

# Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ  
Tuesday, 09 April 2024 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>.

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### Access

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### Facilities

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

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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, 09 April 2024 at 18:00**

**The Governance and Audit Committee Members are:**

Councillor Chris Pearson	Chair
Councillor Paul Smith	Deputy Chair
Councillor Paul Dundas	
Councillor Dave Harris	
Councillor Alison Jay	
Councillor Sara Naylor	
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**

The Councillors will be invited to confirm that the minutes of the meeting held on 16 January and 7 February 2024 are a correct record.

**Draft Governance and Audit minutes - 16 January 2024** 9 - 18

**Draft Governance and Audit minutes - 7 February 2024** 19 - 24

**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 must register their wish to address the meeting by e-mailing [democratic.services@colchester.gov.uk](mailto: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 Draft Statement of Accounts 2022/23** 25 - 142

The Committee will consider a report asking that it note the Council's uncertified draft statement of accounts 2022/2023 which has now been published.

**8 Work Programme 2023-2024** 143 - 146

The Committee will consider a report setting out its work programme for the current municipal year.

**9 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)**





## GOVERNANCE AND AUDIT COMMITTEE

16 January 2024

*Present:-* Councillor Chris Pearson (Chair)  
Councillor Paul Dundas, Councillor Dave Harris,  
Councillor Sara Naylor, Councillor Paul Smith, Councillor  
William Sunnucks

*Substitutions:* Councillor Venessa Moffat for Councillor Alison Jay

*Also Present:-* Councillor David King

### **402. Minutes of the Previous Meeting**

*RESOLVED* that: the minutes of the meeting held on 28 November 2023 be confirmed as a correct record.

### **403. Verbal Update from the Council's S151 Officer with regard to the Council's statement of accounts.**

The Committee received a verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.

Andrew Small, S151 Officer, attended the meeting remotely to present the update and assist the Committee with its enquiries. The Committee heard that it had been intended that the final accounts for the financial year 2022/2023 would be published on 12 January 2024, but although this date had been missed good progress was being made. One of the concerns which had been raised by Councillors was transparency around the Council's level of reserves and balances, and a position had been struck in relation to these figures which had been circulated to some Councillors. There was confidence that the accounts could be published by the end of January 2024, and the notice on the Council's website had been updated to reflect this. The production of the accounts had been a challenge due to staffing issues, but these had been resolved and good progress was now being made.

A Committee member requested a definitive position and clarity on the Council's reserves, as understanding this position was very important. Were there any big audit adjustments expected which would impact on the Council's reserves, and had all items which could impact the reserves been agreed with the Council's auditors? The difficulty with considering these issues was that the auditors were currently

working on the accounts for 2021/2022, and there was a concern that back dated issues may be discovered as the Council had now been almost 4 years without an audit.

The S151 Officer confirmed that he shared the concerns which had been raised about the length of time it was taking to achieve completed audits. Both he, and colleagues across Essex had been attempting to speed up the completion of the outstanding audits, but similar issues were being experienced by many other local authorities. The Committee heard that accounts had been prepared to the best of the knowledge and understanding of the Council's Finance Team, and there was confidence that they contained the Council's correct position. There was always a risk that the auditors would identify an issue, but the S151 officer believed that all of the issues had been correctly reflected in the accounts at the end of 2022/2023. The government had indicated that it had a plan to ease the backlog of hundreds of outstanding audits across the country, and had published a paper which was to introduce statutory deadlines by which accounts would have to be signed off or qualified by the auditors. This proposal had significant ramifications and a consultation on the proposals was expected in the near future. It was suggested that the date of 30 September 2024 was the date by which all historic accounts would have to be completed, up to financial year 2023/ 2024. The current situation was very disappointing, when the public wished for some reassurance about the state of public finances and it was suggested that the production of qualified accounts would be detrimental to the credibility of the sector.

The Chair of the Committee took comfort from the fact that the S115 Officer and the Deputy S151 Officer were new to the Council, and would have scrutinised the accounts very closely upon starting their employment. He was due to attend a meeting of Audit Committee Chairs in the near future, when a further update in relation to the position of audits across the country was expected.

Concern was expressed by Committee member that an unexpected audit adjustment could potentially be extremely serious for the Council. He supported the introduction of a deadline for the finalisation of outstanding accounts, considering that qualified accounts would be perfectly acceptable provided there was clarity on the Council's reserves position, and what the restrictions on usable reserves were. The Council should be pursuing its auditors to complete the outstanding audits so that the financial position was as clear as it could be.

In discussion, the Committee noted the difficulties which had been attributed to external auditors on a national level, but also the Council's failure to respond swiftly to some of the requests for information which had been made by auditors in the past. The S151 Officer noted that a number of factors had contributed to the delays in audits being completed, including capacity in the audit sector and the over-complexity of local government accounting. The highest priority for the Finance Team at the current time was preparing the budget and final accounts, however, the Chartered Institute of Public Finance and Accountancy (CIPFA) financial self-assessment would be completed as soon as possible.

*RESOLVED* that: the contents of the verbal update be noted.

#### **404. Interim Review of the Annual Governance Statement 2022/2023 Action Plan**

The Committee considered a report which reviewed the implementation of the actions highlighted on the 2022/23 Annual Governance Statement (AGS), which was reported to the Governance and Audit Committee in June 2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee were requested to consider the interim review of the Council's Annual Governance Statement (AGS), the AGS itself for the financial year 2022/2023 having been presented to the Committee in June 2023. Audit regulations required the Council to provide a review of the governance control methods which were in place, identifying any areas where these controls could be improved. In June 2023, the Committee had considered the AGS before this was signed off by the Leader and Chief Executive of the Council, and as part of this process an interim report was presented to the committee to provide an update on the action plan. For 2022/2023 year, 5 areas had been identified where the controls in place could be improved:

1. Implementation of the Colchester Borough Homes (CBH) Independent Review Recommendations
2. The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code
3. Review of the Capital Programme
4. External Audit Implications – Carried forward from 2021/22
5. Company Governance – Carried forward from 2021/22

It was considered that items 2 and item 4 had been dealt with earlier in the meeting by the verbal update which had been provided by the Council's S151 Officer.

In respect of item 1, an independent review of Colchester Borough Homes (CBH) and also Colchester Commercial (Holdings) Limited (CCHL) had identified several recommendations, and an oversight group had been established to consider these. At a meeting of the oversight group on 31 August 2023, it had been confirmed that all outstanding actions relating to CBH had been completed. The Committee would receive final reports as part of the internal audit update which would be presented to it later in the year.

The Committee heard that key elements of the review of the Council's Capital Programme concerned the Council's strategic approach to the programme, the move towards a corporate landlord model of delivery for Council assets, and the creation of a Northern Gateway Development Board.

In respect of item 5 relating to the independent review of CCHL and the recommendations which had been made in relation to Colchester Amphora Energy Limited (CAEL), and Colchester Amphora Housing Limited (CAHL), reports would be presented to the Committee in due course.

A Committee member was anxious to understand the working of CBH in more detail. It was suggested that the costs of running CBH and the Housing Revenue Account (HRA) were twice what they should be, and this needed to be understood. Was the report which had been considered by the oversight group in August 2023 a secret report, and if so, how could this be subject to appropriate scrutiny? The Corporate Governance Manager confirmed to the Committee that this report was not a confidential report, but it did have to go through the correct reporting process for CBH. The Committee was assured that the oversight group which had been set up to receive these reports consisted of cross-party Councillors including all Group Leaders, along with the Leader of the Council and senior Officers of both the Council and CBH and CCHL, and the Chair of the Governance and Audit Committee.

Further information on the operation of the HRA and acquisitions was sought, and specifically whether such acquisitions would form part of the suggested corporate landlord model the Council was to adopt. Where was the governance of the HRA, as this did not appear to reside within CBH? This was an important governance issue. The Corporate Governance Manager would seek clarification from relevant Officers, and provide the Committee with further clarity when this was received. The need for a member briefing on the HRA was noted so that all Councillors could have an appreciation of its function.

In relation to the review of the Council's Capital Programme, a Committee member noted that some of the projects contained within it were now 3 or 4 years old, and business cases for these could now be out of date. Was it possible for Councillors to see the financial new appraisals of the projects which were continuing, and which had informed the rationale for making the decisions around these projects? The Corporate Governance Manager would seek this information on behalf of the Committee.

In discussion, the Committee considered that the costs associated with some of the projects on the Capital Programme could change significantly over the time it took to deliver the projects, and that such increases in costs could impact the Council's accounts in 3 or 4 years time. The Corporate Governance Manager assured the Committee that the risks associated with capital projects and their delivery was very well understood. There was a clear and defined risk evaluation process for capital projects, and consideration was being given on how to reflect this in future in the risk reporting which was presented to the Committee.

*RESOLVED* that: the work undertaken to implement the current Annual Governance Statement Action Plan be noted.

#### **405. Risk Management Progress Report**

The Committee considered a report providing members with an overview of the Council's risk management activity during the period from 01 April to 30 September 2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee received a report every 6 months which outlined the up-to-date position in respect of the Council's Strategic Risks, which were contained in a Strategic Risk Register which was owned by the Council's Senior Leadership Team, and which was reviewed on a monthly basis. The Register was presented to the Committee, and this contained a matrix of what were considered to be the key, high level, risks faced by the Council at the current time. Risks which were of particular significance were organisational resilience and the budget strategy, cyber and data security, workforce wellbeing and financial inequality. Although risks could never be negated completely, it was necessary for the Council to have controls in place to reduce the risks as far as possible. Accordingly, the Register contained two scores, the initial risk score, and the risk score following stated mitigations.

A substantive amount of work had been undertaken in relation to the Council's subsidiary companies, and the Committee had received a number of reports on this topic in recent months. Governance recommendations which had been contained in the external reviews of the Council's wholly owned companies were being developed and implemented. Part of this work had included amending the arrangements for the Committee to reflect the fact that it was the designated shareholder committee for the subsidiary companies, and the creation of a cross-party oversight group.

A streamlined process for dealing with housing disrepair claims had been set up, and senior Officers from both Colchester Borough Homes and the Council were triaging the claims which had been received.

The Risk Register reporting programme had been altered, changing from a quarterly meeting with the Council's Senior Leadership Board to discuss, review and update the Register, to monthly meetings which reflected the importance of the Council's governance arrangements in the current financial climate. It was intended to create a central, digital, storage site for all the Councils Risk Registers, guidance and training, and this resource would also be available to Councillors.

The Risk Management Strategy had been approved by Cabinet and Full Council and the Council's Policy Framework had been updated accordingly.

A Committee member noted that it had been common practice to include a line in the Council's budget in previous years associated with transformational, cost cutting, programmes, but that the budget target which had been set had rarely been met. It was suggested that the cost savings which had historically been offered as part of the budget were not realistically achievable given the range of services which the Council offered, could consideration be given to including the testing of any such transformational programme as a risk mitigation? The Council needed to decide whether it wished to provide a wide range of services to a poor standard or a smaller range of services to a high standard.

The Committee noted the budgetary pressures which the Council was under, but considered that the Council also had a wide remit for a very diverse community, and

any reduction in the levels of service provided would have to be carefully considered and balanced.

A Committee member expressed some concern that it was difficult to accurately monitor staff morale, although the Council's use of surveys was a good indication to some of the risks to morale that were faced. Was it possible to include some wording which recognised that some staff were potentially uneasy about talking honestly to their line manager about concerns they may be experiencing, and to encourage honesty wherever possible?

The Committee considered that the risk management document which had been presented to it was of very high quality, and it was encouraged by the fact that this was reviewed regularly. It was suggested that the first 2 risks which had been identified in the document should be taken very seriously, and it seemed that the Council's senior leadership team had concerns that it may not be possible to balance the budget. It was noted that the Council had worked successfully with other local authorities in the past to deliver shared services such as the Museum Service and the North Essex Parking Partnership, and it was important to ensure that savings were being achieved. If sufficient savings could not be realised, then it may be necessary to consider withdrawing some non-statutory services which would be extremely regretful. The Council was not alone in this position, as it was recognised that local authorities throughout the country were now experiencing similar budget constraints. Any savings which were proposed through the use of shared services should be monitored very closely to ensure that the savings were delivered.

The risk management dashboard which had been presented to the Committee was praised, however, a Committee member sought clarity on the methodology which lay behind this. She sought reassurance that a sufficient level of rigour was applied to what appeared to be qualitative judgements. What degree of confidence could be found in the risk rating scores which had been assigned to risks? It seemed that the difference between the initial risk score and the risk score following mitigation was quite high, and there was concern that the effects of mitigation may have been treated too optimistically. There was concern that an overly optimistic reduction to a risk score through mitigation led to a residual score that felt more comfortable to senior leadership, and there could potentially be a significant gap between the outcome which was hoped for, and the outcome which was more likely in practical terms. The Corporate Governance Manager would relay these concerns to the Council's senior leadership team after the meeting.

The Corporate Governance Manager explained to the Committee that risk by its nature was subjective, and all about personal views, the lived experience and the perception of how likely something was to go wrong. What the Council had done was set out some parameters for risk score definitions which were contained in the agenda pack for this meeting, and which offered guidance used for determining scores. The Council's senior leadership were asked to look at probability of something happening, and then the impact of this. When an assessment was carried out by a team in this way, it was very likely that some people would have opposing views, and the score definitions provided parameters for an agreed approach for

assessing the risks. The Corporate Governance Manager did challenge senior management on their assessment of risk, and interviewed every senior manager individually once a year to ask challenging questions on where they perceived the risks to the organisation to be. National indicators were also used to identify risks that may be upcoming. The risks that had been identified were an honest assessment of the risks facing any local authority at this time. The access to the Council's senior management team which was enjoyed by the Corporate Governance Manager, was unusual in local authorities, and the Council's senior management team was very conscientious in demonstrating that it had given full consideration to the risks faced. It was not always possible to be 100% correct, but the Council needed to be in the best position possible to meet the challenges of the future.

Responding to the concerns which had been raised in respect of the monitoring of staff morale, the Committee heard that every effort was made to create an environment in which staff were at ease communicating their concerns to their managers. The Council did have a Whistleblowing Policy, and the Council's Chief Executive regularly made herself available for any member of staff to speak to, and these sessions had proved popular.

Cllr King, Leader of the Council and Portfolio Holder for Strategy, attended the meeting and, at the invitation of the Chair, addressed the committee. He advised the Committee that the Council's Risk Register would inform the conversations which were had at a senior level in the Council, and he offered assurance that the Corporate Governance Manager enjoyed full support from the Council's senior leadership, who took the risk assessment process very seriously. It would be necessary to accept changing and challenging circumstances as a Council, and it was hoped that a balance would be struck which would provide Councillors with the necessary assurance that future changes would be effectively delivered. Addressing staff morale, he knew that the attitude of the Council was as had been described in the meeting. The Committee were reminded of the Council's 'Speak Up Now' scheme for staff, and the fact that the Council's senior leadership team carried out weekly visits to different parts of the organisation.

*RESOLVED* that:

- the Council's progress and performance in managing risk during the period from April to September 2023 be noted,
- the current Strategic Risk Register be noted.

#### **406. Annual Review of Business Continuity**

The Committee considered a report providing Members with an overview of the Council's business continuity activity for the period from 01 January 2023 to 31 December 2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. There was no formal requirement for business continuity to be presented to the Committee, but it was considered good practice to report the work which had been undertaken, and to seek the endorsement of the Committee, as business continuity formed part of the Council's risk framework. Business continuity dealt with how the Council would carry on delivering services in the event of any significant disruption. A process was in place of working with key service areas to ensure that the most vulnerable members of the community still received the services they required in the event of adversity. Business continuity sat alongside the Council's statutory responsibilities for emergency planning, as if a serious incident occurred externally, Council services and resources would be directed to this, while key Council services still had to be provided. The report which was before the Committee set out the work which had been undertaken during the year, and which included the revision of business impact assessments and business continuity plans to reflect the changes in Council service groupings, and a programme of testing the revised business continuity plans by way of tabletop exercises.

Following a restructure of the Council's senior management team, it had been decided to restructure the First Call Officer (FCO) group. This group consisted of staff who were expected to be on call 24 hours a day to respond to emergencies outside of working hours. In the past this role had been carried out by the senior management team, however, this approach had been updated and the FCO group had been changed so that there were now 6 officers who were available out of hours on a rota basis. Tactical command training had been received to support a response to any emergencies which occurred, and the Council worked closely with other local authorities as part of the Essex resilience forum. In terms of the actual issues which had been responded to over the past year, these included internal IT related issues, the royal visit in March, a request for mutual aid which had related to the arrival of refugees from Sudan, and the emergency evacuation of flats along the Hythe. Adverse weather conditions had had a huge impact over the year, however the Council worked together with other public service providers to co-ordinate a response to things such as adverse weather across Essex. An internal audit of business continuity which had taken place in September 2023 had achieved a reasonable assurance rating, with 2 recommendations being made. The recommendations were the completion of the remaining business continuity plans and for the Resilience Officer to follow up on 4 areas of testing, and both these recommendations had now been completed. The Business Continuity Plan (BCP) was reviewed annually to ensure it was still appropriate for the Council's needs, and no particular changes to the processes were recommended this year, however, some of the titles in the Plan had been updated to reflect changes in management structure within the Council.

The Committee heard that the change to the FCO group which had been implemented had been seamless, and staff were appointed to the group from the Council's middle management structure who had experience from across the organisation, including 4 members of the Council's Governance Team.



The changes which had been made to the FCO were endorsed by the Committee, which considered that they were eminently sensible. The Corporate Governance Manager responded to questions from Committee members and confirmed that if an FCO had responded to an emergency in the middle of the night then they would not be expected to report for work the next day, and any essential tasks for which they were responsible would be dealt with by their line manager. It was not necessary for FCOs to be present at the site of any emergency, and they were able to effectively co-ordinate the Council's response remotely. If an incident remained ongoing, then the FCO group rota system would be engaged to ensure that effective staff cover was retained throughout.

The Committee requested that there be some level of communication to the leaders of the Council's political groups to remind them of what their responsibilities were in the event of a large scale emergency, and the Monitoring Officer confirmed to the Committee that an appropriate arrangement would be made to facilitate this.

*RESOLVED* that: the Business continuity Strategy for 2024 be endorsed.

#### **407. Mid-Year Internal Audit Assurance Report 2023/2024**

The Committee considered a report summarising the performance of Internal Audit, and detailing the audits undertaken, between 1 April and 30 November 2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee received 2 reports a year on internal audit, an annual report and a mid-y year update. A comprehensive programme of internal audit was provided to the Council by TIAA and consisted of a 5 year rolling programme of audits which was reviewed each year. The Committee heard that the Council operated an effective internal audit service, and in the first half of 2023/2024 indicators for this had been met, with 16 audits completed. Of these audits, 7 had achieved a substantial assurance rating, which was the highest rating possible, and 7 had achieved a reasonable assurance. The last 2 audits had received a limited assurance rating, and both of those audits related to procurement. A report would be presented to the Committee in the near future which would contain more detail on the Council's procurement policies.

Since the report had been written, of the 5 audit recommendations which had been awaiting agreement by management, only one now remained which was the fleet management use of fuel audit, which had only been carried out at the end of November 2023. This report before the Committee had provided substantial information on the audits undertaken and detailing the audits which had been finalised. The Corporate Governance Manager agreed to circulate details of audits which had been finalised since the preparation of the report to the Committee after the meeting.

A Committee member considered the budgetary control assessment which was contained in the report, and considered that the forecast end of year figure was more

appropriate to consider than the variance at the end of period 9. The Corporate Governance Manager would refer this suggestion back to the Council's auditors.

In response to questioning from a Committee member, the Corporate Governance Manager provided some further detail around the procurement audits. The central issues related to the ability to demonstrate control, as the Council had a very detailed procurement process to ensure that there was evidence that the Council understood all its contracts. A new procurement team was in place and the Council's new Procurement Strategy would be presented to the Committee in the near future. The audit recommendation in respect of procurement had been accepted by management with an agreed completion date for the recommendations of 31 March 2025.

