



Colchester  
City Council



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# STATEMENT OF ACCOUNTS

2023-2024



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# Narrative Statement

## Introduction

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The Statement of Accounts for Colchester City Council for the year ended 31st March 2024 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 2023/24 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body (FRAB).

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

The Accounts and Audit Regulations 2015 came into force on 1st April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Code Accountability Act 2014. The Regulations introduced earlier deadlines for publication of the Accounts. The deadline for completion of the Accounts for 2023/24 was 31st May 2024 for the unaudited Statement of Accounts and 30th November 2024 for the audited Statement of Accounts which must be approved by the Governance and Audit Committee.

However, the national backlog in audit work and local resource constraints have combined to delay the production of firstly the 2021/22 Statement of Accounts (published September 2023), the 2022/23 Statement of Accounts (published February 2024), which in turn has delayed the production the 2023/24 Statement of Accounts (published November 2024).

This Statement of Accounts demonstrates that the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operates in an environment of continuous improvement.

## Introduction to Colchester

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

The City of Colchester covers an area of 324 square kilometres in Northeast Essex, bordering Suffolk to the North, along with three Essex districts – Tendring to the East, Braintree to the West and Maldon to the Southwest.

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

The next largest towns are Wivenhoe, Tiptree and West Mersea. The island of Mersea is at the South of the City and forms the principal coastal area. The centre of Colchester, broadly defined by the area within the Roman city walls, is a focal point for the city, containing one of the Eastern region's busiest shopping destinations, as well as many cultural experiences and leisure attractions. Colchester is an increasingly popular place to live and work.

The City Council comprises 51 councillors in 17 wards and operates the Leader and Cabinet model. The Council is currently led by a Liberal Democrat administration, with the full political balance (following 2nd May 2024 Local Elections) Conservative 19 councillors, Liberal Democrat 15 councillors, Labour 14 councillors, and Green Party 3 councillors.

## Summary of Achievements

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### The Strategic Plan

The Council has agreed six Strategic Plan objectives (2023-26).

- Respond to the climate emergency
- Deliver modern services for a modern city
- Improve health, wellbeing and happiness
- Deliver homes for those most in need
- Grow our economy so everyone benefits
- Celebrate our city, heritage and culture.

Performance against these goals is monitored monthly through 46 individual actions. A lead officer is responsible for each action and monitoring consists of a narrative on completed and planned activities, and an assessment of the RAG Status for each action.

To ensure that Strategic Plan Goals continue to be effectively delivered, a review of activities to be monitored in 2024-25 has been carried out. This includes:

- Assigning a Head of Service or lead officer to each activity
- Defining measure(s) of progress against activities where appropriate
- Identifying links to Fit for the Future where applicable
- Identifying links to Corporate KPIs where applicable
- Providing a rich qualitative narrative on each activity
- Continuing to monitor the RAG Status of each activity.

Progress against the Strategic Plan Delivery Plan will be monitored and reported on a quarterly basis. In addition, Heads of Service will monitor 'in service' performance to ensure that remedial action for emerging risks and known issues can be taken in a timely manner.

At the year end point for April 2023 – March 2024, the overall position is that 41 of 46 Actions (89%) were completed or on track with a RAG Status of Green. Strategic Plan highlights to note include:



Goal	Action	Status
<b><i>Respond to the climate emergency</i></b>		
Reduce our carbon footprint	Deliver the “Our Climate Emergency Action Plan - Colchester City Council (CEAP)” initiatives to reduce emissions across the city and produce positive environmental impacts.	Installation of motors and pool covers at Leisure World underway.
	Production of a Climate Change and Active Travel Supplementary Planning Documents (SPD)	Completed.
<b><i>Deliver modern services for a modern city</i></b>		
Colchester Council and supporting organisations work together to a shared and ambitious vision for the future of our city	Work across CBH and CCHL to produce a Strategic Asset Management Plan for the Council and supporting delivery plan to ensure best use of our assets.	Preparing 3-year action plan to supplement Estate Plan
	Review the Buildings Maintenance programme to ensure our corporate and heritage buildings remain safe and well maintained and help to deliver services in the most efficient and effective way.	Insights re condition surveys and H&S compliance is underway and completion expected in June.
	Complete the capital programme review and reset the capital programme including a revised medium term investment programme.	Completed.
Put communities, and their needs, at the heart of our vision and supporting local areas as they help shape and deliver the services which are most important to them	Actively use the Communities Can approach (Asset Based Community Development) to ensure Communities are involved and included in all future plans. This includes the continued roll out of training to teams & members.	The Community Partnerships team continue to talk to all Communities and key Community Leaders to include Residents in decision making and engagement.
	Launch a new citizens panel to ensure communities can help shape future service provision.	Planning for Residents’ Panel in progress. Promotion of the Panel at the city centre library.
	Support Parish and Town Councils to produce their own neighbourhood plans.	We are actively engaging with PCs about the Local Plan Review, which includes NHPs.



Goal	Action	Status
<b><i>Improve Health, Well-Being, and Happiness</i></b>		
Tackle the causes of inequality and support the most vulnerable people in Colchester	Invest time into relationships to influence decision and make joint strategic changes based on lived experience and data	Continuing work to optimise the Alliance relationships and Partnership working to ensure best outcomes and decision are made for the People of Colchester. Council posts are embedded in system working to shape and influence from the inside.
	Increasing everyday activity and participation of all sectors of the community in active lifestyles as a legacy of the Local Delivery Pilot	Using an ABCD approach, Alliance Be Well Domain and external funding is used to support projects and initiatives to allow residents to move more and keep active. The Community participation enables projects to be more sustainable in the future and to be legacy of the end of the Local Delivery Pilot (LDP) in 2025.
	Develop and implement a programme of repair and renewal of our play parks.	Delivery now underway.
<b><i>Deliver Homes for those most in need</i></b>		
Increase the number, quality and types of homes on offer	Work in partnership with Developers and Housing Associations to implement Colchester's Local Plan seeking 30% of all new homes to be affordable.	During 2023-24 a total of 174 affordable rented homes were delivered in Colchester via RP's, 48 Shared Ownership and 5 First Homes.
	Increase the amount of guidance available to developers to help inform new housing design and make it beautiful and sustainable.	Complete. City Centre Masterplan Adopted 15th January 2024
	Continue with private sector housing support, advice & enforcement to improve the condition of housing in the private and social rented sector	Continued to regulate and take enforcement action where required to ensure the safety of properties for 25% of Colchester residents living in the private and social rented sector. Continued to work with system partners through the Livewell Neighbourhoods Team to ensure housing is recognised as a wider determinant of health.

