



**DRAFT**

# STATEMENT OF **ACCOUNTS**

2021 | 2022



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## Narrative Statement

### Introduction

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

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

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

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

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

## Introduction to Colchester

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

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

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

Colchester is an increasingly popular place to live and work.

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

## Covid 19

### *Background*

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

### *Business Support*

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

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

### *Financial Impact*

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

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

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

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

#### *Service Impact*

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

#### *Summary*

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

### Summary of Achievements

#### **The Corporate Strategy**

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

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

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

Some achievements and highlights include:

#### **Tackling the climate challenge and leading sustainability**

- The Council's carbon emissions were reduced by 12.8% (791.5 tonnes of CO<sub>2</sub>e) since 2020 in line with our latest climate Emergency Action Plan.
- The Climate Change Team secured £500k of grant funding to replace Rowan House's 30-year old gas heating system with a low carbon system.
- Tools such as the Sustainability and Carbon Reduction Assessment Checklist were embedded to help service areas and projects achieve behaviour change and best practice.
- CAReless pollution 'No idling' campaign was awarded 'Highly Commended' at 'Sustainability Leaders Awards 2022' and achieved a 53% reduction in idling car engines at traffic lights in our Air Quality Management Areas.
- Stopped the use of glyphosate weedkiller on Colchester Borough Homes sites through consultation with residents.
- Urban planting has been completed.
- First year of wildflower and naturalising has taken place, having a positive impact on biodiversity.
- Supported Wivenhoe 'no mow, no sow' trial and started discussions to include further sites and the support for other Parish and Town Councils to adopt the same approach.

### Creating safe, healthy and active communities

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

### Delivering homes for people who need them

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

### Growing a fair economy so everyone benefits

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

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

#### **Celebrating our heritage and culture**

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



**Key performance indicators for 2021/22**

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

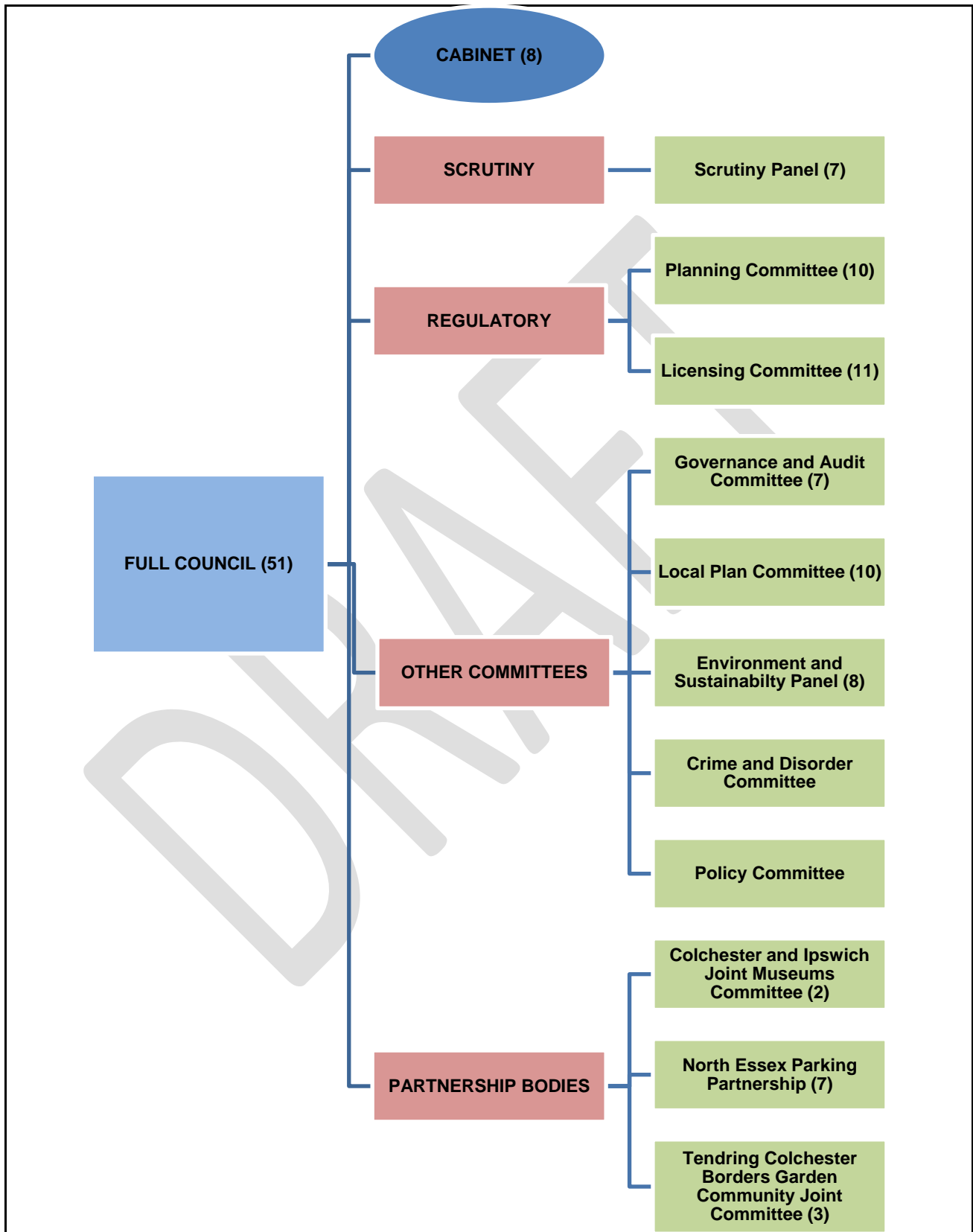
| Area                         | Indicator                                               | RAG Status |            |
|------------------------------|---------------------------------------------------------|------------|------------|
|                              |                                  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

**Governance**

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

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

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



### **The Cabinet**

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

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

### **Scrutiny Panel**

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

### **Licensing Committee**

The Licensing Committee has specific responsibility for:

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

### **Planning Committee**

The Planning Committee has specific responsibility for:

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

### **Governance and Audit Committee**

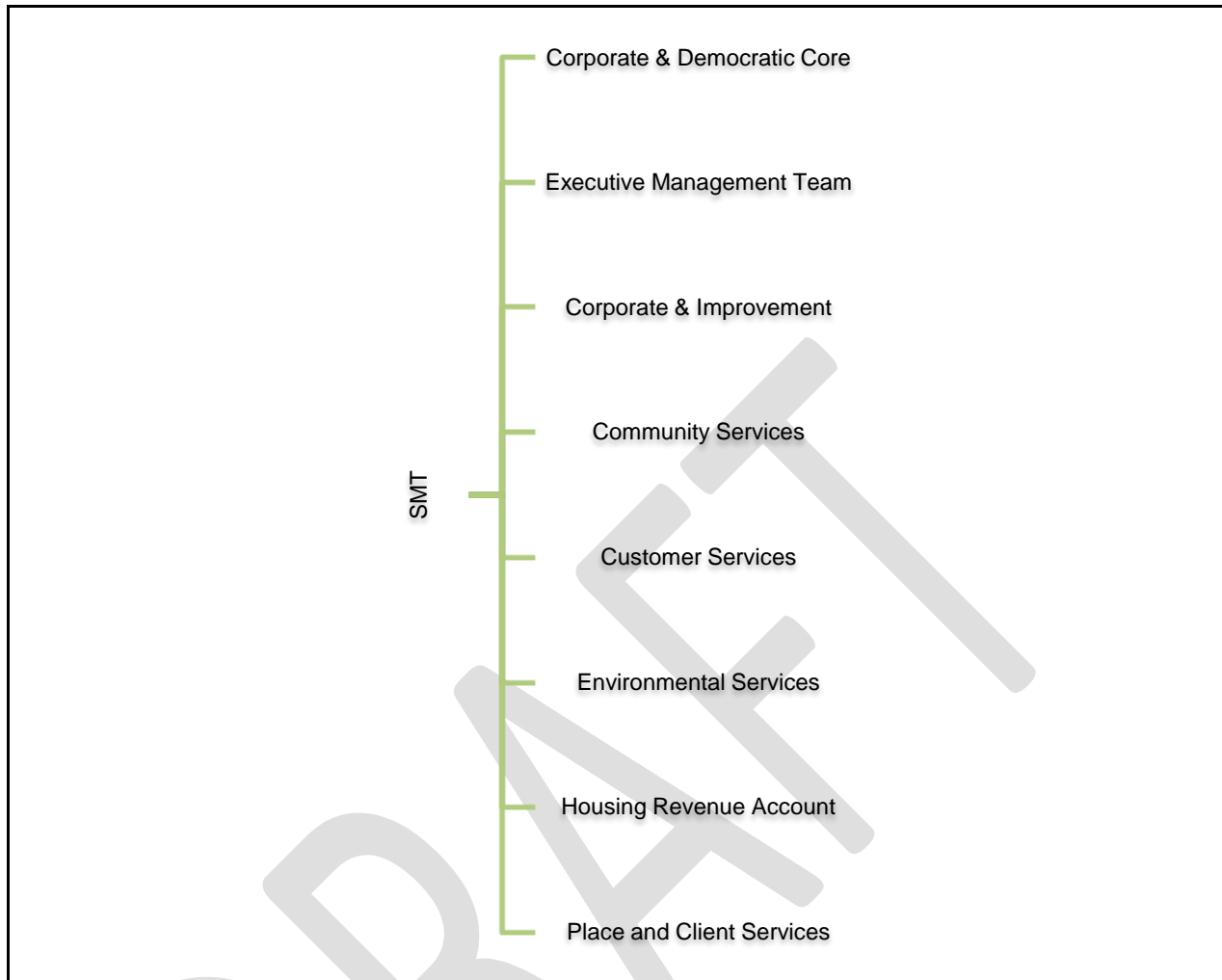
The Committee is made up of 7 Councillors and normally meets up to 8 times per year. Its function is to: -