*RESOLVED* that: the internal audit activity for the period 1 April 2023 – 30 November 2023 be noted.

#### **408. Work Programme**

The Committee considered a report setting out its work programme for the current municipal year.

Matthew Evans, Democratic Services Officer, attended the meeting to present the report and assist the Committee with its enquiries. The attention of the Committee was directed to the current work programme, which contained reports on the Council's procurement process, and an update on the Housing Revenue Account and Colchester Borough Homes, which had been the subject of debate at the meeting.

It was suggested that at some point in the future, the Committee could consider receiving a report on the issues which were experienced by Councillors when trying to access their Council email.

*RESOLVED* that: the contents of the work programme be noted.

## GOVERNANCE AND AUDIT COMMITTEE

7 February 2024

*Present:-* Councillor Chris Pearson (Chair)  
Councillor Paul Dundas, Councillor Dave Harris,  
Councillor Alison Jay, Councillor Sara Naylor

*Substitutions:* Councillor Simon Appleton for Councillor Paul Smith  
Councillor Carl Powling for Councillor Sunnucks

*Also Present:-* Councillor Mark Cory \*attended remotely\*  
Councillor David King  
Councillor Jocelyn Law

### **409. Minutes of the Previous Meeting**

*RESOLVED* that: the minutes of the meeting held on 13 December 2023 be confirmed as a correct record.

### **410. Have Your Say!**

Councillor Jocelyn Law attended the meeting and addressed the Committee in accordance with the Council's Have Your Say! arrangements. She noted that the Council faced cost pressures which affected budget costings and jobs, and considered that it was really important to show council tax payers that the Council spent money wisely. She had been very concerned to read allegations of inappropriate use of funds at Community 360, which was an organisation that the Council worked closely with on a number of projects. She sought assurance that the Council had measures in place to assess any reputational or financial risk, and also assurance that the Council had a process of due diligence for assessing partnerships it worked with and how they spent their grants and allocations.

The Chair of the Committee noted and shared the concerns which had been raised, but reminded the Committee that an investigation was currently ongoing. It was appropriate that the Council had suitable measures in place to ensure that any funding which it provided to any organisation was used appropriately and properly monitored.

Hayley McGrath, Corporate Governance Manager, reassured the Committee that the arrangements for payments to partner organisations were being reviewed as part of

the Council's internal audit programme to ensure that appropriate controls were in place, and a report would be available shortly.

Councillor Law requested that Members be updated on the measures which were to be taken to provide assurance. Would it be possible for Members to be informed about due diligence and procedures which governed long term relationships with partner organisations, and were these reviewed on a regular basis?

Councillor Cory, Portfolio Holder for Resources, attended the meeting remotely, and, with the permission of the Chair addressed the Committee. He confirmed that Officers had been considering the implications of the allegations which had been made against Community 360, and the Council wished to ensure that it had taken all possible steps to make sure that money that the Council had allocated to partner organisations was spent correctly. He assured the Committee that the Council did carry out due diligence with all partners, and although investigations continued, it was believed at this time that the Council's money had been spent appropriately.

Councillor King, Leader of the Council and Portfolio Holder for Strategy, attended the meeting, and, with the permission of the Chair addressed the Committee. He advised the Committee that he had a past involvement with Community 360 and would make details of this public shortly, although this was not relevant to the current issues. He confirmed that the Portfolio Holder for Communities was involved with the Council's investigation into the allegations which had been made, and assured the Committee that Members would be kept informed, and considered that it was right that Members wished to know what had happened. He emphasised the importance of not conflating the city council with Community 360, as the Council worked with a wide variety of important partners.

The Chair reminded the Committee that Community 360 was not a part of the Council, was not run by the Council, and at the current time did not have any Colchester City Councillors on its Board. There was a long standing relationship with Community 360, and it was essential that all Councillors were kept informed with updates as these became available.

#### **411. Verbal Update from the Council's S151 Officer with regard to the Council's statement of accounts.**

The Committee received a verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.

Chris Hartgrove, Deputy S151 Officer, attended the meeting to present the update and assist the Committee with its enquiries. Although it had not yet been possible to publish the draft 2022/2023 statement of accounts, final work was being undertaken to prepare the statement for publication and an updated publication note was now on the Council's website. The Committee heard that the Council was one of 44 District Councils who had yet to publish their draft 2022/2023 accounts, and although the position was extremely undesirable, the Council was not alone in facing these difficulties.

The Audit for 2020/2021 was progressing and the Council's auditors had been active in this regard, and confirmation was awaited of when the audit of the Council's 2021/2022 accounts would commence.

A Committee member noted that the Committee dealt with risk, and that to start a new set of accounts, the closing balances from the previous year needed to be available. The Council did not have an audited set of accounts from 2021, and he was concerned that if an issue arose from the audit of the 2021 accounts, then this could cascade down through the numbers, and potentially affect this year's budget. How much risk should be apportioned to the fact that historic audit changes to the Council's accounts could potentially affect the Council's financial position years later? In response, the Deputy S151 Officer confirmed to the Committee that valuation adjustments were technical adjustments which would not affect the Council's usable reserves and would not therefore affect subsequent budgets.

Andrew Small, S151 Officer, attended the meeting remotely and addressed the Committee. The Committee was assured that the delays in producing the 2022/2023 accounts were not down to a lack of effort on the part of staff working on them. Local government statements of accounts had become increasingly complex over the preceding years, which in part explained the difficulties in both preparing accounts and getting these audited. Central government was about to issue a consultation which was expected to include the date of 30 September 2024 by which all accounts would have to be concluded up to but not including the 2023/2024 accounts. The S151 Officer had recently spoken to a partner in a major audit firm which carried out local authority audits, and who had indicated that if it was considered that audits could not be completed by the proposed longstop date, then it was possible that accounts would be qualified instead. This potentially meant that the Council may not have surety by 30 September, which could have implications for years to come, and was a wholly unsatisfactory position. In terms of risk, it was considered that the risk of an audit opinion changing the position as set out in the Council's published draft accounts had been contained, and although there would always be risk associated with preparation of statements of account, none of these were considered to be of sufficient significance to affect the Council's balances. It was considered that it was likely that the 2023/2024 accounts would have to be resolved by 31 March 2025, and after this date, the Council would move into a new regime with new auditors.

A Committee member was concerned that it had initially been hoped that the draft accounts for 2022/2023 would be published in December 2023, and then in January 2024, but had still not been published. Furthermore, it was considered troubling that Councillors had received an invitation to a budget briefing session which was to take place on 14 February 2024, before the draft accounts would have been published. At a previous meeting a Committee member had expressed a great deal of concern that it was important that the draft accounts be published in January to allow an informed position to be taken for the forthcoming budget. What degree of confidence was there now that the draft accounts would be published, given the previous slippage on the deadlines? The Deputy S151 Officer acknowledged that the Committee had raised concerns in the past about the Council's reserve position, and confirmed that the reserves position had now been finalised and shared both with the

administration of the Council and the political Group Leaders of the Council. In terms of the publication of the draft accounts, the Committee heard that a team of Officers was working extremely hard to prepare these, and that the accounts had been balanced some weeks ago, with the balance sheet now fully reconciled to the income and expenditure account, which were major milestones in the process.

Although The Committee was concerned by the delays in publishing the draft accounts, it was pleased to note the clarity and detail of the financial information which was now being provided to the Council, and which it considered lead to greater understanding of the Council's financial position.

*RESOLVED* that: the contents of the verbal update be noted.

#### **412. Capital Expenditure Outturn 2022/2023**

The Committee considered a report setting out the Capital Outturn position for 2022/23, for both the General Fund and Housing Revenue Account (HRA).

Chris Hartgrove, Deputy S151 Officer, attended the meeting to present the update and assist the Committee with its enquiries. Th General Fund Capital Programme for 2022/2023 had an approved budget of £73.466m, and there had been significant slippage on the Programme. The most significant item had been loan advances of £26.7m to Colchester Amphora Housing that subsequently had not taken place during 2022/23 as planned. The Housing Revenue Account (HRA) had an approved budget for the year of £61.785m and there had also been some significant slippage here, most notably on the house building programme.

The Chair of the Committee noted that the HRA was under review and that a briefing on the HRA for Committee members had been requested and which would be delivered in the near future.

A Committee member suggested that it should be possible to calculate the return on the Council's investment in Rowan House, was this return on investment known? Cllr Cory, Portfolio Holder for Resources, attended the meeting remotely, and, with the permission of the Chair addressed the Committee. He confirmed that the capital sums which had been invested in Rowan House would be repaid over a number of years, and that the net costs to the Council for the refurbishment works had been £1.8m, and which would be recouped though rent collected.

It was considered by a Committee member that the initial procurement of Rowan House had been a good decision in his view, and refurbishing it had also been the right thing to do. In the light of the works which had been carried out, the valuation of Rowan House would have to be reassessed. The Deputy S151 Officer confirmed that the updated valuation of Rowan House would be automatically reflected in the Council's balance sheet.

Concern was raised by the Committee about the underspend of the Disabled Facilities Grants (DFGs). Lucie Breadman, Strategic Director, attended the meeting

remotely and confirmed to the Committee that the Council had an excellent reputation for delivering DFGs, however, the balance and funding of staffing resources remained key to the continued delivery of this service. Although the Council had received funding to deliver DFGs themselves, this did not include funding for staff to deliver the Grants, and this was a matter on which the council, together with other local authorities, had lobbied central government.

*RESOLVED* that:

- The General Fund Capital Programme outturn for 2022/23 be noted (including Appendix A).
- The Housing Revenue Account Capital Programme outturn for 2022/23 be noted.

#### **413. Internal Audit Plan 2024/2025**

The Committee considered a report requesting that it approve the proposed annual internal audit plan.

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that the Council operated a 5 year rolling Internal Audit Programme, which was reviewed on an annual basis. The intended Programme for 2024/2025, which covered 271 audit days, was set out for the Committee in the Officer's report, together with suggested programmes for 2025/2026 and 2026/2027. Some of the audits which were to be carried out were required to be carried on an annual basis, for example to provide support for the statement of accounts, and some audit days were given to Colchester Borough Homes (CBH) and Colchester Commercial (Holdings) Limited (CCHL) for their use. The intended Programme took into account risks from the Strategic Risk Register, and the Committee was invited to interrogate the proposed Plan or highlight any areas where it was felt that audits may be required.

In discussion, the Committee sought assurance that staff who were required to assist in the internal audits which took place were supported in the delivery of their day-to-day work during this time. The Corporate Governance Manager confirmed to the Committee that prior to the delivery of the Audit Programme, there was consultation with the Council's Heads of Service to determine a suitable time for audits to take place, subject to any timing requirements of the audits themselves and where possible, audits could be scheduled for times where staff were traditionally less busy. The number of days which had been specified for audits were the number of days that the auditors themselves would spend on an audit, and following initial information gathering from staff, most of the work on an audit consisted of the auditors reviewing this information remotely. Staff were not required to provide assistance for the entire audit period, but may be asked to help with any subsequent questions or concerns which arose, most commonly via email or remote meetings. In this way, the impact of an audit on a Council service was as minimal as possible.

A Committee member noted that during the 5 year rolling Internal Audit Programme, the Council was likely to undergo substantial transformation in its services, was the Plan flexible enough to deal with these? The Corporate Governance Manager confirmed that the Plan was very flexible and was subject to change within the year as services and demands on time changed. The Committee received a report every 6 months which contained any updates to the Plan, and which highlighted any issues or concerns which had arisen. In addition to this, further auditing days were available if an unexpected item cropped up during the year.

*RESOLVED* that: the proposed Internal Audit plan for 2024/25, as set out in the Officer's report, be approved.

#### **414. Work Programme**

The Committee considered a report setting out its work programme for the current municipal year.

Matthew Evans, Democratic Services Officer, attended the meeting to present the report and assist the Committee with its enquiries.

The Committee was asked to note that the proposed item delivering an update on the Council's procurement process which had been scheduled for its March 2024 meeting would not be delayed until the first meeting of the Committee in the new municipal year, as detailed in the Officer's report.

The Committee requested that consideration be given to the presentation of a report detailing the Council's transition to a Corporate Landlord Model towards the end of the next municipal year.

*RESOLVED* that: the revised contents of the work programme be noted.



9 April 2024

<b>Report of</b>	<b>The Section 151 Officer</b>	<b>Author</b>	<b>Chris Hartgrove</b> (chris.hartgrove@colchester.gov.uk)
<b>Title</b>	<b>Draft Statement of Accounts 2022/23</b>		
<b>Wards affected</b>	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 of 31st March 2023, 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 2023 was due to commence on 1st June 2023 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 for 2020/21 and 2021/22 have not yet been finalised.
- 1.4 However, in the continued interests of transparency, as with the draft Statement of Accounts 2021/22, the Council published an uncertified draft Statement of Accounts 2022/23 on the Council website on 26th February 2024 (**Appendix A**), which the Committee are asked to note.
- 1.5 The audited Statement of Accounts for 2022/23 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 Decision

- 2.1 To note the draft Statement of Accounts 2022/23 (**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 2022/23 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**

5.1 None.

#### **6. Standard References**

6.1 The local government financial reporting and audit regime exists within in a tightly regulated framework. For the accounting period 2022/23, 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.

6.2 The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code').

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

#### **7. Environmental and Sustainability Implications**

7.1 None.

#### **8. Appendices**

8.1 Colchester City Council's *draft* Statement of Accounts 2022/23 (published 26th February 2024) – **Appendix A**



Colchester  
City Council

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STATEMENT OF  
**ACCOUNTS**

**2022 | 2023**

## Contents

<b>Narrative Statement</b> .....	4
<b>STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS</b> .....	18
<b>Movement in Reserves Statement</b> .....	19
<b>Comprehensive Income and Expenditure Statement</b> .....	21
<b>Balance Sheet</b> .....	22
<b>Cash Flow Statement</b> .....	23
<b>NOTES TO THE CORE FINANCIAL STATEMENTS</b> .....	24
1. <b>Accounting Policies</b> .....	24
2. <b>Expenditure Funding Analysis</b> .....	34
3. <b>Accounting Standards that have been issued but have not yet been adopted</b> .....	36
4. <b>Critical judgements in applying accounting policies</b> .....	37
6. <b>Material items of income and expenditure</b> .....	39
7. <b>Prior period adjustments</b> .....	39
8. <b>Events after the Balance Sheet Date</b> .....	39
9. <b>Adjustments between accounting basis and funding basis under regulations</b> .....	40
10. <b>Transfers to/from Earmarked Reserves</b> .....	42
11. <b>Other Operating Income and Expenditure</b> .....	43
12. <b>Financing and Investment Income and Expenditure</b> .....	43
13. <b>Taxation and Non-Specific Grant Income</b> .....	44
14. <b>Property, Plant and Equipment</b> .....	45
15. <b>Investment Properties</b> .....	49
16. <b>Fair Value Measurement of Property Assets</b> .....	50
17. <b>Assets Held for Sale</b> .....	53
18. <b>Capital Expenditure and Capital Financing</b> .....	53
19. <b>Financial Instruments</b> .....	54
20. <b>Long Term Debtors</b> .....	60
21. <b>Investment in Subsidiaries</b> .....	60
22. <b>Inventories</b> .....	60
23. <b>Short-term Debtors</b> .....	61
24. <b>Cash and Cash Equivalents</b> .....	61
25. <b>Short-term Creditors</b> .....	62
26. <b>Provisions (Short and Long Term)</b> .....	62
27. <b>Usable Reserves</b> .....	63
28. <b>Unusable Reserves</b> .....	63
29. <b>Cash Flow Statement – Operating Activities</b> .....	66
30. <b>Cash Flow Statement – Investing Activities</b> .....	67

<b>31. Cash Flow Statement – Financing Activities</b> .....	67
<b>32. Members’ Allowances and Expenses</b> .....	68
<b>33. Officers Remuneration</b> .....	68
<b>34. Termination Benefits (Exit Packages)</b> .....	71
<b>35. External Audit Costs</b> .....	72
<b>36. Grant Income</b> .....	73
<b>37. Related Parties</b> .....	75
<b>38. Leases</b> .....	76
<b>39. Defined Benefit Pension Scheme</b> .....	78
<b>Housing Revenue Account</b> .....	84
<b>HRA Income and Expenditure Statement</b> .....	84
<b>MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT</b> .....	85
<b>NOTES TO THE HOUSING REVENUE ACCOUNT</b> .....	86
<b>H1. Dwellings Rents and Analysis of the Housing Stock</b> .....	86
<b>H2. Vacant Possession Value of the Housing Stock</b> .....	87
<b>H3. Non-Dwelling Rents</b> .....	87
<b>H4. Charges for Services and Facilities</b> .....	87
<b>H5. Major Repairs Reserve</b> .....	87
<b>H6. Pension Reserve</b> .....	88
<b>H7. HRA Capital Financing</b> .....	88
<b>H8. Interest Payable</b> .....	89
<b>H9. Depreciation charges</b> .....	89
<b>H10. Rent Arrears</b> .....	89
<b>H11. Revenue Balances</b> .....	90
<b>H12. Capital Expenditure Charged to Revenue</b> .....	90
<b>Collection Fund</b> .....	91
<b>Collection Fund Income and Expenditure Statement</b> .....	<b>Error! Bookmark not defined.</b>
<b>Notes to the Collection Fund Accounts</b> .....	92
<b>C1. General</b> .....	92
<b>C2. Income from Council Tax</b> .....	92
<b>C3. Income from Business Ratepayers</b> .....	93
<b>C4. Council Tax and NNDR Surplus/Deficit</b> .....	93
<b>C5. Debtors for Local Taxation</b> .....	93
<b>GROUP ACCOUNTS</b> .....	94
<b>Group Movement in Reserves Statement</b> .....	95
<b>Group Balance Sheet</b> .....	98
<b>Group Cash Flow Statement</b> .....	99

<b>Notes to the Group Financial Statements</b> .....	100
<b>G1. General</b> .....	100
<b>G2. Prior year adjustments</b> .....	100
<b>G3. Subsidiary Companies consolidated into the Group Accounts</b> .....	100
<b>G4. Consolidation of Operating Income and Expenditure</b> .....	100
<b>G6. Events after the Balance Sheet date</b> .....	100
<b>G7. Short-term Debtors</b> .....	101
<b>G8. Cash and Cash Equivalents</b> .....	101
<b>G9. Short-term Creditors</b> .....	102
<b>G10. Subsidiaries Reserves</b> .....	102
<b>G11. Cash Flow Statement Notes</b> .....	103
<b>G12. Officers' Remuneration</b> .....	104
<b>G13. Termination Benefits (Exit Packages)</b> .....	107
<b>G14. Defined Benefit Pension Scheme</b> .....	107
<b>GLOSSARY OF TERMS</b> .....	110
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	114

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## Narrative Statement

### Introduction

The Statement of Accounts for Colchester City Council for the year ended 31 March 2023 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 2022/23 (“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 (FRAB).

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 2022/23 is 31 May 2023 for the unaudited statement of accounts and 30 November 2023 for the audited statement of accounts which have to be approved by the Audit Committee.

However, the national backlog in audit work and local resource constraints have combined to delay the production of firstly the 2021/22 Statement of Accounts (published September 2023), which in turn has delayed the production of the of this – the 2022/23 – Statement of Accounts (published February 2024).

This Statement of Accounts demonstrate that 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.

### Introduction to Colchester

Colchester was awarded official city status as part of the Queen’s Platinum Jubilee celebrations on 23 November 2022. Colchester was long classified as a town until this. Colchester was one of only three to have submitted bids to become offers on five occasions city status has been available. The former Roman settlement was named one of eight towns to be made cities to mark the Queen’s Platinum Jubilee.

