed into the following elements:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year which is allocated to the relevant service lines in the Comprehensive Income and Expenditure Statement.
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability/(asset) – the change in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Return on plan assets – are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the latest actuarial valuation, or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as part of Other Comprehensive Income and Expenditure.
- Contributions paid to the Essex pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense for the Council.

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

AP 10 – Financial Instruments

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

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

Financial Assets

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

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

Financial Liabilities

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

Impairment of Financial Assets

The standard requires that Financial Assets are impaired based on the 'expected credit loss model'. The impairment requirement applies to financial assets at amortised cost and Fair Value through other Comprehensive income; loans to third parties (including soft loans); loans to Local Authority Subsidiaries; shares in subsidiaries; financial guarantees and sundry debtors including trade receivables. The following Financial Assets are outside the scope of the IFRS 9 impairment requirements:

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

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

AP 11 - Government Grants and Contributions

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

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

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

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

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

AP 12 – Property, Plant and Equipment Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Plant, Vehicles, Furniture and Equipment assets, Infrastructure assets, Community assets and Assets under construction – Depreciated Historical Cost.
- Council dwellings – Current Value, determined on the basis of Existing Use Value for Social Housing (EUV-SH).
- Surplus assets – Fair Value, determined by the measurement of the highest and best use value of the asset. Refer to Note 17 for details of the Fair Value measurement of Surplus Assets.
- Other land and buildings – Current Value, determined as the amount that would be paid for the asset in its existing use (EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated as follows:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (Host building structure: 1 – 60 years, Mechanical and electrical 5 – 15 years)
- vehicles, plant, furniture, and equipment – straight-line allocation over 3-10 years.
- infrastructure – straight-line allocation over 20 years.

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

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

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

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

Disposals

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

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

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

AP 13 – Heritage Assets

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

The heritage assets which the Council holds are its collections of civic regalia, Roman treasure, works of art, museum exhibits and Colchester Castle. The Council has not recognised the Castle as a heritage asset on its Balance Sheet as there are no records detailing the original cost of this asset. It has not been possible to obtain an appropriate valuation for the Castle from a review of insurance records or from liaison with external valuers.

AP 14 – Investment Properties

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

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

Investment properties are not depreciated.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses made on the disposal of investment properties. Rentals received and direct operating expenses relating to investment properties are shown against the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

The accounting treatment for the disposal of investment properties is the same as that for Property, Plant and Equipment. See AP 12 for the disposal accounting policy applied to investment properties.

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

AP 15 – Assets Held for Sale

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

Refer to Note 16 for details of the Fair Value measurement of Assets Held for Sale.

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

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

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

The accounting treatment for the disposal of assets held for sale is the same as that for Property, Plant and Equipment. See AP 12 for the disposals accounting policy applied for the disposal of assets held for sale.

AP 16 – Fair Value Measurement

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

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

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

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

The Council uses external property valuers and treasury management advisors to provide a valuation of its assets and liabilities in line with the highest and best use definition within International Financial Reporting Standard 13 (IFRS 13) – Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date. The Council does not hold any property assets that have quoted prices in active markets, and as such no assets have been categorised as Level 1 assets.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Significant observable inputs include inspection of the assets, review of the detailed lease terms, strength of covenant, review of the likelihood of voids and rental growth, yield evidence from comparable transactions adjusted appropriately and other inputs.
- Level 3 – unobservable inputs for the asset or liability. Significant unobservable inputs include yield evidence, repair and condition, unusual properties where little comparable evidence exists, estimation of the gross development values. The Council recognises transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur.

AP 17 - Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a period of 90 days or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

AP 18 – Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate of the expenditure required to settle the obligation at the Balance Sheet date, taking into account relevant risks and uncertainties.

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

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

AP 19 - Reserves

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

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

Certain reserves (Unusable reserves) are kept to manage the accounting processes for non-current assets, retirement benefits, local taxation and employee benefits. These do not represent usable resources at the Council's disposal. These reserves are explained and disclosed in Note 25.

AP 20 – Leases

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

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

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

Finance Leases – The Council as Lessee

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

Finance lease payments are apportioned between:

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

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

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

Finance Leases – The Council as Lessor

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

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

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

Finance lease rentals receivable are apportioned between:

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

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

AP 21 – Contingent Liabilities

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

AP 22 - Interests in Companies

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

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

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

AP 23 – Joint Operations

Jointly controlled operations are arrangements whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The Council currently operates a joint operation in terms of its parking service (NEPP North Essex Parking Partnership)

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

AP 24 - Value Added Tax (VAT)

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

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

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

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances. None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

Note that this is based on the current position as agreed by CIPFA/LASAAC but the Code has not yet been subject to full due process so this might be subject to change. Updates will be provided on the CIPFA Bulletins pages.

3. Critical judgements in applying accounting policies

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

Classification of leases

The Council has undertaken an analysis to classify the leases it holds, both as lessee and lessor; as either operating or finance leases. The accountings standards in relation to leases have been applied and where there is a judgement that the arrangement is a finance lease, the asset is recognised on / derecognised from the Council's Balance Sheet.

Classification of investment properties

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

Valuation of Property, Plant and Equipment

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

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

Heritage Assets

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

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

Composition of Group Accounts

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

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

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

Depreciation of Property, Plant and Equipment Assets

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

Revaluation of Property, Plant and Equipment Assets

The Council's Property, Plant and Equipment assets are revalued on a periodic basis and reviewed annually for indications of impairment. Advice on revaluation is provided by the Council's external property valuers in line with the CIPFA Code of Practice and the relevant RICS guidance. If actual results differ, the value of the Property, Plant and Equipment assets on the Council's Balance Sheet as at 31 March 2022 will be under or overstated. The financial impact will be adjusted in the following financial year.

A valuation exercise on the properties and land owned by Colchester Borough Council was carried out with a valuation date of 31 March 2021. This valuation was undertaken by an external Valuer, NPS Property Consultants Ltd, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2020 ('Red Book'). In preparing the valuation, the Valuer has declared a 'material valuation uncertainty' in the valuation report.

Net Pension Liability

The estimation of the net liability to pay pensions, is dependent on a number of complex judgements; such as the discount rate applied, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and the rate of commuted pensions.

The effect on the net pension liability of changes in individual assumptions can be measured. For example a 0.1% increase in the discount rate assumption would lead to a decrease of £6 million in the net pension liability from £338 million to £332 million. See Note 8 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 £8.7 million for the impairment of doubtful debts as at 31 March 2022 in its accounts. Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, it is not certain that this provision will continue to be sufficient. If debtor collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision with a view to increasing the provision held by the Council.

Provision for Business Rates Appeals

The Council has made a provision for a reduction in business rate income due to appeals against the rateable values set by the Valuation office agency (VOA). Where appeals are against the 2010 valuation list, the estimate is based on information from the VOA on historic appeals in the past. The provision for appeals raised as part of the 2017 valuation is based on a percentage of the year end Business Rates rateable value. The percentage is based on the change in the National Business Rates Multiplier for the year adjusted for local factors. The total provision as at the 31 March 2022 was £5.315m (of which £2.126m is Colchester Borough Council).

Provision for the impairment of Financial Instruments

At 31 March 2022, the Council held on its Balance Sheet a balance for its short and long term financial instruments. A review of these balances suggests that on occasion a bad debt provision is required. Where possible the assessment takes into account the impact of the current economic climate where applicable.

Fair value measurements

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

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

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

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is set out in Note 15 for Investment Properties, Surplus Assets and Assets Held for Sale, and Note 24 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.

5. Expenditure Funding Analysis

	2021-22		
	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Corporate & Democratic Core	(147)	1	(146)
Executive Management Team	679	105	784
Corporate & Improvement	6,228	1,184	7,412
Communities	25	4,690	4,715
Customer	3,082	655	3,737
Environment	6,384	3,909	10,293
Housing Revenue Account	(65)	(409)	(474)
Place and Client Services	3,409	6,274	9,683
Non Distributed Costs	0	324	324
NEPP	797	(797)	0
CIMS	1,036	(1,036)	0
Benefits	(424)	424	0
General Fund/HRA	2,072	(2,072)	0
Cost of Services	23,076	13,252	36,328
Other Income and Expenditure	(19,940)	(14,735)	(34,675)
(Surplus) or Deficit on Provision of Services	3,136	(1,483)	1,653
	General Fund	HRA	Total
	£'000	£'000	£'000
Opening balances	(2,030)	(4,489)	(6,519)
(Surplus) or Deficit on Provision of Services	3,150	(14)	3,136
Transfers between reserves	(3,281)	(52)	(3,333)
Closing balance	(2,161)	(4,555)	(6,716)

	2020-21		
	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Corporate & Democratic Core	(140)	(88)	(228)
Executive Management Team	893	57	950
Corporate & Improvement	6,671	6,745	13,416
Communities	536	7,917	8,453
Customer	3,483	(772)	2,711
Environment	8,180	4,956	13,136
Housing Revenue Account	(183)	1,795	1,612
Place and Client Services	6,499	7,364	13,863
Non Distributed Costs	0	93	93
Cost of Services	25,939	28,067	54,006
Other Income and Expenditure	(31,302)	(10,793)	(42,095)
(Surplus) or Deficit on Provision of Services	(5,363)	17,274	11,911
	General Fund	HRA	Total
	£'000	£'000	£'000
Opening balances	(1,900)	(4,306)	(6,206)
(Surplus) or Deficit on Provision of Services	(5,180)	(183)	(5,363)
Transfers between reserves	5,050	0	5,050
Closing General Fund balance	(2,030)	(4,489)	(6,519)

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2021-22					
Corporate & Democratic Core	0	0	0	1	1
Executive Management Team	0	105	0	0	105
Corporate & Improvement	77	1,107	0	0	1,184
Communities	2,296	1,345	0	1,049	4,690
Customer	0	1,080	0	(425)	655
Environment	785	2,440	0	684	3,909
Housing Revenue Account		56	0	(465)	(409)
Place and Client Services	2,328	1,366	0	2,580	6,274
Non Distributed Costs	0	0	0	0	324
NEPP	0	0	0	0	(797)
CIMS	0	0	0	0	(1,036)
Benefits	0	0	0	0	424
General Fund/HRA	0	0	0	0	(2,072)
Cost of Services	5,486	7,499	0	3,424	13,252
Other Income and Expenditure from the Expenditure and Funding Analysis	(12,812)	1,930	8,313	(12,166)	(14,735)
Total for 2021-22	(7,326)	9,429	8,313	(8,742)	(1,483)

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2020-21					
Corporate & Democratic Core	0	0	0	(88)	(88)
Executive Management Team	0	52	0	5	57
Corporate & Improvement	20	548	0	6,177	6,745
Communities	6,134	627	0	1,156	7,917
Customer	0	508	0	(1,280)	(772)
Environment	2,798	1,121	0	1,037	4,956
Housing Revenue Account	12,138	33	0	(10,376)	1,795
Place and Client Services	5,822	569	0	973	7,364
Non Distributed Costs	(23)	(3,784)	0	3,900	93
Cost of Services	26,889	(326)	0	1,504	28,067
Other Income and Expenditure from the Expenditure and Funding Analysis	0	0	0	(10,793)	(10,793)
Total for 2020-21	26,889	(326)	0	(9,289)	17,274