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

### **The Management Structure of the Council**

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

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



### Organisations within the group accounts

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

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

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

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

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

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

Summary of the 2021/22 Financial Performance of the Council

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

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

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

**Community – (£185,000) surplus**

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

**Customer (£712,000) surplus**

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

**Environment (£741,000) surplus**

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

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

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

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

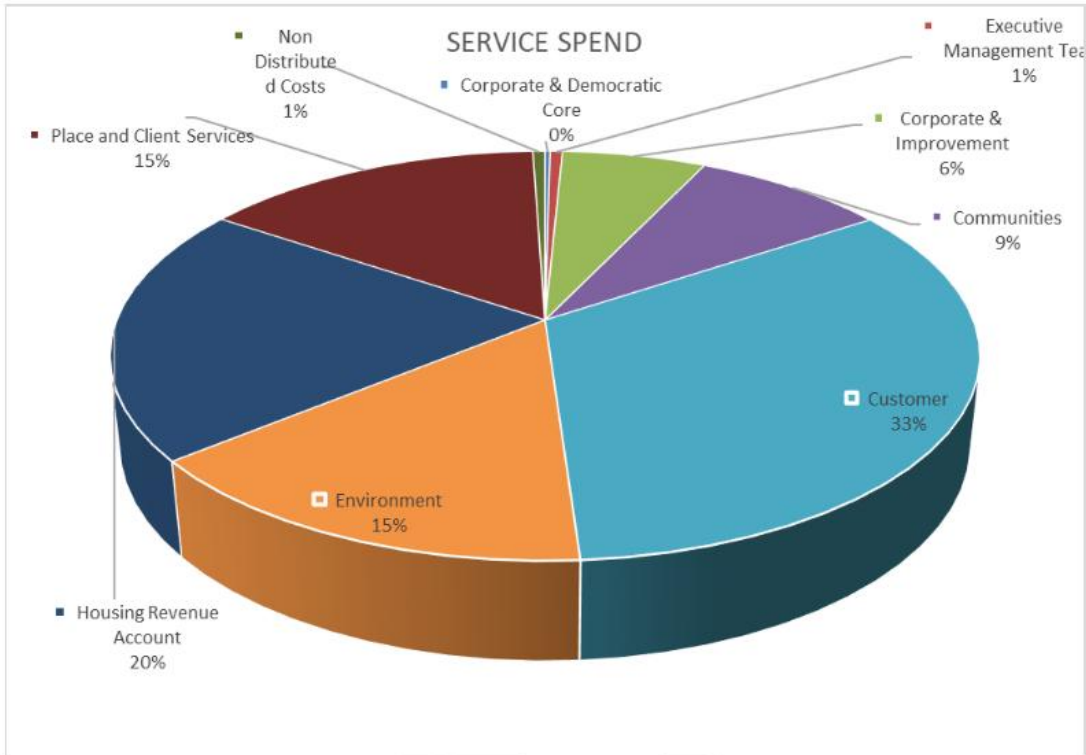
The 2021/22 provisional capital outturn was reported to 6<sup>th</sup> September 2022 Governance and Audit Committee and is summarised below:-

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

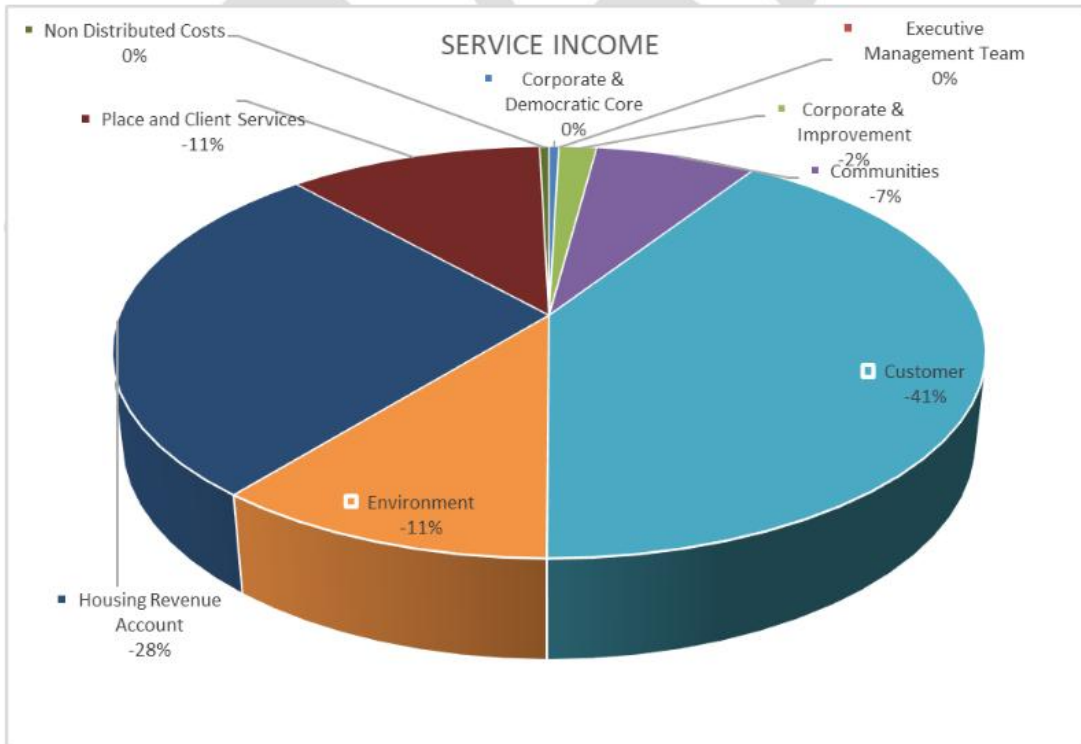
|                                 | <b>2021/22 Outturn<br/>£ (000)</b> |
|---------------------------------|------------------------------------|
| <b>Funded By:</b>               |                                    |
| RTB "one for one" receipts      | (1,708)                            |
| External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

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

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



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



## Strategic Risks

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

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

## Liability for Pensions Costs

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

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

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

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

## Future Plans

### Revenue

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

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

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



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

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

## Capital

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

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

## Revenue Balances

Balances are required to cover a number of potential unforeseen eventualities and risks of additional expenditure being required over and above that allowed for within budgets. For 2021/22 the minimum prudent level of uncommitted balances required was £2.16 million, or 10% of net expenditure. This was achieved at 31st March 2022.

## Collection Fund

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

## Explanation of Financial statements

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

The key financial statements set out within this document include:

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

### Other information

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

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

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

### Our Fairness Policy

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

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

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

DRAFT

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

#### *Chief Financial Officer's Certificate:*

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

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

### The Council's Responsibilities

The Council must:

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

I confirm that these accounts were approved by the Governance Committee at the meeting held on the xx xxxx xxx

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

Movement in Reserves

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

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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



Cash Flow Statement

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

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### AP 1 - General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code of Practice) and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

#### AP 2 - Changes to Accounting Policies

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

#### AP 3 - Accruals of Income and Expenditure

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

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

#### AP 4 – Overheads and Support Services

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

#### AP 5 - Charges to Revenue for Non-Current Assets

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

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

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

#### AP 6 - Revenue Expenditure Funded from Capital under Statute

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

#### **AP 7 - Minimum Revenue Provision**

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

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

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

#### **AP 8 – Council Tax and Business Rates**

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

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

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

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

#### **AP 9 – Employee Benefits Benefits Payable during Employment**

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

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

#### **Termination Benefits**

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

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

### Post-Employment Benefits

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

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

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

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

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

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

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

### AP 10 – Financial Instruments

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

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

### Financial Assets

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

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

### Financial Liabilities

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

### Impairment of Financial Assets

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

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

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

### AP 11 - Government Grants and Contributions

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

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

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

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

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

### AP 12 – Property, Plant and Equipment Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated as follows:

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

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

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

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

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

### Disposals

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

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

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

### AP 13 – Heritage Assets

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

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

### AP 14 – Investment Properties

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

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

Investment properties are not depreciated.

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

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

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



#### AP 15 – Assets Held for Sale

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

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

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

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

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

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

#### AP 16 – Fair Value Measurement

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

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

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

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

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

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

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

#### AP 17 - Cash and Cash Equivalents

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

#### AP 18 – Provisions

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

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

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

#### AP 19 - Reserves

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

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

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

#### AP 20 – Leases

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

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

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

#### Finance Leases – The Council as Lessee

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

Finance lease payments are apportioned between:

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

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

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

### Finance Leases – The Council as Lessor

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

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

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

Finance lease rentals receivable are apportioned between:

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

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

### AP 21 – Contingent Liabilities

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

### AP 22 - Interests in Companies

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

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

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

### AP 23 – Joint Operations

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

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

### AP 24 - Value Added Tax (VAT)

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

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

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

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

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

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

## 3. Critical judgements in applying accounting policies

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

### Classification of leases

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

### Classification of investment properties

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

### Valuation of Property, Plant and Equipment

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

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

### Heritage Assets

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

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

## Composition of Group Accounts

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

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

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

### Depreciation of Property, Plant and Equipment Assets

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

### Revaluation of Property, Plant and Equipment Assets

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

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

### Net Pension Liability

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

The effect on the net pension liability of changes in individual assumptions can be measured. For example a 0.1% increase in the discount rate assumption would lead to a decrease of £6 million in the net pension liability from £338 million to £332 million. See Note 8 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

### Debt impairment

The Council has included a provision of £8.7 million for the impairment of doubtful debts as at 31 March 2022 in its accounts. Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, it is not certain that this provision will continue to be sufficient. If debtor collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision with a view to increasing the provision held by the Council.