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

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.

The next largest towns are Wivenhoe, Tiptree and West Mersea. The island of Mersea is at the south of the City, 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.

The City Council comprises 51 councillors in 17 wards and operates the Leader and Cabinet model. The Council is currently led by a Liberal Democrat administration, with the full political balance as follows; Conservative 19 councillors, Liberal Democrat 16 councillors, Labour 14 councillors, and Green Party 2 councillors.

### Summary of Achievements

#### The Strategic Plan

The Strategic Plan 2020-23 (which encompasses the 2022/23 Statement of Accounts) sets out how the Council would address the key challenges facing the (then) Borough through five strategic priority 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.

The Plan outlined 15 priorities (3 under each strategic theme), considering the impact of the Covid-19 pandemic, and set out the key goals by which success would be measured, together with a clear set of commitments that would be delivered. These formed the basis for the Strategic Plan Action Plan.

The priorities with key highlights of progress and achievements are shown below.

**1. Tackling the Climate Challenge and Leading Sustainability**

Priority Description	Achievements
Respond to the Climate Emergency	The Council's carbon emissions have been reduced by 10.1% since 2019/20.
	The Council agreed to develop a 17.5 Hectare Solar Park and Microgrid at the Northern Gateway and has completed RIBA stage 1 and 2 feasibility/viability work, now proceeding onto the planning application stage.
Conserve and enhance biodiversity	The Colchester Woodland and Biodiversity Project planted trees in suitable areas and by focusing on the naturalisation of sites, enhanced the biodiversity further, reviewing the management regimes and continuing to communicate changes to our communities.
	'Open Up Our River': by clearing up and cutting back, improving access and walks along the River Colne, with ongoing scheduled maintenance work through Grounds Maintenance Contract.
	'Cherish Our Parks': to improve their condition, with yet more tree and wildflower planting and path improvements, with continued review of the Grounds Maintenance Contract incorporating additional wildflower planting where budget allows and dialogue with key stakeholders on planting approach alongside the continuation of wild verges in Wivenhoe.
Enable more opportunity for walking and cycling around Colchester	The infrastructure for sustainable travel has been boosted through Levelling Up Fund and Town Deal projects included a number of walking and cycling improvements such as the City Centre to Greenstead and University walking and cycling route Local Cycling Walking Infrastructure Plan (LCWIP) 4, alongside the Fixing the Link and Active Travel Fund 2 projects also progressing in support of the wider LCWIP programme with Essex County Council.



## 2. Creating Safe, Healthy and Active Communities

Priority Description	Achievements
Build on community strengths and assets	Embedding Communities Can with system partners and communities including training and awareness, learning from best practice, capacity building and outcomes focus, enabling an Asset Based Community Development Approach.
Tackle the causes of inequality and support our most vulnerable people	Prioritising support for those faced with terrible choices, between food or warmth or other essential needs, working with communities and through our community partners to build community wealth. This has included working with partners, strengthening the capacity of the Council's high performing welfare support team, and leveraging resources to provide targeted help for those in extreme difficulty, acknowledging rising demand for help and support for the most vulnerable.
	A Colchester Emergency Fund provided targeted help for those in extreme difficulty, whether with food or warmth or other essential needs, as a supplement to national schemes and other support, working through our community partners.
	A Crisis Reaction Service drew on and strengthened our high performing benefits team, acknowledging rising demand, continuing to connect residents to sources of support and to otherwise alleviate hardship, at pace, with partners. This enabled a Local Council Tax Support (LCTS) Fund to launch, enabling discretionary support, with remaining funding from the main scheme, of up to £100 to all Council Taxpayers in hardship, with minimal application process.
Provide opportunities for young people	Through Town Deal funding, commencing work to transform youth facilities in the City Centre (Townhouse youth centre), Stanway and Highwoods.
	Completion of Buffett Way Playground refurbishment (£30k), modernising this play space after years of deprivation, with 'Priority 1' play areas to invest an additional £150k playground funding made available to upgrade play areas that are in desperate need.

### 3. Delivering Homes for People who Need Them

Priority Description	Achievements
Increase the number, quality, and types of homes	The Strategic Plan target was to deliver 380 affordable homes (set pre Covid). By year end 2023 the number of homes delivered was 390 homes. During 2022-2023 a total of 172 homes were delivered including 100 with Registered Providers via S106 agreements, 42 via 100 Homes & Acquisitions, 20 Council new build and 10 First Homes (the government's new Home Ownership product).
Prevent households from experiencing homelessness	<p>During 2022-23, homelessness was prevented for 209 households and 77 households were assisted into accommodation under the relief duty. The Rough Sleeper Team provided support and assistance to 137 rough sleepers and accommodated 53, whilst 29 rough sleepers were reconnected.</p> <p>Help and support, with community and voluntary groups, to integrate Ukrainian and other refugees into our communities was also provided, increasing work with Refugee Action and Colchester Borough Homes to manage and minimise any homelessness issues; increasing rematching activities as original arrangements end.</p>
Create new communities and adopt a new Local Plan that delivers jobs, homes, and the infrastructure to meet the Borough's future needs.	A new Local Plan was adopted, which allocates sites for housing, employment, and associated infrastructure.

#### 4. Growing a Fair Economy so Everyone Benefits

Priority Description	Achievements
Enable Economic Recovery from Covid-19 ensuring all residents benefit from growth.	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, also providing specialist support to businesses including on cost reduction and decarbonising.
Work with partners to deliver a shared vision for a vibrant town.	<p>Our bid for City Status was successful and we are engaging partners to agree how to capitalise on this.</p> <p>Work with Essex County Council and partners to develop a Masterplan for the Town Centre is well underway with strong engagement with partners and stakeholders. We are also working with the Business Improvement District to support businesses through their Leisure Recovery Strategy and on projects such as to install new gateway signage to promote use of local city centre retail.</p>
Create an environment that attracts inward investment to Colchester and help businesses to flourish.	<p>Government approved all our £18.2m Town Deal business cases and so projects are starting delivery work on improved public spaces, easier transport, better digital connection, and new community facilities.</p> <p>Our £20m bid to the Government's Levelling Up funding for the Town Centre was successful and so we are carrying out the necessary preparatory work.</p>

## 5. Celebrating our Heritage and Culture

Priority Description	Achievements
<p>Agree and implement a new Cultural Strategy that supports our cultural assets</p>	<p>The Shared Prosperity Fund will support three projects to be delivered by Creative Colchester; business support for the cultural sector and creative industries in Colchester; a new monthly cultural offer in the City Centre bridging the gap between the day and night economies and a project working with local schools to encourage young residents to pursue careers in our local cultural industries.</p>
	<p>Funding has been allocated across 29 projects under Year 2 of the Cultural and Creative Events Fund as per the recommendation in the Cultural Strategy to provide micro grants to arts, cultural and heritage activity.</p>
<p>Strengthen Colchester's tourism sector and welcome more visitors each year</p>	<p>To help build back awareness of and confidence in Colchester as a visitor destination with the group travel industry and mitigate costs and other issues which can deter groups from visiting, a coach and group tourism incentive scheme supported by a targeted promotional campaign including free bookable city centre coach parking (previously pay and display and not reservable), refreshment/shopping vouchers for drivers/couriers and a discount to the Castle was launched. In the first year of the scheme 50 groups registered bringing nearly 2,000 additional visitors to the city centre between May and Dec 2022.</p>
<p>Protect, enhance, and celebrate Colchester's unique heritage</p>	<p>Visitor numbers for 2022-23 at the Castle exceeded pre-pandemic levels with total admissions and school groups reaching 89,634 people – a figure only previously reached in the years immediately after the castle's redevelopment in 2014.</p>
	<p>The Castle welcomed the King and Consort as part of the celebration of city status.</p>

### Key performance indicators for 2022/23

The Council has 16 key performance indicators that are reported to Cabinet twice a year. 2022/23 key performance indicator targets were approved by 9 March 2022 Cabinet. Actual performance in 2022/23 is shown below.

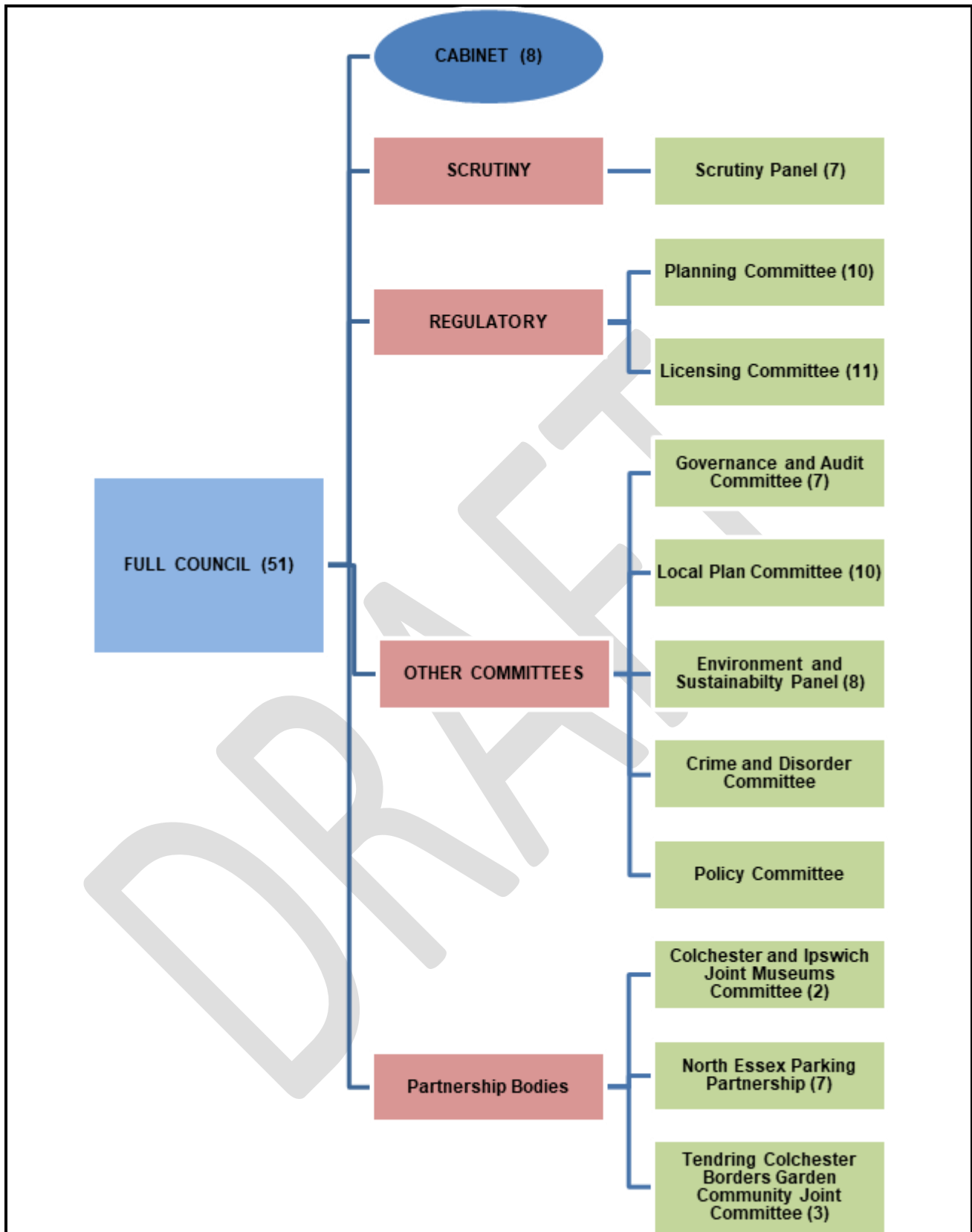
Service Area	Indicator	Red/Amber/Green (RAG) Status	
		2021/22	2022/23
Housing Benefits	Time to process new claims and changes (two indicators).	Green	Green
Housing	Net additional homes provided.	Green	Red
	Affordable homes delivered (gross).	Red	Green
	Homelessness cases prevented.	Green	Red Number of households in temporary accommodation per 1,000 households
	Rent collected.	Green	Green
	Average time to relet council homes.	Red	Green
Planning	Processing of major planning applications.	Green	Green
	Processing of minor planning applications.	Green	Green
	Processing of other planning applications.	Green	Green
Resources and Organisation	Council Tax collected.	Green	Green
	Business Rates collected.	Green	Green
	Sickness rate in working days.	Red	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 2022/23 is that the Council's internal auditors TIAA are satisfied that Colchester City 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 City Council that were in place during 2022/23.



### **The Cabinet**

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

- 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;
  - and
  - (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 except for 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; and
- Strategic Highway and Transportation issues.

### **Governance and Audit Committee**

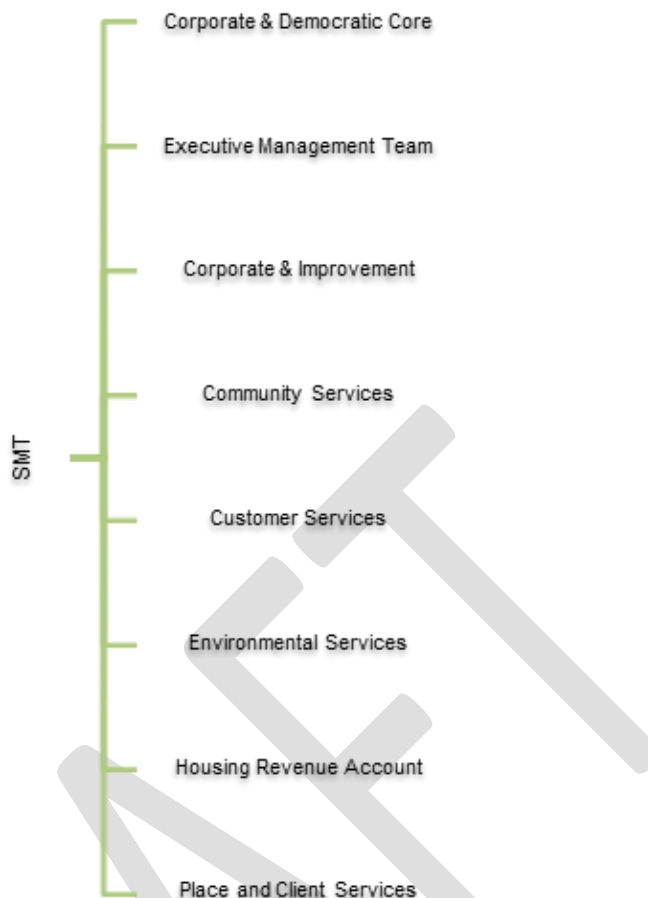
The Committee is made up of 7 Councillors and normally meets up to 8 times per year. Its function is to:-

- 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 consolidated within the group accounts

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

There have been no changes in 2022/23 to the organisations consolidated in the Group Accounts.

The Group Accounts include Colchester Borough Homes (CBH). CBH was created in 2003 as an Arm's 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; and
  - major refurbishment and improvement programmes.
- Facilities management and the housing options service.

The Group Accounts also 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.



Financial Performance Summary 2022/23

Revenue

General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2022/23.

General Fund Services 2022/23	Net Expenditure		Variance
	Budget	Outturn	
	£000's	£000's	£000's
Corporate & Democratic Core	(448)	(520)	(72)
Executive Management Team	827	731	(96)
Corporate & Improvement	6,788	6,995	207
Customer	3,938	3,889	(49)
Community	932	978	46
Environment	6,443	7,632	1,189
Place and Client	5,005	5,089	84
Financing & Recharges	1,302	261	(1,041)
Corporate and Technical	(2,830)	(3,261)	(431)
<b>Totals</b>	<b>21,957</b>	<b>21,794</b>	<b>(163)</b>

The Month 12 Accounts show that the General Fund budget was in surplus by £0.163 million at year end. This was an improvement from the forecast deficit of £0.434 million forecast at Quarter 3 (31st December 2022), although it recognised that there remained a number of potential changes to the forecast, which have materialised, such as additional ad-hoc Government grants of £0.261 million and a year-end review of corporate items carried forward from previous years.

The most significant variance related to the Environment service, falling short of budget by £1.189 million, although a significant overspend had been identified as early as Quarter 1 (30<sup>th</sup> June 2022), due to employee costs, including delivery of the Waste service, and challenging economic conditions such as inflationary pressures on fuel costs.

In contrast, there was a net gain on capital financing costs, with a net surplus of £1.076m on interest payable, interest earnings and Minimum Revenue Provision charges. Furthermore, a review of corporate item carry forwards from previous years delivered a saving of £0.532 million.

## Housing Revenue Account

The table below summarises the outturn on the HRA for 2022/23 compared to 2021/22.

Description	2021/22 £000's	2022/23 £000's	Variance £000's
Total Income	(30,215)	(31,703)	(1,488)
Total Expenditure	32,444	44,150	11,706
<b>Net Cost of Services (included in CIES)</b>	<b>2,229</b>	<b>12,447</b>	<b>10,218</b>
Corporate expenses charged to HRA	399	471	72
<b>Net Cost/(Income) of HRA Services (included in CIES)</b>	<b>2,628</b>	<b>12,918</b>	<b>10,290</b>
Other accounting adjustments	362	2,060	1,698
<b>(Surplus)/Deficit on HRA Services</b>	<b>2,990</b>	<b>14,978</b>	<b>11,988</b>
Reconciling adjustments (including reversals)	(3,056)	(15,004)	(11,948)
<b>(Increase) /Decrease in HRA Balance</b>	<b>(66)</b>	<b>(26)</b>	<b>40</b>

The HRA Balance further increased by £0.026 million in the year (£0.066 million in 2021/22); this was despite some significant increases in Management and Repairs and Maintenance, which were up by £1.895 million this year (from £15.242 million in 2021/22, to £17.137 million in 2022/23).

In contrast, overall Income increased by £1.488 million (from £30.215 million in 2021/22, to £31.703 million in 2022/23), driven by additional income received from Dwelling Rents.

Capital charges for Depreciation and Amortisation increased in the year by £0.510 million (from £5.013 million in 2021/22, to £5.523 million in 2022/23). Revaluation Losses of £23.780 million (£16.112 million in 2021/22) were charged to the HRA, which outweighed Revaluation Gains of £2.729 million (£3.858 million in 2021/22) credited to the HRA (to reverse Revaluation Losses that had been charged in previous years). The Revaluation Losses and Impairment Charges made to the HRA do not impact on Rent levels as they are reversed out in the Movement in Reserves Statement.

A significant contribution of £4.409 million was made from the HRA to fund capital expenditure this year (compared to £5.247 million in 2021/22, which reduced due to the lower net operating expenditure surplus in 2022/23). The HRA Balance ended the year at £4.582 million (compared to £4.555 million in 2021/22).

## Capital

The table below summarises the Capital Expenditure outturn for 2022/23.

Description	2021/22	2022/23
	£000's	£000's
General Fund	10,607	12,235
Housing Revenue Account (HRA)	25,607	29,657
<b>Total Capital Programme</b>	<b>36,214</b>	<b>41,892</b>

Expenditure on the General Fund Capital Programme increased by £1.628 million this year, although this was short of the overall budget provision of £73.466 million. There were two dominant areas of underspending on General Fund capital:

- New Council Housing Company Loans (£26.700 million) – the Programme originally included plans to advance loans of £26.7 million to Colchester Amphora Housing Ltd. However, no loans were subsequently advanced due to a change in delivery strategy and the Council's appetite for risk. The planned loans have now been removed from the Capital Programme; and
- Equity Investment in CCHL (£5.800 million) – as with loans to the Housing Company, there was no Equity Investment in Colchester Amphora Housing Ltd in 2022/23 and such planned capital investment has now been removed from the Capital Programme due to the change in delivery strategy.