6. Adjustments between Accounting Basis and Funding Basis under regulations

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
2021-22							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Amortisation of Intangible Assets	(2)	0	0	0	0	2	0
Charges for depreciation and impairment of non-current assets	(4,002)	(17,268)	0	0	0	21,270	0
Movements in value of Investment Properties	5,334	0	0	0	0	(5,334)	0
Disposal of non-current assets	(558)	(3,288)	0	0	0	3,846	0
Capital receipts to Usable Capital Receipts Reserve	452	4,657	(5,185)	0	0	76	0
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,503	2,639	0	0	(6,142)	0	0
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(507)	0	507	0	0	0	0
Difference between accounting and statutory employment benefit	0	0	0	0	0	0	0
Difference between accounting and statutory credit for Non-Domestic Rates and Council Tax	8,313	0	0	0	0	(8,313)	0
Revenue Expenditure Financed from Capital under Statute	(2,381)	0	0	0	0	2,381	0
Revenue Expenditure Financed from Capital under Statute Income	1,122	0	0	0	0	(1,122)	0
Difference between accounting and statutory credit for pension costs	(9,426)	(3)	0	0	0	9,429	0
Reversal of Major Repairs Allowance credited to the HRA	0	5,013	0	(5,013)	0	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	5,013	0	(5,013)	0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the repayment of debt	2,309	0	0	0	0	(2,309)	0
Capital expenditure financed from revenue	290	5,246	0	0	0	(5,536)	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	40	0	0	0	0	(40)	0
Repayment of loans	0	0	37	0	0	(37)	0
Capital expenditure financed from Capital Receipts	0	0	1,743	0	0	(1,743)	0
Capital expenditure financed from Capital grants and contributions	0	0	0	0	6,109	(6,109)	0
Total for 2021-22	4,487	(3,004)	(2,898)	0	(33)	1,448	0

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
2020-21							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Amortisation of Intangible Assets	(8)	(3)	0	0	0	11	0
Charges for depreciation and impairment of non-current assets	(13,595)	(16,918)	0	0	0	30,513	0
Excess depreciation over HRA MRA	0	0	0	0	0	0	0
Movements in value of Investment Properties	1,887	0	0	0	0	(1,887)	0
Disposal of non-current assets	(751)	(2,982)	0	0	0	3,733	0
Capital receipts to Usable Capital Receipts Reserve	347	4,755	(5,102)	0	0	0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	8,179	0	0	0	(8,179)	0	0
Contributions from the Capital Receipts Reserve to finance new capital expenditure	(18)	0	0	0	18	0	0
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(507)	0	507	0	0	0	0
Difference between accounting and statutory employment benefit	(142)	0	0	0	0	142	0
Difference between accounting and statutory credit for Non-Domestic Rates and Council Tax	(13,506)	0	0	0	0	13,506	0
Revenue Expenditure Financed from Capital under Statute	(4,932)	0	0	0	0	4,932	0
Difference between accounting and statutory credit for pension costs	(2,352)	540	0	0	0	1,812	0
Reversal of Major Repairs Allowance credited to the HRA	0	4,781	0	(4,781)	0	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	4,781	0	(4,781)	0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the repayment of debt	1,871	0	0	0	0	(1,871)	0
Capital expenditure financed from revenue	612	15,453	0	0	0	(16,065)	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	15	0	0	0	0	(15)	0
<i>Other adjustments</i>							
Capital expenditure financed from Capital Receipts	0	0	536	0	0	(536)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	(46)	0	0	46	0
Capital expenditure financed from Capital grants and contributions	0	0	0	0	8,179	(8,179)	0
							0
Total for 2020/21	(22,900)	5,626	(4,105)	0	18	21,361	0

7. Expenditure and Income Analysed by Nature

	2021-22 Surplus / Deficit on the Provision of Services £'000	2020-21 Surplus / Deficit on the Provision of Services £'000
Employee benefits expenses	27,578	32,439
Other service expenses	89,665	94,795
Interest payments	5,168	5,417
Depreciation, amortisation, impairment etc.	21,272	21,088
Payments to Housing Capital Receipts Pol	507	507
Precepts and levies	2,100	2,094
Pension Fund expenditure	9,429	2,138
Increase in bad debt provisions	169	174
Losses on the disposal of assets	0	3,733
Support services recharges	0	3,800
Changes in the fair value of investment properties	0	1,887
Total Expenditure	155,888	168,072
Fees, charges and other service income	(57,141)	(54,602)
Investment Properties changes in fair value	(5,334)	0
Income in relation to investment property	(2,200)	(1,841)
Interest and investment income	(532)	(220)
Council Tax and Non-Domestic Rate income	(13,668)	(4,643)
Grants and Contributions	(73,540)	(89,836)
Gains on the disposal of assets	(1,820)	(5,019)
Total income	(154,235)	(156,161)
Net	1,653	11,911

8. Defined Benefit Pension Schemes

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:

	2021-22 £'000	2020-21 £'000
Comprehensive Income and Expenditure Statement		
Current Service Cost	11,608	7,279
Past Service Cost	87	91
Liabilities assumed/(extinguished) on settlements	0	77
Settlements price received/(paid)	0	(65)
Cost of Services	11,695	7,382
Net interest expense	2,116	2,025
Pension fund administration expenses	114	113
Financing and Investment Income and Expenditure	2,230	2,138
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	13,925	9,520
Remeasurement of the net defined benefit liability	(33,615)	16,175
Total Comprehensive Income and Expenditure Statement	(19,690)	25,695
Movement in Reserves Statement		
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	(13,925)	(9,520)
Employer's pension contributions and direct payments to pensioners payable in the year	4,496	7,708
Total taken to Note 6	(9,429)	(1,812)

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.

	2021-22 £'000	2020-21 £'000
Reconciliation of Fair Value of Employer Assets (scheme Assets):		
Value of Assets at 1 April	233,033	179,814
Effect of settlements	0	65
Interest income on plan assets	4,643	4,243
Contributions by Members	1,468	1,565
Contributions by the Employer	4,496	7,708
Return on assets excluding amounts recognised in Other Comprehensive Income	18,769	47,598
Admin expenses	(114)	(113)
Benefits Paid	(7,751)	(7,847)
	254,544	233,033
Reconciliation of Defined Benefit Obligation (scheme Liabilities):		
Value of Liabilities at 1 April	(341,008)	(269,802)
Current Service Cost	(11,608)	(7,279)
Past Service Cost	(87)	(91)
Effect of settlements	0	(77)
Interest Cost	(6,759)	(6,268)
Contribution by Members	(1,468)	(1,565)
Actuarial Gains and (Losses):		
Change in demographic assumptions	0	4,463
Change in financial assumptions	15,709	(71,924)
Other experience gains and (losses)	(863)	3,688
Unfunded pension payments	354	382
Benefits Paid	7,397	7,465
	(338,333)	(341,008)
Net Liability at 31st March	(83,789)	(107,975)

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%)	331,828	338,333	344,972
Long Term salary increase (increase/decrease by 0.1%)	338,870	338,333	337,801
Pension increases and deferred revaluation (increase/decrease by 0.1%)	344,390	338,333	332,392
Life expectancy assumptions (increase/decrease by 1 year)	353,264	338,333	324,075

Impact on the Council's Cash Flows

The objectives of the scheme are to keep the Council's contributions at as constant a rate as possible. The Council has agreed a funding strategy with the scheme's actuary to repay the deficit over the next 18 years and 6 months. Funding levels are monitored on an annual basis. The next triennial valuation will be based on data as at 31 March 2022 and will be implemented with effect from 1 April 2023

The actuary's estimate of the duration of the Employer's liabilities for 2022/23 is 19 years (2021/22: 19 years).

9. Grant Income

	2021/22 £'000	2020-21 £'000
DWP benefits subsidy - Rent Allowance and Rebate	(35,405)	(39,329)
DWP -other	(591)	(606)
Housing Benefits Administration Grant	(433)	(486)
Ministry of Housing, Communities and Local Government (MHCLG)	(3,017)	(2,291)
Ministry of Housing, Communities and Local Government (MHCLG) Business Rates and Council Tax	0	(391)
Arts Council	(386)	(231)
Joint Finance Contributions	(951)	(940)
Essex County Council	(1,283)	(3,147)
Essex police and Crime Commissioner	(132)	(121)
Essex Fire and Rescue	(30)	(31)
Other Local Authorities	(235)	(569)
Colchester Primary Care Trust	(1,210)	(785)
Grants for revenue financed from capital under statute	(1,121)	0
COVID 19 - Test and Trace	(1,123)	0
COVID 19 - Business grants	(4,005)	0
Other Grants and Contributions (non Government)	(147)	(304)
Other Miscellaneous grants	(2,134)	(478)
Total within Cost of Services	(52,203)	(49,709)
Revenue		
COVID 19 Hardship Fund Grant	0	(1,152)
COVID-19 Local Authority Support	(993)	(2,838)
New Burden Grant	0	(249)
Sales, Fees and Charges	(1,077)	(6,098)
New Homes Bonus	(2,430)	(3,602)
Local and Additional Restrictions Grant	0	(6,639)
Job Retention Scheme	0	(749)
Lower Tier Services grant	(623)	0
Business Rates grant	(8,642)	(16,657)
Local Council Tax Support Grant	(163)	0
Essex County Council	(855)	0
Other non-specific grant	(413)	0
Capital		
MHCLG	0	(962)
Arts Council	0	(1,553)
Section 106 Develop Contributions	(1,027)	(1,340)
BEIS	(439)	(111)
Essex County Council (incl SELEP)	(169)	0
HCA - HIF	(709)	(2,017)
ERDF	0	96
DCMS	(1,092)	(1,393)
CBC Owned Companies	(5)	0
Other	(2,700)	(354)
Total within Taxation and non-specific grant income	(21,337)	(45,618)
Total income from grants and contributions	(73,540)	(95,327)

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:

	31 March 2022 £'000	31 March 2021 £'000
Amounts falling due after one year (all other bodies)		
Developers Contributions (S106)	(13,475)	(12,531)
Other grants and contributions	(7,441)	(5,214)
Total long term capital grants received in advance	(20,916)	(17,745)
Revenue Grants Receipts in Advance		
	31 March 2022 £'000	31 March 2021 £'000
Amounts falling due within one year (All other bodies):		
Developers Contributions (S106)	(2,584)	(2,607)
Homelessness Prevention	(408)	0
Inequalities funding	(200)	0
Arts Council	0	(137)
Physical Activity Funding	(750)	0
Other	(640)	(337)
DEFRA	(310)	(9)
Total short term revenue grants received in advance	(4,892)	(3,090)

10. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement

11. Earmarked Reserves

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

	Balance at 31 March 2020 re- stated £'000	Transfers out £'000	Transfers in	Balance at 31 March 2021 re- stated £'000	Transfers out £'000	Transfers in	Balance at 31 March 2022 £'000
Reserve to Support Future Year's Budget	(5,702)	1,688	(4,881)	(8,895)	4,285	(4,019)	(8,629)
Pension Fund Deficit Reserve	(3,214)	3,465	(1,595)	(1,344)	0	(935)	(2,279)
Revenue Grants Unapplied Reserve	(2,911)	3,246	(3,508)	(3,173)	0	(1,696)	(4,869)
Repairs and Renewals Reserve	(2,455)	293	(683)	(2,845)	0	(337)	(3,182)
Business Rates Reserve	(1,695)	1,613	(15,793)	(15,875)	6,821	(864)	(9,918)
Decriminalisation Parking Reserve	(1,512)	681	(256)	(1,087)	751	0	(336)
Revolving Investment Fund Reserve	(1,436)	90	(250)	(1,596)	0	(460)	(2,056)
Capital Expenditure Reserve	(720)	990	(707)	(437)	170	(249)	(516)
Insurance Reserve	(566)	0	(86)	(652)	0	(87)	(739)
Gosbecks Reserve	(152)	18	0	(134)	20	0	(114)
Other Reserves	(176)	122	(183)	(237)	(1)	(67)	(305)
Total	(20,539)	12,206	(27,942)	(36,275)	12,046	(8,714)	(32,943)

The **Reserve to Support Future Year's Budget** is maintained to provide funding for agreed items of expenditure which will occur in a future year, as well as funding allocated to support future years cost pressures.