Goal	Action	Status
Prevent or assist those facing homelessness	Work with partners to deliver the priorities in Colchester's Homelessness and Rough Sleeping Strategy 2020 –25	During 2023-24 the Housing Solutions Team; Accepted a full duty under the homelessness legislation for 223 households and helped them into accommodation. Prevented homelessness for 239 households and relieved homelessness for 177 households.
	Provide assistance, support and an accommodation pathway for Rough Sleepers through the governments Rough Sleeper Initiative	The Rough Sleeper Team continue to provide support and accommodation to rough sleepers. During 2023-2024, the Rough Sleeper Team: Provided 167 clients with support, advice, and assistance to help them move off the streets. Housed 50 rough sleepers into more settled accommodation. Helped 19 rough sleepers to return to the local authority area they came from and where they have support networks.
Increase affordable housing using buildings or land the council own	Continue delivering the New Council Housing Programme and building to Future Homes 2025 standards	Continuing to progress Phase 3 garage sites. To proceed with procurement for land sites and work with contractor to submit Pes and work towards achieving planning permission. Continuing to work with developers to seek agreements for acquiring off the shelf units. Continuing to seek viable options for more units. Completed on acquisition of units at Boxted Road and Chesterwell

Goal	Action	Status
<b>Grow our Economy so everyone benefits</b>		
Work with partners to create a vibrant city which people want to live in and visit, whilst attracting investment	Work with System Leaders to define a 2040 Vision for Colchester.	Started work on Phase 2 and tender for Design Framework.
	Deliver the Town Deal projects to improve the lives of residents and support businesses	Digital Skills Hub completed with Essex Pedal Power bike handout in Greenstead well underway. Good progress across other funded projects including transformed youth facilities at Townhouse, Highwoods and Stanway. Phase 1 of build work at St Nicholas Square progressing well.
	Ensure the Tendring and Colchester Borders Garden Community is plan led, and policies are drafted to ensure the City benefits from the development.	Work ongoing to inform Examination. Hearing sessions completed 9.5.24
<b>Celebrate our City, Heritage and Culture</b>		
Strengthen Colchester's tourism sector and welcome more visitors each year	Have a Year of Celebration through 2023 including coronation celebration engagement with City Status in all areas, Gladiators Exhibition at the Castle and Siege Spectacular re-enactment.	Project complete.
	Enhance marketing of Colchester as a destination including a refresh of Visit Colchester Website, 3-year successive marketing campaign and collaborative marketing with the Business Improvement District.	Website go live (soft launch) 15th May 2024.
To make our city a better place in which to live and work and visit	Delivery of an annual small grants scheme annually for 3 years to support Cultural and Creative Events.	Release of grants to be continued on receipt of funding agreements. Jane's Walk, first funded event takes place.
Celebrate the historic Coronation of King Charles III	Coronation plaque to be fixed in the Town Hall entrance.	Completed.

No Actions (0) had a RAG Status of Red, and three Actions (3) had a RAG Status of Amber:

- Deliver the Climate Emergency Action Plan – initiate an offsetting or insetting strategy. The date of a presentation to Leadership was to be agreed.
- Deliver modern services for a Modern City - develop and implement proposals to transform key services including Sport and Leisure, Grounds Maintenance, Countryside Sites and Museums – part of Fit for the Future Programme. Work was on-going to consider future delivery model for Grounds Maintenance and Countryside Sites; and

- Deliver the Town Deal projects to improve the lives of residents and support businesses – including phase 2 works at St Nicholas Square and starting detailed work with operator of Digital Working Hub Queen Street. Activity was planned to secure permission for Phase 2 of St Nicholas Square to start in June and start detailed work with the operator of the Digital Working Hub.

### Key performance indicators for 2023/24

The Council has agreed twenty-six (26) key performance indicators grouped under five themes, which it uses as part of its Performance Management Framework to help monitor progress and improvement. This report provides an update on the Council's Key Performance Indicators and a review of other performance achieved throughout the reporting period. We have reviewed the set of corporate KPIs for 2023 – 2024 to align them with the Strategic Plan 2023 – 2026.

- Financial
- Respond to the Climate Emergency
- Deliver Homes for those Most in Need
- Improve Health, Well Being and Happiness
- Grow our Economy So Everyone Benefits.

The table below features Year End performance April 2023 – March 2024 and targets.

At the year end point for April 2023 – March 2024, the overall position is that seventeen targets were achieved ('green'), and seven did not meet the target in full ('red').

Of the seventeen KPIs that have been achieved ('green' KPI's), it is worth noting that some have been exceeded. This is particularly the case in relation to Housing Benefit and Local Council Tax Scheme where residents are receiving benefits after an average of 3 days for Housing Benefit and 2.65 days for Local Council Tax Scheme.

Targets have not been met for seven indicators ('red' KPIs) due to a range of impacts. These are:

- Bereavement Services Income
- Trees planted
- Improving biodiversity
- Number of households in temporary accommodation per 1,000 households
- Average time to re-let council homes
- Repairs completed within target timescale
- Social value in procurement.

**Bereavement Services Income** – Bereavement Services income is heavily swayed by cremation numbers and 2023/24 saw a return to pre-Covid cremation numbers. A new website, new memorial schemes and vastly improved marketing will hopefully enhance memorial income.

**Trees planted** – Trees are only planted during the planting season (November 2023 to March 2024). Limited budget available to plant new trees.

**Improving biodiversity** – Areas to be left for biodiversity to be decided at the end of the current cutting season October. No additional areas of grass were identified in 2023-24 as the GM specification for grass cutting was being reviewed.

**Number of households in temporary accommodation per 1,000 households** – This has been a very challenging aspect of CBH's work during 2023/24. The very high demand on temporary accommodation has been exacerbated by the impact locally on the housing of asylum seekers and families needing to be rehoused as the hotels were closed. The emphasis continues to be on prevention; however, this is a statutory function and there have been an increased number of households we have needed to accommodate compared to the measure of 3.0 per 1,000 households.

**Average time to re-let council homes** – The contractor responsible for works was changed during the year and a new contractor(s) introduced to speed up the clearance work for voids. This led to the target being achieved in each of the last 4 months of the year.

**Repairs completed within target timescale** – The CBH repairs team and Council's Call Centre staff have participated in workshops to review and streamline internal processes aiming to reduce unnecessary "waste" across the CBH repairs operation. An action plan has been developed and is being implemented to boost performance.

**Social value in procurement** – For contracts where social value was not included, the main reasons were for very short-term building contracts, specialist consultancy and specialist election printing, whereby the benefits of social value would not be achieved in the local economy.

In addition to the performance described above, the Council has again received numerous awards and accreditations. These are highlighted in the Council's Awards and Accreditations. Other sources of performance data can be found in the Council Data section of the website under Council Data.

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The key Corporate Performance Indicators April 2023 – March 2024 are presented in the table below.

Strategic Plan					
KPI Description	Frequency	Target	Actual	Status	Supporting narrative
<b>Financial theme</b>					
Council Tax collected	Monthly	97.65%	97.63%	Green	Collection narrowly missed target (by 0.02%). Targets were increased following previous year's performance, however, inflation has had an impact, as well as less government support available to bill payers. Most people pay their Council Tax from April to January (10 months), therefore collection is always expected to slow in the final couple of months of the year. The year-end target is based on an 8.14% increase each month throughout the year which doesn't account for the final months with lower collection, so falling short of the target by .02% is not cause for concern.
Business Rates (NNDR) collected	Monthly	98%	97.81%	Green	Collection is slightly below target (0.19%). The targets were revised last year based on collection which was exceptionally high.
HRA Rent collected	Monthly	98%	98.53%	Green	Significant efforts to ensure target achieved during the cost-of-living crisis and with the ongoing migration of households onto Universal Credit where rent is paid in arrears.
Leisure Centre income	Monthly	£6,645k	£6,860k	Green	£215,177 income improvement. Key areas of success Lifestyles overachievement of £332,758, linked to new delivery of retention programme and sales journey. Swimming Lessons overachievement £64,374 linked to start of new sales process. Badminton overachievement of £40,248 linked to court plan and utilisation of times. A successful year for Sport & Leisure with growth of users and customers across sites. The community work and increased awareness of health & wellbeing via new marketing plan has had a positive impact.
Colchester Museums income	Monthly	£448k admissn. income  £88.9k schools income	£429k admissn. income  £108k schools income	Green	Modest underachievement in admissions income compensated by schools income overachievement. Price resistance suspected because of the cost-of-living crisis – particularly for families. Visitor numbers and income has seen a strong start to the new financial year due to the current exhibition implying that the ambitious income targets are justified.