There was a net increase of £4.050 million in expenditure on the HRA Capital Programme in the year compared to 2021/22. However, total expenditure – at £29.657 million – on the overall Capital Programme was £32.128 million lower than originally planned, with three notable areas of underspending/slippage; New Build, Sheltered Accommodation and the Stock Investment Programme as follows:

- New Build (£12.798 million) – there was an underspend of £12.798 million (against a total budget of £14.432 million). There were two schemes which did not go ahead; Mill Road due to the review of Amphora Homes, and the inability to reach a viable agreement on Arthur Street. Funding for both have been carried forward and re-purposed into new schemes, such as the purchase of the Military Road site. There were underspends as several schemes encountered planning issues and delays, with the funding carried forward for the planned delivery of the units from April 2024 onwards.
- Sheltered Accommodation (£9.038 million) – the underspend relates to a delay in the refurbishment of Elfreda House, and the unspent budget will be carried forward into 2023/24 to enable the continuation of the project.
- Stock Investment Programme (£7.859 million) – the single largest variance on the Stock Investment Programme relates to the timing of the supplementary projects budget of £4.1m, which is making funding available for Climate Emergency works, including the Social Housing Decarbonisation Fund project and Retrofit works to the housing stock Regeneration project (underspend £2.728 million). There were also underspends relating to building safety works, roofing works, windows & doors and planned and major adaptation works, all of which have been carried forward (£1.5m) to enable delivery in 2023/24.

## Balance Sheet

### Usable Reserves

The overall balance on Usable Reserves reduced from £48.903 million to £46.515 million over the year. The year end balance comprised the following:

- General Fund Balance - £2.175 million (£2.161 million 2021/22)
- Housing Revenue Account Balance - £4.582 million (£4.555 million 2021/22)
- Earmarked Reserves - £28.067 million (£32.943 million 2021/22); and
- Capital Reserves - £11.691 million (£9.244 million 2021/22)

The most notable movement on Usable Reserves in 2022/23 was the reduction in Earmarked Reserves from £32.943 million to £28.067 million. The dominant factor was the net usage of £3.544 million on the Business Rates, which predominantly reflected the application of Section 31 reserves (built up during the pandemic) to the Collection Fund as explained below.

## Collection Fund

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. It was mixed fortunes for the Collection Fund this year as the system and the numbers continued to settle down following the pandemic-driven upheaval experienced in 2020/21 and 2021/22. Thus:

- Council Tax (2022/23 Deficit £2.419 million) – the Colchester share of the recorded (in-year) Deficit is £0.299 million. The overall Deficit reflected the distribution of a forecast surplus balance of £3.329 million in 2021/22, which was £1.832 million higher than the eventually reported surplus of £1.497 million.
- Business Rates (2022/23 Surplus £13.361 million) – the Colchester share of the recorded (in-year) Surplus is £5.344 million. For the second year running, an exceptionally large Surplus was recorded as Section 31 reserves built up during the pandemic were released to the Collection Fund; the balance on the Business Rates element of the Collection Fund is now back in Surplus for the first time since 2019/20.

The Collection Fund carried an overall Surplus as of 31st March 2023 of £0.262 million (Council Tax £0.922 million Deficit, Business Rates £1.184 million Surplus).

## 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, and Operational Risk Registers that are produced by individual service areas, as well as specific risk mitigation initiatives.

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

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

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E-mail: [philippa.dransfield@colchester.gov.uk](mailto:philippa.dransfield@colchester.gov.uk)  
Tel : 01206 506575

## 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 2024

### 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 2024

## Movement in Reserves Statement

	Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000			
Balance at 1 April 2022	(2,161)	(4,555)	(32,943)	(9,205)	(39)	(48,903)	(427,664)	(476,567)
(Surplus) /deficit on the provision of services (accounting basis)	4,633	15,029	-	-	-	19,662	-	19,662
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(186,207)	(186,207)
Total Comprehensive Income and Expenditure	4,633	15,029	-	-	-	19,662	(186,207)	(166,545)
Adjustments between accounting and funding basis under regulation - note 9	229	(15,056)	-	(2,467)	20	(17,274)	17,274	-
Net increase/decrease before transfers to Earmarked reserves	4,862	(27)	-	(2,467)	20	2,388	(168,933)	(166,545)
Transfers to/from Earmarked reserves - note 10	(4,876)	-	4,876	-	-	-	-	-
Increase/(Decrease) in Year	(14)	(27)	4,876	(2,467)	20	2,388	(168,933)	(166,545)
<b>Balance at 31 March 2023</b>	<b>(2,175)</b>	<b>(4,582)</b>	<b>(28,067)</b>	<b>(11,672)</b>	<b>(19)</b>	<b>(46,515)</b>	<b>(596,597)</b>	<b>(643,112)</b>

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2021	(2,030)	(4,489)	(36,276)	(6,307)	(6)	(49,108)	(340,517)	(389,625)
(Surplus)/deficit on the provision of services (accounting basis)	(1,337)	2,990	-	-	-	1,653	-	1,653
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(88,595)	(88,595)
Total Comprehensive Income and Expenditure	(1,337)	2,990	-	-	-	1,653	(88,595)	(86,942)
Adjustments between accounting and funding basis under regulation - note 8	4,487	(3,004)	-	(2,898)	(33)	(1,448)	1,448	-
Net increase/decrease before transfers to Earmarked reserves	3,150	(14)	-	(2,898)	(33)	205	(87,147)	(86,942)
Transfers to/from Earmarked reserves - note 10	(3,281)	(52)	3,333	-	-	-	-	-
Increase/(Decrease) in Year	(131)	(66)	3,333	(2,898)	(33)	205	(87,147)	(86,942)
<b>Balance at 31 March 2022</b>	<b>(2,161)</b>	<b>(4,555)</b>	<b>(32,943)</b>	<b>(9,205)</b>	<b>(39)</b>	<b>(48,903)</b>	<b>(427,664)</b>	<b>(476,567)</b>

## Comprehensive Income and Expenditure Statement

	Notes	2022/23			2021/22		
		Expenditure £'000	Income £'000	Net £'000	Expenditure £'000	Income £'000	Net £'000
Corporate & Democratic Core		360	(1,411)	(1,051)	327	(473)	(146)
Executive Management Team		824	-	824	792	(8)	784
Corporate & Improvement		9,309	(2,523)	6,786	9,229	(1,817)	7,412
Communities		11,215	(7,273)	3,942	12,505	(7,790)	4,715
Customer		41,606	(37,653)	3,953	48,549	(44,812)	3,737
Environment		24,395	(12,192)	12,203	22,135	(11,842)	10,293
Housing Revenue Account		47,401	(34,432)	12,969	29,702	(30,176)	(474)
Place and Client Services		22,729	(13,317)	9,412	21,970	(12,287)	9,683
Non Distributed Costs		503	-	503	775	(451)	324
<b>Cost of Services</b>		<b>158,342</b>	<b>(108,801)</b>	<b>49,541</b>	<b>145,984</b>	<b>(109,656)</b>	<b>36,328</b>
Other Operating Income and Expenditure	11	5,606	(5,887)	(281)	2,606	(1,337)	1,269
Financing and Investment Income and Expenditure	12	9,101	(7,240)	1,861	7,298	(8,238)	(940)
Taxation and non-specific grant income and expenditure	13	-	(31,459)	(31,459)	1,327	(36,331)	(35,004)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>173,049</b>	<b>(153,387)</b>	<b>19,662</b>	<b>157,215</b>	<b>(155,562)</b>	<b>1,653</b>
Surplus/Deficit on revaluation of non-current assets.				(59,305)			(54,980)
Remeasurement of the net defined Pension				(126,902)			(33,615)
<b>Other Comprehensive Income and Expenditure</b>				<b>(186,207)</b>			<b>(88,595)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(166,545)</b>			<b>(86,942)</b>



## Balance Sheet

	Notes	31-Mar-23 £000	31-Mar-22 £000
Property, Plant and Equipment	14	721,026	659,864
Heritage Assets		1,332	1,332
Investment Properties	15	48,083	46,210
Intangible Assets		-	2
Long Term Investments		6	6
Long Term Debtors	20	7,312	7,021
Investment in subsidiaries		1,580	1,580
<b>LONG TERM ASSETS</b>		<b>779,339</b>	<b>716,015</b>
Assets Held for Sale	17	560	-
Inventories	22	221	198
Short Term Debtors	23	14,462	17,925
Short Term Investments		-	-
Short Term Loans		29	45
Cash and Cash Equivalents	24	36,851	80,512
<b>CURRENT ASSETS</b>		<b>52,123</b>	<b>98,680</b>
Short Term Creditors	25	(33,090)	(58,400)
Short Term Borrowing	19	(16,764)	(26,745)
Provisions	26	(2,423)	(2,126)
Revenue grants receipts in advance	36	(6,140)	(4,893)
<b>CURRENT LIABILITIES</b>		<b>(58,417)</b>	<b>(92,164)</b>
Long Term Creditors		(19)	(54)
Provisions	26	(107)	(113)
Long Term Borrowing	19	(141,094)	(141,094)
Pension Liabilities	39	34,523	(83,789)
Capital grants receipts in advance	36	(23,235)	(20,915)
<b>Total Non-Current Liabilities</b>		<b>(129,932)</b>	<b>(245,965)</b>
<b>Total Net Assets</b>		<b>643,113</b>	<b>476,566</b>
Usable Reserves		(46,515)	(48,902)
Unusable Reserves	27	(596,598)	(427,665)
<b>Total Reserves</b>		<b>(643,113)</b>	<b>(476,567)</b>

## Cash Flow Statement

	2022/23 £000	2021/22 £000
Net surplus or (deficit) on provision of services	(19,661)	(1,653)
Adjustments to net surplus or deficit on provision of services for non-cash movements	30,986	29,644
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,950)	(5,746)
<b>Net cash flows from Operating Activities</b>	<b>9,375</b>	<b>22,245</b>
Investing Activities	(49,400)	(9,800)
Financing Activities	(3,637)	10,733
<b>Net Increase or (decrease) in cash and cash equivalents</b>	<b>(43,662)</b>	<b>23,178</b>
Cash and cash equivalents at the beginning of the reporting period	80,512	57,334
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>36,851</b>	<b>80,512</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### AP 1 - General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23 (the Code of Practice) and the Service Reporting Code of Practice 2022/23, 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 2022/23 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 and Community assets – Depreciated Historical Cost.
- Assets under construction – 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.

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 Balance Sheet and 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.

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## 2. Expenditure Funding Analysis

### **A - Note to the Expenditure and Funding Analysis – Adjustments between Funding and Accounting Basis**

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

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

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

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

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

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

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

2022/23	Net Expenditure chargeable to GF and HRA Balances £000	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Net Expenditure in the CIES £000
Corporate and Democratic Core	(1,051)	-	-	-	-	(1,051)
Executive Management Team	731	-	93	-	93	824
Corporate and Improvement	5,838	77	871	-	948	6,786
Communities	2,217	626	1,099	-	1,725	3,942
Customer	3,090	-	863	-	863	3,953
Environment	8,025	2,087	2,091	-	4,178	12,203
Housing Revenue Account	(8,815)	21,741	43	-	21,784	12,969
Place and Client	6,036	2,192	1,184	-	3,376	9,412
Non-Distributed Costs	144	104	313	(58)	359	503
<b>Net Cost of Services</b>	<b>16,215</b>	<b>26,827</b>	<b>6,557</b>	<b>(58)</b>	<b>33,326</b>	<b>49,541</b>
Other operating income and expenditure	2,187	(2,468)	-	-	(2,468)	(281)
Financing and Investment income and expenditure	9,071	(9,449)	2,238	-	(7,211)	1,860
Taxation and non-specific grant income	(22,639)	(3,783)	-	(5,037)	(8,820)	(31,459)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>4,834</b>	<b>11,127</b>	<b>8,795</b>	<b>(5,095)</b>	<b>14,827</b>	<b>19,661</b>



**B - Note to the Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature**

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

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Employee related expenditure	39,565	37,369
Other services expenses	80,185	83,439
Support Services Recharge	3,558	3,236
Depreciation, amortisation and impairment	32,301	23,302
Interest Payments	5,565	5,168
Precepts and levies	2,187	2,100
Payments to Housing Capital Receipts Pool	-	507
Pension Fund expenditure	2,238	2,230
Increase in bad debt provisions	170	-
Losses on the disposal of assets	3,419	3,346
Expenditure in relation to investment properties	1,128	32
Changes in the fair value of investment properties	-	-
Revaluation losses on write down of assets held for sale	-	-
<b>Total Expenditure</b>	<b>170,316</b>	<b>160,729</b>
Fees, charges and other service income	(59,184)	(68,691)
Interest and investment Income	(2,143)	(532)
Other investment income	-	(172)
Decrease in bad debt provisions	(391)	(76)
Income from council tax and non-domestic rates	(17,736)	(14,524)
Government grants and contributions	(60,607)	(62,110)
Gains on the disposal of assets	(5,746)	(5,166)
Income in relation to investment properties	(2,833)	(2,471)
Changes in the fair value of investment properties	(1,874)	(5,334)
Capital receipts not linked to disposals	(141)	-
<b>Total Income</b>	<b>(150,654)</b>	<b>(159,076)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>19,661</b>	<b>1,653</b>

**3. 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 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

1. IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
2. 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.
3. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

#### 4. Critical judgements in applying accounting policies

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

##### Classification of leases

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

##### Classification of investment properties

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

##### Valuation of Property, Plant and Equipment

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

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

##### Heritage Assets

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

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

##### Composition of Group Accounts

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



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

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

### Depreciation of Property, Plant and Equipment Assets

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

### Revaluation of Property, Plant and Equipment Assets

The Council's Property, Plant and Equipment assets are revalued on a periodic basis and reviewed annually for indications of impairment. Advice on revaluation is provided by the Council's external property valuers in line with the CIPFA Code of Practice and the relevant RICS guidance. If actual results differ, the value of the Property, Plant and Equipment assets on the Council's Balance Sheet as at 31 March 2023 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 City Council was carried out with a valuation date of 31 March 2022. 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. 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 39 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 £8.6 million for the impairment of doubtful debts as at 31 March 2023 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 2023 was £6.057 million (of which £2.423 million is Colchester City Council).

### Provision for the impairment of Financial Instruments

At 31 March 2023, 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 18 for Financial Instruments.

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

The significant unobservable inputs used in the fair value measurement include factors such as management assumptions regarding rent yield levels and other factors. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets and liabilities.

## 6. Material items of income and expenditure

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

### General Fund

The Council 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 £22.9m.

### Housing Revenue Account

The Council's housing stock, garages and other HRA properties were revalued as at 31 March 2023 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 net impact was an increase of £22.2m

In 2022/23 the Council incurred expenditure of £20.9m 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 £0.6m has been derecognised in the 2022/23 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 via Movement in Reserves Statement, in accordance with statutory regulations.

## 7. Prior period adjustments

There are no prior period adjustments in 2022/23

## 8. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance (and Section 151 Officer) on **xxxx**. Events taking place after this date are not reflected in the financial statements or notes.

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Capital Receipts Reserve**

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

### **Major Repairs Reserve**

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

### **Capital Grants Unapplied Account**

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

	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital grants unapplied	Movement in Usable Reserves <sup>3</sup>	Movement in Unusable Reserves	Total Reserves Movement
	£000	£000	£000	£000	£000	£000	£000	£000
<b>For the year 2022-23</b>								
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Charges for depreciation and impairment of non-current assets	(6,491)	(5,523)	-	-	-	(12,014)	12,014	-
Revaluation gains/(losses) on Property, Plant and Equipment	1,661	(21,051)	-	-	-	(19,390)	19,390	-
Movements in value of Investment Properties	1,874	-	-	-	-	1,874	(1,874)	-
Amortisation of Intangible Assets	(2)	-	-	-	-	(2)	2	-
Capital Grants and contributions applied	3,510	-	-	-	20	3,530	(3,530)	-
Capital Grants through CIES	3,783	-	-	-	-	-	-	-
Revenue Expenditure Financed from Capital under Statute	(3,763)	-	-	-	-	(3,763)	3,763	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(92)	(3,328)	-	-	-	(3,420)	3,420	-
Amounts additions not adding value to non-current assets written of to the Comprehensive Income and Expenditure Statement	-	(690)	-	-	-	(690)	690	-
Capital expenditure financed from Revenue Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	-	4,409	-	-	-	4,409	(4,409)	-
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Statutory provision for the repayment of debt	3,166	-	-	-	-	3,166	(3,166)	-
<b>Adjustments involving the Capital Receipts Reserve</b>								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	99	5,647	(5,746)	-	-	-	-	-
Transfer of capital receipts not linked to to sales of non-current assets	141	-	(141)	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,420	-	-	3,420	(3,420)	-
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-
<b>Adjustments involving the Major Repairs Reserve</b>								
Reversal of Major Repairs Allowance credited to the HRA	-	5,523	-	(5,523)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	5,523	-	5,523	(5,523)	-
<b>Adjustments involving the Financial Instrument Fund Adjustment Account</b>								
Unrealised Fair Value gains/losses on financial Instruments	58	-	-	-	-	58	(58)	-
<b>Adjustments involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(13,444)	(72)	-	-	-	(13,516)	13,516	-
Employers pension contributions and direct payments to pensioners payable in the year	4,692	29	-	-	-	4,721	(4,721)	-
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>								
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	5,037	-	-	-	-	5,037	(5,037)	-
<b>Total Adjustments for 2022-23</b>	<b>229</b>	<b>(15,056)</b>	<b>(2,467)</b>	<b>-</b>	<b>20</b>	<b>(21,057)</b>	<b>21,057</b>	<b>-</b>

## 10. Transfers to/from Earmarked Reserves

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

	Balance at 31- Mar-21	Transfers out	Transfers in	Balance at 31- Mar-22	Transfers out	Transfers in	Balance at 31- Mar-23
	£000	£000	£000	£000	£000	£000	£000
Reserve to Support Future Year's Budget	(8,895)	4,285	(4,019)	(8,629)	4,705	(2,158)	(6,082)
Pension Fund Deficit Reserve	(1,344)	-	(935)	(2,279)	-	(935)	(3,214)
Revenue Grants Unapplied Reserve	(3,173)	-	(1,696)	(4,869)	1,402	(279)	(3,746)
Repairs and Renewals Reserve	(2,845)	-	(333)	(3,178)	347	(691)	(3,522)
Business Rates Reserve	(15,875)	6,821	(864)	(9,918)	5,480	(1,936)	(6,374)
Decriminalisation Parking Reserve	(1,087)	751	-	(336)	618	(121)	161
Revolving Investment Fund Reserve	(1,596)	-	(460)	(2,056)	-	(30)	(2,086)
Capital Expenditure Reserve	(437)	170	(249)	(516)	310	(150)	(356)
Insurance Reserve	(652)	-	(87)	(739)	94	(110)	(755)
Strat Plan Delivery Reserve	-	-	-	-	-	(1,520)	(1,520)
Gosbecks Reserve	(136)	20	-	(116)	26	(3)	(93)
Other Reserves	(235)	(1)	(71)	(307)	3	(176)	(480)
<b>Total</b>	<b>(36,275)</b>	<b>12,046</b>	<b>(8,714)</b>	<b>(32,943)</b>	<b>12,985</b>	<b>(8,109)</b>	<b>(28,067)</b>

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.