The **Pension Fund Deficit Reserve** has been created to earmark the lump sum payment in as part of the pension triennial valuation.

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

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

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

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

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

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

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

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

Other Reserves include:

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

12. Unusable Reserves

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

	Balance 1 April 2021	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2022
	£'000	£'000	£'000	£'000
Revaluation Reserve	(148,354)	(54,980)	3,129	(200,205)
Capital Adjustment Account	(309,364)	0	(2,796)	(312,160)
Deferred capital receipts	(4,647)	0	39	(4,608)
Pensions Reserve	107,975	(33,615)	9,429	83,789
Collection Fund Adjustment Account	12,998	0	(8,313)	4,685
Accumulated Absences Account	537	0	0	537
Financial instruments adjustment account	338	0	(40)	298
Total for 2021-22	(340,517)	(88,595)	1,448	(427,664)

	Balance 1 April 2020	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2021
	£'000	£'000	£'000	£'000
Revaluation Reserve	(119,416)	(28,938)	0	(148,354)
Capital Adjustment Account	(312,720)	(2,538)	5,894	(309,364)
Deferred capital receipts	(4,669)	0	22	(4,647)
Pensions Reserve	89,988	16,175	1,812	107,975
Collection Fund Adjustment Account	(508)	0	13,506	12,998
Accumulated Absences Account	395	0	142	537
Financial instruments adjustment account	353	0	(15)	338
Total for 2020-21	(346,577)	(15,301)	21,361	(340,517)

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.

	2021-22	2020-21
	£000	£000
Balance 1 April	(148,354)	(119,416)
Comprehensive Income & Expenditure:		
Net Gain on revaluation of assets	(54,980)	(31,476)
Accounting / Financing Adjustments:		
Other movements	0	1
Accumulated gains on assets sold or scrapped	719	0
Depreciation charged to Revaluation Reserve	2,410	2,537
Balance 31 March	(200,205)	(148,354)

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 6 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.

	2021-22 £000	2020-21 £000
Balance 1 April	(309,365)	(312,720)
<i>Accounting / Financing Adjustments:</i>		
Write down Intangible Assets	2	15
Depreciation	11,312	9,985
Revaluations and impairment of non-current assets	9,968	16,513
Revaluation losses on heritage assets	(10)	5
Revaluation losses on assets held for sale	0	13
Reversal of previously recognised revaluation losses	0	(138)
Movements in value of Investment Properties	(5,334)	1,887
Movements in the donated assets account		
Gain or (loss) on sale of non-current assets	3,846	3,733
Revenue Expenditure Financed from Capital under Statute - Expenditure	2,381	4,932
Revenue Expenditure Financed from Capital under Statute - Income	(1,122)	0
Capital expenditure financed from revenue	(5,536)	(16,065)
Capital expenditure financed from Capital Receipts	(1,743)	(536)
Capital expenditure financed from Capital grants and contributions	(6,109)	(8,182)
Use of the Major Repairs Reserve to finance new capital expenditure	(5,013)	(4,781)
Minimum Revenue Provision	(2,309)	(1,871)
Use of capital receipts to repay long term debt	(37)	0
Long Term Debtors	37	24
Write off Finance Lease Creditors	0	(247)
Accumulated gains on assets sold or scrapped	(719)	605
Depreciation charged to Revaluation Reserve	(2,410)	(2,537)
Balance 31 March	(312,161)	(309,365)

Pension Reserve

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

	2021-22 £000	2020-21 £000
Balance 1 April	107,975	89,988
Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability	(33,615)	16,175
Accounting / Financing Adjustments:		
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on provision of services	13,925	9,520
Employer's pension contributions and direct payments to pensioners payable in the year	(4,496)	(7,708)
Balance 31 March	83,789	107,975

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.

	2021-22 £000	2020-21 £000
Balance b/f	(4,647)	(4,669)
Transfer to Capital Receipts Reserve upon receipt of cash	39	22
Balance 31 March	(4,608)	(4,647)

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.

	2021-22 £000	2020-21 £000
Balance 1 April	12,998	(508)
Difference between accounting and statutory credit for Council Tax	(307)	71
Difference between accounting and statutory credit for Non-Domestic Rates	(8,006)	13,435
Balance 31 March	4,685	12,998

Financial Instruments Adjustment Account

	2021-22	2020-21
	£000	£000
Balance b/f	338	353
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(40)	(15)
Balance 31 March	298	338

Accumulated absences reserve

Balance b/f	537	395
Difference between accounting and statutory credit for holiday	0	142
Balance 31 March	537	537

13. Capital Financing Requirement

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.

	2021-22 £'000	2020-21 £'000
Opening Capital Financing Requirement 1 April	187,284	177,610
<i>Capital Investment</i>		
Property, Plant and Equipment	32,858	34,758
Investment Properties	64	101
Heritage Assets	10	5
Intangible assets	0	0
Revenue Expenditure Funded from Capital under Statute (REFCUS)	2,381	4,932
Long Term Debtors	900	1,291
<i>Sources of finance</i>		
Capital receipts	(1,743)	(536)
Government grants and other contributions	(6,109)	(8,182)
Grants and contributions towards REFCUS	(1,122)	
HRA Major Repairs Reserve	(5,013)	(4,780)
Sums set aside from revenue and reserves	(5,536)	(16,066)
Write-off Finance Lease Creditor	0	(247)
Repayment of loan	(2,178)	0
Minimum Revenue provision	(2,309)	(1,602)
Closing Capital Financing Requirement 31 March	199,487	187,284

14. Property Plant and Equipment

	Council Dwellings	Land & Buildings	Vehicles Plant etc.	Infra- structure	Commun- . Assets	Assets under Const- ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
Opening value 1 April 2021	387,139	163,877	22,501	15,437	399	9,117	23,756	622,226
Additions	20,925	1,287	705	11	0	9,930	0	32,858
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,681)	(2,976)	0	0	0	0	(1)	(7,658)
Revaluations to Revaluations Reserve	34,424	18,618	0	0	0	0	1,938	54,980
Revaluations to (Surplus)/Deficit	(12,272)	2,174	0	0	0	0	150	(9,948)
Derecognition - disposals	(3,228)	0	(410)	0	0	0	0	(3,638)
Derecognition - other	(483)	(492)	(1,516)	(6)	0	0	0	(2,497)
Reclassified from/(to) Assets held for sale	0	0	0	0	0	0	0	0
Reclassified within PPE categories	1,144	0	511	0	0	(1,655)	675	675
Value 31 March 2022	422,968	182,488	21,791	15,442	399	17,392	26,518	686,998
Cumulative Depreciation:								
Opening value 1 April 2021	(992)	(7,920)	(13,632)	(3,224)	0	0	(1)	(25,769)
Charge for the year	(4,483)	(4,044)	(2,063)	(723)	0	0	0	(11,313)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,464	2,892	0	0	0	0	0	7,356
Acc. Impairment written out to CGA	217	85	0	0	0	0	0	302
Impairment losses to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses to (Surplus)/Deficit	0	0	0	0	0	0	0	0
Derecognition - disposals	19	0	330	0	0	0	0	349
Derecognition - other	0	418	1,516	6	0	0	0	1,940
Reclassified within PPE categories	0	0	0	0	0	0	0	0
Balance 31 March 2022	(775)	(8,569)	(13,849)	(3,941)	0	0	(1)	(27,135)
Net book value 31 March 2022	422,193	173,919	7,942	11,501	399	17,392	26,517	659,863

	Council Dwellings	Land & Buildings	Vehicles Plant etc.	Infra- structure	Commun- . Assets	Assets under Construc- tion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
Opening value 1 April 2020	367,325	137,199	21,306	7,211	399	23,125	27,281	583,846
Additions	17,678	908	1,655	0	0	14,518	0	34,759
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,238)	(2,683)	0	0	0	0	0	(6,921)
Revaluations to Revaluations Reserve	20,183	10,932	0	0	0	0	445	31,560
Revaluations to (Surplus)/Deficit	(10,274)	(5,232)	0	0	0	0	23	(15,483)
Derecognition - disposals	(2,981)	(721)	(460)	0	0	(21)	0	(4,183)
Derecognition - other	(605)	(59)	0	0	0	0	0	(664)
Reclassified from/(to) Assets held for sale	0	1,483	0	0	0	0	(2,171)	(688)
Reclassified within PPE categories	51	22,050	0	8,226	0	(28,505)	(1,822)	0
Value 31 March 2021	387,139	163,877	22,501	15,437	399	9,117	23,756	622,226
Cumulative Depreciation:								
Opening value 1 April 2020	(2)	(7,246)	(12,077)	(2,910)	0	0	(1)	(22,236)
Charge for the year	(4,271)	(3,454)	(1,946)	(314)	0	0	0	(9,985)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,238	2,683	0	0	0	0	0	6,921
Acc. Impairment written out to CGA	0	0	0	0	0	0	0	0
Impairment losses to Revaluation Reserve	(85)	0	0	0	0	0	0	(85)
Impairment losses to (Surplus)/Deficit	(892)	0	(1)	0	0	0	0	(893)
Derecognition - disposals	20	38	392	0	0	0	0	450
Derecognition - other	0	59	0	0	0	0	0	59
Reclassified within PPE categories	0	0	0	0	0	0	0	0
Balance 31 March 2021	(992)	(7,920)	(13,632)	(3,224)	0	0	(1)	(25,769)
Net book value 31 March 2021	386,147	155,957	8,869	12,213	399	9,117	23,755	596,457

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 2021/22 were:

- A sample of General Fund properties as of 1 December 2021.
- Council dwellings and Homeless properties to their fair value as of 31 March 2022.
- A sample of Council properties within the year-end portfolio review performed as of 31 March 2022.
- Ad-hoc revaluations of other assets throughout the 2021/22 financial year.

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

As At 31 March 2022	Council Dwellings	Land & Buildings	Vehicles Plant etc.	Infra- structure	Commun- . Assets	Assets under Const- ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	1,637	21,790	15,442	399	17,390	0	56,658
31 March 2018	0	107	0	0	0	0	0	107
31 March 2019	0	1,462	0	0	0	0	0	1,462
31 March 2020	772	8,052	0	0	0	0	0	8,824
31 March 2021	0	5,902	0	0	0	0	675	6,577
31 March 2022	422,195	165,331	0	0	0	0	25,844	613,370
Gross Book value	422,967	182,491	21,790	15,442	399	17,390	26,519	686,998

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15. Investment Properties

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

2020-21		2021-22	
£'000		£'000	
(1,841)	Rental income from investment property	(2,200)	
135	Direct operating expenses arising from investment property	55	
(1,706)	Net (gains)/losses from fair value adjustments	(5,334)	
<u>(3,412)</u>	Total	<u>(7,479)</u>	

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. Colchester Borough Council Statement of Accounts 2021/22.