Strategic Plan					
KPI Description	Frequency	Target	Actual	Status	Supporting narrative
<b>Financial theme (cont.)</b>					
Bereavement services income	Monthly	£2,017k	£1,756k	Red	Bereavement Services income is heavily swayed by cremation numbers and 2023/24 saw a return to pre-Covid cremation numbers. A new website, new memorial schemes and vastly improved marketing will hopefully enhance memorial income.
Garden Waste	Quarterly	7,053 Active subs (Q4 23-24 only)	20,316	Green	This indicator has only been measured in Q4 (Jan – Mar 2024) in line with the scheme going live in January 2024.
Capital Programme	Annually	70% of forecast against spend in current year	85%	Green	Narrative to be provided
<b>Respond to climate emergency theme</b>					
Residual household waste per household	Quarterly	354 Kg	321.3 Kg	Green	Small Kg reduction per household from 321.69 Kg in 22-23 to 321.26 Kg in 23-24, which remains below our 354Kg target. Our ongoing enforcement of 3 bags/1 wheeled bin of residual has maintained progress. It is believed that part of the improvement seen the past two years is linked to the cost-of-living crisis reducing residents purchasing power.
Household waste reused, recycled, and composted	Quarterly	53%	54%	Green	Small improvement in 23/24 to 54% recycled up from 53.5% in 22/23. Our ongoing enforcement of 3 bags/1 wheeled bin of residual has maintained the progress.
Fly tipping incidents	Quarterly	2262	1962	Green	The figure shows the number of fly tips that have been reported and actioned. The figures have been declining over the past two years.
Trees planted	Quarterly	2000	220	Red	Trees are only planted during the planting season (November 2023 to March 2024). Limited budget available to plant new trees.
Improving biodiversity	Annually	0.6 hct (increase Gr'ssl'nd Wilding from 7.4 to 8 hectares)	0	Red	Areas to be left for biodiversity to be decided at the end of the current cutting season October. No additional areas of grass were identified in 2023-24 as the GM specification for grass cutting was being reviewed.



Strategic Plan					
KPI Description	Frequency	Target	Actual	Status	Supporting narrative
<b>Respond to climate emergency theme (cont.)</b>					
Achieving "Pathway to Carbon Neutral" targets to 2030	Twice per year	Reduce our em'ss'ns to 5,200 tonnes by October 2023 and 5100 tonnes by March 2024	5,379.83 tonnes (March 2024)		The Council's emissions have decreased by 167.45 tonnes (3%) since the 2022/23 financial year.
<b>Deliver homes for the most in need theme</b>					
Affordable homes delivered (gross)	Quarterly	380 homes over three years (2023-2026)	271	Green	Slightly ahead of average delivery numbers for the year due to units being brought forward for End of Year.
Monitoring the number of households in temporary accommodation per 1,000 households.	Monthly	3.0	3.85	Red	This has been a very challenging aspect of CBH's work during 2023/24. The very high demand on temporary accommodation has been exacerbated by the impact locally on the housing of asylum seekers and families needing to be rehoused as the hotels were closed. The emphasis continues to be on prevention; however, this is a statutory function and there have been an increased number of households we have needed to accommodate compared to the measure of 3.0 per 1,000 households.
Average time to re-let council homes	Monthly	28 days	31.21 days	Red	The contractor responsible for works was changed during the year and a new contractor(s) introduced to speed up the clearance work for voids. This led to the target being achieved in each of the last 4 months of the year.
Repairs completed within target timescale	Monthly	95%	90.0% CBH 82.66% overall	Red	The CBH repairs team and Council's Call Centre staff have participated in workshops to review and streamline internal processes aiming to reduce unnecessary "waste" across the CBH repairs operation. An action plan has been developed and is being implemented to boost performance.

Strategic Plan					
KPI Description	Frequency	Target	Actual	Status	Supporting narrative
<b><i>Deliver homes for the most in need theme (cont.)</i></b>					
Percentage of homes that do not meet the decent homes standard.	Annually	0%	0.52%	Green	This is the best performance by CBH with the lowest ever number of Council properties (31) at year end as non-decent. Tolerance has been applied as the performance is within 1%, hence green rating.
Customer satisfaction with latest repair	Monthly	90.5%	94.67% CBH 86.19% overall	Amber	Whilst this remains work in progress there is good progress, particularly with the satisfaction of the in-house team at 94.87% (hence RAG rated amber). Customer satisfaction, including with contractors, increased to 86% at year end and a focus remains on increasing contractor satisfaction levels.
<b><i>Improve health, well-being and happiness theme</i></b>					
Time to process housing benefit and local council tax support new claims and changes.	Monthly	HB – 4 days LCTS – 5 days	HB – 3 days LCTS – 2.65 days	Green	The Benefits team assessed and distributed eligible benefit quickly and efficiently, consistently exceeding targets throughout the year.
Cost of living	Quarterly	DHP – £309k EHP – £37k	DHP - £309k EHP - £37k	Green	The Employment & Finance Support Team continue to award DHP & EHP's in a timely manner as part of their more holistic support to residents.