### Provision for Business Rates Appeals

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

### Provision for the impairment of Financial Instruments

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

### Fair value measurements

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

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

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

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

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

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

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5. Expenditure Funding Analysis

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

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



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

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

## 6. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

7. Expenditure and Income Analysed by Nature

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

## 8. Defined Benefit Pension Schemes

### Participation in the Local Government Pension Scheme

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

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

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

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

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

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

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

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

### Transactions relating to Post-employment Benefits

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

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

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





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

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

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

| Adjustments made to:                                                   | +1<br>year/+0.1%<br>change<br>£'000 | No change<br>£'000 | -1<br>year/-0.1%<br>change<br>£'000 |
|------------------------------------------------------------------------|-------------------------------------|--------------------|-------------------------------------|
| Discount rate (increase/decrease by 0.1%)                              | 331,828                             | 338,333            | 344,972                             |
| Long Term salary increase (increase/decrease by 0.1%)                  | 338,870                             | 338,333            | 337,801                             |
| Pension increases and deferred revaluation (increase/decrease by 0.1%) | 344,390                             | 338,333            | 332,392                             |
| Life expectancy assumptions (increase/decrease by 1 year)              | 353,264                             | 338,333            | 324,075                             |

**Impact on the Council's Cash Flows**

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

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

9. Grant Income

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

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

## 10. Usable Reserves

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

## 11. Earmarked Reserves

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

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

## 12. Unusable Reserves

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

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

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

|                                              | <b>2021-22</b>   | 2020-21          |
|----------------------------------------------|------------------|------------------|
|                                              | £000             | £000             |
| Balance 1 April                              | (148,354)        | (119,416)        |
| Comprehensive Income & Expenditure:          |                  |                  |
| Net Gain on revaluation of assets            | (54,980)         | (31,476)         |
| Accounting / Financing Adjustments:          |                  |                  |
| Other movements                              | 0                | 1                |
| Accumulated gains on assets sold or scrapped | 719              | 0                |
| Depreciation charged to Revaluation Reserve  | 2,410            | 2,537            |
| <b>Balance 31 March</b>                      | <b>(200,205)</b> | <b>(148,354)</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 6 details the adjustments between accounting basis and funding basis under regulations and provides details of the source of all the transactions posted to this account, apart from those involving the Revaluation Reserve.

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

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

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

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



**Financial Instruments Adjustment Account**

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

**Accumulated absences reserve**

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

### 13. Capital Financing Requirement

#### Movements in Capital Financing Requirement in the year

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

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

14. Property Plant and Equipment

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

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

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are performed for assets within the Council Dwellings, Other Land and Buildings and Surplus Categories of Property, Plant and Equipment. The revaluations performed in 2021/22 were:

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

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

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

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## 15. Investment Properties

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

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

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

The Council has no contractual obligations to purchase, construct, enhance or develop its investment properties. Colchester Borough Council Statement of Accounts 2021/22.

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

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

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

### Investment in subsidiaries

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

## 16. Fair Value Measurement of Property Assets

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

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

| Recurring Fair Value Measurement using: | Other significant observable inputs (level2) | Significant unobservable inputs (level 3) | Fair value as at 31 March 2021 |
|-----------------------------------------|----------------------------------------------|-------------------------------------------|--------------------------------|
|                                         | £'000                                        | £'000                                     | £'000                          |
| <b>Surplus Assets</b>                   |                                              |                                           |                                |
| Commercial development sites            | 0                                            | 23,475                                    | 23,475                         |
| Residential development sites           | 0                                            | 80                                        | 80                             |
| Other                                   | 0                                            | 201                                       | 201                            |
| <b>Total (Note 14)</b>                  | <b>0</b>                                     | <b>23,756</b>                             | <b>23,756</b>                  |
| <b>Investment Properties</b>            |                                              |                                           |                                |
| Commercial units                        | 0                                            | 21,661                                    | 21,661                         |
| Retail units                            | 2,873                                        | 7,366                                     | 10,239                         |
| Car parks                               | 59                                           | 1,836                                     | 1,895                          |
| Residential development sites           | 0                                            | 289                                       | 289                            |
| Offices                                 | 6,467                                        | 0                                         | 6,467                          |
| Other                                   | 221                                          | 39                                        | 260                            |
| <b>Total (Note 15)</b>                  | <b>9,620</b>                                 | <b>31,191</b>                             | <b>40,811</b>                  |
| <b>Assets Held for Sale</b>             |                                              |                                           |                                |
| Commercial development site             | 0                                            | 675                                       | 675                            |
| <b>Total (Note 18)</b>                  | <b>0</b>                                     | <b>675</b>                                | <b>675</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 2020/21 financial year. Highest and Best Use In estimating the fair value of the Council's Surplus Assets and Investment Properties for the majority of these assets, the highest and best use of the properties is deemed to be their current use. In the case of 1 Surplus Asset, the Council's external valuers have identified their highest and best uses to be as commercial/residential development sites rather than as their current uses.

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

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

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

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



17. Assets Held for Sale

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

18. Short Term Investments

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

## 19. Long Term Debtors

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

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

| 2020/21                                 | Balance at<br>31 March<br>2020<br>£'000 | Interest<br>adjustment<br>£'000 | Advances<br>in the year<br>£'000 | Repayment<br>in the year<br>£'000 | Other<br>movements<br>£'000 | Balance at<br>31 March<br>2021<br>£'000 |
|-----------------------------------------|-----------------------------------------|---------------------------------|----------------------------------|-----------------------------------|-----------------------------|-----------------------------------------|
| Improvement of Private Sector<br>Houses | 957                                     | 14                              | 91                               | (24)                              | 0                           | 1,038                                   |
| Finance Lease Debtors                   | 4,691                                   | 0                               | 0                                | (45)                              | 0                           | 4,646                                   |
| Colchester Amphora Energy Limited       | 826                                     | 40                              | 100                              | 0                                 | 100                         | 1,066                                   |
| Colchester Amphora Homes Limited        | 500                                     | 0                               | 0                                | 0                                 | (500)                       | 0                                       |
| Other Loans                             | 31                                      | 0                               | 0                                | (16)                              | 0                           | 15                                      |
| <b>Total</b>                            | <b>7,005</b>                            | <b>54</b>                       | <b>191</b>                       | <b>(85)</b>                       | <b>(400)</b>                | <b>6,765</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 12).

20. Short Term Debtors

|                                      | <b>31 March 2022</b> | 31 March 2021 |
|--------------------------------------|----------------------|---------------|
|                                      | <b>£'000</b>         | £'000         |
| Amounts falling due within one year: |                      |               |
| Grants and Taxes                     | 2,619                | 4,907         |
| Trade Debtors                        | 2,303                | 5,148         |
| Prepayments                          | 2,111                | 1,901         |
| Housing benefit Overpayments         | 511                  | 539           |
| NNDR ratepayers                      | 815                  | 1,661         |
| Council Tax ratepayers               | 308                  | 520           |
| Other Debtors                        | 9,259                | 20,010        |
| <b>Total short term debtors</b>      | <b>17,926</b>        | <b>34,686</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 £8.7 million as at 31 March 2022 (£7.8 million as at 31 March 2021).

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## 21. Short Term Creditors

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

## 22. Material items of income and expenditure

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

### General Fund

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

### Housing Revenue Account

The Council's housing stock, garages and other HRA properties were revalued as at 31 March 2022 by the Council's external valuers on a book valuation basis using the 'Stock Valuation for Resource Accounting' guidance produced by the MHCLG. The overall impact was £25.015m.

In 2021/22 the Council incurred expenditure of £7.8 million on its housing stock, which related to the replacement of existing components of buildings in order to maintain the stock at the Decent Home Standard prescribed by the Government. Under the Code of Practice, the original cost of the components of £0.6 million has been derecognised in the 2021/22 accounts. The remaining balance of the expenditure has been treated as a revaluation loss, which has been taken to the Housing Revenue Account Income and Expenditure Statement. This expenditure has then been transferred to the Capital Adjustment Account in the Movement in Reserves Statement, in accordance with statutory regulations.

### 23. Trading Operations

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

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

## 24. Financial Instruments

### Categories of Financial Instruments and their Fair Value

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

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

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

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

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

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

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

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

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

### Items of Income, Expense, Gains and Losses

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

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

### Impairment on Financial Assets

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

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

### Soft Loans

The Council has made the following interest free loans:

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

### Loans to Private Sector Occupiers

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

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

### Nature and Extent of risks arising from Financial Instruments

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

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

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



### Overall procedure for managing risk

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

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

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

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

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

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

### Credit Risk

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

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

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

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

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

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

|                    | <b>31 March<br/>2022<br/>£'000</b> | 31 March<br>2021<br>£'000 |
|--------------------|------------------------------------|---------------------------|
| Less than one year | <b>11,269</b>                      | 14,108                    |
| More than one year | <b>1,679</b>                       | 1,404                     |
| <b>Total</b>       | <b>12,948</b>                      | 15,512                    |

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

#### Liquidity risk

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

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

All sums owing on investments of £40,500 million (2020/21 £40,520 million) are due to be paid in less than one year.