**11. Other Operating Income and Expenditure**

	2022/23			2021/22		
	Gross Exp	Gross Inc	Net (Inc) / Exp	Gross Exp	Gross Inc	Net (Inc) / Exp
	£000	£000	£000	£000	£000	£000
Parish Council Precepts	2,187	-	2,187	2,100	-	2,100
Payments to the Government Capital Receipts Pool	-	-	-	506	-	506
(Gains)/ Losses on the disposal of assets	3,419	(5,746)	(2,327)	-	(1,337)	(1,337)
Capital Receipts not linked to disposals.	-	(141)	(141)	-	-	-
	<b>5,606</b>	<b>(5,887)</b>	<b>(281)</b>	<b>2,606</b>	<b>(1,337)</b>	<b>1,269</b>

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

	2022/23			2021/22		
	Gross Exp	Gross Inc	Net (Inc) / Exp	Gross Exp	Gross Inc	Net (Inc) / Exp
	£000	£000	£000	£000	£000	£000
Interest payable and similar expenses	5,565	-	5,565	5,168	-	5,168
Interest receivable and similar income	-	(2,142)	(2,142)	-	(532)	(532)
Net interest on the defined liability	2,115	-	2,115	2,116	-	2,116
Net movement in bad debt provision	170	(390)	(221)	-	-	-
Pension Fund Administration Expenses	123	-	123	114	-	114
Income and expenditure in relation to investment properties	1,128	(2,833)	(1,705)	55	(2,200)	(2,145)
Changes in fair value of investment properties	-	(1,874)	(1,874)	-	(5,334)	(5,334)
Impairment losses	-	-	-	(155)	-	(155)
Other investment income	-	-	-	-	(172)	(172)
	<b>9,101</b>	<b>(7,240)</b>	<b>1,861</b>	<b>7,298</b>	<b>(8,238)</b>	<b>(940)</b>

13. Taxation and Non-Specific Grant Income

	2022/23			2021/22		
	Gross Exp £000	Gross Inc £000	Net (Inc) / Exp £000	Gross Exp £000	Gross Inc £000	Net (Inc) / Exp £000
Council Tax Income	-	(15,601)	(15,601)	-	(14,995)	(14,995)
Non-Domestic Rates	-	(2,135)	(2,135)	1,327	-	1,327
Non-ringfenced Government grants	-	(8,420)	(8,420)	-	(15,195)	(15,195)
Capital grants and contributions	-	(3,783)	(3,783)	-	(6,141)	(6,141)
VAT Refund	-	(1,520)	(1,520)	-	-	-
	-	<b>(31,459)</b>	<b>(31,459)</b>	<b>1,327</b>	<b>(36,331)</b>	<b>(35,004)</b>

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#### 14. Property, Plant and Equipment

2022/23	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2022</b>	<b>422,969</b>	<b>182,490</b>	<b>21,790</b>	<b>15,442</b>	<b>399</b>	<b>26,519</b>	<b>17,390</b>	<b>686,999</b>
Additions	22,623	3,625	1,292	263	-	-	10,127	37,930
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(5,660)	(9,833)	-	-	-	-	-	(15,493)
Revaluations to Revaluation Reserve	34,160	14,240	-	-	-	10,905	-	59,305
Revaluations to (Surplus)/Deficit	(20,993)	1,604	-	-	-	-	-	(19,389)
Derecognition – disposals	(4,037)	(93)	-	-	-	-	-	(4,130)
Derecognition - other	-	-	-	-	-	-	-	-
Reclassified from/(to) Assets held for Sale	-	(560)	-	-	-	-	-	(560)
Reclassified within PPE categories	4,988	(386)	-	(167)	-	(579)	(3,856)	-
<b>At 31 March 2023</b>	<b>454,050</b>	<b>191,087</b>	<b>23,082</b>	<b>15,538</b>	<b>399</b>	<b>36,845</b>	<b>23,661</b>	<b>744,662</b>



<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2022</b>	<b>(773)</b>	<b>(8,572)</b>	<b>(13,848)</b>	<b>(3,940)</b>	-	-	-	<b>(27,133)</b>
Depreciation charge	(4,907)	(4,386)	(1,998)	(724)	-	-	-	(12,015)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,900	9,833	-	-	-	-	-	14,733
Acc. Impairment written out to GCA	760	-	-	-	-	-	-	760
Impairment losses to Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-	-
Derecognition – other	20	1	-	-	-	-	-	21
Reclassified within PPE categories	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	-	<b>(3,124)</b>	<b>(15,846)</b>	<b>(4,664)</b>	-	-	-	<b>(23,634)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2023</b>	<b>454,050</b>	<b>187,963</b>	<b>7,236</b>	<b>10,874</b>	<b>399</b>	<b>36,845</b>	<b>23,661</b>	<b>721,028</b>
<b>At 31 March 2022</b>	<b>422,196</b>	<b>173,918</b>	<b>7,942</b>	<b>11,502</b>	<b>399</b>	<b>26,519</b>	<b>17,390</b>	<b>659,866</b>

2021/22	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	Restated		Restated					
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2021</b>	<b>387,140</b>	<b>162,395</b>	<b>22,501</b>	<b>15,437</b>	<b>399</b>	<b>23,757</b>	<b>9,115</b>	<b>620,744</b>
Additions	20,925	4,187	705	11	-	-	9,929	35,757
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,681)	(2,976)	-	-	-	(1)	-	(7,658)
Revaluations to Revaluation Reserve	34,424	18,618	-	-	-	1,938	-	54,980
Revaluations to (Surplus)/Deficit	(12,272)	2,174	-	-	-	150	-	(9,948)
Derecognition – disposals	(3,228)	(2,899)	(410)	-	-	-	-	(6,537)
Derecognition - other	(483)	(492)	(1,516)	(6)	-	-	-	(2,497)
Reclassified from/(to) Assets held for Sale	-	1,483	-	-	-	675	-	2,158
Reclassified within PPE categories	1,144	-	510	-	-	-	(1,654)	-
<b>At 31 March 2022</b>	<b>422,969</b>	<b>182,490</b>	<b>21,790</b>	<b>15,442</b>	<b>399</b>	<b>26,519</b>	<b>17,390</b>	<b>686,999</b>

<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2021</b>	<b>(990)</b>	<b>(7,922)</b>	<b>(13,632)</b>	<b>(3,223)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(25,768)</b>
Depreciation charge	(4,483)	(4,044)	(2,062)	(723)	-	-	-	(11,312)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,464	2,891	-	-	-	1	-	7,356
Acc. Impairment written out to GCA	217	85	-	-	-	-	-	302
Impairment losses to Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-	-
Derecognition – disposals	19	-	330	-	-	-	-	349
Derecognition – other	-	418	1,516	6	-	-	-	1,940
Reclassified within PPE categories	-	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>(773)</b>	<b>(8,572)</b>	<b>(13,848)</b>	<b>(3,940)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,133)</b>
<b>Net Book Value:</b>								
<b>At 31 March 2022</b>	<b>422,196</b>	<b>173,918</b>	<b>7,942</b>	<b>11,502</b>	<b>399</b>	<b>26,519</b>	<b>17,390</b>	<b>659,866</b>
<b>At 31 March 2021</b>	<b>386,150</b>	<b>154,473</b>	<b>8,869</b>	<b>12,214</b>	<b>399</b>	<b>23,756</b>	<b>9,115</b>	<b>594,976</b>

## Revaluations

The Council carries out a rolling program 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 2022/23 were:

- A sample of General Fund properties as at 1 December 2022.
- Council dwellings and Homeless properties to their fair value as at 31 March 2023.
- A sample of Council properties within the year-end portfolio review performed as at 31 March 2023.
- Ad-hoc revaluations of other assets throughout the 2022/23 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.

### 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:

	2022/23 £000	2021/22 £000
Rental income from investment property	(3,048)	(2,200)
Direct operating expenses arising from investment property	1,109	55
Net (gains)/losses from fair value adjustments	(1,874)	(5,335)
<b>Total</b>	<b>(3,813)</b>	<b>(7,480)</b>

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

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

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

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

	2022/23 £000	2021/22 £000
Balance at start of the year	46,210	40,811
Additions	-	64
Net gains/(losses) from fair value adjustments	1,874	5,335
<b>Balance at end of the year</b>	<b>48,084</b>	<b>46,210</b>

## 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 measurements:	31-Mar-23			31-Mar-22		
	Other significant observable Inputs (Level 2) £000	Significant unobservable Inputs (Level 3) £000	Total Fair Value as at 31-Mar-23 £000	Other significant observable Inputs (Level 2) £000	Significant unobservable Inputs (Level 3) £000	Total Fair Value as at 31-Mar-22 £000
<b>Surplus Assets</b>						
Commercial development sites	-	35,983	35,983	-	25,657	25,657
Residential development sites	-	650	650	-	650	650
Other	-	212	212	-	212	212
<b>Total (Note 14)</b>	<b>-</b>	<b>36,845</b>	<b>36,845</b>	<b>-</b>	<b>26,519</b>	<b>26,519</b>
<b>Investment Properties</b>					<b>Restated</b>	
Commercial units	-	26,368	26,368	-	25,940	25,940
Retail units	2,968	6,033	9,001	3,013	6,446	9,459
Car parks	71	2,419	2,490	63	2,155	2,218
Residential development sites	68	467	535	72	412	484
Offices	7,277	-	7,277	7,244	-	7,244
Other	2,313	98	2,411	828	37	865
<b>Total (Note 15)</b>	<b>12,697</b>	<b>35,385</b>	<b>48,082</b>	<b>11,220</b>	<b>34,990</b>	<b>46,210</b>
<b>Assets Held for sale</b>						
Residential development sites	560	-	560	-	-	-
	<b>13,257</b>	<b>72,230</b>	<b>85,487</b>	<b>11,220</b>	<b>61,509</b>	<b>72,729</b>

The Council does not hold any property assets that have quoted prices in active markets for identical assets, and as such no assets have been categorised as Level 1 assets. No transfers have been made between Level 1 and 2 during the 2022/23 financial year.

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

The Council's Surplus Assets and Investment Properties are valued by the Council's external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors, and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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

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

### Level 2 Valuations

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

### Level 3 Valuations

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

## Highest and Best Use

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

In the case of 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.

	Commercial Units	Retail Units	Car parks	Residential Development sites	Other	Total
<b>Investment Properties</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April 2021</b>	<b>21,664</b>	<b>7,365</b>	<b>1,835</b>	<b>289</b>	<b>38</b>	<b>31,191</b>
Transfers into level 3	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in the surplus/deficit on the provision of services	4,276	(919)	320	123	(1)	3,799
<b>Balance as at 31 March 2022</b>	<b>25,940</b>	<b>6,446</b>	<b>2,155</b>	<b>412</b>	<b>37</b>	<b>34,990</b>
Transfers into level 3	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in the surplus/deficit on the provision of services	428	(413)	264	55	61	395
<b>Balance as at 31 March 2023</b>	<b>26,368</b>	<b>6,033</b>	<b>2,419</b>	<b>467</b>	<b>98</b>	<b>35,385</b>

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

## 17. Assets Held for Sale

	2022/23 £000	2021/22 Restated £000
Carrying Amount 1 April	-	2,158
Assets newly classified as Assets Held for Sale	560	-
Asset disposals		-
Assets reclassified		(2,158)
<b>Total Assets Held for Sale</b>	<b>560</b>	<b>-</b>

## 18. Capital Expenditure and Capital Financing

### Movements in Capital Financing Requirement in the year

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

	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement 1 April	199,487	187,284
<i>Capital Investment</i>		
Property, Plant and Equipment	37,930	32,858
Investment Properties	-	64
Heritage Assets	-	10
Intangible assets	-	-
Revenue Expenditure Funded from Capital under Statute (REFCUS)	3,763	2,381
Long Term Debtors	200	900
<i>Sources of finance</i>		
Capital receipts	(3,420)	(1,743)
Government grants and other contributions	(3,804)	(6,109)
Grants and contributions towards REFCUS	(3,510)	(1,122)
HRA Major Repairs Reserve	(5,523)	(5,013)
Sums set aside from revenue and reserves	(4,720)	(5,536)
Repayment of loan	-	(2,178)
Minimum Revenue provision	(2,634)	(2,309)
<b>Closing Capital Financing Requirement 31 March</b>	<b>217,769</b>	<b>199,487</b>



## Capital Commitments

At 31 March 2023, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £13.0m. Similar commitments at 31 March 2022 were £13.4m.

The major commitments are:

- Elfreda House – £4.3m
- Decent Homes - refurbishment of dwellings– £2.7m
- Decent Homes - kitchens – £2.2m
- St Nicholas Square – £1.4m
- Townhouse and Improved Youth Provision – £1.2m
- Decent Homes - windows – £0.6m

## 19. Financial Instruments

### Categories of Financial Instruments

The following categories of Financial Instruments are included in the Council's Balance Sheet  
The cash and cash equivalents balance of £36.851m at 31 March 2023 (£50.812m at 31 March 2022) includes bank overdraft balances. These bank overdrafts are an integral part of the Council's day to day cash management and they are not used for borrowing purposes. The bank overdraft balances totalled £2.796m at 31 March 2023 (£30.981) million at 31 March 2022).

### 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:

	2022/23			2021/22		
	Liabilities measured at amortised cost £000	Assets measured at amortised cost £000	£000	Liabilities measured at amortised cost £000	Assets measured at amortised cost £000	£000
Interest expense	5,565	-	5,565	5,168	-	5,168
<b>Total expense in Surplus/Deficit on Provision of Services</b>	<b>5,565</b>	<b>-</b>	<b>5,565</b>	<b>5,168</b>	<b>-</b>	<b>5,168</b>
Interest income	-	(1,924)	(1,924)	-	(532)	(532)
Other investment income - dividends	-	-	-	-	(172)	(172)
<b>Total income in Surplus/Deficit on Provision of Services</b>	<b>-</b>	<b>(1,924)</b>	<b>(1,924)</b>	<b>-</b>	<b>(704)</b>	<b>(704)</b>
<b>Net (gain)/loss for the year</b>	<b>5,565</b>	<b>(1,924)</b>	<b>3,641</b>	<b>1,717</b>	<b>(704)</b>	<b>1,013</b>

## Fair Value of Financial Assets and Liabilities

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

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

The fair values calculated are as follows:

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.

	31-Mar-23		31-Mar-22	
	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Investments	6	6	6	6
Debtors - Amortised Cost	7,021	7,021	7,021	7,021
<b>Long term Assets</b>	<b>7,027</b>	<b>7,027</b>	<b>7,027</b>	<b>7,027</b>
Investments - Amortised Cost	-	-	11,500	11,486
Callable cash - amortised cash	-	-	7,554	7,504
Bank deposits < 3 months - Amortised Cost	12,526	12,526	53,054	53,054
Short Term Deposits	-	-	-	-
Cash - Amortised Cost	24,324	24,324	27,448	27,448
Debtors - Amortised Cost	8,742	8,742	9,332	9,332
Short Term Loans	29	29	45	45
<b>Other financial assets at amortised cost</b>	<b>45,621</b>	<b>45,621</b>	<b>108,933</b>	<b>108,869</b>
<b>Total Financial Assets</b>	<b>52,648</b>	<b>52,648</b>	<b>115,960</b>	<b>115,896</b>

	31-Mar-23		31-Mar-22	
	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Short Term Creditors - Amortised Cost	(21,596)	(21,596)	(29,291)	(29,291)
Local Authority loans	(10,000)	(9,931)	(20,000)	(19,862)
Lobo Loans	(5,500)	(4,616)	(5,500)	(6,880)
Other borrowing	-	-	(1,245)	(1,245)
<b>Short Term Financial liabilities at amortised cost</b>	<b>(37,096)</b>	<b>(36,143)</b>	<b>(56,036)</b>	<b>(57,278)</b>
Public Works Loan Board - Amortised Cost	(132,094)	(103,758)	(132,094)	(148,225)
Other borrowing	(9,000)	(8,992)	(9,000)	(14,524)
Finance Lease - Amortised cost	-	-	(54)	(54)
<b>LongTerm Liabilities at amortised cost</b>	<b>(141,094)</b>	<b>(112,750)</b>	<b>(141,148)</b>	<b>(162,803)</b>
<b>Total Financial Liabilities</b>	<b>(178,190)</b>	<b>(148,893)</b>	<b>(197,184)</b>	<b>(220,081)</b>

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 2020.

The book 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.

### **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 21 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 £53.054 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 2022/23 was approved by Full Council on 23 February 2022 and is available on the Council's website.

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 £12.526 million (2021/22 £53.054 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:

	31-Mar-23		31-Mar-22	
	£'000	%	£'000	%
Less than 1 year	10,000	6.39	20,000	12.01
Between 1 and 2 years	700	0.45	-	-
Between 2 and 5 years	-	-	700	0.42
Between 5 and 10 years	6,500	4.15	4,000	2.40
Maturing in more than ten years	139,394	89.02	141,894	85.17
<b>Total</b>	<b>156,594</b>	<b>100.00</b>	<b>166,594</b>	<b>100.00</b>

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

## Market risk

### Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	31-Mar-23 £000	31-Mar-22 £000
Increase in interest receivable on variable rate investments	(210)	(689)
Increase in interest payable on borrowings( all Council borrowing is at fixed rate)	-	-
<b>Impact on Surplus/Deficit on Provision of Services</b>	<b>(210)</b>	<b>(689)</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(16,662)	(29,596)
Share of overall impact credited to the HRA	(88)	(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.

## 20. 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.

	31-Mar-23 £000	31-Mar-22 £000
Improvement of Private Sector Houses	1,026	1,000
Finance Lease Debtors	4,571	4,590
Colchester Amphora Energy Limited	1,700	1,415
Other Loans	16	16
	<b>7,313</b>	<b>7,021</b>

Interest free advances have been made under the Financial Assistance Policy for Private Sector Housing. These are secured against the property and repayable on sale. The 'loss' for interest foregone is calculated based on the current market rate at the end of the year in which the advance is recognised for an equivalent loan and using an assumed average life for the loans. The reduced loans balance thus created will be written back up to full value over the life of the loans (see the disclosures regarding the Financial Instruments Adjustment Account in Note 25).

## 21. Investment in Subsidiaries

As at 31 March 2023 the Council provided £1.580m of equity investment into the following company:

	Class of share	Holding	31-Mar-23	31-Mar-22
Colchester Commercial Holdings Limited	Ordinary	100%	1,580	1,580

## 22. Inventories

	31-Mar-23 £000	31-Mar-22 £000
Beauty	12	4
Equipment	48	49
Food & Drink	11	6
Fuel	35	18
information	48	41
Protective clothing	34	36
Retail	15	29
Stationery	2	3
Trade Bins	16	13
	<b>221</b>	<b>199</b>



### 23. Short-term Debtors

	31-Mar-23 £000	31-Mar-22 £000
Grants and Taxes	2,055	2,619
Trade Debtors	4,559	2,303
Prepayments	2,370	2,111
Housing Benefit Overpayments	415	511
NNDR ratepayers' arrears	375	815
Council Tax ratepayers' arrears	296	308
Central Government	1,018	-
Other Local Authorities	-	890
NHS Bodies Grants	1,637	1,637
Other Debtors	1,738	6,732
	<b>14,463</b>	<b>17,926</b>

The above short-term debtor values are presented net of impairments (allowances for non-collection). The Council's total provision for non-collection of debt is £8.3 million as at 31 March 2021 (£8.7 million as at 31 March 2022).

### 24. Cash and Cash Equivalents

	31-Mar-23 £000	31-Mar-22 £000
Cash	10	11
Call Accounts and short term deposits	12,526	53,054
Bank Balance	24,314	27,448
	<b>36,850</b>	<b>80,513</b>



**25. Short-term Creditors**

	<b>31-Mar-23</b>	<b>31-Mar-23</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Trade Creditors	(16,747)	(6,113)
Receipts in Advance	(1,472)	(4,683)
Other Taxes and Social Security	-	(1,797)
Collection Fund Agency	(7,084)	(23,967)
NNDR Prepayments	(1,112)	(1,562)
Council Tax Prepayments	(518)	(428)
Central Government	(547)	-
Other Local Authorities	(89)	-
Other Creditors	(5,520)	(19,849)
<b>Total short term creditors</b>	<b>(33,089)</b>	<b>(58,399)</b>

**26. Provisions (Short and Long Term)**

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Non-Domestic Ratings Appeals Provision (see below)	(2,423)	(2,126)
Insurance Provision	(107)	(113)
Other Provision	-	-
<b>Total Provisions</b>	<b>(2,530)</b>	<b>(2,239)</b>

### Non-Domestic Ratings Appeals Provision

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(2,126)	(3,400)
RV list amendments charged against provision for appeals	446	790
Changes in provision for appeals	(743)	484
<b>Balance at 31 March</b>	<b>(2,423)</b>	<b>(2,126)</b>

As part of the Business Rates Retention scheme introduced from 1 April 2013, authorities are expected to meet the financial impact of successful appeals made against rateable values as defined by the Valuation Office Agency. As such, authorities are required to make a provision for these amounts.