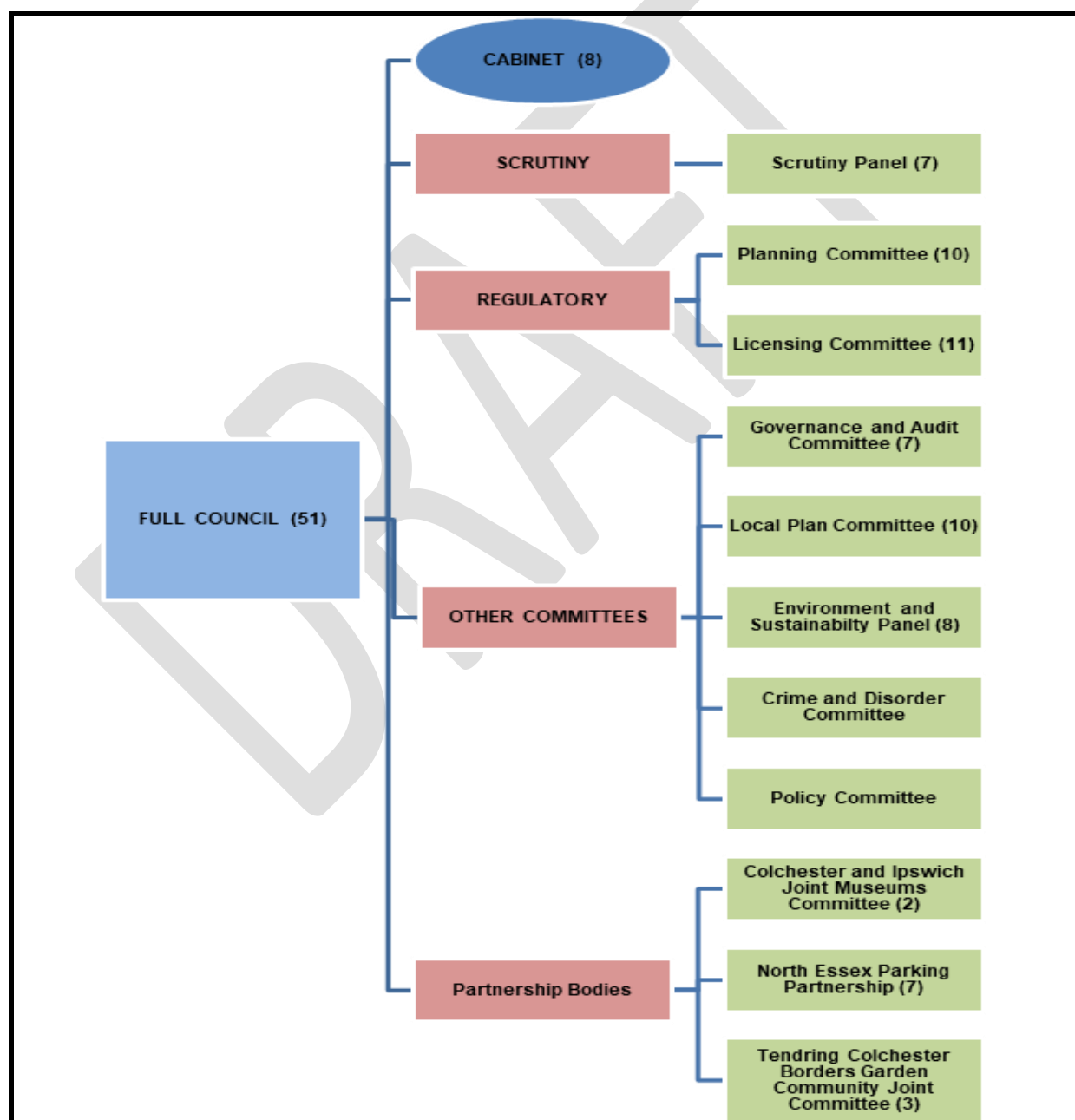
Strategic Plan					
KPI Description	Frequency	Target	Actual	Status	Supporting narrative
<b>Improve health, well-being and happiness theme (cont.)</b>					
Disabled Facilities Grant (DFG)	Quarterly	Total DFG spend £1.1M  100 c'mpl'ted apps.  Appr'ved apps spend £350k (Rolling)  35 apps approved (Rolling)	Total DFG spent £1.14M  92 c'mpl'ted apps.  Appr'ved apps spend £412k (Rolling)  43 apps approved (Rolling)	Green	Team exceeded target to achieve highest ever spend figure in year. Stairlift Grant and Fast-Track Grant continue to support priority cases in terms of prevention and enabling prompt discharge from hospital / care setting. Service continues to develop to meet emerging need and support the wider system and Better Care Fund outcomes.
Sickness rate in working days	Monthly	Rolling 8 days	7.34 days	Green	Sickness absence levels fell consistently during the year with absence levels now below the target level. The updated sickness absence policy is now fully embedded, and this continues to produce more positive outcomes in relation to sickness levels. Sickness has reduced by 1.5 days per FTE over the course of the year and there were over 1,300 fewer working days lost to sickness in 2023/24 compared to 2022/23.
<b>Grow our economy so everyone benefits theme</b>					
Additional Homes	Quarterly	920 homes	1068	Green	The delivery was as forecast and largely supported with the completion of a substantial student accommodation complex at the University of Essex. The units more than the target counterbalance the shortfall from the previous 22/23 year (711).
Social value in proc'm't	Twice per year	70% of all (non-frame.) contracts over £100k awarded to include social value benefits.	65%	Red	For contracts where social value was not included, the main reasons were for very short-term building contracts, specialist consultancy and specialist election printing, whereby the benefits of social value would not be achieved in the local economy.

## 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 2023/24 is that the Council's internal auditors TIAA are satisfied that Colchester City Council has reasonable and effective risk management control and governance processes in place.

All the Councillors meet as Full Council 9 times a year, in a public forum, to set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for Colchester City Council that were in place during 2023/24.



***The Cabinet***

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

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

***Scrutiny Panel***

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

***Licensing Committee***

The Licensing Committee has specific responsibility for considering all aspects of licence applications, variations, suspensions, and revocations across the spectrum of local authority licensing responsibilities except for all matters relating to taxi and private hire licensing which are dealt with by the Taxi and Private Hire Licensing Panel.

***Planning Committee***

The Planning Committee has specific responsibility for:

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

***Governance and Audit Committee***

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

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

***The Management of the Council***

Supporting the work of elected Members is the organisational structure of the Council headed by a Senior Management Board consisting of:

- The Chief Executive
- Chief Operating Officer
- Executive Director Place (Deputy Chief Executive); and
- Strategic Directors (\*3).

The Council also appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to act if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget.

## Organisations consolidated within the Group Accounts

There have been no changes in 2023/24 to the organisations consolidated in the Group Accounts.

The Group Accounts include Colchester Borough Homes (CBH). CBH was created in 2003 as an Arm's Length Management Organisation. It provides landlord services to the Council's housing tenants including:

- Tenancy management, housing support and older persons services
- Managing and maintaining the Council's housing stock
  - routine and emergency repairs
  - planned maintenance; and
  - major refurbishment and improvement programmes.
- Facilities management and the housing options service.

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

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

CCHL also manages some of the Council's Capital Programme.

## Financial Performance Summary 2023/24

### REVENUE

#### General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2023/24.

General Fund Services 2023/24	Net Expenditure		Variance
	Budget	Outturn	
	£000's	£000's	£000's
Corporate & Democratic Core	(53)	76	129
Senior Leadership Board	1,914	1,851	(63)
Modern City Services	7,770	8,195	425
Corporate Services	8,447	9,581	1,134
Enjoy Colchester	1,531	1,406	(125)
Place & Prosperity	1,138	1,415	277
Transformation & Business Improvement	2,918	2,886	(32)
Housing & Wellbeing	1,267	2,477	1,210
Financing & Recharges	115	(1,883)	(1,998)
Corporate and Technical (Unallocated)	1,555	1,059	(496)
<b>Totals</b>	<b>26,602</b>	<b>27,063</b>	<b>461</b>

The Month 12 (Outturn) Management Accounts showed that the General Fund budget was in deficit by £0.461 million at year end. This was an improvement from the forecast deficit of £1.916 million forecast at Quarter 3 (31st December 2023).