#### Refinancing and Maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

| PWLB                            | 31 March 2022  | 31 March 2021  |
|---------------------------------|----------------|----------------|
|                                 | £'000          | £'000          |
| Less than one year              | 0              | 8,350          |
| Between one and two years       | 0              | 15,000         |
| Between two and five years      | 700            | 700            |
| Maturing in five to ten years   | 3,000          | 3,000          |
| Maturing in more than ten years | 128,394        | 142,894        |
| <b>Total</b>                    | <b>132,094</b> | <b>169,944</b> |
| Non-PWLB                        |                |                |
| less than one year              | 20,000         |                |
| Maturing in one to ten years    | 0              |                |
| Maturing in more than ten years | 14,500         |                |
| <b>Total</b>                    | <b>34,500</b>  |                |
| <b>Total</b>                    | <b>166,594</b> |                |
| Liquidity Risk                  |                |                |
|                                 | 31 March 2022  | 31 March 2021  |
|                                 | £'000          | £'000          |
| Repayable between:              |                |                |
| less than one year              | 20,000         | 8,350          |
| between 1 and 2 years           | 0              | 15,000         |
|                                 | <b>20,000</b>  | <b>23,350</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 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

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

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

## 25. Provisions and contingencies

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

## 26. Members Allowances and Expenses

|                    | <b>2021/22</b> | 2020/21    |
|--------------------|----------------|------------|
|                    | £'000          | £'000      |
| Members Allowances | <b>524</b>     | 524        |
| Expenses           | <b>0</b>       | 0          |
| <b>Total</b>       | <b>524</b>     | <b>524</b> |

## 27. Prior Period Adjustments

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

## 28. Events After the Balance Sheet

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

## 29. Officers' remuneration

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

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

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

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

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

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

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

### 30. Exit Costs

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

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

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

### 31. External audit costs

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

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

### 32. Leases

#### Finance Leases – Council as Lessee

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

|                               | <b>31<br/>March<br/>2022</b> | <b>31<br/>March<br/>2021</b> |
|-------------------------------|------------------------------|------------------------------|
|                               | <b>£'000</b>                 | <b>£'000</b>                 |
| Other Land and Buildings      | 171                          | 173                          |
| Vehicles, Plant and Equipment | 103                          | 272                          |
|                               | <u>274</u>                   | <u>445</u>                   |

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:

|                                       | <b>31<br/>March<br/>2022</b> | <b>31<br/>March<br/>2021</b> |
|---------------------------------------|------------------------------|------------------------------|
|                                       | <b>£'000</b>                 | <b>£'000</b>                 |
| Not later than one year               | 55                           | 61                           |
| Later than one year                   | 56                           | 111                          |
| Finance Costs payable in future years | 0                            | 0                            |
| Total Minimum Lease payments          | <u>111</u>                   | <u>172</u>                   |

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

|                                                   | <b>31<br/>March<br/>2022</b> | <b>31<br/>March<br/>2021</b> |
|---------------------------------------------------|------------------------------|------------------------------|
|                                                   | <b>£'000</b>                 | <b>£'000</b>                 |
| Not later than one year                           | 55                           | 61                           |
| Later than one year and not later than five years | 56                           | 111                          |
| Over 5 years                                      | 0                            | 0                            |
| Finance Lease liabilities                         | <u>111</u>                   | <u>172</u>                   |



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

The gross investment in the lease and the minimum lease payments will be received over the following periods:

|                                                   | Gross Investment          |                           | Minimum Lease Payments    |                           |
|---------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                                   | 31 March<br>2022<br>£'000 | 31 March<br>2021<br>£'000 | 31 March<br>2022<br>£'000 | 31 March<br>2021<br>£'000 |
| Not later than one year                           | 295                       | 292                       | 294                       | 292                       |
| Later than one year and not later than five years | 1,186                     | 1,188                     | 1,170                     | 1,171                     |
| Over 5 years                                      | 73,931                    | 74,265                    | 73,931                    | 74,265                    |
| <b>Total</b>                                      | <b>75,412</b>             | <b>75,745</b>             | <b>75,395</b>             | <b>75,728</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<br>March<br>2022<br>£'000 | 31<br>March<br>2021<br>£'000 |
|---------------------------------------------------|------------------------------|------------------------------|
| Not later than one year                           | 1,486                        | 1,531                        |
| Later than one year and not later than five years | 4,340                        | 4,824                        |
| Over 5 years                                      | 68,736                       | 69,738                       |
|                                                   | <b>74,562</b>                | <b>76,093</b>                |

The minimum lease payments receivable does not include rents that are contingent on events taking place after the leases were entered into, such as adjustments following rent reviews. In 2021/22 a total of £1.4 million was recognised as contingent rent income in the Comprehensive Income and Expenditure Statement (2020/21: £1.4 million).

### 33. Related parties

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

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

#### UK Government

UK Government has significant influence over the general operations of the Council. It is responsible for the statutory framework under which the Council operates, provides funding in the form of grants and prescribes the terms for many of the Council's material transactions with other parties (for example Council Tax billing, Business Rates billing, Housing Benefit administration). Grants received from UK Government are disclosed at Note 9.

#### Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Total Members' allowances and expenses are disclosed in Note 26.

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

#### Senior Officers at the Council

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

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

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

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

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

### 34. Capital Commitments

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

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

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HRA INCOME AND EXPENDITURE STATEMENT

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

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

**NOTES TO THE HOUSING REVENUE ACCOUNT**

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

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties.

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

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

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

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

## H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2022 was £1,114.4 million (£1.019 million as at 1 April 2021). The value represents the Council's estimate of the total sum that it would receive if all its dwellings were sold on the open market. The Balance Sheet value disclosed in Note H1 is calculated on the basis of rents receivable on existing tenancies and is lower than the vacant possession value. This is because the existing tenancy rents are lower than what would be obtainable on the open market. The difference between the two values represents the economic cost of providing Council housing at below market rents.

## H3. Non-Dwelling Rents

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

## H4. Charges for Services and Facilities

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

## H5. Major Repairs Reserve

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

## H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 8) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

H7. HRA Capital Financing

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

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

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

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

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

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



### H8. Interest Payable

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

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

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

### H9. Depreciation

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

### H10. Rent Arrears

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

|                           | 2021/22      | 2020/21      |
|---------------------------|--------------|--------------|
|                           | £000         | £000         |
| Due from Current Tenants  | 898          | 937          |
| Due from Former Tenants   | 449          | 396          |
| <b>Total Rent Arrears</b> | <b>1,347</b> | <b>1,333</b> |
| Prepayments               | (840)        | (756)        |
| <b>Net Rent Arrears</b>   | <b>507</b>   | <b>577</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 2022 the provision totalled £0.975 million (2020/21: £0.865 million).

### H11. Revenue Balances

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

|                                                      | 2021/22      | 2020/21      |
|------------------------------------------------------|--------------|--------------|
|                                                      | £000         | £000         |
| Revenue Balance at 1 April                           | 4,489        | 4,306        |
| Adjust: Housing Revenue Account Surplus/(Deficit)    | 66           | 183          |
| <b>Revenue Balance at 31 March</b>                   | <b>4,555</b> | <b>4,489</b> |
| Less: Committed Sum                                  |              |              |
| Investment in Housing Stock 2021/22 and Future Years | (2,637)      | (2,335)      |
| Estimate Balance Carried Forward                     | (318)        | (554)        |
| <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 (£2.637 million) will be used to support spending in future years.

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COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

|                                                           | 2021/22              |                 |                  | 2020/21              |                 |                  |
|-----------------------------------------------------------|----------------------|-----------------|------------------|----------------------|-----------------|------------------|
|                                                           | Council Tax<br>£'000 | NNDR<br>£'000   | Total<br>£'000   | Council Tax<br>£'000 | NNDR<br>£'000   | Total<br>£'000   |
| <b>Income</b>                                             |                      |                 |                  |                      |                 |                  |
| Council Tax                                               | (120,242)            | 0               | (120,242)        | (115,788)            | 0               | (115,788)        |
| Transitional Relief, S31A(1)(C)                           | 0                    | 0               | 0                | (1,140)              | 0               | (1,140)          |
| Non-Domestic Rates                                        | 0                    | (49,873)        | (49,873)         | 0                    | (30,858)        | (30,858)         |
|                                                           | <b>(120,242)</b>     | <b>(49,873)</b> | <b>(170,115)</b> | <b>(116,928)</b>     | <b>(30,858)</b> | <b>(147,786)</b> |
| <b>Precepts Demands and Shares</b>                        |                      |                 |                  |                      |                 |                  |
| Central Government                                        | 0                    | 31,536          | 31,536           | 0                    | 32,091          | 32,091           |
| Colchester Borough Council                                | 14,688               | 25,229          | 39,917           | 14,596               | 25,675          | 40,271           |
| Essex County Council                                      | 85,268               | 5,676           | 90,944           | 84,462               | 5,777           | 90,239           |
| Essex Fire and Rescue                                     | 4,639                | 631             | 5,270            | 4,724                | 642             | 5,366            |
| Police and Crime Commissioner for Essex                   | 12,000               | 0               | 12,000           | 12,699               | 0               | 12,699           |
| <b>Charges to Collection Fund</b>                         |                      |                 |                  |                      |                 |                  |
| Transitional Protection Payment                           | 0                    | 381             | 381              | 0                    | 436             | 436              |
| Cost of Collection Allowance                              | 0                    | 238             | 238              | 0                    | 243             | 243              |
| Interest                                                  | 0                    | 0               | 0                | 0                    | 0               | 0                |
| Provision for Bad Debts including write offs              | 1,544                | 1,318           | 2,862            | 1,451                | 507             | 1,958            |
| Provision for Appeals                                     | 0                    | (3,185)         | (3,185)          | 0                    | 268             | 268              |
| <b>Apportionment of Previous Year Surplus/(Shortfall)</b> |                      |                 |                  |                      |                 |                  |
| Central Government                                        | 0                    | (15,983)        | (15,983)         | 0                    | (606)           | (606)            |
| Colchester Borough Council                                | (37)                 | (12,787)        | (12,824)         | (55)                 | (485)           | (540)            |
| Essex County Council                                      | (216)                | (2,877)         | (3,093)          | (318)                | (109)           | (427)            |
| Essex Fire and Rescue                                     | (12)                 | (320)           | (332)            | (18)                 | (12)            | (30)             |
| Police and Crime Commissioner for Essex                   | (33)                 | 0               | (33)             | (48)                 | 0               | (48)             |
|                                                           | <b>117,841</b>       | <b>29,857</b>   | <b>147,698</b>   | <b>117,493</b>       | <b>64,427</b>   | <b>181,920</b>   |
| <b>Movement on the Collection Fund Balance</b>            |                      |                 |                  |                      |                 |                  |
| (Surplus)/Deficit for the year                            | (2,401)              | (20,016)        | (22,417)         | 565                  | 33,569          | 34,134           |
| (Surplus)/Deficit at the beginning of the year            | 904                  | 32,193          | 33,097           | <b>339</b>           | <b>(1,376)</b>  | <b>(1,037)</b>   |
| <b>(Surplus)/Deficit as at 31 March</b>                   | <b>(1,497)</b>       | <b>12,177</b>   | <b>10,680</b>    | <b>904</b>           | <b>32,193</b>   | <b>33,097</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 £10.7m as at the 31 March 2022. Specific grant funding has been received towards the deficit, but under the accounting regulations this cannot be allocated directly to the Collection Fund. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

### C2. Income from Council Tax

Council Tax comes from charges raised according to the value of residential properties, which have been classified into 9 valuation bands A-H. The individual charge is calculated by estimating the amount of income required from the Collection Fund for the year ahead and dividing this by the Council Tax Base (the equivalent numbers of Band D dwellings).