The adjustments to the provision made in 2022/23 are based on appeals against 2010 valuations that were shown as being outstanding on the Valuation Office list of March 2017, and an estimate of likely appeals against the 2017 valuations.

#### 27. Usable Reserves

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

#### 28. Unusable Reserves

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

	31-Mar-23 £000	31-Mar-22 £000
Revaluation Reserve	(255,279)	(200,203)
Capital Adjustment Account	(302,614)	(312,163)
Pensions Reserve	(34,523)	83,789
Collection Fund Adjustment Account	(352)	4,685
Accumulated Absences Account	537	537
Deferred capital receipts	(4,607)	(4,607)
Financial instruments adjustment account	240	298
<b>Total</b>	<b>(596,598)</b>	<b>(427,664)</b>

#### Revaluation Reserve

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

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

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

	2022/23 £000	2021/22 £000
Balance 1 April	(200,205)	(148,354)
Comprehensive Income & Expenditure:		
Net Gain on revaluation of assets	(59,305)	(54,980)
Accounting / Financing Adjustments:		
Accumulated gains on assets sold or scrapped	1,036	719
Depreciation charged to Revaluation Reserve	3,194	2,410
<b>Balance 31 March</b>	<b>(255,280)</b>	<b>(200,205)</b>

### Capital Adjustment Account

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

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

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

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

	2022/23 £000	2021/22 £000
Balance 1 April	(312,161)	(309,365)
Accounting / Financing Adjustments:		
Write down Intangible Assets	2	2
Depreciation	12,014	11,312
Revaluations and impairment of non-current assets	20,070	9,968
Revaluation losses on heritage assets	-	(10)
Movements in value of Investment Properties	(1,874)	(5,334)
Non-current assets written off on disposal	3,420	3,846
Revenue Expenditure Financed from Capital under Statute	3,763	1,259
Capital expenditure financed from revenue	(4,409)	(5,536)
Capital expenditure financed from Capital Receipts	(3,420)	(1,743)
Capital expenditure financed from Capital grants and contributions	(7,313)	(6,109)
Use of the Major Repairs Reserve to finance new capital expenditure	(5,523)	(5,013)
Minimum Revenue Provision	(2,953)	(2,309)
Accumulated gains on assets sold or scrapped	(1,036)	(719)
Depreciation charged to Revaluation Reserve	(3,194)	(2,410)
<b>Balance 31 March</b>	<b>(302,614)</b>	<b>(312,161)</b>

## 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.

	2022/23 £000	2021/22 £000
Balance 1 April	83,789	107,975
Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability	(126,902)	(33,615)
Accounting / Financing Adjustments:		
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on provision of services	13,516	13,925
Employer's pension contributions and direct payments to pensioners payable in the year	(4,926)	(4,496)
<b>Balance 31 March</b>	<b>(34,523)</b>	<b>83,789</b>

## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets, but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2022/23 £000	2021/22 £000
Balance b/f	(4,608)	(4,647)
Transfer to Capital Receipts Reserve upon receipt of cash	-	39
<b>Balance 31 March</b>	<b>(4,608)</b>	<b>(4,608)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/23 £000	2021/22 £000
Balance 1 April	4,685	12,998
Difference between accounting and statutory credit for Council Tax	308	(307)
Difference between accounting and statutory credit for Non-Domestic Rates	(5,344)	(8,006)
<b>Balance 31 March</b>	<b>(351)</b>	<b>4,685</b>

### 29. Cash Flow Statement – Operating Activities

	2022/23 £000	2021/22 £000
Depreciation	12,014	11,312
Amortisation	2	2
Impairment and downward valuations	20,080	9,948
Reductions in fair value of Non-PWLB concessionary loans	-	-
Reductions in the fair value of soft loans (non Subsidiary) made in the year	-	-
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	-	-
Adjustments for effective interest rates	-	-
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	-	-
Increase/(decrease) in Interest Creditors	412	(160)
Increase (decrease) in Creditors	(13,479)	(9,535)
(Increase)/Decrease in Interest and Dividend Debtors	(31)	(42)
(Increase)/Decrease in Debtors	1,583	8,637
Increase in Inventories	(23)	(49)
(Decrease)/increase in Pension Liability	8,590	9,412
Contributions to Provisions	292	(1,292)
Carrying amount of non-current assets sold	3,419	854
Loans relating to deferred capital receipts	-	-
Carrying amount of short and long term investments sold	-	-
Movement in Investment Property values	(1,874)	558
	<b>30,985</b>	<b>29,645</b>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.

	2022/23 £000	2021/22 £000
Capital Grants credited to surplus or deficit on the provision of services	3,796	3,542
Proceeds from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,746)	(5,746)
	<b>(1,950)</b>	<b>(2,204)</b>

### 30. Cash Flow Statement – Investing Activities

	2022/23 £000	2021/22 £000
Purchase of property, plant & equipment, investment property & intangible assets	(37,930)	(35,821)
Other capital payments	(20,460)	(2,751)
Purchase of short term & long-term investments	-	-
Other payments for investing activities	(343)	(974)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	5,746	5,746
Other Capital Cash Receipts	-	-
Capital grants received	3,552	2,279
Revenue Grants Received	35	18,178
Proceeds from short term & long-term investments	-	-
	<b>(49,400)</b>	<b>(13,343)</b>

### 31. Cash Flow Statement – Financing Activities

	2022/23 £000	2021/22 £000
Cash Receipts of Short & Long Term Borrowing	10,000	20,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(36)	(49)
Repayments of short- & long-term borrowing	(20,000)	(23,350)
Other receipts /(payments) for financing activities	6,399	14,132
	<b>(3,637)</b>	<b>10,733</b>

### 32. Members' Allowances and Expenses

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

	2022/23 £000	2021/22 £000
Allowances	527	524
Expenses	5	-
<b>Totals</b>	<b>532</b>	<b>524</b>

### 33. Officers Remuneration

Post holder information (Post title)	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
<b>Financial Year: 2022/23</b>			
Chief Executive (Head of Paid Service) (Note 1 below)	131,294	-	131,294
Deputy Chief Executive (Note 2 below)	60,575	11,018	71,593
Chief Operating Officer (Note 3 below)	50,721	9,637	60,358
Executive Director	104,268	19,811	124,079
Assistant Director for Communities (Note 4 below)	61,246	11,561	72,807
Strategic Director (Note 5 below)	28,331	5,459	33,790
Assistant Director for Customer	91,296	17,346	108,642
Assistant Director for Environment (Note 6 below)	58,977	11,206	70,183
Strategic Director (Note 7 below)	31,946	-	31,946
Assistant Director for Corporate and Improvement Services (Note 8 below)	45,634	8,671	54,305
Assistant Director for Place and Client Services (Note 9 below)	60,846	22,668	83,514
Strategic Director (Note 10 below)	32,768	11,623	44,391
Monitoring Officer	81,698	15,523	97,221
Section 151 Officer (Note 11 below)	81,995	15,200	97,195
Returning Officer	11,299	-	11,299
	<b>932,894</b>	<b>159,723</b>	<b>1,092,617</b>

- Note 1: The Chief Executive started on 1st April 2022 on part time hours.
- Note 2: Deputy Chief Executive left on 25th September 2022.
- Note 3: Assistant Director for Corporate & Improvement Services changed role to Chief Operating Officer on 8th September 2022.
- Note 4: Assistant Director for Communities position removed from structure on 30th November 2022
- Note 5: Assistant Director for Communities taken up position of Strategic Director on 1st December 2022.
- Note 6: Assistant Director for Environment position removed from structure on 30th November 2022.
- Note 7: Assistant Director for Environment taken up position of Strategic Director on 1st December 2022.
- Note 8: Assistant Director for Corporate & Improvement Services left position to become Chief Operating Officer on 7th September 2022.
- Note 9: Assistant Director for Place & Client Services position removed from structure 30th November 2022.
- Note 10: Assistant Director for Place & Client Services taken up position of Strategic Director on 1 December 2022.
- Note 11: Section 151 Officer left on 31st March 2023



Post holder information (Post title)	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
<b>Financial Year: 2021/22</b>			
Chief Executive (Head of Paid Service)	117,725	-	117,725
Executive Director	93,310	-	93,310
Executive Director	114,449	21,745	136,194
Executive Director (Note 12 below)	12,294	-	12,294
Executive Director (Note 13 below)	65,321	12,411	77,732
Assistant Director for Communities	89,158	16,940	106,098
Assistant Director for Customer	89,158	16,940	106,098
Assistant Director for Environment	82,958	15,762	98,720
Assistant Director for Corporate & Improvement	91,158	17,320	108,478
Assistant Director for Place & Client	82,958	15,762	98,720
Monitoring Officer	79,845	15,171	95,016
Section 151 Officer	80,140	15,227	95,367
Returning Officer	9,675	-	9,675
	<b>1,008,149</b>	<b>147,278</b>	<b>1,155,427</b>

Note 12: The Executive Director retired and left the Council on 2 May 2021

Note 13: An Interim Executive Director was hired on 1 April 2021

**Number of Officers whose salary is greater than £50,000**

	2022/23	2021/22
£50,000-54,999	3	3
£55,000-59,999	7	9
£60,000-64,999	4	-
£65,000-69,999	-	1
£70,000-74,999	5	6
£75,000-79,999	2	-
£80,000-84,999	1	-
£85,000-89,999	-	-
£90,000-94,999	-	-
£95,000-99,999	-	-
Over £100,000	-	2
	<b>22</b>	<b>21</b>

**34. Termination Benefits (Exit Packages)**

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

Total cost of exits includes payments to individuals of £194,999 in 2022/23 (£162,309 in 2021/22) and payments to the pension fund authority of £54,726 in 2022/23 (£36,227 in 2021/22) in respect of strains on the pension fund.

2022/23 Exit packages cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages £s
£0 - £20,000	3	2	5	21,986
£20,001 - £60,000	2	2	4	205,717
<b>Total cost included in bandings</b>				<b>227,703</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				(22,090)
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				22,021
<b>Total Exit Costs</b>				<b>227,634</b>

2021/22 Exit packages cost band(including special payments)	Number of Compulsory redundancies	Number of other agreed departures	Total number of exit Packages by cost band	Total cost of exit packages £'s
£0 - £20,000	3	-	3	22,308
£20,001 - £60,000	-	4	4	172,393
<b>Total cost included in bandings</b>		4	7	<b>194,701</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				3,835
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
<b>Total Exit Costs</b>				<b>198,536</b>

### 35. 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.

	2022/23 £000	2021/22 £000
External audit services	37	48
Certification of grant claims and returns	2	18
<b>Total</b>	<b>39</b>	<b>66</b>

**36. Grant Income**

**Credited to services:**

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
DWP Grants for Benefits		
Rent Allowances and Rent Rebates	(33,295)	(35,405)
Administration	(581)	(591)
Other	(188)	(433)
Department of Levelling Up, Housing and Communities (DLUHC)	-	(2,364)
Rough Sleeper Accommodation Grant	(385)	(339)
Homelessness Prevention Grant	(1,330)	(151)
Benefits Administration	-	(163)
Asylum Dispersal Grant	(101)	-
Domestic Abuse	(34)	-
Energy Bills Support	(77)	-
New Burdens	(55)	-
Changing Places	(40)	-
Apprenticeship Levy Income	(79)	-
Right to Buy Admin Grant	(49)	-
Local Authority Treescape Fund	(72)	-
UK Shared Prosperity Fund	(191)	-
Arts Council England (ACE)	(206)	(386)
Joint Finance Contributions	(72)	(951)
Essex County Council	(5,130)	(1,283)
Essex Police and Crime Commissioner	(47)	(132)
Essex Fire and Rescue	(525)	(30)
Other Local Authorities	(884)	(235)
Colchester Primary Care Trust	(511)	(1,210)
Disabled Facilities Grant	(953)	(1,121)
COVID 19 Test and Trace	7	(1,123)
COVID 19 Business Grants	-	(4,005)
Department for Environment, Food and Rural Affairs (DEFRA)	(152)	(135)
s106 Contributions	(1,032)	(355)
NNDR Administration Grant	(236)	(238)
Other Grants and Contributions (non-Government)	(1,103)	(12)
Other Miscellaneous Grants	(109)	(888)
<b>Total within Cost of Services</b>	<b>(47,430)</b>	<b>(51,550)</b>

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

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<i>Revenue</i>		
COVID 19 Local Authority Support	(108)	(993)
Revenue Support Grant	(1)	-
New Burdens Grant	(82)	-
Sales, Fees and Charges (COVID)	-	(1,077)
New Homes Bonus	(1,937)	(2,430)
Lower Tier Services Grant	(1,480)	(623)
Business Rates Grant (s31)	(4,499)	(8,642)
Local Council Tax Support Admin Grant	(143)	(163)
Essex County Council	-	(855)
Other Non-Specific Grants	(171)	(413)
<b>Total Revenue Grants within Taxation and Non-Specific Grant Income</b>	<b>(8,421)</b>	<b>(15,196)</b>
<i>Capital</i>		
Department of Levelling Up, Housing and Communities (DLUHC)	(250)	-
Local Authority Housing Fund	(235)	-
Essex County Council (including South-East Local Enterprise Partnership)	(1,879)	(169)
s106 Contributions	(1,712)	(1,027)
Business, Energy & Industrial Strategy (BEIS)	-	(439)
Housing Infrastructure Fund	-	(709)
Digital, Cultural, Music & Sport Funding (DCMS)	-	(1,092)
Colchester City Council owned companies	(180)	(5)
Department for Environment, Food and Rural Affairs (DEFRA)	(20)	-
Office of Gas & Electricity Markets (OFGEM)	(27)	(28)
Town Deal	(4,562)	-
Rough Sleeper Accommodation Programme	-	(103)
Other	(318)	-
<b>Total Capital Grants within Taxation and Non-Specific Grant Income</b>	<b>(9,183)</b>	<b>(3,572)</b>
<b>Total within Taxation and non-specific grant income</b>	<b>(17,604)</b>	<b>(18,768)</b>
<b>Total income from grants and contributions</b>	<b>(64,081)</b>	<b>(21,337)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

**Current Liabilities**

**Grants Receipts in Advance – Revenue**

	<b>31-Mar- 23</b>	<b>31-Mar- 22</b>
Developers Contributions (s106)	2,583	2,584
Other Grants and Contributions	3,557	18,600
	<b>6,140</b>	<b>21,184</b>

## Long Term Liabilities

### Grants Receipts in Advance – Capital

	31-Mar-23	31-Mar-22
Developers Contributions (s106)	12,769	13,672
Other Grants and Contributions	10,470	7,244
	<b>23,239</b>	<b>20,916</b>

## 37. 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 32.

### 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 28.

### 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.

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

Related Party	2022/23		2021/22	
	Expenditure £000	Income £000	Expenditure £000	Income £000
Colchester Commercial Holdings Limited	1,932	667	1,875	657
Colchester Amphora Trading Limited	893	151	554	499
Colchester Amphora Homes Limited	134	-	764	103
Colchester Amphora Energy Limited	221	0	342	0
Colchester Community Stadium Limited	-	-	-	106
Colchester Mercury Theatre Limited	184	52	174	36
Parish Councils	2,846	86	-	-
Essex County Council	4,757	3,048	2,562	55
	<b>10,967</b>	<b>4,004</b>	<b>6,271</b>	<b>1,456</b>

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.

### 38. 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-Mar-23 £000	31-Mar-22 £000
Other Land and Buildings	171	171
Vehicles, Plant & Equipment	103	103
	<b>274</b>	<b>274</b>

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

	31-Mar-23 £000	31-Mar-22 £000
Not later than one year	35	55
Later than one year	22	56
Finance Costs payable in future years		-
	<b>57</b>	<b>111</b>

The finance lease liabilities will be payable over the following periods:

	31-Mar-23 £000	31-Mar-22 £000
Not later than one year	32	50
Later than on year and not later than five years	22	54
Later than five years		-
	<b>54</b>	<b>104</b>

### Finance Leases – Council as Lessor

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

	31-Mar-23 £000	31-Mar-22 £000
<i>Finance lease debtor (net present value of minimum lease payments)</i>		
Current	61	55
Non-current	4,553	4,590
Unearned finance income	70,477	70,750
Unguaranteed residual value of the property	17	17
	<b>75,108</b>	<b>75,412</b>

The gross investment in the lease over the following periods:

	31-Mar-23 £000	31-Mar-22 £000
Not later than one year	301	295
Later than one year and not later than five years	1,162	1,186
Later than five years	73,628	73,931
	<b>75,091</b>	<b>75,412</b>

The minimum lease payments will be received over the following periods

	31-Mar-23 £000	31-Mar-22 £000
Not later than one year	301	294
Later than one year and not later than five years	1,162	1,170
Later than five years	73,628	73,931
	<b>75,091</b>	<b>75,395</b>

### 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-Mar-23 £000	31-Mar-22 £000
Not later than one year	1,498	1,486
Later than one year and not later than five years	5,158	4,340
Later than five years	76,068	68,736
	<b>82,724</b>	<b>74,562</b>

The  
lease

minimum



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 2022/23 a total of £1.4 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2022/23: £1.4 million).

### 39. Defined Benefit Pension Scheme

#### Participation in the Local Government Pension Scheme

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

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

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

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

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

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

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

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

#### Transactions relating to Post-employment Benefits

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

	2022/23 £'000	2021/22 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<u>Cost of Services:</u>		
Current service cost	11,169	11,608
Past Service Cost	109	87
Liabilities assumed/(extinguished) on settlements		
Settlements price received/(paid)		
<u>Financing and Investment Income and Expenditure:</u>		
Net interest expense	2,115	2,116
Pension fund administration expenses	123	114
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	(126,902)	(33,615)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(113,386)</b>	<b>(19,690)</b>
<b>Movement in Reserves Statement</b>		
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(13,516)	(13,925)
Employer's contributions payable to the scheme	4,926	4,496
<b>Total charged to the Movement in Reserves Statement</b>	<b>(8,590)</b>	<b>(9,429)</b>

#### Pension assets and liabilities recognised in the Balance Sheet

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

	31-Mar-23 £000	31-Mar-22 £000
Present value of the defined benefit obligation	(220,198)	(338,333)
Fair value of plan assets	254,721	254,544
<b>Net liability</b>	<b>34,523</b>	<b>(83,789)</b>

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

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

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	(338,333)	(341,008)
Current service cost	(11,169)	(11,608)
Interest cost	(8,711)	(6,759)
Change in financial assumptions	135,332	15,709
Change in demographic assumptions	8,474	0
Experience loss/(gain) on defined benefit obligation	(12,346)	(863)
Liabilities assumed/(extinguished) on settlements	0	0
Benefits paid net of transfers in	7,958	7,397
Past service costs	(109)	(87)
Contributions by scheme participants	(1,631)	(1,468)
Unfunded pension payments	337	354
<b>Balance at 31 March</b>	<b>(220,198)</b>	<b>(338,333)</b>

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

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	(338,333)	(341,008)
Current service cost	(11,169)	(11,608)
Interest cost	(8,711)	(6,759)
Change in financial assumptions	135,332	15,709
Change in demographic assumptions	8,474	0
Experience loss/(gain) on defined benefit obligation	(12,346)	(863)
Liabilities assumed/(extinguished) on settlements	0	0
Benefits paid net of transfers in	7,958	7,397
Past service costs	(109)	(87)
Contributions by scheme participants	(1,631)	(1,468)
Unfunded pension payments	337	354
<b>Balance at 31 March</b>	<b>(220,198)</b>	<b>(338,333)</b>

**Reconciliation of the movements in fair value of the scheme assets:  
Local Government Pension Scheme assets comprised:**

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	254,544	233,033
Interest on assets	6,596	4,643
Return on assets less interest	(3,377)	18,769
Other actuarial gains/(losses)	(1,181)	-
Administration expenses	(123)	(114)
Contributions by employer	4,926	4,496
Contributions by scheme participants	1,631	1,468
Benefits paid net of transfers in	(8,295)	(7,725)
Settlement prices received/(paid)	-	-
<b>Balance at 31 March</b>	<b>254,721</b>	<b>254,570</b>

**Local Government Pension Scheme assets comprised:**

	<b>31-Mar-23</b>		<b>31-Mar-22</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	145,494	57	152,835	60
Gilts	3,508	1	6,077	2
Other bonds	11,290	4	11,147	4
Property	20,376	8	20,877	8
Cash	8,392	3	6,459	3
Alternative assets	39,388	15	31,455	12
Other managed funds	26,273	10	25,694	10
<b>Total</b>	<b>254,721</b>	<b>100</b>	<b>254,544</b>	<b>100</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates being based on the latest full triennial valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary are:

	31-Mar-23	31-Mar-22
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	21.1	21.6
Women	23.5	23.7
Future pensioners retiring in 20 years		
Men	22.3	23.0
Women	25.0	25.1
Rate of RPI inflation	3.2%	3.6%
Rate of CPI inflation	3.0%	3.2%
Rate of increase in salaries	3.8%	4.2%
Rate of increase in pensions	2.8%	3.2%
Rate for discounting scheme liabilities	2.5%	2.6%

\*Life expectancy assumptions have been weighted to avoid a disproportionate COVID impact.