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

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

2020-21		2021-22	
£'000		£'000	
42,597	Balance at start of the year	40,811	
101	Additions	64	
0	Disposals	0	
(1,887)	Net gains/(losses) from fair value adjustments	5,335	
<u>40,811</u>	Balance at end of the year	<u>46,210</u>	

Investment in subsidiaries

	Class of share	2021/22	2020/21
		£'000	£'000
Colchester Commercial Holdings Limited - Holdings 100%	Ordinary	1,580	1,580

16. Fair Value Measurement of Property Assets

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

Recurring Fair Value Measurement using:	Other significant observable inputs (level2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2022
	£'000	£'000	£'000
Surplus Assets			
Commercial development sites	0	25,657	25,657
Residential development sites	0	650	650
Other	0	212	212
Total (Note 14)	0	26,519	26,519
Investment Properties			
Commercial units	0	26,740	26,740
Retail units	2,679	6,553	9,232
Car parks	63	2,155	2,218
Residential development sites	72	412	484
Offices	7,297	0	7,297
Other	201	37	238
Total (Note 15)	10,312	35,897	46,209
Assets Held for Sale			
Commercial development site	0	0	0
Total (Note 18)	0	0	0

Recurring Fair Value Measurement using:	Other significant observable inputs (level2)	Significant unobservable inputs (level 3)	Fair value as at 31 March 2021
	£'000	£'000	£'000
Surplus Assets			
Commercial development sites	0	23,475	23,475
Residential development sites	0	80	80
Other	0	201	201
Total (Note 14)	0	23,756	23,756
Investment Properties			
Commercial units	0	21,661	21,661
Retail units	2,873	7,366	10,239
Car parks	59	1,836	1,895
Residential development sites	0	289	289
Offices	6,467	0	6,467
Other	221	39	260
Total (Note 15)	9,620	31,191	40,811
Assets Held for Sale			
Commercial development site	0	675	675
Total (Note 18)	0	675	675

The Council does not hold any property assets that have quoted prices in active markets for identical assets, and as such no assets have been categorised as Level 1 assets. No transfers have been made between Level 1 and 2 during the 2020/21 financial year. Highest and Best Use In estimating the fair value of the Council's Surplus Assets and Investment Properties for the majority of these assets, the highest and best use of the properties is deemed to be their current use. In the case of 1 Surplus Asset, the Council's external valuers have identified their highest and best uses to be as commercial/residential development sites rather than as their current uses.

Reconciliation of Fair Value Measurements using significant unobservable inputs categorised within Level 3 of the Fair Value Hierarchy Gains or losses arising from changes in the fair value of Surplus Assets are recognised in the Non-Distributed Costs line within the Comprehensive Income and Expenditure Statement.

Investment properties level 3	Commercial Units	Retail Units	Car parks	Residential Development sites	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	19,677	11,516	1,909	278	31	33,411
Transfers into level 3	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0
Total gains or (losses) for the period included in the surplus/deficit on the provision of services	1,987	(4,151)	(74)	11	7	(2,220)
Value 31 March 2021	21,664	7,365	1,835	289	38	31,191

Investment properties level 3	Commercial Units	Retail Units	Car parks	Residential Development sites	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	21,664	7,365	1,835	289	38	31,191
Transfers into level 3	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0
Total gains or (losses) for the period included in the surplus/deficit on the provision of services	5,076	(812)	320	123	(1)	4,706
Value 31 March 2022	26,740	6,553	2,155	412	37	35,897

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

17. Assets Held for Sale

	2021-22	2020-21
	£'000	£'000
Carrying Amount at start of year	675	0
Assets newly classified as assets held for sale	0	688
Asset disposals	0	0
Other movements	(675)	(13)
Total	0	675

18. Short Term Investments

	2021-22	2020-21
	£'000	£'000
Banks	41,554	40,520
Building Societies	5,000	0
Local Authority	6,500	0
Total	53,054	40,520

19. Long Term Debtors

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

2021/22	Balance at 31 March 2021 £'000	Interest adjustment £'000	Advances in the year £'000	Repayment in the year £'000	Other movements £'000	Balance at 31 March 2022 £'000
Improvement of Private Sector Houses	1,038	40	0	(78)	0	1,000
Finance Lease Debtors	4,646	0	0	(55)	0	4,591
Colchester Amphora Energy Limited	1,066	49	300	0	0	1,415
Colchester Amphora Homes Limited	0	0	0	0	0	0
Other Loans	15	0	0	0	0	15
Total	6,765	89	300	(133)	0	7,021

2020/21	Balance at 31 March 2020 £'000	Interest adjustment £'000	Advances in the year £'000	Repayment in the year £'000	Other movements £'000	Balance at 31 March 2021 £'000
Improvement of Private Sector Houses	957	14	91	(24)	0	1,038
Finance Lease Debtors	4,691	0	0	(45)	0	4,646
Colchester Amphora Energy Limited	826	40	100	0	100	1,066
Colchester Amphora Homes Limited	500	0	0	0	(500)	0
Other Loans	31	0	0	(16)	0	15
Total	7,005	54	191	(85)	(400)	6,765

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 12).

20. Short Term Debtors

	31 March 2022	31 March 2021
	£'000	£'000
Amounts falling due within one year:		
Grants and Taxes	2,619	4,907
Trade Debtors	2,303	5,148
Prepayments	2,111	1,901
Housing benefit Overpayments	511	539
NNDR ratepayers	815	1,661
Council Tax ratepayers	308	520
Other Debtors	9,259	20,010
Total short term debtors	17,926	34,686

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 £8.7 million as at 31 March 2022 (£7.8 million as at 31 March 2021).

21. Short Term Creditors

	31 March 2022 £'000	31 March 2021 £'000
Amounts falling due within one year:		
Trade Creditors	(6,113)	(8,799)
Covid Restrictions Grants - Agency		(6,286)
Receipts in Advance	(4,683)	(3,819)
Other Taxes and Social Security	(1,797)	(1,473)
Collection Fund Agency	(23,967)	(22,406)
NNDR Prepayments	(1,562)	(792)
Council Tax Prepayments	(428)	(434)
Other Creditors	(19,849)	(4,063)
Total short term creditors	(58,399)	(48,072)

22. Material items of income and expenditure

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

General Fund

The Council during the year revalued a sample of Land and Buildings Assets and Surplus Assets during the year and at the year end. These revaluations were performed by the Council's external valuers. The overall impact of these revaluations was £20.007m. During the year, the Council received the repayment of a loan to the value of £2.1m from Colchester Commercial Holdings Limited.

Housing Revenue Account

The Council's housing stock, garages and other HRA properties were revalued as at 31 March 2022 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 £25.015m.

In 2021/22 the Council incurred expenditure of £7.8 million on its housing stock, which related to the replacement of existing components of buildings in order to maintain the stock at the Decent Home Standard prescribed by the Government. Under the Code of Practice, the original cost of the components of £0.6 million has been derecognised in the 2021/22 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.

23. Trading Operations

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

Description	Line of the CIES	31 March 2022			31 March 2021		
		Expenditure	Income	(Surplus)/Deficit	Expenditure	Income	(Surplus)/Deficit
Colchester Leisure World	Policy & Corporate	5,832	(4,171)	1,661	5,170	(1,190)	3,980
Northern Gateway Sports Park		1,401	(370)	1,031	0	0	0
Trade Refuse	Environment	505	(481)	24	505	(481)	24
Building Control Chargeable Account	Communities	529	(392)	137	530	(362)	168
Land Charges	Customer	313	(309)	4	279	(269)	10
Cemetery & Crematorium	Communities	1,032	(1,732)	(700)	1,026	(1,700)	(674)
Off Street Parking	Environment	1,010	(1,029)	(19)	1,017	(1,010)	7
Net (Surplus)/Deficit on Trading Operations		10,622	(8,484)	2,138	8,527	(5,012)	3,515

24. Financial Instruments

Categories of Financial Instruments and their Fair Value

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

	31 March 2022		31 March 2021	
	Book Value £,000	Fair Value £,000	Book Value £,000	Fair Value £,000
Investments	6	6	6	6
Debtors - Amortised Cost	7,021	7,021	6,764	6,764
Long term Assets	7,027	7,027	6,770	6,770
Investments - Amortised Cost	11,500	11,486	40,520	40,520
Callable cash - amortised cash	7,554	7,504	0	0
Bank deposits < 3 months - Amortised Cost	34,000	33,993	0	0
Short Term Deposits	19,009	19,009	16,814	16,814
Cash - Amortised Cost	8,450	8,450	0	0
Debtors - Amortised Cost	9,332	9,332	9,419	9,419
assets not defined as financial liabilities	8,593		22,268	
Other financial assets at amortised cost	98,438	89,774	89,021	66,753
Total Financial Assets	105,465	96,801	95,791	73,523

	31 March 2022		31 March 2021	
	Book Value £,000	Fair Value £,000	Book Value £,000	Fair Value £,000
Short Term Creditors - Amortised Cost	(29,291)	(29,291)	(33,771)	(33,771)
Local Authority loans	(20,000)	(19,862)	(8,350)	(9,614)
Lobo Loans	(5,500)	(6,880)	(5,500)	(7,574)
Other borrowing	(1,245)	(1,245)	(1,259)	(1,259)
Liabilities not defined as financial liabilities	(29,109)		(14,300)	
Short Term Financial liabilities at amortised cost	(85,145)	(57,278)	(63,180)	(52,218)
Public Works Loan Board - Amortised Cost	(132,094)	(148,225)	(132,094)	(162,388)
Other borrowing	(9,000)	(14,524)	(24,000)	(31,139)
Finance Lease - Amortised cost	(54)	(54)	(104)	(104)
LongTerm Liabilities at amortised cost	(141,148)	(162,803)	(156,198)	(193,631)
Total Financial Liabilities	(226,293)	(220,081)	(219,378)	(245,849)

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

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

The fair value of the Council’s financial assets is the same as the carrying value of its investments; this reflects the Council’s low risk investment strategy as approved by the Council in February 2021.

The fair value of the Council’s borrowings is greater than the carrying value because this reflects the fact that the average interest rate 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.

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:

	31 March 2022 £,000	31 March 2021 £,000
Interest expense	5,168	5,417
Total expense in Surplus/Deficit on Provision of Services	5,168	5,417
Interest income	(532)	(220)
Other investment income - dividends	(172)	(227)
Total income in Surplus/Deficit on Provision of Services	(704)	(447)
Net (gain)/loss for the year	4,464	4,970

Impairment on Financial Assets

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

Council debtors as reported in Notes 19 and 20 have also been evaluated for economic default and the bad debt provisions have been altered as appropriate.

Soft Loans

The Council has made the following interest free loans:

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

Loans to Private Sector Occupiers

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

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

Nature and Extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedure for managing risk

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

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

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

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

The annual Treasury Management Strategy and Long Term Capital Strategy was approved by Council on 24 February 2021 and is available on the Council's website.

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

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £45.500 million (2020/21 £40.520 million). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2022 and the financial impact of potential default was immaterial, due to the low risk nature of the Council's investment policy.

The impact of Covid-19 has created additional risks and uncertainty within the economy however these risks are mitigated due to the Council's Treasury Management Strategy. The full Investment Strategy for 2021/22 was approved by Full Council on 24 February 2021 and is available on the Council's website.