The Council Tax base for 2021/22 was 62,776 (63,933 in 2020/21). For the year ended 31 March 2022, the band D Council Tax was set at 1,823.85 (£1,789.2 in 2020/21). The tax base for 2021/22 was calculated as follows:

| Band                                                       | Chargeable Dwellings | Ratio to Band D | Band D Equivalent Dwellings |
|------------------------------------------------------------|----------------------|-----------------|-----------------------------|
| A                                                          | 8,436                | 6/9             | 2,624                       |
| B                                                          | 21,187               | 7/9             | 16,478                      |
| C                                                          | 19,745               | 8/9             | 17,551                      |
| D                                                          | 14,807               | 9/9             | 14,807                      |
| E                                                          | 8,486                | 11/9            | 10,371                      |
| F                                                          | 4,026                | 13/9            | 5,815                       |
| G                                                          | 2,310                | 15/9            | 3,850                       |
| H                                                          | 150                  | 18/9            | 299                         |
| Contributions in lieu for Ministry of Defence Properties   |                      |                 | 72                          |
| <b>Total Band D</b>                                        |                      |                 | <b>72,567</b>               |
| Net effect of premiums and discounts                       |                      |                 | (9,791)                     |
| <b>Council Tax Base for the calculation of Council Tax</b> |                      |                 | <b>62,776</b>               |

### C3. Income from Business Ratepayers

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency, multiplied by a uniform business rate set nationally by Central Government.

Colchester are part of the '50% retention scheme' with the local shares as follows:

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

The total Non-Domestic Rateable value at the 2021/22 year end was £14.367 million (2020/21: £163.177 million) and the Standard Non-Domestic rate multiplier for the year was 51.2p (2020/21: 51.2p).

Income from Non-Domestic Rates

|                                       | 31 March 2022<br>£'000 | 31 March 2021<br>£'000 |
|---------------------------------------|------------------------|------------------------|
| Gross NNDR due in year                | 81,259                 | 81,617                 |
| Less: allowance and other adjustments | 31,386                 | 50,759                 |
| <b>NNDR income</b>                    | <b>49,873</b>          | <b>30,858</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 2021 will be distributed in proportion to the value of the respective precepts as shown below:

|                                         | 2021/22        |               |               | 2020/21     |               |               |
|-----------------------------------------|----------------|---------------|---------------|-------------|---------------|---------------|
|                                         | Council Tax    | NNDR          | Total         | Council Tax | NNDR          | Total         |
|                                         | £'000          | £'000         | £'000         | £'000       | £'000         | £'000         |
| Colchester Borough Council              | (193)          | 4,871         | 4,678         | 114         | 12,877        | 12,991        |
| Central Government                      | -              | 6,088         | 6,088         | -           | 16,097        | 16,097        |
| Essex County Council                    | (1,075)        | 1,096         | 21            | 654         | 2,897         | 3,551         |
| Essex Fire and Rescue                   | (61)           | 122           | 61            | 36          | 322           | 358           |
| Police and Crime Commissioner for Essex | (168)          | -             | (168)         | 100         | -             | 100           |
| <b>Total (Surplus)/Deficit</b>          | <b>(1,497)</b> | <b>12,177</b> | <b>10,680</b> | <b>904</b>  | <b>32,193</b> | <b>33,097</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:

|                                         | 2021/22<br>£'000 | 2020/21<br>£'000 |
|-----------------------------------------|------------------|------------------|
| Less than one year                      | 4,401            | 5,809            |
| More than one year                      | 7,996            | 7,160            |
| <b>Total Debtors for Local Taxation</b> | <b>12,397</b>    | <b>12,969</b>    |

## GROUP ACCOUNTS

### Introduction

The group accounts have been prepared under the International Financial Reporting Standards (IFRS) using the IFRS Based Code of Practice on Local Authority Accounting. The IFRS based Code of Practice on Local Authority Accounting sets out comprehensive requirements for Group Accounts. These require local authorities to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures. A review was undertaken in 2021/22 of the Council's relationship with other bodies, and it is clear that the Council should account for its interests in Colchester Borough Homes Limited and Colchester Commercial Holdings as wholly owned subsidiaries and prepare Group Accounts. The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes Limited & Colchester Commercial Holdings Limited) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line-by-line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. Inter-group balances and transactions have been eliminated during the consolidation of the Group Accounts.

### Accounting Policies

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

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Group Movement in Reserves

|                                                                                     | General Fund<br>Balance | Earmarked<br>General Fund<br>Reserves | Housing Revenue<br>Account | Capital Receipts<br>Reserve | Major Repairs<br>Reserve | Capital Grants<br>Unapplied | Subsidiary usable<br>reserves | Total Group<br>usable reserves | Council unusable<br>reserves | Subsidiary<br>unusable reserves | Total Group<br>unusable reserves | Total Group<br>Reserves |
|-------------------------------------------------------------------------------------|-------------------------|---------------------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------|-------------------------------|--------------------------------|------------------------------|---------------------------------|----------------------------------|-------------------------|
|                                                                                     | £'000                   | £'000                                 | £'000                      | £'000                       | £'000                    | £'000                       | £'000                         | £'000                          | £'000                        | £'000                           | £'000                            | £'000                   |
| Balance at 1 April 2021                                                             | (2,030)                 | (36,276)                              | (4,489)                    | (6,307)                     | 0                        | (6)                         | (3,556)                       | (52,664)                       | (340,517)                    | 14,017                          | (326,500)                        | (379,164)               |
| Movement in Reserves in<br>2021/22:                                                 |                         |                                       |                            |                             |                          |                             |                               |                                |                              |                                 |                                  |                         |
| (Surplus)/ deficit on the<br>provision of services<br>(accounting basis)            | (1,337)                 | 0                                     | 2,990                      | 0                           | 0                        | 0                           | 1,836                         | 3,489                          | 0                            | 0                               | 0                                | 3,489                   |
| Other Comprehensive<br>Income and Expenditure                                       |                         |                                       |                            |                             |                          |                             | 0                             |                                | (88,595)                     | (6,577)                         | (95,172)                         | (95,172)                |
| Total Comprehensive<br>Income and Expenditure                                       | (1,337)                 | 0                                     | 2,990                      | 0                           | 0                        | 0                           | 1,836                         | 3,489                          | (88,595)                     | (6,577)                         | (95,172)                         | (91,683)                |
| Adjustments between<br>group accounts and<br>authority accounts                     | 0                       | 0                                     | 0                          | 0                           | 0                        | 0                           | 1,582                         | 1,582                          | 0                            | 0                               | 0                                | 1,582                   |
| Adjustments between<br>accounting and funding<br>basis under regulation -<br>note 6 | 4,487                   | 0                                     | (3,004)                    | (2,898)                     | 0                        | (33)                        | (2,207)                       | (3,655)                        | 1,448                        | 2,207                           | 3,655                            | 0                       |
| Net increase/decrease<br>before transfers to<br>Earmarked reserves                  | 3,150                   | 0                                     | (14)                       | (2,898)                     | 0                        | (33)                        | 1,211                         | 1,416                          | (87,147)                     | (4,370)                         | (91,517)                         | (90,101)                |
| Transfers to/from<br>Earmarked reserves - note<br>11                                | (3,281)                 | 3,333                                 | (52)                       | 0                           | 0                        | 0                           | 0                             | 0                              | 0                            | 0                               | 0                                | 0                       |
| Increase/(Decrease) in<br>Year                                                      | (131)                   | 3,333                                 | (66)                       | (2,898)                     | 0                        | (33)                        | 1,211                         | 1,416                          | (87,147)                     | (4,370)                         | (91,517)                         | (90,101)                |
| <b>Balance at 31 March 2022</b>                                                     | <b>(2,161)</b>          | <b>(32,943)</b>                       | <b>(4,555)</b>             | <b>(9,205)</b>              | <b>0</b>                 | <b>(39)</b>                 | <b>(2,345)</b>                | <b>(51,248)</b>                | <b>(427,664)</b>             | <b>9,647</b>                    | <b>(418,017)</b>                 | <b>(469,265)</b>        |