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

	£000	£000	£000	£000	£000
<b>Adjustment to Discount Rate</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>(0.1)%</b>	<b>(0.5)%</b>
Present value of total obligation	203,759	216,740	220,198	223,748	238,918
Projected service cost	3,732	4,329	4,492	4,661	5,399
<b>Adjustment to long term salary increase</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>(0.1)%</b>	<b>(0.5)%</b>
Present value of total obligation	221,446	220,444	220,198	219,955	219,001
Projected service cost	4,307	4,495	4,492	4,489	4,477
<b>Adjustment to pension increase &amp; deferred revaluation</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>(0.1)%</b>	<b>(0.5)%</b>
Present value of total obligation	237,942	223,565	220,198	216,917	204,595
Projected service cost	5,422	4,663	4,492	4,327	3,710
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1Yr</b>	<b>None</b>	<b>-1Yr</b>	
Present value of total obligation		228,874	220,198	211,892	
Projected service cost		4,650	4,492	4,339	

### 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 2023 and will be implemented with effect from 1 April 2024.

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2024 is £6.281 million.

The actuary's estimate of the duration of the Employer's liabilities for 2022/23 is 20 years (2021/22: 20 years).

## Housing Revenue Account

### HRA Income and Expenditure Statement

	Notes	2022/23 £000	2021/22 Restated £000
<b>Expenditure</b>			
Repairs & Maintenance		6,036	5,535
Supervision & Management		10,676	9,364
Rents, Rates, Taxes & Other Charges		173	217
Depreciation & Impairment of Non-current Assets	H9	5,523	5,013
Revaluation loss on Dwellings		23,780	16,112
Derecognition of non-current assets		690	-
Debt Management Costs		55	61
		-	
<b>Total Expenditure</b>		<b>46,933</b>	<b>36,302</b>
<b>Income</b>			
Dwelling Rents		(27,935)	(26,629)
Non-dwelling Rents	H3	(1,129)	(1,053)
Charges for Services & Facilities		(2,582)	(2,478)
Reversal of previous revaluation losses		(2,729)	(3,858)
Contributions towards expenditure		(57)	(55)
<b>Total Income</b>		<b>(34,432)</b>	<b>(34,073)</b>
<b>Net (Income)/Cost of HRA Services included in the Comprehensive Income &amp; Expenditure Statement</b>			
		<b>12,501</b>	<b>2,229</b>
HRA services share of Corporate & Democratic Core		471	399
<b>Net (Income)/Cost of HRA Services</b>		<b>12,972</b>	<b>2,628</b>
<b>HRA share of operating income &amp; expenditure included in the Comprehensive Income &amp; Expenditure Statement</b>			
(Gain)/Loss on sale of HRA fixed assets		(2,320)	(1,369)
Interest Payable and similar charges		170	4,303
Interest and Investment Income		4,564	(13)
Movement in the provision of bad debts		(354)	80
Capital Grant		-	(2,639)
<b>(Surplus)/deficit for the year on HRA services</b>		<b>15,032</b>	<b>2,990</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

	2022/23 £000	2021/22 Restated £000
<b>Balance at 1 April</b>	(4,555)	(4,489)
<u>Movement in reserves during Year</u>		
(Surplus)/ deficit on provision of services	15,032	2,990
<b>Total Comprehensive Income &amp; Expenditure</b>	15,032	2,990
Adjustments between accounting basis & funding basis under regulations (note 9 main accounts)	(15,058)	(3,004)
<b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>	(26)	(14)
Transfers to/from Earmarked Reserves	-	(52)
<b>Increase/Decrease in Year</b>	(26)	(66)
<b>Balance at 31 March carried forward</b>	<b>(4,581)</b>	<b>(4,555)</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### H1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2023, 1.55% of lettable properties were vacant (3.0 % at 31 March 2022).

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

	31-Mar-23	31-Mar-22
	Total Stock	Total Stock
<b>Analysis by Type of Dwelling</b>		
Houses and Bungalows	2,995	2,959
Flats and Maisonettes	2,934	2,946
<b>Total Dwellings</b>	<b>5,929</b>	<b>5,905</b>
<b>Analysis by Number of Bedrooms</b>		
Bedsitters/1 bedroom	2,366	2,374
2 bedrooms	1,789	1,758
3 bedrooms	1,682	1,679
4 or more bedrooms	92	94
<b>Total Dwellings</b>	<b>5,929</b>	<b>5,905</b>

The changes in stock during the year can be summarised as follows

<b>Stock as at 1 April</b>	5,907	5,892
Add: New Build, Acquisitions, Conversions etc.	62	60
Deduct: Sales, Demolitions, Conversions, etc.	(40)	(47)
<b>Stock as at 31 March</b>	<b>5,929</b>	<b>5,905</b>

The most recent valuation of HRA dwellings that has been prepared was at 31 March 2023 and this is reflected in the valuation shown below:

	31-Mar-23	31-Mar-22
	£000	Restated £000
Council Dwellings (HRA)	454,140	422,195
Other Land & Buildings	4,175	12,407
Vehicle, Plant & Equipment	-	2
Assets Under Construction	8,610	6,273
Surplus assets	610	610
Assets Held for Sale	560	-
<b>Total</b>	<b>468,095</b>	<b>441,487</b>

## H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2023 was £1,119.2m (£1,114.4m as at 1 April 2022). 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

	2022/23	2021/22
	£000	£000
Garages and other charges	(1,037)	(958)
Land and other buildings	(92)	(95)
<b>Total - Non-Dwelling Rents</b>	<b>(1,129)</b>	<b>(1,053)</b>

## H4. Charges for Services and Facilities

Income totalling £0.107 million from Supporting People charges in 2022/23 (2021/22: £0.101 million) is shown under Charges for services and facilities.

## H5. Major Repairs Reserve

	2022/23	20221/22
	£000	£000
Balance brought forward at 1 April	-	-
Depreciation charge for the year	5,523	5,013
Financing of capital expenditure for the year	(5,523)	(5,013)
<b>Balance Carried forward</b>	<b>-</b>	<b>-</b>

## H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 39) 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

	2022/23	20221/22
	£000	£000
<b>HRA Capital Expenditure</b>		
Dwelling Stock	16,017	8,522
New Build - Council Dwellings	1,634	3,414
Dwelling Acquisitions	12,006	13,671
<b>Total</b>	<b>29,657</b>	<b>25,607</b>
<b>Financed by:</b>		
Borrowing	16,700	11,000
Government Grants & Other Contributions	733	2,639
Capital Receipts	2,292	1,708
Revenue Contributions	4,409	5,247
Major Repairs Reserve	5,523	5,013
<b>Total</b>	<b>29,657</b>	<b>25,607</b>

	2022/23	20221/22
	£000	£000
<b>Summary of HRA Capital Receipts</b>		
Sale of Council Houses - Direct	5,332	5,074
Other (including shared ownership)	405	-
<b>Total</b>	<b>5,737</b>	<b>5,074</b>

Receipts from the sale of Council houses have increased in 2022/23. 38 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2022/23 (44 in 2021/22)

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

In 2021/22 of the total capital receipts of £5.074 million, £0.507 million was paid to the Secretary of State under the pooling arrangements.

For the 2 financial years, 2022/23 and 2023/24, local authorities are permitted to retain the share of Right to Buy receipts that has been previously returned to the Treasury, therefore no payment was made to the Secretary of State during 2022/23.

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.

	2022/23	2021/22
	£000	£000
HRA Interest charge	4,564	4,303

### H9. Depreciation charges

	2022/23	2021/22
	£000	£000
Council dwellings	4,907	4,482
Other land & buildings	614	512
Vehicles, Plant & Equipment	2	19
<b>Total</b>	<b>5,523</b>	<b>5,013</b>

### H10. Rent Arrears

The arrears at 31 March 2023 totalled £1.386 million. This excludes prepayments of £0.955 million and is analysed as follows:

	2022/23	2021/22
	£000	£000
Due from Current Tenants	951	898
Due from Former Tenants	435	449
<b>Total Rent Arrears</b>	<b>1,386</b>	<b>1,347</b>
Prepayments	(955)	(840)
<b>Net Rent Arrears</b>	<b>431</b>	<b>507</b>

These arrears include all charges due from tenants and leaseholders i.e. rent, service charges and other charges. The HRA has been setting aside funds into a provision to meet irrecoverable debts in respect of such arrears. At 31 March 2023 the provision totalled £1.006 million (31 March 2022: £0.975 million).

## H11. Revenue Balances

Out of the revenue balance of £4.591 million, a sum of £2.608 million has already been committed for future use.

	2022/23	20221/22
	£000	£000
Revenue Balance at 1 April	4,555	4,489
Adjust: Housing Revenue Account Surplus/(Deficit)	26	66
<b>Revenue Balance at 31 March</b>	<b>4,581</b>	<b>4,555</b>
Less: Committed Sum		
Investment in Housing Stock 2021/22 and Future Years	(2,608)	(2,637)
<b>Estimate Balance Carried Forward</b>	<b>(373)</b>	<b>(318)</b>
<b>Uncommitted Balance</b>	<b>1,600</b>	<b>1,600</b>

## 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 (£2.608 million) will be used to support spending in future years.

## Collection Fund

### Collection Fund Income and Expenditure Statement

	2022/23			2021/22		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
<b>Income</b>						
Council Tax	(126,871)	-	(126,871)	(120,242)	-	(120,242)
Non-Domestic Rates	-	(58,607)	(58,607)	-	(49,873)	(49,873)
	<b>(126,871)</b>	<b>(58,607)</b>	<b>(185,478)</b>	<b>(120,242)</b>	<b>(49,873)</b>	<b>(170,115)</b>
<b>Precepts Demands and Shares</b>						
Central Government	-	28,436	<b>28,436</b>	-	31,536	<b>31,536</b>
Colchester City Council	15,488	22,749	<b>38,237</b>	14,688	25,229	<b>39,917</b>
Essex County Council	90,683	5,118	<b>95,801</b>	85,268	5,676	<b>90,944</b>
Essex Fire and Rescue	4,875	569	<b>5,444</b>	4,639	631	<b>5,270</b>
Police and Crime Commissioner for Essex	14,143	-	<b>14,143</b>	12,000	-	<b>12,000</b>
<b>Charges to Collection Fund</b>						
Transitional Protection Payment	-	312	<b>312</b>	-	381	<b>381</b>
Cost of Collection Allowance	-	236	<b>236</b>	-	238	<b>238</b>
Interest	-	-	-	-	-	-
Provision for Bad Debts including write offs	772	282	<b>1,054</b>	1,544	1,318	<b>2,862</b>
Provision for Appeals	-	743	<b>743</b>	-	(3,185)	<b>(3,185)</b>
<b>Apportionment of Previous Year Surplus/(Shortfall)</b>						
Central Government	-	(6,600)	<b>(6,600)</b>	-	(15,983)	<b>(15,983)</b>
Colchester City Council	420	(5,280)	<b>(4,860)</b>	(37)	(12,787)	<b>(12,824)</b>
Essex County Council	2,402	(1,188)	<b>1,214</b>	(216)	(2,877)	<b>(3,093)</b>
Essex Fire and Rescue	132	(131)	<b>1</b>	(12)	(320)	<b>(332)</b>
Police and Crime Commissioner for Essex	375	-	<b>375</b>	(33)	-	<b>(33)</b>
	<b>129,290</b>	<b>45,246</b>	<b>174,536</b>	<b>117,841</b>	<b>29,857</b>	<b>147,698</b>
<b>Movement on the Collection Fund Balance</b>						
(Surplus)/Deficit for the year	2,419	(13,361)	<b>(10,942)</b>	(2,401)	(20,016)	<b>(22,417)</b>
(Surplus)/Deficit at the beginning of the year	(1,497)	12,177	<b>10,680</b>	904	32,193	<b>33,097</b>
<b>(Surplus)/Deficit as at 31 March</b>	<b>922</b>	<b>(1,184)</b>	<b>(262)</b>	<b>(1,497)</b>	<b>12,177</b>	<b>10,680</b>

## Notes to the Collection Fund Accounts

### C1. General

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

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

The Collection Fund as a whole has a net deficit of £(0.262)m as at the 31 March 2023. 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 2022/23 was 64,731 (62,776 in 2021/22). For the year ended 31 March 2022, the band D Council Tax was set at £1,900.21 (£1,823.85 in 2021/22). The tax base for 2022/23 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,410	6/9	5,607
B	21,300	7/9	16,567
C	19,875	8/9	17,667
D	15,015	9/9	15,015
E	8,618	11/9	10,533
F	4,099	13/9	5,921
G	2,343	15/9	3,905
H	150	18/9	300
Contributions in lieu for Ministry of Defence Properties			772
<b>Total Band D</b>			76,287
Net effect of premiums and discounts			(11,556)
<b>Council Tax Base for the calculation of Council Tax</b>			64,731

### 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.

As of 2022/23, Colchester were part of the 50% retention and the local shares are as follows:

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

The total Non-Domestic Rateable value at the 2022/23 year-end was £165.639 million (2021/22: £164.367 million) and the Standard Non-Domestic rate multiplier for the year was 51.2p (2021/22: 51.2p).

#### Income from Non-Domestic Rates

	31 March 2023 £'000	31 March 2022 £'000
Gross NNDR due in year	82,504	81,259
Less: allowance and other adjustments	23,897	31,386
<b>NNDR income</b>	<b>58,607</b>	<b>49,873</b>

### 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 2023 will be distributed in proportion to the value of the respective precepts as shown below:

	2022/23			2021/22		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Colchester City Council	115	(473)	(358)	(193)	4,871	4,678
Central Government	-	(592)	(592)	-	6,088	6,088
Essex County Council	667	(107)	560	(1,075)	1,096	21
Essex Fire and Rescue	37	(12)	25	(61)	122	61
Police and Crime Commissioner for Essex	103	-	103	(168)	-	(168)
<b>Total (Surplus)/Deficit</b>	<b>922</b>	<b>(1,184)</b>	<b>(262)</b>	<b>(1,497)</b>	<b>12,177</b>	<b>10,680</b>

### 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:

	2022/23 £'000	2021/22 £'000
Less than one year	3,987	4,401
More than one year	8,644	7,996
<b>Total Debtors for Local Taxation</b>	<b>12,631</b>	<b>12,397</b>



## GROUP ACCOUNTS

### 1. Introduction

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

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

A review was undertaken in 2022/23 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 and Colchester Commercial Holdings Limited) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line-by-line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. Inter-group balances and transactions have been eliminated during the consolidation of the Group Accounts.

### 2. Accounting Policies

The accounting policies reported in note 1 have been adopted by the Council in preparing the group accounts.

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## Group Movement in Reserves Statement

	General Fund Balance	Revenue Reserves Housing Revenue Account	Earmarked Reserves	Capital Reserves Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2022	(4,508)	(4,555)	(32,943)	(9,205)	(39)	(51,250)	(418,018)	(469,268)
(Surplus) /deficit on the provision of services (accounting basis)	6,704	15,029	-	-	-	21,733	-	21,733
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(195,853)	(195,853)
<b>Total Comprehensive Income and Expenditure</b>	<b>6,704</b>	<b>15,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,733</b>	<b>(195,853)</b>	<b>(174,120)</b>
Adjustments between accounting and funding basis under regulation	(1,646)	(15,056)	-	(2,467)	20	(19,149)	17,274	(1,875)
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>5,058</b>	<b>(27)</b>	<b>-</b>	<b>(2,467)</b>	<b>20</b>	<b>2,584</b>	<b>(178,579)</b>	<b>(175,995)</b>
Transfers to/from Earmarked reserves - note 10	(4,876)	-	4,876	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>182</b>	<b>(27)</b>	<b>4,876</b>	<b>(2,467)</b>	<b>20</b>	<b>2,584</b>	<b>(178,579)</b>	<b>(175,995)</b>
<b>Balance at 31 March 2023</b>	<b>(4,326)</b>	<b>(4,582)</b>	<b>(28,067)</b>	<b>(11,672)</b>	<b>(19)</b>	<b>(48,666)</b>	<b>(596,597)</b>	<b>(645,263)</b>

	Revenue Reserves			Capital Reserves			Total Group Reserves	
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2021	(4,006)	(4,489)	(36,276)	(6,307)	(6)	(51,084)	(326,500)	(377,584)
(Surplus) /deficit on the provision of services (accounting basis)	1,226	2,990	-	-	-	4,216	-	4,216
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(92,966)	(92,966)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,226</b>	<b>2,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,216</b>	<b>(92,966)</b>	<b>(88,750)</b>
Adjustments between accounting and funding basis under regulation	1,553	(3,004)	-	(2,898)	(33)	(4,382)	1,448	(2,934)
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>2,779</b>	<b>(14)</b>	<b>-</b>	<b>(2,898)</b>	<b>(33)</b>	<b>(166)</b>	<b>(91,518)</b>	<b>(91,684)</b>
Transfers to/from Earmarked reserves - note 10	(3,281)	(52)	3,333	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>(502)</b>	<b>(66)</b>	<b>3,333</b>	<b>(2,898)</b>	<b>(33)</b>	<b>(166)</b>	<b>(91,518)</b>	<b>(91,684)</b>
<b>Balance at 31 March 2022</b>	<b>(4,508)</b>	<b>(4,555)</b>	<b>(32,943)</b>	<b>(9,205)</b>	<b>(39)</b>	<b>(51,250)</b>	<b>(418,018)</b>	<b>(469,268)</b>