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

	31 March 2022 £'000	31 March 2021 £'000
Less than one year	11,269	14,108
More than one year	1,679	1,404
Total	12,948	15,512

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

Liquidity risk

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

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

All sums owing on investments of £40,500 million (2020/21 £40,520 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:

PWLB	31 March 2022	31 March 2021
	£'000	£'000
Less than one year	0	8,350
Between one and two years	0	15,000
Between two and five years	700	700
Maturing in five to ten years	3,000	3,000
Maturing in more than ten years	128,394	142,894
Total	132,094	169,944
Non-PWLB		
less than one year	20,000	
Maturing in one to ten years	0	
Maturing in more than ten years	14,500	
Total	34,500	
Total	166,594	
Liquidity Risk		
	31 March 2022	31 March 2021
	£'000	£'000
Repayable between:		
less than one year	20,000	8,350
between 1 and 2 years	0	15,000
	20,000	23,350

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 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	31 March 2022	31 March 2021
	£'000	£'000
Increase in interest receivable on variable rate investments	(689)	(689)
Increase in interest payable on variable rate borrowings (all borrowing is at a fixed rate)	0	16,270
Impact on Surplus/Deficit on Provision of Services	(689)	15,581.00
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(29,596)	787
Share of overall impact credited to the HRA (net)	(157)	(157)

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.

25. Provisions and contingencies

	2021/22	2020/21
	£'000	£'000
Non-Domestic Ratings Appeals Provision (see below)	(2,126)	(3,400)
Insurance Provision	0	(131)
Other Provision	0	0
Balance at 31 March	(2,126)	(3,531)
Non-Domestic Ratings Appeals Provision		
Balance at 1 April	(3,400)	(3,293)
RV list amendments charged against provision for appeals	790	938
Changes in provision for appeals	484	(1,045)
Balance at 31 March	(2,126)	(3,400)

26. Members Allowances and Expenses

	2021/22	2020/21
	£'000	£'000
Members Allowances	524	524
Expenses	0	0
Total	524	524

27. Prior Period Adjustments

Changes made to 2020/21 Comparatives In 2021/22 the Council. There was an earmarked reserve called retained right to buy receipts of £5.070m but on closer examination it was actually a capital receipts reserve containing the annual receipts from the right to buy sales. The 2020/21 accounts have been restated to reflect this reclassification. There is no impact on the bottom line of the Council's core financial statements for 2020/21 as the adjustments made are reclassification amendments.

28. Events After the Balance Sheet

The Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on 15 September 2023. Events taking place after this date are not reflected in the financial statements or notes.

29. Officers' remuneration

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions**	Total Remun- eration
	£	£	£	£	£
Financial Year: 2021-22					
Chief Executive Officer (Head of Paid Service)	117,725	0	0	0	117,725
Executive Director	93,310	0	0	0	93,310
Executive Director	114,449	0	0	21,745	136,194
Executive Director (Note 1)	12,294	0	0	0	12,294
Executive Director (Note 2)	65,321	0	0	12,411	77,732
Assistant Director for Communities	89,158	0	0	16,940	106,098
Assistant Director for Customer	89,158	0	0	16,940	106,098
Assistant Director for Environment	82,958	0	0	15,762	98,720
Assistant Director for Corporate and Improvement	91,158	0	0	17,320	108,478
Assistant Director for Place and Client	82,958	0	0	15,762	98,720
Monitoring Officer	79,845	0	0	15,171	95,016
Section 151 Officer	80,140	0	0	15,227	95,367
Returning officer	9,675	0	0	0	9,675
TOTAL COST	1,008,149	0	0	147,278	1,155,427

Note 1: The Executive Director retired and left the Council on 2 May 2021.

Note 2: An interim Executive Director was hired on 1st April 2021 on a temporary basis.

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions**	Total Remun- eration
	£	£	£	£	£
Financial Year: 2020-21					
Chief Executive Officer (Head of Paid Service)	106,783	0	0	0	106,783
Executive Director (Note 1)	97,309	0	0	5,292	102,601
Executive Director	109,655	0	0	20,835	130,490
Executive Director	91,765	0	0	0	91,765
Assistant Director for Communities	87,458	0	0	16,617	104,075
Assistant Director for Customer	87,458	0	0	16,467	103,925
Assistant Director for Environment	78,628	0	0	14,939	93,567
Assistant Director for Corporate and Improvement	87,458	0	0	16,617	104,075
Assistant Director for Place and Client	78,671	0	0	14,914	93,585
Monitoring Officer	78,092	0	0	14,838	92,930
Section 151 Officer (Note 2)	33,333	0	0	6,333	39,666
TOTAL COST	936,610	0	0	126,852	1,063,462

Note 1: The Executive Director reduced their hours to 0.8 FTE as of 1 July 2020, along with leaving the pension scheme on 20 June 2020. Their full-time salary equivalent is £115,797.63.

Note 2: An interim Section 151 Officer was contracted to fulfil this role for period from 1 March 2020 until 31 October 2020. As of the 1 November 2020 the interim Section 151 Officer was made a permanent employee for Colchester Borough Council. Payments to the recruitment agency in respect of the interim placement totalled £132,997.80 (including VAT) in 2020/21. The normal recruitment and contract processes were undertaken for the engagement of the interim consultant.

	2021-22	2020-21
£50,000 - 54,999	3	4
£55,000 - 59,999	9	7
£60,000 - 64,999	0	3
£65,000 - 69,999	1	1
£70,000 - 74,999	6	4
£75,000 - 79,999	0	0
£80,000 - 84,999	0	0
£85,000 - 89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
Over £100,000	2	0
	21	19

30. Exit Costs

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

Total cost of exits includes payments to individuals of £162,309 in 2021/22 (£128,753 in 2020/21) and payments to the pension fund authority of £36,227 in 2021/22 (£69,929 in 2020/21) in respect of strains on the pension fund.

Banding	2021-22				2020-21			
	Number of exit packages			Cost	Number of exit packages			Cost
	Compuls. Redund.	Other departures	Total exit packages	Total	Compuls. Redund.	Other departures	Total exit packages	Total
				£'000				£'000
£0 - 60,000	3	4	7	194	2	7	9	198
Total	<u>3</u>	<u>4</u>	<u>7</u>	<u>194</u>	<u>2</u>	<u>7</u>	<u>9</u>	<u>198</u>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				4				1
Total Exit Costs				<u>198</u>				<u>199</u>

31. External audit costs

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

	2021-22 £'000	2020-21 £'000
External audit services	48	54
Fees payable for certification of grant claims	18	18
	<u>66</u>	<u>72</u>

32. 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 2022	31 March 2021
	£'000	£'000
Other Land and Buildings	171	173
Vehicles, Plant and Equipment	103	272
	274	445

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 2022	31 March 2021
	£'000	£'000
Not later than one year	55	61
Later than one year	56	111
Finance Costs payable in future years	0	0
Total Minimum Lease payments	111	172

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

	31 March 2022	31 March 2021
	£'000	£'000
Not later than one year	55	61
Later than one year and not later than five years	56	111
Over 5 years	0	0
Finance Lease liabilities	111	172

Finance Leases – Council as Lessor

The Council has a gross investment in the lease, made up of the minimum lease payments to be expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2022 £'000	31 March 2021 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	55	53
Non-current	4,590	4,685
Unearned finance income	70,750	70,990
Unguaranteed residual value of property	17	17
Gross investment in the lease	75,412	75,745

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 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	295	292	294	292
Later than one year and not later than five years	1,186	1,188	1,170	1,171
Over 5 years	73,931	74,265	73,931	74,265
Total	75,412	75,745	75,395	75,728

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 2022 £'000	31 March 2021 £'000
Not later than one year	1,486	1,531
Later than one year and not later than five years	4,340	4,824
Over 5 years	68,736	69,738
	74,562	76,093

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 2021/22 a total of £1.4 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2020/21: £1.4 million).

33. Related parties

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

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

UK Government

UK 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 UK Government are disclosed at Note 9.

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 26.

In 2021/22 the Council awarded excavation work on various sites to Colchester Archaeological Trust to the value of £102,218. Councillor Cyril Liddy ceased being a Director of Colchester Archaeological Trust in April of the financial year the works were awarded.

Senior Officers at the Council

Senior officers at the Council are able to influence the Council's financial and operational policies, within the provisions of the Council's regulations and schemes of delegation. Remuneration of the Council's senior officers is shown in Note 29.

	2021/22			2020/21		
	Expenditure £'000	Income £'000	Loans £'000	Expenditure £'000	Income £'000	Loans £'000
Colchester Commercial Holdings Limited	1,875	657	0	1,837	854	0
Colchester Amphora Trading Limited	554	499	0	473	180	0
Colchester Amphora Homes Limited	764	0	0	162	45	1,545
Colchester Amphora Energy Limited	342	0	0	169	40	1,066
Colchester Community Stadium Limited	0	106	0	0	2	0
Colchester Mercury Theatre Limited	174	36	0	168	38	0
Colchester Primary Care Trust	0	0	0	0	0	0
Parish Councils	2,562	55	0	2,829	96	0
Essex County Council	1,964	4,248	0	642	3,147	0
North Essex Gardens Communities Limited	0	0	0	254	254	0

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

The Council's interest in Colchester Borough Homes Limited and Colchester Commercial Holding Limited is considered to be material in both financial and qualitative terms. Therefore, the company's transactions have been accounted for within the Council's Group accounts.

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

34. Capital Commitments

As at 31 March 2022, the authority has entered into a number of contracts for the construction of enhancement of property, plant, and equipment in 2021/22 and future years budgeted to £13.4 million. Similar costs at 31st March 2021 were £17.4 million. The major commitments are as follows:

- Elfreda House - £8.7 million; and
- Rowan House Refurbishment - £1.7 million.

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HRA INCOME AND EXPENDITURE STATEMENT

	2021/22	2020/21
	£000	£000
Expenditure		
Repairs & Maintenance	5,535	4,643
Supervision & Management	9,364	9,741
Rents, Rates, Taxes & Other Charges	217	131
Depreciation	5,013	4,781
Impairment of Non-current Assets	12,254	892
Revaluation loss (gain) on Dwellings	0	10,641
Derecognition of non-current assets	0	605
Debt Management Costs	61	64
Total Expenditure	32,444	31,498
Income		
Dwelling Rents	(26,629)	(26,316)
Non-dwelling Rents	(1,053)	(1,049)
Charges for Services & Facilities	(2,478)	(2,465)
Contributions towards expenditure	(55)	(54)
Total Income	(30,215)	(29,884)
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement	2,229	1,614
HRA services share of Corporate & Democratic Core	399	377
HRA share of the other amounts included in the whole Council Net Cost of Services but not allocated to specific services	0	0
Net (Income)/Cost of HRA Services	2,628	1,991
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement		
(Gain)/Loss on sale of HRA fixed assets	(1,369)	(1,772)
Interest Payable and similar charges	4,303	4,490
Interest and Investment Income	(13)	(37)
Movement in the provision of bad debts	80	205
Capital Grant	(2,639)	0
(Surplus)/deficit for the year on HRA services	2,990	4,877

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.

	2021/22 £000	2020/21 £000
Balance at 1 April	4,489	4,306
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	2,990	(4,877)
Other Comprehensive Income & Expenditure	0	0
Total Comprehensive Income & Expenditure	2,990	(4,877)
Adjustments between accounting basis & funding basis under regulations (note 6 main accounts)	(3,004)	(5,626)
Net Increase/ Decrease before Transfers to Earmarked Reserves	14	(10,503)
Transfers to/from Earmarked Reserves	52	10,686
Increase/Decrease in Year	66	183
Balance at 31 March carried forward	4,555	4,489

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.