|                                                                                     | General Fund<br>Balance | Earmarked<br>General Fund<br>Reserves | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Major Repairs<br>Reserve | Capital Grants<br>Unapplied | Subsidiary<br>usable<br>reserves | Total Group<br>usable<br>reserves | Council<br>unusable<br>reserves | Subsidiary<br>unusable<br>reserves | Total Group<br>unusable<br>reserves | Total Group<br>Reserves |
|-------------------------------------------------------------------------------------|-------------------------|---------------------------------------|-------------------------------|--------------------------------|--------------------------|-----------------------------|----------------------------------|-----------------------------------|---------------------------------|------------------------------------|-------------------------------------|-------------------------|
|                                                                                     | £'000                   | £'000                                 | £'000                         | £'000                          | £'000                    | £'000                       | £'000                            | £'000                             | £'000                           | £'000                              | £'000                               | £'000                   |
| Balance at 1 April 2020                                                             | (1,900)                 | (20,540)                              | (4,306)                       | (12,888)                       | 0                        | (24)                        | (2,752)                          | (42,410)                          | (346,577)                       | 8,811                              | (337,766)                           | (380,176)               |
| Movement in Reserves in<br>2020/21                                                  |                         |                                       |                               |                                |                          |                             |                                  |                                   |                                 |                                    |                                     |                         |
| (Surplus)/ deficit on the<br>provision of services<br>(accounting basis)            | 7,034                   | 0                                     | 4,877                         | 0                              | 0                        | 0                           | 247                              | 12,158                            | 0                               | 0                                  | 0                                   | 12,158                  |
| Other Comprehensive<br>Income and Expenditure                                       |                         |                                       |                               |                                |                          |                             | 0                                |                                   | (15,301)                        | 4,155                              | (11,146)                            | (11,146)                |
| Total Comprehensive<br>Income and Expenditure                                       | 7,034                   | 0                                     | 4,877                         | 0                              | 0                        | 0                           | 247                              | 12,158                            | (15,301)                        | 4,155                              | (11,146)                            | 1,012                   |
| Adjustments between<br>group accounts and<br>authority accounts                     | 0                       | 0                                     | 0                             | 0                              | 0                        | 0                           | 1,581                            | 1,581                             | 0                               | 0                                  | 0                                   | 1,581                   |
| Adjustments between<br>accounting and funding<br>basis under regulation -<br>note 6 | (22,900)                | 0                                     | 5,626                         | (4,105)                        | 0                        | 18                          | (1,051)                          | (22,412)                          | 21,361                          | 1,051                              | 22,412                              | 0                       |
| Net increase/decrease<br>before transfers to<br>Earmarked reserves                  | (15,866)                | 0                                     | 10,503                        | (4,105)                        | 0                        | 18                          | 777                              | (8,673)                           | 6,060                           | 5,206                              | 11,266                              | 2,593                   |
| Transfers to/from<br>Earmarked reserves - note<br>11                                | 15,736                  | (15,736)                              | (10,686)                      | 10,686                         | 0                        | 0                           | 0                                | 0                                 | 0                               | 0                                  | 0                                   | 0                       |
| Increase/(Decrease) in<br>Year                                                      | (130)                   | (15,736)                              | (183)                         | 6,581                          | 0                        | 18                          | 777                              | (8,673)                           | 6,060                           | 5,206                              | 11,266                              | 2,593                   |
| <b>Balance at 31 March 2021</b>                                                     | <b>(2,030)</b>          | <b>(36,276)</b>                       | <b>(4,489)</b>                | <b>(6,307)</b>                 | <b>0</b>                 | <b>(6)</b>                  | <b>(1,975)</b>                   | <b>(51,083)</b>                   | <b>(340,517)</b>                | <b>14,017</b>                      | <b>(326,500)</b>                    | <b>(377,583)</b>        |



Comprehensive Income and Expenditure Statement

|                                                               | 2021/22        |                  |                 | 2020/21        |                  |                 |
|---------------------------------------------------------------|----------------|------------------|-----------------|----------------|------------------|-----------------|
|                                                               | Expenditure    | Income           | Net             | Expenditure    | Income           | Net             |
|                                                               | £'000          | £'000            | £'000           | £'000          | £'000            | £'000           |
| Corporate & Democratic Core                                   | 327            | (473)            | (146)           | 629            | (857)            | (228)           |
| Executive Management Team                                     | 792            | (8)              | 784             | 981            | (31)             | 950             |
| Corporate & Improvement                                       | 9,229          | (1,817)          | 7,412           | 15,688         | (2,272)          | 13,416          |
| Communities                                                   | 12,505         | (7,790)          | 4,715           | 13,647         | (5,194)          | 8,453           |
| Customer                                                      | 48,549         | (44,812)         | 3,737           | 46,579         | (43,868)         | 2,711           |
| Environment                                                   | 22,135         | (11,842)         | 10,293          | 21,468         | (8,332)          | 13,136          |
| Housing Revenue Account                                       | 14,786         | (29,727)         | (14,941)        | 17,313         | (29,427)         | 1,612           |
| Place and Client Services                                     | 20,096         | (11,632)         | 8,464           | 19,568         | (6,916)          | 13,863          |
| Non Distributed Costs                                         | 775            | (451)            | 324             | 93             | 0                | 93              |
| CBH Ltd                                                       | 16,880         | (749)            | 16,131          | (458)          | 14,184           | 0               |
| CCHL Ltd                                                      | 5,385          | (4,476)          | 909             | (626)          | 1,837            | 0               |
| <b>Cost of Services</b>                                       | <b>151,459</b> | <b>(113,777)</b> | <b>37,682</b>   | <b>134,882</b> | <b>(80,876)</b>  | <b>54,006</b>   |
|                                                               | 2,100          | 0                | 2,100           | 2,094          | 0                | 2,094           |
| Payments to the Government Housing Capital Receipts Pool      | 506            | 0                | 506             | 507            | 0                | 507             |
| (Gains) on the disposal of assets                             | 0              | (1,337)          | (1,337)         | 0              | (1,286)          | (1,286)         |
| <b>Other Operating Expenditure</b>                            | <b>2,606</b>   | <b>(1,337)</b>   | <b>1,269</b>    | <b>2,601</b>   | <b>(1,368)</b>   | <b>1,233</b>    |
| Pension interest cost and expected return on pension assets   | 2,497          | 0                | 2,497           | 2,392          | 0                | 2,392           |
| Interest receivable and similar income                        | 0              | (532)            | (532)           | 0              | (220)            | (220)           |
| Interest payable and similar expenses                         | 5,168          | 0                | 5,168           | 5,417          | 0                | 5,417           |
| Changes in fair value of investment properties                | 0              | (5,334)          | (5,334)         | 0              | (1,706)          | (1,706)         |
| Impairment losses                                             | (155)          | 0                | (155)           | 1,887          | 0                | 1,887           |
| Other investment income                                       | 0              | 0                | 0               | 0              | (1)              | (1)             |
| Income and expenditure in relation to investment properties   | 55             | (2,200)          | (2,145)         | 113            | 0                | 113             |
| <b>Financing and Investment Income and Expenditure</b>        | <b>7,565</b>   | <b>(8,066)</b>   | <b>(501)</b>    | <b>9,809</b>   | <b>(1,927)</b>   | <b>7,882</b>    |
| Council Tax Income                                            | 0              | (14,995)         | (14,995)        | 0              | (14,471)         | (14,471)        |
| Non Domestic Rates                                            | 0              | 1,327            | 1,327           | 0              | 9,828            | 9,828           |
| Non-ringfenced government grants                              | 0              | (15,195)         | (15,195)        | 0              | (37,984)         | (37,984)        |
| Capital grants and contributions                              | 0              | (6,141)          | (6,141)         | 0              | (8,164)          | (8,164)         |
| Taxation group entities                                       | 42             | 0                | 42              |                |                  |                 |
| <b>Taxation and non-specific grant income and expenditure</b> | <b>42</b>      | <b>(35,004)</b>  | <b>(34,962)</b> | <b>0</b>       | <b>(50,791)</b>  | <b>(50,791)</b> |
| <b>(Surplus) or Deficit on Provision of Services</b>          | <b>161,672</b> | <b>(158,184)</b> | <b>3,488</b>    | <b>147,292</b> | <b>(134,962)</b> | <b>12,330</b>   |
| Surplus on revaluation of non-current assets.                 |                |                  | (54,980)        |                |                  | (31,476)        |
| Actuarial (gains)/losses on pension assets/liabilities        |                |                  | (40,192)        |                |                  | 20,330          |
| <b>Other Comprehensive Income and Expenditure</b>             |                |                  | <b>(95,172)</b> |                |                  | <b>(11,146)</b> |
| <b>Total Comprehensive Income and Expenditure</b>             |                |                  | <b>(91,684)</b> |                |                  | <b>1,184</b>    |

Group Balance Sheet

|                                          | 31 March 2022    | 31 March 2021    |
|------------------------------------------|------------------|------------------|
|                                          | £'000            | £'000            |
| Property, Plant and Equipment            | 661,291          | 598,111          |
| Heritage Assets                          | 1,332            | 1,332            |
| Investment Properties                    | 46,210           | 40,811           |
| Intangible Assets                        | 2                | 5                |
| Long Term Investments                    | 6                | 6                |
| Long Term Debtors                        | 5,721            | 5,765            |
| <b>LONG TERM ASSETS</b>                  | <b>714,562</b>   | <b>646,030</b>   |
| Assets Held for Sale                     | 0                | 675              |
| Short Term Debtors                       | 18,945           | 36,865           |
| Inventories                              | 832              | 2,218            |
| Short Term Investments                   | 53,054           | 40,520           |
| Short Term Loans                         | 45               | 60               |
| Cash and Cash Equivalents                | 31,145           | 20,547           |
| <b>CURRENT ASSETS</b>                    | <b>104,021</b>   | <b>100,885</b>   |
| Short Term Creditors                     | (59,797)         | (51,214)         |
| Provisions                               | (2,126)          | (3,400)          |
| Short Term Borrowing                     | (26,745)         | (15,109)         |
| Capital grants receipts in advance       | (4,893)          | (3,089)          |
| <b>CURRENT LIABILITIES</b>               | <b>(93,561)</b>  | <b>(72,812)</b>  |
| Capital grants receipts in advance       | (20,915)         | (17,745)         |
| Long Term Creditors                      | (54)             | (104)            |
| Provisions                               | (113)            | (131)            |
| Pension Liabilities                      | (93,435)         | (121,992)        |
| Other Long Term Liabilities              | (143)            | (454)            |
| Long Term Borrowing                      | (141,097)        | (156,094)        |
| <b>LONG TERM LIABILITIES</b>             | <b>(255,757)</b> | <b>(296,520)</b> |
| <b>NET ASSETS</b>                        | <b>469,265</b>   | <b>377,583</b>   |
| General Fund                             | (2,161)          | (2,030)          |
| Earmarked Reserves                       | (32,943)         | (36,276)         |
| Housing Revenue Account                  | (4,555)          | (4,489)          |
| Capital Receipts Reserve                 | (9,204)          | (6,307)          |
| Major Repairs Reserve                    | 0                | 0                |
| Capital grants and contributions         | (39)             | (6)              |
| Subsidiary useable reserves              | (2,346)          | (1,975)          |
| <b>USABLE RESERVES</b>                   | <b>(51,248)</b>  | <b>(51,083)</b>  |
| Revaluation Reserve                      | (200,203)        | (148,354)        |
| Capital Adjustment Account               | (312,161)        | (309,364)        |
| Deferred Capital Receipts                | (4,608)          | (4,647)          |
| Pensions Reserve                         | 93,435           | 121,992          |
| Collection Fund Adjustment Account       | 4,685            | 12,998           |
| Accumulated Absences Account             | 537              | 537              |
| Financial Instruments Adjustment Account | 298              | 338              |
| <b>UNUSABLE RESERVES</b>                 | <b>(418,017)</b> | <b>(326,500)</b> |
| <b>TOTAL RESERVES</b>                    | <b>(469,265)</b> | <b>(377,583)</b> |