The most significant variance related to the Housing & Wellbeing service, falling short of budget by £1.210 million. The overspend was a result of a sharp increase in Homelessness in the City (consistent with the national trend) with cost of Temporary Accommodation eventually rising to £1.749 million by the year end, compared to a budget of just £0.533 million.

The Corporate Services budget also recorded a significant overspend of £1.134 million, which was driven by a range of cost pressures, with the single most notable overspend being recorded on Housing Benefits (impact £460,000).

In contrast, there was a net gain on Capital Financing Costs, with a surplus of £2.111 million.



## Housing Revenue Account

The table below summarises the outturn on the HRA for 2023/24 compared to 2022/23.

<b>Housing Revenue Account 2023/24</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Total Income	(31,703)	(34,632)	(2,929)
Total Expenditure	44,150	45,162	1,012
<b>Net Cost of Services (inc. in CIES)</b>	<b>12,447</b>	<b>10,530</b>	<b>(1,917)</b>
Corporate Expenses charged to HRA	471	542	71
<b>Net Cost/(Income) of HRA Services (inc. in CIES)</b>	<b>12,918</b>	<b>11,072</b>	<b>(1,846)</b>
Other Accounting Adjustments	2,060	6,063	4,003
<b>(Surplus)/Deficit on HRA Services</b>	<b>14,978</b>	<b>17,135</b>	<b>2,157</b>
Reconciling Adjustments (including reversals)	(15,004)	(16,933)	(1,929)
<b>(Increase)/Decrease in HRA Balance</b>	<b>(26)</b>	<b>202</b>	<b>228</b>

The HRA Balance decreased by £0.202 million in the year (£0.026 million increase in 2022/23); this was despite some significant increases in Management and Repairs and Maintenance, which were up by £3.414 million this year (from £17.137 million in 2022/23, to £20.551 million in 2023/24).

In contrast, overall Income increased by £2.929 million (from £31.703 million in 2022/23, to £34.632 million in 2023/24), driven by additional income received from Dwelling Rents.

Capital charges for Depreciation and Amortisation increased in the year by £0.304 million (from £5.523 million in 2022/23, to £5.827 million in 2023/24). Revaluation Losses of £20.673 million (£23.780 million in 2022/23) were charged to the HRA, which outweighed Revaluation Gains of £1.603 million (£2.729 million in 2022/23) credited to the HRA (to reverse Revaluation Losses that had been charged in previous years). The Revaluation Losses and Impairment Charges made to the HRA do not impact on Rent levels as they are reversed out in the Movement in Reserves Statement.

A significant contribution of £3.312 million was made from the HRA to fund capital expenditure this year (compared to £4.409 million in 2022/23, which was reduced due to the lower Net Operating Expenditure surplus in 2023/24. The HRA Balance ended the year at £4.379 million (compared to 4.581 million in 2022/23).

### **Reconciling the Budget to the Statement of Accounts**

The readers of these Statements should note that the Comprehensive Income and Expenditure Statement (CIES) strictly follows approved accounting standards and therefore contains many transactions that the Council does not account for within its budgets (e.g. General Fund depreciation charges, which are subsequently reversed out through the MIRS Statement and have no impact on the General Fund Reserve). The surplus/deficit on the provision of services line in the CIES therefore does not match the final budgeted position for the Council. Note 2 to the Accounts reconciles the two different positions in accordance with the Code. A simplified summary is presented in the table below between the CIES and the two (General Fund and HRA) budget outturns presented above. See Note 2 for further details.

	General Fund	HRA	Total Net Expenditure (Budget Outturn)	Capital Adjs.	Pensions Adjs.	Other Accounting Adjs.	CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Net Cost of Services (incl HRA)	27,063	201	27,264	26,518	(5,203)	-	48,579
Other Income and Expenditure	(26,602)	-	(26,602)	(3,177)	-	949	(28,830)
<b>(Surplus)/Deficit</b>	<b>461</b>	<b>201</b>	<b>662</b>	<b>23,341</b>	<b>(5,203)</b>	<b>949</b>	<b>19,749</b>
Opening GF (inc Earmarked Reserves)/HRA Balances	(30,242)	(4,581)	(34,823)				
Reported Q4 Outturn 2023/24	461	201	662				
GF Carry Forwards	(656)	-	(656)				
Other Reserve Movements	809	-	809				
<b>Closing Balances</b>	<b>(29,628)</b>	<b>(4,380)</b>	<b>(34,008)</b>				
<b>Closing Balances Analysed:</b>							
General Fund Balance	(6,917)	-	(6,917)				
Earmarked Reserves	(22,711)	-	(22,711)				
HRA Balance	-	(4,380)	(4,380)				
<b>Closing General Fund/HRA Balances</b>	<b>(29,628)</b>	<b>(4,380)</b>	<b>(34,008)</b>				

## Capital

The table below summarises the Capital Expenditure outturn for 2023/24.

Description	2022/23	2023/24
	£000's	£000's
General Fund	12,235	9,664
Housing Revenue Account (HRA)	29,657	38,932
<b>Total Capital Programme</b>	<b>41,892</b>	<b>48,596</b>

Expenditure on the General Fund Capital Programme reduced by £2.571 million in 2023/24 (compared to 2022/23) to £9.664 million; this was short of the overall budget provision of £78.060 million. The most significant item of slippage related to originally assumed loan advances of £26.70 million to the Council's new Housing Company, which will no longer be proceeding (and were removed from the updated General Fund Capital Programme adopted by full Council in February 2024).

In contrast, there was an increase of £9.275 million on the HRA Capital Programme in 2023/24 (compared to 2022/23) with expenditure rising to £38.932 million; however, this was short of the overall budget provision of £60.910 million. The most significant item of slippage related to the New Build Programme (impact £12.123 million).

## BALANCE SHEET

### Usable Reserves

The overall balance on Usable Reserves reduced from £46.514 million to £44.466 million (i.e. down £2.048 million) over the year. Year-end usable balances comprised the following:

Movement on Usable Reserves 2023/24			
Description	31 March 2023	31 March 2024	Movement
	£000's	£000's	£000's
General Fund Balance (Unallocated)	(2,175)	(6,918)	(4,742)
General Fund Earmarked Reserves	(28,067)	(22,710)	5,357
Housing Revenue Account Balance	(4,581)	(4,379)	202
Capital Reserves	(11,691)	(10,460)	1,231
<b>Total Usable Reserves</b>	<b>(46,514)</b>	<b>(44,467)</b>	<b>2,047</b>

The most significant movements on Usable Reserves in 2023/24 related to General Fund Unallocated and Earmarked Reserves. These were the subject of a year-end review; effectively a change in strategy entailing £15.619 million in Earmarked Reserves initially being returned to the Unallocated Balance, followed by a reallocation of £10.877 million to (primarily) a range of new Earmarked Reserves in accordance with corporate priorities and updated risk intelligence. The stepped increase in the General Fund Balance helped achieve compliance with retaining a minimum contingency balance of £3.0 million, which was a Council commitment made in February 2024. A full summary of the Council's Earmarked Reserves can be found in Note 10 on Page 62 of these Statements.