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

	31-Mar-22	31-Mar-21
	Total Stock	Total Stock
Analysis by Type of Dwelling		
Houses and Bungalows	2,965	2,959
Flats and Maisonettes	2,942	2,946
Total Dwellings	5,907	5,905
Analysis by Number of Bedrooms		
Bedsitters/1 bedroom	2,354	2,374
2 bedrooms	1,773	1,758
3 bedrooms	1,688	1,679
4 or more bedrooms	92	94
Total Dwellings	5,907	5,905
The changes in stock during the year can be summarised as follows		
Stock as at 1 April	5,905	5,892
Add: New Build, Acquisitions, Conversions etc.	78	60
Deduct: Sales, Demolitions, Conversions, etc.	(76)	(47)
Stock as at 31 March	5,907	5,905

The most recent valuation of HRA dwellings that has been prepared was at 31 March 2022 and this is reflected in the valuation shown below:

	31-Mar-22	31-Mar-21
	£000	£000
Council Dwellings (HRA)	422,195	386,150
Other Land & Buildings	12,407	10,586
Vehicle, Plant & Equipment	2	34
Surplus assets	610	50
Total	435,214	396,820

H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2022 was £1,114.4 million (£1.019 million as at 1 April 2021). 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

	2021/22	2020/21
	£000	£000
Garages and other charges	(958)	(961)
Land and other buildings	(95)	(88)
Total - Non-Dwelling Rents	(1,053)	(1,049)

H4. Charges for Services and Facilities

Income totalling £0.101 million from Supporting People charges in 2021/22 (2020/21: £0.107 million) is shown under Charges for Services and Facilities.

H5. Major Repairs Reserve

	2021/22	2020/21
	£000	£000
Balance brought forward at 1 April	0	0
Depreciation charge for the year	5,013	4,781
Financing of capital expenditure for the year	(5,013)	(4,781)
Balance Carried forward	0	0

H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 8) 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	2021/22	2020/21
	£000	£000
HRA Capital Expenditure		
Dwelling Stock	8,522	8,132
New Build - Council Dwellings	3,414	1,670
Dwelling Acquisitions	13,671	10,828
Total	25,607	20,630
Financed by:		
Borrowing	(11,000)	0
Capital Receipts	0	(372)
Government Grants & Other Contributions	(2,639)	(25)
Major Repairs Reserve	(5,031)	(4,781)
Revenue Contributions	(5,229)	(4,766)
Retained Right To Buy Receipts Reserve	(1,708)	(10,686)
Total	(25,607)	(20,630)

Cash Receipts from the sale of Council houses have increased in 2021/22. 44 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2021/22 (46 in 2020/21).

Summary of HRA Capital Receipts – Right To Buy	2021/22	2020/21
	£000	£000
Sale of Council Houses - Direct	5,074	4,542
Other (including shared ownership)	0	0
Total	5,074	4,542

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 £5.074 million, £0.507 million was paid to the Secretary of State under the pooling arrangements.

There were no principal repayments paid to the Secretary of State under the terms of the Right To Buy Receipts retention agreement, which the Council entered into on 1 July 2012.

H8. Interest Payable

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

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

	2021/22	2020/21
	£000	£000
HRA Interest charge	4,303	4,490

H9. Depreciation

	2021/22	2020/21
	£000	£000
Council dwellings	4,482	4,271
Other land & buildings	512	489
Vehicles, Plant & Equipment	19	21
Total	5,013	4,781

H10. Rent Arrears

The arrears at 31 March 2022 totalled £1.347 million. This excludes prepayments of £0.840 million and is analysed as follows:

	2021/22	2020/21
	£000	£000
Due from Current Tenants	898	937
Due from Former Tenants	449	396
Total Rent Arrears	1,347	1,333
Prepayments	(840)	(756)
Net Rent Arrears	507	577

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 2022 the provision totalled £0.975 million (2020/21: £0.865 million).

H11. Revenue Balances

Out of the revenue balance of £4.555 million, a sum of £2.955 million has already been committed for future use.

	2021/22	2020/21
	£000	£000
Revenue Balance at 1 April	4,489	4,306
Adjust: Housing Revenue Account Surplus/(Deficit)	66	183
Revenue Balance at 31 March	4,555	4,489
Less: Committed Sum		
Investment in Housing Stock 2021/22 and Future Years	(2,637)	(2,335)
Estimate Balance Carried Forward	(318)	(554)
Uncommitted Balance	1,600	1,600

H12. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing that have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£2.637 million) will be used to support spending in future years.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	2021/22			2020/21		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Income						
Council Tax	(120,242)	0	(120,242)	(115,788)	0	(115,788)
Transitional Relief, S31A(1)(C)	0	0	0	(1,140)	0	(1,140)
Non-Domestic Rates	0	(49,873)	(49,873)	0	(30,858)	(30,858)
	(120,242)	(49,873)	(170,115)	(116,928)	(30,858)	(147,786)
Precepts Demands and Shares						
Central Government	0	31,536	31,536	0	32,091	32,091
Colchester Borough Council	14,688	25,229	39,917	14,596	25,675	40,271
Essex County Council	85,268	5,676	90,944	84,462	5,777	90,239
Essex Fire and Rescue	4,639	631	5,270	4,724	642	5,366
Police and Crime Commissioner for Essex	12,000	0	12,000	12,699	0	12,699
Charges to Collection Fund						
Transitional Protection Payment	0	381	381	0	436	436
Cost of Collection Allowance	0	238	238	0	243	243
Interest	0	0	0	0	0	0
Provision for Bad Debts including write offs	1,544	1,318	2,862	1,451	507	1,958
Provision for Appeals	0	(3,185)	(3,185)	0	268	268
Apportionment of Previous Year Surplus/(Shortfall)						
Central Government	0	(15,983)	(15,983)	0	(606)	(606)
Colchester Borough Council	(37)	(12,787)	(12,824)	(55)	(485)	(540)
Essex County Council	(216)	(2,877)	(3,093)	(318)	(109)	(427)
Essex Fire and Rescue	(12)	(320)	(332)	(18)	(12)	(30)
Police and Crime Commissioner for Essex	(33)	0	(33)	(48)	0	(48)
	117,841	29,857	147,698	117,493	64,427	181,920
Movement on the Collection Fund Balance						
(Surplus)/Deficit for the year	(2,401)	(20,016)	(22,417)	565	33,569	34,134
(Surplus)/Deficit at the beginning of the year	904	32,193	33,097	339	(1,376)	(1,037)
(Surplus)/Deficit as at 31 March	(1,497)	12,177	10,680	904	32,193	33,097

NOTES TO THE COLLECTION FUND ACCOUNTS

C1. General

The Collection Fund is an agent's statement that shows the transactions of the Council as the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NNDR), and its distribution to local government bodies and Central Government. The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund, therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Rates. The administrative costs associated with the collection process are charged to the General Fund.

The Collection Fund as a whole has a net deficit of £10.7m as at the 31 March 2022. Specific grant funding has been received towards the deficit, but under the accounting regulations this cannot be allocated directly to the Collection Fund. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

C2. Income from Council Tax

Council Tax comes from charges raised according to the value of residential properties, which have been classified into 9 valuation bands A-H. The individual charge is calculated by estimating the amount of income required from the Collection Fund for the year ahead and dividing this by the Council Tax Base (the equivalent numbers of Band D dwellings).

The Council Tax base for 2021/22 was 62,776 (63,933 in 2020/21). For the year ended 31 March 2022, the band D Council Tax was set at 1,823.85 (£1,789.2 in 2020/21). The tax base for 2021/22 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,436	6/9	2,624
B	21,187	7/9	16,478
C	19,745	8/9	17,551
D	14,807	9/9	14,807
E	8,486	11/9	10,371
F	4,026	13/9	5,815
G	2,310	15/9	3,850
H	150	18/9	299
Contributions in lieu for Ministry of Defence Properties			72
Total Band D			72,567
Net effect of premiums and discounts			(9,791)
Council Tax Base for the calculation of Council Tax			62,776

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.

Colchester are part of the '50% retention scheme' with the local shares as follows:

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

The total Non-Domestic Rateable value at the 2021/22 year end was £14.367 million (2020/21: £163.177 million) and the Standard Non-Domestic rate multiplier for the year was 51.2p (2020/21: 51.2p).

Income from Non-Domestic Rates

	31 March 2022 £'000	31 March 2021 £'000
Gross NNDR due in year	81,259	81,617
Less: allowance and other adjustments	31,386	50,759
NNDR income	49,873	30,858

C4. Council Tax and NNDR Surplus/Deficit

Any surplus or deficit on the Fund is shared between the relevant precepting bodies in their respective proportions. Likewise, deficits are proportionately charged to the relevant precepting bodies in the following years. The cumulative surplus/deficit at the end of March 2021 will be distributed in proportion to the value of the respective precepts as shown below:

	2021/22			2020/21		
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Colchester Borough Council	(193)	4,871	4,678	114	12,877	12,991
Central Government	-	6,088	6,088	-	16,097	16,097
Essex County Council	(1,075)	1,096	21	654	2,897	3,551
Essex Fire and Rescue	(61)	122	61	36	322	358
Police and Crime Commissioner for Essex	(168)	-	(168)	100	-	100
Total (Surplus)/Deficit	(1,497)	12,177	10,680	904	32,193	33,097

C5 Debtors for Local Taxation

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

	2021/22 £'000	2020/21 £'000
Less than one year	4,401	5,809
More than one year	7,996	7,160
Total Debtors for Local Taxation	12,397	12,969

GROUP ACCOUNTS

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 2021/22 of the Council's relationship with other bodies, and it is clear that the Council should account for its interests in Colchester Borough Homes Limited and Colchester Commercial Holdings as wholly owned subsidiaries and prepare Group Accounts. The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes Limited & Colchester Commercial Holdings Limited) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line-by-line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. Inter-group balances and transactions have been eliminated during the consolidation of the Group Accounts.

Accounting Policies

The accounting policies reported in note 1 have been adopted by the Council in preparing the group accounts.

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Group Movement in Reserves

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary usable reserves	Total Group usable reserves	Council unusable reserves	Subsidiary unusable reserves	Total Group unusable reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	(2,030)	(36,276)	(4,489)	(6,307)	0	(6)	(3,556)	(52,664)	(340,517)	14,017	(326,500)	(379,164)
Movement in Reserves in 2021/22:												
(Surplus)/ deficit on the provision of services (accounting basis)	(1,337)	0	2,990	0	0	0	1,836	3,489	0	0	0	3,489
Other Comprehensive Income and Expenditure							0		(88,595)	(6,577)	(95,172)	(95,172)
Total Comprehensive Income and Expenditure	(1,337)	0	2,990	0	0	0	1,836	3,489	(88,595)	(6,577)	(95,172)	(91,683)
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	1,582	1,582	0	0	0	1,582
Adjustments between accounting and funding basis under regulation - note 6	4,487	0	(3,004)	(2,898)	0	(33)	(2,207)	(3,655)	1,448	2,207	3,655	0
Net increase/decrease before transfers to Earmarked reserves	3,150	0	(14)	(2,898)	0	(33)	1,211	1,416	(87,147)	(4,370)	(91,517)	(90,101)
Transfers to/from Earmarked reserves - note 11	(3,281)	3,333	(52)	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	(131)	3,333	(66)	(2,898)	0	(33)	1,211	1,416	(87,147)	(4,370)	(91,517)	(90,101)
Balance at 31 March 2022	(2,161)	(32,943)	(4,555)	(9,205)	0	(39)	(2,345)	(51,248)	(427,664)	9,647	(418,017)	(469,265)