Group Cash Flow

|                                                          | <b>31 March<br/>2022</b> | <b>31 March<br/>2021</b> |
|----------------------------------------------------------|--------------------------|--------------------------|
|                                                          | £'000                    | £'000                    |
| Taxation                                                 | (35,471)                 | (23,519)                 |
| Grants and Contributions                                 | (79,266)                 | (93,469)                 |
| Housing Rents                                            | (26,891)                 | (29,466)                 |
| Sales of goods and rendering of services                 | (36,512)                 | (37,654)                 |
| Interest received                                        | (443)                    | (225)                    |
| <b>Cash inflows generated from operating activities</b>  | <b>(178,583)</b>         | <b>(184,333)</b>         |
| Cash paid to and on behalf of employees                  | 35,296                   | 34,584                   |
| Housing benefit payments                                 | 37,006                   | 41,085                   |
| NNDR Tariff payments                                     | 20,039                   | 20,039                   |
| Precepts paid                                            | 2,100                    | 2,094                    |
| Cash paid to suppliers of goods and services             | 46,949                   | 32,871                   |
| Payments to the capital receipts pool                    | 507                      | 506                      |
| Interest paid                                            | 5,183                    | 5,417                    |
| Other operating cash payments                            | 2,672                    | 15,367                   |
| <b>Cash outflows generated from operating activities</b> | <b>149,752</b>           | <b>151,963</b>           |
| <b>Net cashflows from operating activities</b>           | <b>(28,831)</b>          | <b>(32,370)</b>          |

|                                                                                                    | <b>31 March<br/>2022</b><br>£'000 | <b>31 March<br/>2021</b><br>£'000 |
|----------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (5,667)                           | (5,124)                           |
| Purchase of property, plant and equipment, investment property and intangible assets               | 35,004                            | 35,340                            |
| Purchase of short-term and long-term investments                                                   | 92,500                            | 84,600                            |
| Proceeds from the sale of short-term and long-term investments                                     | (80,000)                          | (68,500)                          |
| Capital grants                                                                                     | (3,170)                           | 0                                 |
| Other payments for investing activities                                                            | 51                                | 0                                 |
| Other receipts from investing activities                                                           | (6,152)                           | (11,248)                          |
| <b>Net cashflows from investing activities</b>                                                     | <b>32,566</b>                     | <b>35,068</b>                     |
| Cash Receipts - long/short term borrowing                                                          | (20,000)                          | (37,500)                          |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases          | 283                               | 781                               |
| Repayments of long/short term borrowing                                                            | 23,050                            | 28,800                            |
| Changes in Council Tax and NNDR balances held for preceptors                                       | (15,550)                          | 20,842                            |
| Other financing activities                                                                         | (2,116)                           | 0                                 |
| <b>Net cashflows from financing activities</b>                                                     | <b>(14,333)</b>                   | <b>12,923</b>                     |
| <b>Net (Increase) / decrease in cash and cash equivalents</b>                                      | <b>(10,598)</b>                   | <b>15,621</b>                     |
| Cash and cash equivalents 1 April                                                                  | 20,547                            | 36,011                            |
| Net increase / (decrease) in cash and cash equivalents                                             | 10,598                            | (15,463)                          |
| <b>Cash and cash equivalents 31 March</b>                                                          | <b>31,145</b>                     | <b>20,548</b>                     |
| Cash in hand                                                                                       | 11                                | 8                                 |
| Call accounts and short term deposits                                                              | 19,009                            | 10,500                            |
| Bank balances                                                                                      | 12,125                            | 10,040                            |
| <b>Cash and cash equivalents 31 March</b>                                                          | <b>31,145</b>                     | <b>20,548</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.** There are no Prior year adjustments.

**G3.** Subsidiary Companies consolidated into the Group Accounts Colchester Borough Homes Limited & Colchester Commercial Holdings Limited are wholly owned subsidiaries of the Council. The Council is represented on the Board of the company. The Council and the Board agrees the annual delivery plans for the companies.

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

The Statement of Accounts was authorised for issue by the Section 151 Officer on 15 September 2023. Events taking place after this date are not reflected in the financial statements or notes. There are no other additional items which arose after the year end of 31 March 2022 that would materially affect these Group accounts, and as such no adjustments have been made to the figures reported in the Group financial statements or notes.

#### G5. Group Debtors

|                                             | <b>31 March 2022</b><br><b>£'000</b> | <b>31 March 2021</b><br><b>£'000</b> |
|---------------------------------------------|--------------------------------------|--------------------------------------|
| <i>Amounts falling due within one year:</i> |                                      |                                      |
| Grants and Taxes                            | 2,619                                | 4,907                                |
| Trade Debtors                               | 2,947                                | 7,146                                |
| Prepayments                                 | 2,487                                | 2,041                                |
| Housing benefit Overpayments                | 511                                  | 539                                  |
| NNDR ratepayers                             | 815                                  | 1,661                                |
| Council Tax ratepayers                      | 308                                  | 520                                  |
| Other Debtors                               | 9,258                                | 20,052                               |
|                                             | <hr/>                                | <hr/>                                |
| Total short term debtors                    | <b>18,945</b>                        | <b>36,866</b>                        |

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

#### G6. Group Creditors

|                                             | <b>31 March 2022</b><br><b>£'000</b> | <b>31 March 2021</b><br><b>£'000</b> |
|---------------------------------------------|--------------------------------------|--------------------------------------|
| <i>Amounts falling due within one year:</i> |                                      |                                      |
| Trade Creditors                             | (4,488)                              | (9,101)                              |
| Covid Restrictions Grants - Agency          | 0                                    | (6,286)                              |
| Receipts in Advance                         | (4,683)                              | (3,819)                              |
| Other Taxes and Social Security             | (2,388)                              | (2,155)                              |
| Collection Fund Agency                      | (23,967)                             | (22,406)                             |
| NNDR Prepayments                            | (1,562)                              | (792)                                |
| Council Tax Prepayments                     | (428)                                | (434)                                |
| Other Creditors                             | (22,280)                             | (6,222)                              |
|                                             | <hr/>                                | <hr/>                                |
| Total short term creditors                  | <b>(59,796)</b>                      | <b>(51,215)</b>                      |

## G7. Officers Remuneration

The remuneration paid to the senior officers within Colchester Borough Council is shown in Note 29. The remuneration paid to the senior officers within Colchester Borough Homes Limited is as follows:

### Colchester Borough Homes Limited

| Post holder information (Post title) | Salary (Inc. fees & Allowances) | Expense Allowance | Compensation for loss of office | Pension Contributions** | Total Remuneration |
|--------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------------|--------------------|
|                                      | £                               | £                 | £                               | £                       | £                  |
| <b>Financial Year: 2021-22</b>       |                                 |                   |                                 |                         |                    |
| Chief Executive (Note 1 below)       | 18,181                          | 0                 | 0                               | 3,614                   | 21,795             |
| Chief Executive (Note 1 below)       | 60,632                          | 0                 | 0                               | 12,248                  | 72,880             |
| Director of Business Improvement     | 83,208                          | 0                 | 0                               | 16,808                  | 100,016            |
| Director of Operations               | 83,208                          | 0                 | 0                               | 16,808                  | 100,016            |
| <b>TOTAL COST</b>                    | <b>245,229</b>                  | <b>0</b>          | <b>0</b>                        | <b>49,478</b>           | <b>294,707</b>     |

| Post holder information (Post title)       | Salary (Inc. fees & Allowances) | Expense Allowance | Compensation for loss of office | Pension Contributions** | Total Remuneration |
|--------------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------------|--------------------|
|                                            | £                               | £                 | £                               | £                       | £                  |
| <b>Financial Year: 2020-21</b>             |                                 |                   |                                 |                         |                    |
| Chief Executive Officer                    | 106,902                         | 0                 | 0                               | 21,265                  | 128,167            |
| Director of Business Improvements (Note 1) | 76,080                          | 0                 | 0                               | 15,368                  | 91,448             |
| Director of Operations (Note 2)            | 80,644                          | 0                 | 0                               | 16,290                  | 96,934             |
| <b>TOTAL COST</b>                          | <b>263,626</b>                  | <b>0</b>          | <b>0</b>                        | <b>52,923</b>           | <b>316,549</b>     |

**Note 1:** The Chief Executive left Colchester Borough Homes on 31st May 2021. The position was left vacant until a Chief Executive was appointed on 6th September 2021