### COLLECTION FUND

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. It was a case of further positive progress for the Collection Fund in 2023/24 as the system and the numbers continued to settle down following the pandemic-driven upheaval experienced in 2020/21 and 2021/22. Thus:

- Council Tax (2023/24 Surplus £0.452 million) – the Colchester share of the recorded (in-year) Surplus is £0.056 million. The overall Surplus reflected the distribution of a forecast surplus balance of £0.843 million in 2022/23, which was £1.765 million higher than the eventually reported deficit of £0.922 million.
- Business Rates (2023/24 Surplus £2.244 million) – the Colchester share of the recorded (in-year) Surplus is £0.898 million. This is a substantial surplus and was achieved without the application of Section 31 reserves built up during the pandemic (which had been released to the Collection Fund up to, and including 2022/23, following the pandemic). The outcome further boosts the Surplus on Business Rates in the Collection Fund.

The Collection Fund carried an overall Surplus as of 31st March 2024 of £2.958 million (Council Tax £0.470 million Deficit, Business Rates £3.428 million Surplus).

## Strategic Risks

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The Council has a comprehensive risk management process that is embedded across the organisation. This includes a Strategic Risk Register, which is the responsibility of the Senior Management Team, and Operational Risk Registers that are produced by individual service areas, as well as specific risk mitigation initiatives.

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

**Further information on these Accounts can be obtained by contacting:**

Sandra Besson, Finance Manager (Technical),  
Colchester City Council, Rowan House, 33 Sheepen Road, Colchester CO3 3WG  
E-mail: [sandra.besson@colchester.gov.uk](mailto:sandra.besson@colchester.gov.uk)

## Statement of Responsibilities for the Statement of Accounts

### The Chief Financial Officers' Responsibilities

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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 of 31 March 2024 and its income and expenditure for the year then ended.



**Andrew Small CPFA**  
**Director (Shared) - Finance (Section 151 Officer)**  
22nd November 2024

### The Councils' Responsibilities

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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 XX Month 2025.

**Councillor Chris Pearson**  
**Chair of Governance and Audit Committee**  
Signed on behalf of Colchester City Council  
XX Month 2025

## Movement in Reserves Statement

2023/24	Revenue Reserves			Capital Reserves			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied				
	£000	£000	£000	£000	£000		£000	£000	£000
Balance at 1 April 2023 (Restated)	(2,175)	(4,581)	(28,067)	(11,672)	(19)	(46,514)	(592,591)	(639,105)	
(Surplus)/deficit on the provision of services (accounting basis)	2,614	17,135				19,749		19,749	
Other Comprehensive Income and Expenditure						-	(28,780)	(28,780)	
						-			
<b>Total Comprehensive Income and Expenditure</b>	<b>2,614</b>	<b>17,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,749</b>	<b>(28,780)</b>	<b>(9,031)</b>	
Adjustments between accounting and funding basis under regulation - note 9	(2,000)	(16,933)	-	1,218	13	(17,702)	17,702	-	
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>614</b>	<b>202</b>	<b>-</b>	<b>1,218</b>	<b>13</b>	<b>2,047</b>	<b>(11,078)</b>	<b>(9,031)</b>	
Transfers to/from Earmarked reserves - note 10	(5,356)	-	5,356			-		-	
<b>(Increase)/Decrease in Year</b>	<b>(4,742)</b>	<b>202</b>	<b>5,356</b>	<b>1,218</b>	<b>13</b>	<b>2,047</b>	<b>(11,078)</b>	<b>(9,031)</b>	
<b>Balance at 31 March 2024</b>	<b>(6,917)</b>	<b>(4,379)</b>	<b>(22,711)</b>	<b>(10,454)</b>	<b>(6)</b>	<b>(44,467)</b>	<b>(603,669)</b>	<b>(648,136)</b>	

2022/23	Revenue Reserves			Capital Reserves			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied				
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2022	(2,161)	(4,555)	(32,943)	(9,205)	(39)	(48,903)	(427,666)	(476,569)	
(Surplus) /deficit on the provision of services (accounting basis)	4,633	15,029	-	-	-	19,662	-	19,662	
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(182,199)	(182,199)	
<b>Total Comprehensive Income and Expenditure</b>	<b>4,633</b>	<b>15,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,662</b>	<b>(182,199)</b>	<b>(162,537)</b>	
Adjustments between accounting and funding basis under regulation - note 8	229	(15,056)	-	(2,467)	20	(17,274)	17,274	-	
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>4,862</b>	<b>(27)</b>	<b>-</b>	<b>(2,467)</b>	<b>20</b>	<b>2,388</b>	<b>(164,925)</b>	<b>(162,537)</b>	
Transfers to/from Earmarked reserves - note 10	(4,876)	-	4,876	-	-	-		-	
<b>Increase/(Decrease) in Year</b>	<b>(14)</b>	<b>(27)</b>	<b>4,876</b>	<b>(2,467)</b>	<b>20</b>	<b>2,388</b>	<b>(164,925)</b>	<b>(162,537)</b>	
<b>Balance at 31 March 2023</b>	<b>(2,175)</b>	<b>(4,582)</b>	<b>(28,067)</b>	<b>(11,672)</b>	<b>(19)</b>	<b>(46,515)</b>	<b>(592,591)</b>	<b>(639,106)</b>	

## Comprehensive Income and Expenditure Statement

2022/2023			2023/2024		
Gross			Gross		
Expenditure	Gross Income	Net Expenditure	Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
360	(1,411)	(1,051)	788	(1,050)	(262)
0	0	0	15,495	(7,091)	8,404
10,133	(2,523)	7,610	59,457	(45,359)	14,098
0	0	0	17,339	(13,903)	3,436
22,729	(13,317)	9,412	9,496	(7,733)	1,763
24,395	(12,192)	12,203	2,050	(313)	1,737
41,606	(37,653)	3,953	1,769	1,869	3,638
11,215	(7,273)	3,942	14,260	(10,442)	3,818
503.0	0	503	1,642.0	(225)	1,417
47,401	(34,432)	12,969	46,765	(36,235)	10,530
<b>158,342</b>	<b>(108,801)</b>	<b>49,541</b>	<b>169,061</b>	<b>(120,482)</b>	<b>48,579</b>
		<b>COST OF SERVICES</b>			
5,606	(5,887)	(281)	3,541	(115)	3,426
9,101	(7,240)	1,861	12,779	(7,839)	4,940
0	(31,459)	(31,459)	0	(37,196)	(37,196)
<b>173,049</b>	<b>(153,388)</b>	<b>19,662</b>	<b>185,381</b>	<b>(165,633)</b>	<b>19,749</b>
		<b>(Surplus) or Deficit on Provision of Services</b>			
		(59,305) Surplus or deficit on revaluation of fixed assets			(6,128)
		(122,894) Remeasurement of net pension liabilities			(22,652)
<b>0</b>	<b>0</b>	<b>(182,199)</b>	<b>0</b>	<b>0</b>	<b>(28,780)</b>
		<b>Other Comprehensive Income and Expenditure</b>			
<b>173,049</b>	<b>(153,388)</b>	<b>(162,537)</b>	<b>185,381</b>	<b>(165,633)</b>	<b>(9,031)</b>
		<b>Total Comprehensive Income and Expenditure</b>			