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Subsidiary usable reserves	Total Group usable reserves	Council unusable reserves	Subsidiary unusable reserves	Total Group unusable reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	(1,900)	(20,540)	(4,306)	(12,888)	0	(24)	(2,752)	(42,410)	(346,577)	8,811	(337,766)	(380,176)
Movement in Reserves in 2020/21												
(Surplus)/ deficit on the provision of services (accounting basis)	7,034	0	4,877	0	0	0	247	12,158	0	0	0	12,158
Other Comprehensive Income and Expenditure							0		(15,301)	4,155	(11,146)	(11,146)
Total Comprehensive Income and Expenditure	7,034	0	4,877	0	0	0	247	12,158	(15,301)	4,155	(11,146)	1,012
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	1,581	1,581	0	0	0	1,581
Adjustments between accounting and funding basis under regulation - note 6	(22,900)	0	5,626	(4,105)	0	18	(1,051)	(22,412)	21,361	1,051	22,412	0
Net increase/decrease before transfers to Earmarked reserves	(15,866)	0	10,503	(4,105)	0	18	777	(8,673)	6,060	5,206	11,266	2,593
Transfers to/from Earmarked reserves - note 11	15,736	(15,736)	(10,686)	10,686	0	0	0	0	0	0	0	0
Increase/(Decrease) in Year	(130)	(15,736)	(183)	6,581	0	18	777	(8,673)	6,060	5,206	11,266	2,593
Balance at 31 March 2021	(2,030)	(36,276)	(4,489)	(6,307)	0	(6)	(1,975)	(51,083)	(340,517)	14,017	(326,500)	(377,583)

Comprehensive Income and Expenditure Statement

	2021/22			2020/21		
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	327	(473)	(146)	629	(857)	(228)
Executive Management Team	792	(8)	784	981	(31)	950
Corporate & Improvement	9,229	(1,817)	7,412	15,688	(2,272)	13,416
Communities	12,505	(7,790)	4,715	13,647	(5,194)	8,453
Customer	48,549	(44,812)	3,737	46,579	(43,868)	2,711
Environment	22,135	(11,842)	10,293	21,468	(8,332)	13,136
Housing Revenue Account	14,786	(29,727)	(14,941)	17,313	(29,427)	1,612
Place and Client Services	20,096	(11,632)	8,464	19,568	(6,916)	13,863
Non Distributed Costs	775	(451)	324	93	0	93
CBH Ltd	16,880	(749)	16,131	(458)	14,184	0
CCHL Ltd	5,385	(4,476)	909	(626)	1,837	0
Cost of Services	151,459	(113,777)	37,682	134,882	(80,876)	54,006
	2,100	0	2,100	2,094	0	2,094
Payments to the Government Housing Capital Receipts Pool	506	0	506	507	0	507
(Gains) on the disposal of assets	0	(1,337)	(1,337)	0	(1,286)	(1,286)
Other Operating Expenditure	2,606	(1,337)	1,269	2,601	(1,368)	1,233
Pension interest cost and expected return on pension assets	2,497	0	2,497	2,392	0	2,392
Interest receivable and similar income	0	(532)	(532)	0	(220)	(220)
Interest payable and similar expenses	5,168	0	5,168	5,417	0	5,417
Changes in fair value of investment properties	0	(5,334)	(5,334)	0	(1,706)	(1,706)
Impairment losses	(155)	0	(155)	1,887	0	1,887
Other investment income	0	0	0	0	(1)	(1)
Income and expenditure in relation to investment properties	55	(2,200)	(2,145)	113	0	113
Financing and Investment Income and Expenditure	7,565	(8,066)	(501)	9,809	(1,927)	7,882
Council Tax Income	0	(14,995)	(14,995)	0	(14,471)	(14,471)
Non Domestic Rates	0	1,327	1,327	0	9,828	9,828
Non-ringfenced government grants	0	(15,195)	(15,195)	0	(37,984)	(37,984)
Capital grants and contributions	0	(6,141)	(6,141)	0	(8,164)	(8,164)
Taxation group entities	42	0	42			
Taxation and non-specific grant income and expenditure	42	(35,004)	(34,962)	0	(50,791)	(50,791)
(Surplus) or Deficit on Provision of Services	161,672	(158,184)	3,488	147,292	(134,962)	12,330
Surplus on revaluation of non-current assets.			(54,980)			(31,476)
Actuarial (gains)/losses on pension assets/liabilities			(40,192)			20,330
Other Comprehensive Income and Expenditure			(95,172)			(11,146)
Total Comprehensive Income and Expenditure			(91,684)			1,184

Group Balance Sheet

	31 March 2022	31 March 2021
	£'000	£'000
Property, Plant and Equipment	661,291	598,111
Heritage Assets	1,332	1,332
Investment Properties	46,210	40,811
Intangible Assets	2	5
Long Term Investments	6	6
Long Term Debtors	5,721	5,765
LONG TERM ASSETS	714,562	646,030
Assets Held for Sale	0	675
Short Term Debtors <i>Note G5</i>	18,945	36,865
Inventories	832	2,218
Short Term Investments	53,054	40,520
Short Term Loans	45	60
Cash and Cash Equivalents	31,145	20,547
CURRENT ASSETS	104,021	100,885
Short Term Creditors <i>Note G6</i>	(59,797)	(51,214)
Provisions	(2,126)	(3,400)
Short Term Borrowing	(26,745)	(15,109)
Capital grants receipts in advance	(4,893)	(3,089)
CURRENT LIABILITIES	(93,561)	(72,812)
Capital grants receipts in advance <i>Note 20</i>	(20,915)	(17,745)
Long Term Creditors	(54)	(104)
Provisions	(113)	(131)
Pension Liabilities	(93,435)	(121,992)
Other Long Term Liabilities	(143)	(454)
Long Term Borrowing	(141,097)	(156,094)
LONG TERM LIABILITIES	(255,757)	(296,520)
NET ASSETS	469,265	377,583
General Fund	(2,161)	(2,030)
Earmarked Reserves <i>Note 11</i>	(32,943)	(36,276)
Housing Revenue Account	(4,555)	(4,489)
Capital Receipts Reserve	(9,204)	(6,307)
Major Repairs Reserve	0	0
Capital grants and contributions	(39)	(6)
Subsidiary useable reserves	(2,346)	(1,975)
USABLE RESERVES	(51,248)	(51,083)
Revaluation Reserve	(200,203)	(148,354)
Capital Adjustment Account	(312,161)	(309,364)
Deferred Capital Receipts	(4,608)	(4,647)
Pensions Reserve	93,435	121,992
Collection Fund Adjustment Account	4,685	12,998
Accumulated Absences Account	537	537
Financial Instruments Adjustment Account	298	338
UNUSABLE RESERVES <i>Note 12</i>	(418,017)	(326,500)
TOTAL RESERVES	(469,265)	(377,583)

Group Cash Flow

	31 March 2022	31 March 2021
	£'000	£'000
Taxation	(35,471)	(23,519)
Grants and Contributions	(79,266)	(93,469)
Housing Rents	(26,891)	(29,466)
Sales of goods and rendering of services	(36,512)	(37,654)
Interest received	(443)	(225)
Cash inflows generated from operating activities	(178,583)	(184,333)
Cash paid to and on behalf of employees	35,296	34,584
Housing benefit payments	37,006	41,085
NNDR Tariff payments	20,039	20,039
Precepts paid	2,100	2,094
Cash paid to suppliers of goods and services	46,949	32,871
Payments to the capital receipts pool	507	506
Interest paid	5,183	5,417
Other operating cash payments	2,672	15,367
Cash outflows generated from operating activities	149,752	151,963
Net cashflows from operating activities	(28,831)	(32,370)

	31 March 2022 £'000	31 March 2021 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,667)	(5,124)
Purchase of property, plant and equipment, investment property and intangible assets	35,004	35,340
Purchase of short-term and long-term investments	92,500	84,600
Proceeds from the sale of short-term and long-term investments	(80,000)	(68,500)
Capital grants	(3,170)	0
Other payments for investing activities	51	0
Other receipts from investing activities	(6,152)	(11,248)
Net cashflows from investing activities	32,566	35,068
Cash Receipts - long/short term borrowing	(20,000)	(37,500)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	283	781
Repayments of long/short term borrowing	23,050	28,800
Changes in Council Tax and NNDR balances held for preceptors	(15,550)	20,842
Other financing activities	(2,116)	0
Net cashflows from financing activities	(14,333)	12,923
Net (Increase) / decrease in cash and cash equivalents	(10,598)	15,621
Cash and cash equivalents 1 April	20,547	36,011
Net increase / (decrease) in cash and cash equivalents	10,598	(15,463)
Cash and cash equivalents 31 March	31,145	20,548
Cash in hand	11	8
Call accounts and short term deposits	19,009	10,500
Bank balances	12,125	10,040
Cash and cash equivalents 31 March	31,145	20,548

NOTES TO THE GROUP FINANCIAL STATEMENTS

G1. General Specific notes for the Group Financial Statements are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Financial Statements are set out from note 2 and the Group Financial Statements are cross referenced to them where relevant.

G2. There are no Prior year adjustments.

G3. Subsidiary Companies consolidated into the Group Accounts Colchester Borough Homes Limited & Colchester Commercial Holdings Limited are wholly owned subsidiaries of the Council. The Council is represented on the Board of the company. The Council and the Board agrees the annual delivery plans for the companies.

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G4. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 15 September 2023. 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 2022 that would materially affect these Group accounts, and as such no adjustments have been made to the figures reported in the Group financial statements or notes.

G5. Group Debtors

	31 March 2022 £'000	31 March 2021 £'000
<i>Amounts falling due within one year:</i>		
Grants and Taxes	2,619	4,907
Trade Debtors	2,947	7,146
Prepayments	2,487	2,041
Housing benefit Overpayments	511	539
NNDR ratepayers	815	1,661
Council Tax ratepayers	308	520
Other Debtors	9,258	20,052
	<hr/>	<hr/>
Total short term debtors	18,945	36,866

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

G6. Group Creditors

	31 March 2022 £'000	31 March 2021 £'000
<i>Amounts falling due within one year:</i>		
Trade Creditors	(4,488)	(9,101)
Covid Restrictions Grants - Agency	0	(6,286)
Receipts in Advance	(4,683)	(3,819)
Other Taxes and Social Security	(2,388)	(2,155)
Collection Fund Agency	(23,967)	(22,406)
NNDR Prepayments	(1,562)	(792)
Council Tax Prepayments	(428)	(434)
Other Creditors	(22,280)	(6,222)
	<hr/>	<hr/>
Total short term creditors	(59,796)	(51,215)

G7. Officers Remuneration

The remuneration paid to the senior officers within Colchester Borough Council is shown in Note 29. The remuneration paid to the senior officers within Colchester Borough Homes Limited is as follows:

Colchester Borough Homes Limited

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Expense Allowance	Compensation for loss of office	Pension Contributions**	Total Remuneration
	£	£	£	£	£
Financial Year: 2021-22					
Chief Executive (Note 1 below)	18,181	0	0	3,614	21,795
Chief Executive (Note 1 below)	60,632	0	0	12,248	72,880
Director of Business Improvement	83,208	0	0	16,808	100,016
Director of Operations	83,208	0	0	16,808	100,016
TOTAL COST	245,229	0	0	49,478	294,707

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Expense Allowance	Compensation for loss of office	Pension Contributions**	Total Remuneration
	£	£	£	£	£
Financial Year: 2020-21					
Chief Executive Officer	106,902	0	0	21,265	128,167
Director of Business Improvements (Note 1)	76,080	0	0	15,368	91,448
Director of Operations (Note 2)	80,644	0	0	16,290	96,934
TOTAL COST	263,626	0	0	52,923	316,549

Note 1: The Chief Executive left Colchester Borough Homes on 31st May 2021. The position was left vacant until a Chief Executive was appointed on 6th September 2021

The remuneration paid to the senior officers within Colchester Commercial Holdings Limited is as follows:

Colchester Commercial Holdings Ltd

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Expense Allowance	Compensation for loss of office	Pension Contributions**	Total Remuneration
	£	£	£	£	£
Financial Year: 2021-22					
Managing Director (Note 1)	27,528	0	0	0	27,528
Managing Director (Note 2)	27,500	0	0	1,375	28,875
Group Commercial Director (Note 3)	69,765	0	0	3,488	73,253
Senior Commercial Manager	68,815	0	0	3,442	72,257
Finance Manager and Company Secretary (Note 4)	16,944	0	0	820	17,764
Finance Manager and Company Secretary (Note 5)	23,958	0	0	1,198	25,156
TOTAL COST	234,510	0	0	10,323	244,833

Post holder information (Post title)	Salary (Inc. fees & Allowances)	Expense Allowance	Compensation for loss of office	Pension Contributions**	Total Remuneration
	£	£	£	£	£
Financial Year: 2020-21					
Managing Director (Note 1)	27,752	0	0	0	27,752
Assistant Director (Note 2)	88,348	0	0	4,417	92,765
TOTAL COST	116,100	0	0	4,417	120,517

Note 1: The Managing Director retired and left Colchester Commercial Holdings on 31st December 2021

Note 2: Group Commercial Director took up the position of Managing Director on 1st January 2022

Note 3: The Group Commercial Director left the position on 31st December 2021 to take up the position of Managing Director on 1st January 2022

Note 4: the Finance Manager & Company Secretary resigned and left Colchester Commercial Holdings on 19th July 2021

Note 5: An Interim Finance manager & Company Secretary was contracted for the period from 20th July 2021 until it was filled on 1st November 2021. Payments to the recruitment agency in respect of the interim placement totalled £45,600 including VAT in 2021/22.