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

**Colchester Commercial Holdings Ltd**

| Post holder information (Post title)           | Salary (Inc. fees & Allowances) | Expense Allowance | Compensation for loss of office | Pension Contributions** | Total Remuneration |
|------------------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------------|--------------------|
|                                                | £                               | £                 | £                               | £                       | £                  |
| <b>Financial Year: 2021-22</b>                 |                                 |                   |                                 |                         |                    |
| Managing Director (Note 1)                     | 27,528                          | 0                 | 0                               | 0                       | 27,528             |
| Managing Director (Note 2)                     | 27,500                          | 0                 | 0                               | 1,375                   | 28,875             |
| Group Commercial Director (Note 3)             | 69,765                          | 0                 | 0                               | 3,488                   | 73,253             |
| Senior Commercial Manager                      | 68,815                          | 0                 | 0                               | 3,442                   | 72,257             |
| Finance Manager and Company Secretary (Note 4) | 16,944                          | 0                 | 0                               | 820                     | 17,764             |
| Finance Manager and Company Secretary (Note 5) | 23,958                          | 0                 | 0                               | 1,198                   | 25,156             |
| <b>TOTAL COST</b>                              | <b>234,510</b>                  | <b>0</b>          | <b>0</b>                        | <b>10,323</b>           | <b>244,833</b>     |

| Post holder information (Post title) | Salary (Inc. fees & Allowances) | Expense Allowance | Compensation for loss of office | Pension Contributions** | Total Remuneration |
|--------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------------|--------------------|
|                                      | £                               | £                 | £                               | £                       | £                  |
| <b>Financial Year: 2020-21</b>       |                                 |                   |                                 |                         |                    |
| Managing Director (Note 1)           | 27,752                          | 0                 | 0                               | 0                       | 27,752             |
| Assistant Director (Note 2)          | 88,348                          | 0                 | 0                               | 4,417                   | 92,765             |
| <b>TOTAL COST</b>                    | <b>116,100</b>                  | <b>0</b>          | <b>0</b>                        | <b>4,417</b>            | <b>120,517</b>     |

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

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

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

**Note 4:** the Finance Manager & Company Secretary resigned and left Colchester Commercial Holdings on 19th July 2021

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



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

|                  | 2021-22   | 2020-21   |
|------------------|-----------|-----------|
| £50,000 - 54,999 | 4         | 6         |
| £55,000 - 59,999 | 18        | 12        |
| £60,000 - 64,999 | 1         | 7         |
| £65,000 - 69,999 | 2         | 3         |
| £70,000 - 74,999 | 6         | 3         |
| Over £100,000    | 2         | 0         |
|                  | <b>33</b> | <b>31</b> |

G8. Exit Costs

| Banding                                                                                                | 2021-22                 |                     |                        | Cost<br>Total<br>£'000 |
|--------------------------------------------------------------------------------------------------------|-------------------------|---------------------|------------------------|------------------------|
|                                                                                                        | Number of exit packages |                     |                        |                        |
|                                                                                                        | Compuls.<br>Redund.     | Other<br>departures | Total exit<br>packages |                        |
| £0 - 20,000                                                                                            | 1                       | 2                   | 3                      | 17                     |
| £20,001-40,000                                                                                         | 1                       | 0                   | 1                      | 0                      |
| £40,001-60,000                                                                                         |                         |                     |                        |                        |
| Total                                                                                                  | <b>2</b>                | <b>2</b>            | <b>4</b>               | <b>17</b>              |
| Add: Adjustments to accruals made in previous financial years relating to payments made to individuals |                         |                     |                        | 0                      |
| <b>Total Exit Costs</b>                                                                                |                         |                     |                        | <b>17</b>              |

| Banding        | 2020-21                 |                     |                        | Cost<br>Total<br>£'000 |
|----------------|-------------------------|---------------------|------------------------|------------------------|
|                | Number of exit packages |                     |                        |                        |
|                | Compuls.<br>Redund.     | Other<br>departures | Total exit<br>packages |                        |
| £0 - 20,000    | 1                       | 7                   | 8                      | 90                     |
| £20,001-40,000 | 1                       | 2                   | 3                      | 89                     |
| £40,001-60,000 | 0                       | 1                   | 1                      | 42                     |
| Total          | <b>1</b>                | <b>7</b>            | <b>8</b>               | <b>221</b>             |

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## G9. Defined Benefit pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council (CBC) and Colchester Borough Homes Limited (CBH) make contributions towards the cost of post-employment benefit. Although these benefits will not actually be payable until employees retire, there is a commitment for CBC and CBH to make the payments that need to be disclosed at the time that employees earn their future entitlement. CBC and CBH participate in the Local Government Pension Scheme, which is administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the employers and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. Colchester Commercial Holdings Limited participated in the Local Government pension scheme in 2018/19. During the 2019/20, all assets and liabilities were transferred to the Council with all costs in relation to the current services included in the council's accounts.

### Transactions Relating to Retirement Benefits

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

|                                                                                                                            | 2021-22<br>£'000 | 2020-21<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Comprehensive Income and Expenditure Statement</b>                                                                      |                  |                  |
| Current Service Cost                                                                                                       | 14,714           | 9,248            |
| Past Service Cost                                                                                                          | 87               | 91               |
| Liabilities assumed/(extinguished) on settlements                                                                          | 0                | 77               |
| Settlements price received/(paid)                                                                                          | 0                | (49)             |
| <b>Cost of Services</b>                                                                                                    | <b>14,801</b>    | <b>9,367</b>     |
| Net interest expense                                                                                                       | 2,384            | 2,218            |
| Pension fund administration expenses                                                                                       | 135              | 137              |
| <b>Financing and Investment Income and Expenditure</b>                                                                     | <b>2,519</b>     | <b>2,355</b>     |
| <b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>                           | <b>17,320</b>    | <b>11,722</b>    |
| Remeasurement of the net defined benefit liability                                                                         | (40,193)         | 20,330           |
| <b>Total Comprehensive Income and Expenditure Statement</b>                                                                | <b>(22,873)</b>  | <b>32,052</b>    |
| <b>Movement in Reserves Statement</b>                                                                                      |                  |                  |
| Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement | (17,320)         | (11,722)         |
| Employer's pension contributions and direct payments to pensioners payable in the year                                     | 5,684            | 8,859            |
| <b>Total taken to Note 6</b>                                                                                               | <b>(11,636)</b>  | <b>(2,863)</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:

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

|                                                                             | 2021-22<br>£'000 | 2020-21<br>£'000 |
|-----------------------------------------------------------------------------|------------------|------------------|
| <b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>     |                  |                  |
| Value of Assets at 1 April                                                  | 275,807          | 212,112          |
| Effect of settlements                                                       | 0                | 65               |
| Interest income on plan assets                                              | 5,508            | 5,013            |
| Contributions by Members                                                    | 1,857            | 1,948            |
| Contributions by the Employer                                               | 5,684            | 8,859            |
| Return on assets excluding amounts recognised in Other Comprehensive Income | 21,874           | 56,416           |
| Admin expenses                                                              | (135)            | (137)            |
| Benefits Paid                                                               | (8,399)          | (8,469)          |
|                                                                             | <b>302,196</b>   | <b>275,807</b>   |
| <b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>   |                  |                  |
| Value of Liabilities at 1 April                                             | (397,799)        | (310,911)        |
| Current Service Cost                                                        | (14,714)         | (9,248)          |
| Past Service Cost                                                           | (87)             | (91)             |
| Effect of settlements                                                       | 0                | (93)             |
| Interest Cost                                                               | (7,892)          | (7,231)          |
| Contribution by Members                                                     | (1,857)          | (1,948)          |
| Actuarial Gains and (Losses):                                               | 0                | 0                |
| Change in demographic assumptions                                           | 0                | 5,187            |
| Change in financial assumptions                                             | 19,299           | (86,133)         |
| Other experience gains and (losses)                                         | (980)            | 4,200            |
| Unfunded pension payments                                                   | 354              | 382              |
| Benefits Paid                                                               | 8,045            | 8,087            |
|                                                                             | <b>(395,631)</b> | <b>(397,799)</b> |
| Net Liability at 31st March                                                 | <b>(93,435)</b>  | <b>(121,992)</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 Borough Council is responsible for invoicing and collecting the Council Tax from all residential properties within the borough. This is undertaken on behalf of Colchester Borough Council, Essex County Council, Essex Fire and Rescue, Police and Crime Commissioner for Essex and Parish and Town Councils. Colchester Borough Council is also responsible for invoicing and collecting Non-Domestic Rates on behalf of Colchester Borough Council, Central Government, Essex County Council and Essex Fire and Rescue.

### **Budget Requirement**

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

### **Capital Expenditure**

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

### **Capital Financing Requirement**

The statutory measure of a local authority's underlying need to borrow for capital purposes.

### **Capital Programme**

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

### **Capital Receipts**

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

### **Carry Forwards**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

### **Collection Fund**

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

### **Contingent Liabilities**

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Debtors**

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

### **Depreciation**

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

### **Earmarked Reserves**

Amounts set aside for specific future commitments or potential liabilities.

### **Effective Interest Rate**

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

### **Fair Value**

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

### **Financial Instruments**

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

### **General Fund**

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

### **Gross Book Value**

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

### **Housing Revenue Account (HRA)**

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

### **IFRS (International Financial Reporting Standards)**

The collective name for the set of accounting standards which define the accounting treatments used by Central and Local Government in the UK, listed companies in the UK and the European Union.

### **Impairment**

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

### **Intangible Assets**

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

### **Investment Properties**

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

### **Leases**

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

### **Major Repairs Reserve (MRR)**

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

### **Minimum Revenue Provision (MRP)**

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

### **Ministry of Housing, Communities and Local Government (MHCLG)**

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

### **Net Book Value (NBV)**

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

### **Non-Distributed Costs**

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

### **National Non-Domestic Rates (NNDR)**

Non-domestic rates are usually termed Business Rates. Business Rates contribute to the cost of providing local authority services. It is charged on the rateable value of each non-residential property multiplied by a uniform amount set annually by central government. Various reliefs are in operation. NNDR income is collected by the Council and is then shared with Central Government, Essex County Council and Essex Fire and Rescue.

### **Precept**

This is the amount of Council Tax income that local authorities providing services within the Colchester borough require to be paid from the Collection fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all the precepts levied on the Billing Authority. Precepts are raised by Colchester Borough Council, Essex County Council, Police and Crime Commissioner for Essex, Essex Fire and Rescue and Town and Parish Councils.

### **Principal Amount**

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

### **Property, Plant and Equipment (PPE)**

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

### **Provisions**

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

### **Prudential Code**

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

**Public Works Loan Board (PWLB)**

A central government agency that offers long term loans to local authorities at interest rates marginally above the government's own cost of borrowing.

**Revaluation**

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

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

**Useful Life**

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

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