## Balance Sheet

	Notes	31-Mar-24 £000's	31-Mar-23 £000's
Property Plant and Equipment	14	728,563	721,026
Heritage Assets		1,332	1,332
Investment Property	15	45,637	48,083
Intangible Assets		-	-
Long term Investments		6	6
Pension Assets	39	57,175	30,515
Long Term Debtors	19	5,891	7,312
Investment in subsidiaries		1,580	1,580
<b>Long Term Assets</b>		<b>840,184</b>	<b>809,854</b>
Assets Held for Sale	21	-	560
Inventories	22	209	221
Short Term Debtors	23	13,152	14,462
Short Term Investments		-	-
Short Term Loan		-	29
Cash and Cash Equivalents	24	18,704	36,851
<b>Current Assets</b>		<b>32,065</b>	<b>52,123</b>
Short Term Creditors	25	(35,060)	(33,090)
Short Term Borrowing	18	(11,740)	(16,764)
Short Term Provisions	26	(1,465)	(2,423)
Revenue grants receipts in advance		(5,179)	(6,140)
<b>Current Liabilities</b>		<b>(53,444)</b>	<b>(58,417)</b>
Long Term Creditors		-	(19)
Long Term Provisions	26	(77)	(107)
Long Term Borrowing		(141,094)	(141,094)
Capital Grants received in advance LT		(29,497)	(23,235)
<b>Long Term Liabilities</b>		<b>(170,668)</b>	<b>(164,455)</b>
<b>Net Assets</b>		<b>648,137</b>	<b>639,105</b>
Usable Reserves		(44,467)	(46,514)
Unusable Reserves	27	(603,670)	(592,591)
<b>Total Reserves</b>		<b>(648,137)</b>	<b>(639,105)</b>

## Cash Flow Statement

	2023/24 £000's	2022/23 £000's
Net surplus or (deficit) on provision of services	(19,751)	(19,661)
Adjustments to net surplus or deficit on provision of services for non-cash movements	75,919	30,986
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,358)	(1,950)
<b>Net cash flows from Operating Activities</b>	<b>52,810</b>	<b>9,375</b>
Investing Activities	(38,632)	(49,400)
Financing Activities	(32,325)	(3,637)
<b>Net Increase or (decrease) in cash and cash equivalents</b>	<b>(18,147)</b>	<b>(43,662)</b>
Cash and cash equivalents at the beginning of the reporting period	36,851	80,512
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>18,704</b>	<b>36,851</b>

## Notes to the Financial Statements

### Note 1 Accounting Policies

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#### **AP 1 - General Principles**

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code of Practice) and the Service Reporting Code of Practice 2023/24, 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 Councilors 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 2023/24 financial year.

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

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

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

#### **AP 4 – Overheads and Support Services**

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

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

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

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

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

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

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

**AP 7 - Minimum Revenue Provision**

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

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

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

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

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

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

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

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

## **AP 9 – Employee Benefits**

### **Benefits Payable during Employment**

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

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

### **Termination Benefits**

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

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

### Post-Employment Benefits

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

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

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

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

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

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

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

### **AP 10 – Financial Instruments**

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

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



### Financial Assets

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

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

### Financial Liabilities

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

### Impairment of Financial Assets

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

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

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

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

## **AP 11 - Government Grants and Contributions**

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

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

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

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



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

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

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

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

#### Impairment

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

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

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

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

#### Depreciation

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

Depreciation is calculated as follows:

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

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

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

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

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

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

#### Disposals

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

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

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

#### **AP 13 – Heritage Assets**

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

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

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

**AP 14 – Investment Properties**

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

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

Investment properties are not depreciated.

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

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

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

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

**AP 15 – Assets Held for Sale**

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

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line of the Surplus/Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus/Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

**AP 16 – Fair Value Measurement**

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

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

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

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

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

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

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

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

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

**AP 17 - Cash and Cash Equivalents**

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

**AP 18 – Provisions**

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



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

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.

**AP24 – Business Improvement District**

A business improvement district (BID) scheme applies across the whole of the authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

**AP 25 - 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.

## Note 2 Expenditure and Funding Analysis

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

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

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

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

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

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

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

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

## Expenditure and Funding Analysis – Adjustments between Funding and Accounting Basis

	Net Expenditure chargeable to GF and HRA Balances	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Accounting Adjustments	Total Adjustments	Net Expenditure in the CIES
Corporate & Democratic Core	76	-	-	-	-	76
Modern City Services	8,195	617	(599)	-	<b>18</b>	8,213
Corporate Services	9,581	3,985	(375)	-	<b>3,610</b>	13,191
Enjoy Colchester	1,406	1,965	(589)	-	<b>1,376</b>	2,782
Place and Prosperity	1,415	324	(223)	-	<b>101</b>	1,516
Senior Leadership Board	1,851	-	(109)	-	<b>(109)</b>	1,742
Transformation & Business Imp	2,886	40	(121)	-	<b>(81)</b>	2,805
Housing and Wellbeing	2,477	2,338	(89)	-	<b>2,249</b>	4,726
Housing Revenue Account	201	16,933	(16)	-	<b>16,917</b>	17,118
Corporate Income and Expenditure	(824)	315	(3,082)	-	<b>(2,767)</b>	(3,591)
<b>Net Cost of Services</b>	<b>27,264</b>	<b>26,518</b>	<b>(5,203)</b>	-	<b>21,314</b>	<b>48,579</b>
Other Income and Expenditure	(26,602)	(3,177)	-	949	<b>(2,228)</b>	(28,830)
<b>(Surplus)/Deficit</b>	<b>662</b>	<b>23,341</b>	<b>(5,203)</b>	<b>949</b>	<b>19,086</b>	<b>19,749</b>
<b>Opening General Fund and HRA Balances</b>	<b>-6,756</b>					
Movement in Reserve	-5,205					
(Surplus)/Deficit	662					
<b>Closing General Fund and HRA</b>	<b>-11,299</b>					

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

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

	2023/24 £000's	2022/23 £000's
Employee related expenditure	43,065	39,565
Other services expenses	83,996	80,185
Support Services Recharge	3,873	3,558
Depreciation, amortisation and impairment	13,734	32,301
Interest Payments	6,209	5,565
Precepts and levies	2,365	2,187
Payments to Housing Capital Receipts Pool	-	-
Pension Fund expenditure	2,436	2,238
Increase in bad debt provisions	-	170
Losses on the disposal of assets	1,037	3,419
Expenditure in relation to investment properties	1,228	1,128
Losses in the fair value of investment properties	2,613	-
Revaluation losses on write down of assets held for sale	24,826	-
<b>Total Expenditure</b>	<b>185,381</b>	<b>170,316</b>
Fees, charges and other service income	(73,657)	(59,184)
Interest and investment Income	(2,835)	(2,143)
Other investment income	-	-
Decrease in bad debt provisions	(170)	(391)
Income from council tax and non-domestic rates	(21,042)	(17,736)
Government grants and contributions	(66,633)	(60,607)
Gains on the disposal of assets	-	(5,746)
Income in relation to investment properties	(1,272)	(2,833)
(Gains)/Losses in the fair value of investment properties	-	(1,874)
Capital receipts not linked to disposals	(24)	(141)
<b>Total Income</b>	<b>(165,633)</b>	<b>(150,654)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>19,748</b>	<b>19,661</b>

### Note 3 Accounting Standards issued but not yet adopted

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The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

a) IFRS 16 Leases issued in January 2016

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
- clarify how lending conditions affect classification, and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
- targeted disclosure requirements for affected entities.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

It is likely that though they provide clarifications, items b), c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. There will be limited application of items e) and f).