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

	2021-22	2020-21
£50,000 - 54,999	4	6
£55,000 - 59,999	18	12
£60,000 - 64,999	1	7
£65,000 - 69,999	2	3
£70,000 - 74,999	6	3
Over £100,000	2	0
	33	31

G8. Exit Costs

Banding	2021-22			Cost Total £'000
	Number of exit packages			
	Compuls. Redund.	Other departures	Total exit packages	
£0 - 20,000	1	2	3	17
£20,001-40,000	1	0	1	0
£40,001-60,000				
Total	2	2	4	17
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				0
Total Exit Costs				17

Banding	2020-21			Cost Total £'000
	Number of exit packages			
	Compuls. Redund.	Other departures	Total exit packages	
£0 - 20,000	1	7	8	90
£20,001-40,000	1	2	3	89
£40,001-60,000	0	1	1	42
Total	1	7	8	221
				1
				222

G9. Defined Benefit pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council (CBC) and Colchester Borough Homes Limited (CBH) make contributions towards the cost of post-employment benefit. Although these benefits will not actually be payable until employees retire, there is a commitment for CBC and CBH to make the payments that need to be disclosed at the time that employees earn their future entitlement. CBC and CBH participate in the Local Government Pension Scheme, which is administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the employers and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. Colchester Commercial Holdings Limited participated in the Local Government pension scheme in 2018/19. During the 2019/20, all assets and liabilities were transferred to the Council with all costs in relation to the current services included in the council's accounts.

Transactions Relating to Retirement Benefits

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

	2021-22 £'000	2020-21 £'000
Comprehensive Income and Expenditure Statement		
Current Service Cost	14,714	9,248
Past Service Cost	87	91
Liabilities assumed/(extinguished) on settlements	0	77
Settlements price received/(paid)	0	(49)
Cost of Services	14,801	9,367
Net interest expense	2,384	2,218
Pension fund administration expenses	135	137
Financing and Investment Income and Expenditure	2,519	2,355
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	17,320	11,722
Remeasurement of the net defined benefit liability	(40,193)	20,330
Total Comprehensive Income and Expenditure Statement	(22,873)	32,052
Movement in Reserves Statement		
Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	(17,320)	(11,722)
Employer's pension contributions and direct payments to pensioners payable in the year	5,684	8,859
Total taken to Note 6	(11,636)	(2,863)

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:

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.

	2021-22 £'000	2020-21 £'000
Reconciliation of Fair Value of Employer Assets (scheme Assets):		
Value of Assets at 1 April	275,807	212,112
Effect of settlements	0	65
Interest income on plan assets	5,508	5,013
Contributions by Members	1,857	1,948
Contributions by the Employer	5,684	8,859
Return on assets excluding amounts recognised in Other Comprehensive Income	21,874	56,416
Admin expenses	(135)	(137)
Benefits Paid	(8,399)	(8,469)
	302,196	275,807
Reconciliation of Defined Benefit Obligation (scheme Liabilities):		
Value of Liabilities at 1 April	(397,799)	(310,911)
Current Service Cost	(14,714)	(9,248)
Past Service Cost	(87)	(91)
Effect of settlements	0	(93)
Interest Cost	(7,892)	(7,231)
Contribution by Members	(1,857)	(1,948)
Actuarial Gains and (Losses):	0	0
Change in demographic assumptions	0	5,187
Change in financial assumptions	19,299	(86,133)
Other experience gains and (losses)	(980)	4,200
Unfunded pension payments	354	382
Benefits Paid	8,045	8,087
	(395,631)	(397,799)
Net Liability at 31st March	(93,435)	(121,992)

GLOSSARY OF TERMS

Accruals Concept

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

Actuarial Gains and Losses

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

Amortisation

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

Appropriations

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

Billing Authority for Council Tax and Non-Domestic Rates

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

Budget Requirement

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

Capital Expenditure

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

Capital Financing Requirement

The statutory measure of a local authority's underlying need to borrow for capital purposes.

Capital Programme

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

Capital Receipts

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

Carry Forwards

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Contingent Liabilities

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Depreciation

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

Earmarked Reserves

Amounts set aside for specific future commitments or potential liabilities.

Effective Interest Rate

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

Fair Value

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

Financial Instruments

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

General Fund

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

Gross Book Value

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

Housing Revenue Account (HRA)

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

IFRS (International Financial Reporting Standards)

The collective name for the set of accounting standards which define the accounting treatments used by Central and Local Government in the UK, listed companies in the UK and the European Union.

Impairment

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

Intangible Assets

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

Investment Properties

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

Leases

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

Major Repairs Reserve (MRR)

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

Minimum Revenue Provision (MRP)

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

Ministry of Housing, Communities and Local Government (MHCLG)

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

Net Book Value (NBV)

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

Non-Distributed Costs

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

National Non-Domestic Rates (NNDR)

Non-domestic rates are usually termed Business Rates. Business Rates contribute to the cost of providing local authority services. It is charged on the rateable value of each non-residential property multiplied by a uniform amount set annually by central government. Various reliefs are in operation. NNDR income is collected by the Council and is then shared with Central Government, Essex County Council and Essex Fire and Rescue.

Precept

This is the amount of Council Tax income that local authorities providing services within the Colchester borough require to be paid from the Collection fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all the precepts levied on the Billing Authority. Precepts are raised by Colchester Borough Council, Essex County Council, Police and Crime Commissioner for Essex, Essex Fire and Rescue and Town and Parish Councils.

Principal Amount

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

Property, Plant and Equipment (PPE)

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

A central government agency that offers long term loans to local authorities at interest rates marginally above the government's own cost of borrowing.

Revaluation

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

Useful Life

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

DRAFT



Governance and Audit Committee

Item
12

17 October 2023

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2023-2024		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report sets out the current Work Programme 2023-2024 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

1.2 The Committee is asked to note several modifications to its work programme, as the following reports which were due to be presented at this meeting will now be presented at the meeting of the Committee on 28 November 2023:

- The Polling District and Place review
- Treasury Management Report 2022/2023
- Capital Expenditure 2022/2023 Outturn, and Capital Expenditure and Review summary 22/23

With regard to the Treasury Management Report 2022/2023 and the Capital Expenditure 2022/2023 Outturn, and Capital Expenditure and Review summary 2022/2023 reports, unfortunately the year end has not been finalised, which means that these reports (which relies on final figures being available) are not yet ready to be presented. However, Officers are optimistic that this work will be finalised by the end of October, and these reports are expected to be presented to this Committee on 28 November 2023.

1.3 The Committee is further asked to note that the report which was on the work programme entitled 2023/24 Capital Monitor Q1 and Q2 is now defunct and has been replaced by an integrated quarterly report covering Revenue and Capital. Q1 was presented to this Committee on 12 September 2023, and Q2 will be presented at the meeting of 28 November 2023.

1.4 The Committee will note that additional items have been added to the work programme for the meeting of the Committee on 17 October 2023, in the form of reports concerning the draft statement of accounts 2021/2022 and Colchester Commercial (Holdings) Limited.

2. Recommended Decision

- 2.1 The Committee is asked to note the amended contents of the Work Programme for 2023-2024.

3. Reason for Recommended Decision

- 3.1 The Work Programme of this Committee is kept under review throughout the municipal year to ensure that business is progressed and Members have the opportunity to review upcoming agenda items.

4. Alternative Options

- 4.1 This function forms part of the Committee's Terms of Reference and, as such, no alternative options are presented.

5. Background Information

- 5.1 The Governance and Audit Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.
- 5.2 The Committee's Work Programme will evolve as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the Work Programme to be reviewed and, if necessary, amended according to current circumstances.

6. Standard References

- 6.1 There are no particular references to publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety, environmental and sustainability implications or risk management implications.

7. Strategic Plan References

- 7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.
- 7.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

WORK PROGRAMME 2023-24

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - 20 June 2023
<ol style="list-style-type: none">1. Year End Internal Audit Assurance Report 2022/20232. <u>Review of the Governance Framework and Draft Annual Governance Statement</u>
Governance and Audit Committee – 01 August 2023
<ol style="list-style-type: none">1. Update from the Council’s external auditors, BDO.2. Verbal update from the Council’s S151 Officer with regard to the Council’s statement of accounts.3. 2022/2023 Year End Review of Risk Management
Governance and Audit Committee - 12 September 2023
<ol style="list-style-type: none">1. Colchester Borough Homes Annual Report and Governance Statement2. Revenue Monitoring Report – April to June 2023/243. 2022/2023 Revenue Outturn
Governance and Audit Committee - 17 October 2023
<ol style="list-style-type: none">1. Local Government and Social Care Ombudsman Annual Review 2022/20232. Health and Safety Policy and Annual Report3. Amphora Future Strategy4. Proposed Hibernation of Colchester Amphora Energy Limited5. Draft Statement of Accounts 2021/2022

Governance and Audit Committee – **28 November 2023**

1. Colchester Commercial Holdings Limited – Annual Report
2. Capital Expenditure Outturn 2022/2023
3. Treasury Management Outturn 2022/2023
4. Treasury Management Mid-Year Update 2023/2024
5. Quarter 2 Budget Monitoring Report 2023/2024
6. 2024/2025 Budget Update
7. Overview of the Council's Housing Stock
8. Polling District and Place Review

Governance and Audit Committee – **13 December 2023**

1. Overview of the Council's Procurement Policy
2. Review of the Council's Ethical Governance Policies
3. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
4. Review of Local Code of Corporate Governance
5. Review of Member/Officer Protocol
6. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees

Governance and Audit Committee - **16 January 2024**

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2023/2024
4. CCHL Half-Year Performance Report
5. Annual Review of the Council's Companies' Business Plans
6. Annual Review of Business Continuity
7. Polling District and Place Review results.

Governance and Audit Committee - **5 March 2024**

1. Internal Audit Plan 2024/2025
2. Revenue Monitoring Report – October to December
3. Capital Monitoring Report – October to December
4. Financial Monitoring Report