## Group Comprehensive Income and Expenditure Statement

Expenditure	2022/23			2021/22		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Corporate & Democratic Core	360	(1,411)	(1,051)	327	(473)	(146)
Executive Management Team	824	-	824	792	(8)	784
Corporate & Improvement	9,309	(2,523)	6,786	9,229	(1,817)	7,412
Communities	11,215	(7,273)	3,942	12,505	(7,790)	4,715
Customer	41,606	(37,653)	3,953	48,549	(44,812)	3,737
Environment	24,395	(12,192)	12,203	22,135	(11,842)	10,293
Housing Revenue Account	30,985	(33,972)	(2,987)	14,786	(29,726)	(14,940)
Place and Client Services	20,788	(12,662)	8,126	20,096	(11,632)	8,464
Non Distributed Costs	503	-	503	775	(451)	324
CCHL Ltd	4,672	(3,220)	1,452	5,385	(4,476)	909
CBH Ltd	18,882	(447)	18,435	16,879	(749)	16,130
<b>Cost of Services</b>	<b>163,539</b>	<b>(111,353)</b>	<b>52,186</b>	<b>151,458</b>	<b>(113,776)</b>	<b>37,682</b>
<b>Other Operating Expenditure</b>	<b>5,606</b>	<b>(5,887)</b>	<b>(281)</b>	<b>2,606</b>	<b>(1,337)</b>	<b>1,269</b>
<b>Financing and Investment Income and Expenditure</b>	<b>9,335</b>	<b>(7,343)</b>	<b>1,992</b>	<b>7,566</b>	<b>(8,067)</b>	<b>(501)</b>
<b>Taxation and non-specific grant income and expenditure</b>	<b>22</b>	<b>(31,459)</b>	<b>(31,437)</b>	<b>1,370</b>	<b>(36,331)</b>	<b>(34,961)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>178,502</b>	<b>(156,042)</b>	<b>22,460</b>	<b>163,000</b>	<b>(159,511)</b>	<b>3,489</b>
Surplus on revaluation of non-current assets.			(59,305)			(54,980)
Actuarial (gains)/losses on pension assets/liabilities			(136,548)			(40,193)
<b>Other Comprehensive Income and Expenditure</b>			<b>(195,853)</b>			<b>(95,173)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(173,393)</b>			<b>(91,684)</b>

## Group Balance Sheet

	Notes	23-Mar-23 £000	31-Mar-22 £000
Property, Plant and Equipment		722,470	661,291
Heritage Assets		1,332	1,332
Investment Properties		48,083	46,210
Intangible Assets		-	2
Long Term Investments		6	6
Long Term Debtors		7,312	5,721
<b>LONG TERM ASSETS</b>		<b>779,203</b>	<b>714,562</b>
Assets Held for Sale		560	-
Inventories		551	832
Short Term Debtors	Note G7	14,876	18,286
Short Term Loans		29	45
Cash and Cash Equivalents	Cash Flow	41,611	84,198
<b>CURRENT ASSETS</b>		<b>57,627</b>	<b>103,361</b>
Short Term Creditors	Note G8	(36,535)	(58,838)
Short Term Borrowing		(16,764)	(26,745)
Provisions		(2,707)	(2,427)
Capital grants receipts in advance		(6,140)	(4,893)
<b>CURRENT LIABILITIES</b>		<b>(62,146)</b>	<b>(92,903)</b>
Long Term Creditors		(19)	(54)
Provisions		(107)	(113)
Long Term Borrowing		(141,094)	(141,094)
Other Long Term Liabilities		(215)	(143)
Pension Liabilities		34,523	(93,435)
Capital grants receipts in advance		(23,235)	(20,915)
<b>LONG TERM LIABILITIES</b>		<b>(130,147)</b>	<b>(255,754)</b>
<b>NET ASSETS</b>		<b>644,537</b>	<b>469,266</b>
Usable Reserves		(47,939)	(51,249)
Unusable Reserves		(596,598)	(418,019)
<b>TOTAL RESERVES</b>		<b>(644,537)</b>	<b>(469,268)</b>

## Group Cash Flow Statement

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Net surplus or (deficit) on provision of services	(22,437)	(3,274)
Adjustments to net surplus or deficit on provision of services for non-cash movements	34,883	31,502
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,750)	(2,117)
<b>Net cash flows from Operating Activities</b>	<b>10,696</b>	<b>26,111</b>
Investing Activities	(49,491)	(13,433)
Financing Activities	(3,792)	10,454
<b>Net Increase or (decrease) in cash and cash equivalents</b>	<b>(42,587)</b>	<b>23,132</b>
Cash and cash equivalents at the beginning of the reporting period	84,129	61,066
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>41,542</b>	<b>84,198</b>

## Notes to the Group Financial Statements

### G1. General

Specific notes for the Group Financial Statements are provided below only where there is a material difference from the Council's own accounts. Notes to the Council's Financial Statements are set out from note 2 and the Group Financial Statements are cross referenced to them where relevant.

### G2. Prior year adjustments

In 2022/23 the Council undertook a review of the structure of its internal services and this has had an impact on the composition of the services across the Council. As a result of this internal restructure the 2022/23 comparative values in the lines within the Group Cost of Services in the Comprehensive Income and Expenditure Statement and the Group Expenditure and Funding Analysis were restated. There is no impact on the bottom line of the Group's core financial statements for 2022/23 as the adjustments made are reclassification amendments.

In 2022/23 it was identified that the balance held on the Group Balance Sheet within the retained right to buy receipts reserve in earmarked reserves should be reclassified to be held within the usable capital receipts reserve. As this reserve contains the annual capital receipts generated from right to buy property sales. The 2022/23 comparatives have been restated to reflect this reclassification of this reserve balance. There is no impact on the bottom line of the Group's core financial statements for 2022/23 as the adjustments made are reclassification amendments.

### G3. Subsidiary Companies consolidated into the Group Accounts

Colchester Borough Homes Limited and Colchester Commercial Holdings Limited are wholly owned subsidiaries of the Council.

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

### G4. Consolidation of Operating Income and Expenditure

The operating income and expenditure of Colchester Borough Homes Limited has been included within the 'Housing Revenue Account' line in the Group Comprehensive Income and Expenditure Statement.

The operating income and expenditure of Colchester Commercial Holdings Limited has been included within the 'Place and Client' line in the Group Comprehensive Income and Expenditure Statement.

### G6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 21 February 2024. 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 2023 that would materially affect these Group accounts, and as such no adjustments have been made to the figures reported in the Group financial statements or notes.

**G7. Short-term Debtors**

	<b>31-Mar-23</b>	<b>31-Mar-22</b>
	<b>£000</b>	<b>£000</b>
Grants and Taxes	2,055	2,619
Trade Debtors	5,102	2,762
Prepayments	2,492	2,488
Housing Benefit Overpayments	415	511
NNDR ratepayers' arrears	375	815
Council Tax ratepayers' arrears	296	308
Central Government	1,018	-
Other Local Authorities	-	890
NHS Bodies Grants	1,637	1,637
Other Debtors	1,486	6,257
	<b>14,876</b>	<b>18,287</b>

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

**G8. Cash and Cash Equivalents**

	<b>31-Mar-23</b>	<b>31-Mar-22</b>
	<b>£000</b>	<b>£000</b>
Cash	10	11
Call Accounts and short term deposits	17,286	56,740
Bank Balance	24,314	27,448
	<b>41,610</b>	<b>84,199</b>



**G9. Short-term Creditors**

	<b>31-Mar-23</b>	<b>31-Mar-22</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Trade Creditors	(17,081)	(6,332)
Receipts in Advance	(1,472)	(4,683)
Other Taxes and Social Security	(686)	(2,388)
Collection Fund Agency	(7,084)	(23,967)
NNDR Prepayments	(1,112)	(1,562)
Council Tax Prepayments	(518)	(428)
Central Government	(547)	-
Other Local Authorities	(89)	-
Other Creditors	(7,944)	(19,476)
<b>Total short term creditors</b>	<b>(36,533)</b>	<b>(58,836)</b>

**G10. Subsidiaries Reserves**

	<b>31-Mar-23</b>	<b>31-Mar-22</b>
	<b>£000</b>	<b>£000</b>
<b>Colchester Borough Homes Limited</b>		
Income and Expenditure Account	1,321	2,105
Defined benefit pension scheme reserve	-	(9,646)
<b>Colchester Commercial Holdings Limited</b>		
Income and Expenditure Account	103	242
<b>Total Subsidiaries Reserves</b>	<b>1,424</b>	<b>(7,299)</b>

## G11. Cash Flow Statement Notes

### Net cash flows from operating activities

	2022/23 £000	2021/22 £000
Depreciation	12,163	11,554
Amortisation	2	2
Impairment and downward valuations	20,080	9,948
Reductions in fair value of Non-PWLB concessionary loans	-	-
Reductions in the fair value of soft loans (non Subsidiary) made in the year	-	-
Soft Loans (non Subsidiary) – interest adjustment credited to the CIES during the year	-	-
Adjustments for effective interest rates	-	-
(Decrease)/Increase in provision for doubtful debts re: Loans and Advances	-	-
Increase/(decrease) in Interest Creditors	412	(160)
Increase (decrease) in Creditors	(12,213)	(12,606)
(Increase)/Decrease in Interest and Dividend Debtors	(203)	14
(Increase)/Decrease in Debtors	2,076	9,588
Increase in Inventories	281	1,387
(Decrease)/increase in Pension Liability	10,464	11,619
Contributions to Provisions	275	(1,255)
Carrying amount of non-current assets sold	3,419	854
Loans relating to deferred capital receipts	-	-
Carrying amount of short and long term investments sold	-	-
Movement in Investment Property values	(1,874)	558
<b>Net cashflows from operating activities</b>	<b>34,882</b>	<b>31,503</b>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.

	2022/23 £000	2021/22 £000
Capital Grants credited to surplus or deficit on the provision of services	3,796	3,542
Proceeds from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(5,746)	(5,786)
Other receipts from investing activities	200	300
Dividends paid	-	-

### Net cashflows from investing activities

	2022/23 £000	2021/22 £000
Purchase of property, plant & equipment, investment property & intangible assets	(38,021)	(35,912)
Other capital payments	(20,460)	(2,751)
Purchase of short term & long-term investments	-	-
Other payments for investing activities	(343)	(974)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	5,746	5,746
Other Capital Cash Receipts	-	-
Capital grants received	3,552	2,279
Revenue Grants Received	35	18,178
Proceeds from short term & long-term investments	-	-
	<b>(49,491)</b>	<b>(13,434)</b>

### Net cashflows from financing activities

	2022/23 £000	2021/22 £000
Cash Receipts of Short & Long Term Borrowing	10,000	20,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(191)	(328)
Repayments of short- & long-term borrowing	(20,000)	(23,350)
Other receipts /(payments) for financing activities	6,399	14,132
	<b>(3,792)</b>	<b>10,454</b>

## G12. Officers' Remuneration

The remuneration paid to the senior officers within Colchester City Council is shown in Note 29.

### Colchester Borough Homes Limited

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

2022-23	Salary (inc. fees & allowances) £	Pension Contributions £	Total Remuneration £
Chief Executive Officer	109,238	22,066	131,304
Director of Business Improvement	82,324	16,629	98,953
Director of Operations	82,350	16,635	98,985
	<b>273,912</b>	<b>55,330</b>	<b>329,242</b>

<b>2021-22</b>	<b>Salary (inc. fees &amp; allowances)</b> £	<b>Pension Contributions</b> £	<b>Total Remuneration</b> £
Chief Executive Officer (see note below)	18,181	3,614	21,795
Chief Executive Officer (see note below)	60,632	12,248	72,880
Director of Business Improvement	83,208	16,808	100,016
Director of Operations	83,208	16,808	100,016
	<b>245,229</b>	<b>49,478</b>	<b>294,707</b>

The Chief executive left Colchester Borough Homes Limited on 31st May 2021. The position was left vacant until a new Chief Executive was appointed on 6th September 2021

#### **Colchester Commercial Holdings Limited**

The remuneration paid to the senior officers within Colchester Commercial Holdings is as follows:

<b>2022-23</b>	<b>Salary (inc. fees &amp; allowances)</b> £	<b>Pension Contributions</b> £	<b>Total Remuneration</b> £
Managing Director	99,986	6,327	106,313
Senior Commercial Manager	75,802	3,858	79,660
Finance Manager & Company Secretary	47,294	2,017	49,311
	<b>223,082</b>	<b>12,202</b>	<b>235,284</b>

<b>2021-22</b>	<b>Salary (inc. fees &amp; allowances)</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>
Managing Director (Note 1)	27,528	-	27,528
Managing Director (Note 2)	27,500	1,375	28,875
Group Commercial Director (Note 2)	69,765	3,488	73,253
Senior Commercial Manager	68,815	3,442	72,257
Finance Manager & Company Secretary (Note 3)	16,944	820	17,764
Finance Manager & Company Secretary (Note 4)	23,958	1,198	25,156
	<b>234,510</b>	<b>10,323</b>	<b>244,833</b>

**Note 1:** The Managing Director retired and left Colchester Commercial Holdings on 31 December 2021.

**Note 2:** The Group Commercial Director took up the position of Managing Director on 1 January 2022.

**Note 3:** The Group Commercial Director left the position on 31 December 2021 to take up the position of Managing Director on 1 January 2022.

**Note 4:** The Finance Manager and Company Secretary resigned and left Colchester Commercial Holdings on 19 July 2021.

**Note 5:** An Interim Finance Manager and Company Secretary was contracted for the period from 20 July 2021 until it this position filled on 1 November 2021. Payments made to the recruitment agency in 201/22 in respect of the interim placement totalled £45,600 including VAT.

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:

	<b>2022/23</b>	<b>2021/22</b>
£50,000-54,999	4	4
£55,000-59,999	10	18
£60,000-64,999	5	1
£65,000- 69,999	7	2
£70,000-74,999	6	6
£75,000-79,999	4	-
£80,000-84,999	1	-
£85,000-89,999	-	-
£90,000-94,999	-	-
£95,000-99,999	1	-
Over £100,000	1	2
	<b>39</b>	<b>33</b>

### G13. Termination Benefits (Exit Packages)

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

2022/23 Exit packages cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages £s
£0 - £20,000	3	2	5	21,986
£20,001 - £60,000	2	3	5	233,905
<b>Total cost included in bandings</b>				<b>255,891</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				(22,090)
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				22,021
<b>Total Exit Costs</b>				<b>255,822</b>

2021/22 Exit packages cost Band(including special payments)	Number of Compulsory redundancies	Number of other agreed departures	Total number of exit Packages by cost band	Total cost of exit packages £'s
£0 - £20,000	3	-	3	22,308
£20,001 - £60,000	-	4	4	172,393
<b>Total cost included in bandings</b>				<b>194,701</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				3,835
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
<b>Total Exit Costs</b>				<b>198,536</b>

### G14. 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 2022/23, 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:

#### **Local Government Pension Scheme**

	2022/23 £000	2021/22 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current service cost	14,077	14,714
Past Service Cost	109	87
Liabilities assumed/(extinguished) on settlements	-	-
Settlements price received/(paid)	-	-
Financing and Investment Income and Expenditure:		
Net interest expense	2,349	2,384
Pension fund administration expenses	146	135
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	(149,454)	(40,193)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(132,773)</b>	<b>(22,873)</b>

#### **Pension assets and liabilities recognised in the Balance Sheet**

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

	31-Mar-23 £000	31-Mar-22 £000
Fair value of plan liabilities	(258,924)	(398,306)
Fair value of plan assets	304,479	280,685
<b>Net surplus /(liability)</b>	<b>45,555</b>	<b>(117,621)</b>

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

	2022/23 £000	2021/22 £000
Balance at 1 April	(395,631)	(395,124)
Current service cost	(14,077)	(14,275)
Interest cost	(10,197)	(8,844)
Change in financial assumptions	163,006	138,922
Change in demographic assumptions	9,918	8,474
Experience loss/(gain) on defined benefit obligation	(18,816)	(12,463)
Liabilities assumed/(extinguished) on settlements	-	-
Benefits paid net of transfers in	8,713	8,606
Past service costs	(109)	(109)
Contributions by scheme participants	(2,068)	(2,020)
Unfunded pension payments	337	337
<b>Balance at 31 March</b>	<b>(258,924)</b>	<b>(276,496)</b>

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

	2022/23 £000	2021/22 £000
Balance at 1 April	302,196	275,807
Interest on assets	7,848	5,508
Return on assets less interest	(4,019)	21,874
Other actuarial gains/(losses)	(635)	-
Administration expenses	(146)	(135)
Contributions by employer	6,217	5,684
Contributions by scheme participants	2,068	1,857
Benefits paid net of transfers in	(9,050)	(8,373)
Settlement prices received/(paid)	-	-
	-	-
<b>Balance at 31 March</b>	<b>304,479</b>	<b>302,222</b>



## GLOSSARY OF TERMS

### **Accruals Concept**

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

### **Actuarial Gains and Losses**

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

### **Amortisation**

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

### **Appropriations**

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

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

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

A 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.

### **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 City 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.

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF COLCHESTER CITY COUNCIL**

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## Governance and Audit Committee

Item  
**8**

9 April 2024

<b>Report of</b>	<b>Chief Operating Officer</b>	<b>Author</b>	<b>Matthew Evans</b>
<b>Title</b>	<b>Work Programme 2023-2024</b>		<b>☎ ext. 8006</b>
<b>Wards affected</b>	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.

### 2. Recommended Decision

- 2.1 The Committee is asked to note the content 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

<b>Governance and Audit Committee</b>
<b>Meeting date / Agenda items -</b>
Governance and Audit Committee - <b>20 June 2023</b>
<ol style="list-style-type: none"><li>1. Year End Internal Audit Assurance Report 2022/2023</li><li>2. <u>Review of the Governance Framework and Draft Annual Governance Statement</u></li></ol>
Governance and Audit Committee – <b>01 August 2023</b>
<ol style="list-style-type: none"><li>1. Update from the Council's external auditors, BDO.</li><li>2. Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.</li><li>3. 2022/2023 Year End Review of Risk Management</li></ol>



<b>Governance and Audit Committee - 12 September 2023</b>
<ol style="list-style-type: none"> <li>1. Colchester Borough Homes Annual Report and Governance Statement</li> <li>2. Revenue Monitoring Report – April to June 2023/24</li> <li>3. 2022/2023 Revenue Outturn</li> </ol>
<b>Governance and Audit Committee - 17 October 2023</b>
<ol style="list-style-type: none"> <li>1. Local Government and Social Care Ombudsman Annual Review 2022/2023</li> <li>2. Health and Safety Policy and Annual Report</li> <li>3. Amphora Future Strategy</li> <li>4. Proposed Hibernation of Colchester Amphora Energy Limited</li> <li>5. Draft Statement of Accounts 2021/2022</li> </ol>
<b>Governance and Audit Committee – 28 November 2023</b>
<ol style="list-style-type: none"> <li>1. Colchester Commercial Holdings Limited – Annual Report</li> <li>2. Quarter 2 Budget Monitoring Report 2023/2024</li> <li>3. Polling District and Place Review</li> </ol>
<b>Governance and Audit Committee – 13 December 2023</b>
<ol style="list-style-type: none"> <li>1. Review of the Council’s Ethical Governance Policies</li> <li>2. Annual Review of the Members’ Code of Conduct and the Council’s Localism Act “Arrangements”</li> <li>3. Review of Local Code of Corporate Governance</li> <li>4. Review of Member/Officer Protocol</li> <li>5. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees</li> <li>6. Overview of the Council’s Housing Stock</li> <li>7. Verbal update on the Council’s Statement of Accounts</li> </ol>

Governance and Audit Committee - **16 January 2024**

1. Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts
2. Interim Review of the Annual Governance Statement Action Plan
3. Risk Management Progress Report
4. Mid-Year Internal Audit Assurance Report 2023/2024
5. Annual Review of Business Continuity

Governance and Audit Committee – **7 February 2024**

1. Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts
2. Capital Expenditure Outturn 2022/2023
3. Internal Audit Plan 2024/2025

Governance and Audit Committee - **5 March 2024**

1. Hibernation of Colchester Amphora Homes Limited
2. CBH performance monitoring 24/25
3. Draft statement of accounts 2022/2023
4. Treasury Management Outturn 2022/2023
5. Treasury Management Mid-Year Update 2023/2024
6. Quarter 3 Budget Monitoring Report

Governance and Audit Committee - **9 April 2024**

1. Draft statement of accounts 2022/2023