## Note 4. Critical judgements in applying accounting policies

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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.

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

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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 2024 will be under or overstated. The financial impact will be adjusted in the following financial year.

A valuation exercise on the properties and land owned by Colchester City Council was carried out with a valuation date of 31 March 2024. This valuation was undertaken by an external Valuer, NPS Property Consultants Ltd, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards. In preparing the valuation, the Valuer has declared a 'material valuation uncertainty' in the valuation report.

**Net Pension Liability**

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



The effect on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would lead to a decrease of £6m in the net pension liability from £338m to £332m. See Note 39 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

**Debt impairment**

The Council has included a provision of £8.6m for the impairment of doubtful debts as at 31 March 2024 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 2024 was £6.057 million (of which £2.423 million is Colchester City Council).

**Provision for the impairment of Financial Instruments**

As of 31 March 2024, 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.

**Note 6. Material items of income and expenditure.**

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There are no 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.

**Note 7. Prior period adjustments.**

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There are no prior period adjustments.

**Note 8. Events after the Balance Sheet date**

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There are no Post Balance Sheet Events to report.

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Capital Receipts Reserve**

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

### **Major Repairs Reserve**

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

### **Capital Grants Unapplied Account**

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

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

	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital grants unapplied	Movement in Usable Reserves <sup>3</sup>	Movement in Unusable Reserves	Total Reserves Movement
	£000	£000	£000	£000	£000	£000	£000	£000
<b>For the year 2023-24</b>								
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Charges for depreciation and impairment of non-current assets	(7,907)	(5,827)	-	-	-	(13,734)	13,734	-
Revaluation gains/(losses) on Property, Plant and Equipment	(5,756)	(22,276)	-	-	-	(28,032)	28,032	-
Movements in value of Investment Properties	(2,613)	-	-	-	-	(2,613)	2,613	-
Amortisation of Intangible Assets	-	-	-	-	-	-	-	-
Capital Grants and Contributions applied	12	-	-	-	12	24	(24)	-
Capital grants through the I&E	6,998	-	-	-	-	6,998	(6,998)	-
Revenue Expenditure Financed from Capital under Statute	(4,113)	-	-	-	-	(4,113)	4,113	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	139	-	-	-	-	139	(139)	-
Amounts additions not adding value to non-current assets written off to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Capital expenditure financed from Revenue Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	86	-	-	-	-	86	(86)	-
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Statutory provision for the repayment of debt	-	-	-	-	-	-	-	-
<b>Adjustments involving the Capital Receipts Reserve</b>								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	482	5,647	(6,129)	-	-	-	-	-
Transfer of Capital Receipts not linked to sales	(23)	-	23	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	5,102	-	5,102	-	-	5,102	(5,102)	-
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Transfer to the Capital receipts Reserve upon receipt of cash	-	-	-	-	-	-	-	-
<b>Adjustments involving the Major Repairs Reserve</b>								
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-	-	-
<b>Adjustments involving the Financial Instrument Fund Adjustment Account</b>								
Unrealised Fair Value gains/losses on financial Instruments	(47)	-	-	-	-	(47)	47	-
<b>Adjustments involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-	5,523	-	-	-	5,523	(5,523)	-
Employers' pension contributions and direct payments to pensioners payable in the year	225	-	-	-	-	225	(225)	-
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>								
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	949	-	-	-	-	949	(949)	-
<b>Adjustments primarily involving the Accumulated Absences Account</b>								
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	-	-	-	-	-	-	-	-
<b>Total Adjustments for 2023-24</b>	<b>(6,466)</b>	<b>(16,933)</b>	<b>(1,004)</b>	<b>-</b>	<b>12</b>	<b>(29,493)</b>	<b>29,493</b>	<b>-</b>

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

## Note 10. Transfers to/from Earmarked Reserves

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

	Balance at 31-Mar-22 £000	Transfers out £000	Transfers in £000	Balance at 31-Mar-23 £000	Transfers out £000	Transfers in £000	Balance at 31-Mar-24 £000
<b>Existing Reserves</b>							
Reserve to Support Future Year's Budget	(6,082)	2,557	(1,355)	(4,880)	4,880	-	-
Pension Fund Deficit Reserve	(3,214)	836	(279)	(2,657)	2,657	-	-
Revenue Grants Unapplied Reserve	(3,746)	1,998	(1,391)	(3,139)	-	-	(3,139)
Repairs and Renewals Reserve	(3,523)	1,754	(1,072)	(2,841)	-	-	(2,841)
Business Rates Reserve	(6,374)	523	(3,835)	(9,686)	6,686	-	(3,000)
Revolving Investment Fund Reserve	(2,086)	980	(290)	(1,396)	1,396	-	-
Capital Expenditure Reserve	(356)	237	(221)	(340)	-	-	(340)
Insurance Reserve	(755)	453	(141)	(443)	-	-	(443)
Strat Plan Delivery Reserve	(1,520)	570	(550)	(1,500)	-	-	(1,500)
Gosbecks Reserve	(93)	55	(33)	(71)	-	-	(71)
Other Reserves	(480)	1	(59)	(538)	-	-	(538)
<b>New Reserves</b>							
City Investment Fund	-	-	-	-	-	(2,396)	(2,396)
Rolled Forward Revenue Commitments	-	-	-	-	-	(656)	(656)
Restructuring	-	-	-	-	-	(750)	(750)
Turnstone	-	-	-	-	-	(4,000)	(4,000)
Fit for the Future	-	-	-	-	-	(2,000)	(2,000)
Health & Safety	-	-	-	-	-	(1,000)	(1,000)
<b>Ring-Fenced</b>							
Colchester & Ipswich Museums	-	-	-	-	-	(27)	(27)
Decriminalised Parking (NEPP)	161	(122)	-	39	-	-	39
Monkwick (pylons)	-	-	-	-	-	(48)	(48)
<b>Total</b>	<b>(28,068)</b>	<b>9,842</b>	<b>(9,226)</b>	<b>(27,452)</b>	<b>15,619</b>	<b>(10,877)</b>	<b>(22,710)</b>

**Future Years' Budget Reserve (£0 adjusted)** – a review of this reserve identified a mixture of allocated and unallocated balances. The full balance has been transferred to the General Fund Reserve (with earmarked funds reallocated to newly created specific reserves – e.g. the Rolled Forward Revenue Commitments Reserve – presented below).

**Pension Fund Deficit Reserve (£0 adjusted)** – like most councils, the City Council has had a deficit on its (Local Government) Pension Fund for several years. This has required both additional pension contributions and lump sum payments to address the underlying deficit over time. In addition, the Council has held a 'smoothing reserve' aimed at avoiding peaks and troughs in its expenditure, which can occur every three years upon the 'triennial' actuarial revaluation of the Essex Pension Fund. The accumulated funds also allow the Council to take advantage of the discounts available on three-year advance payments towards accumulated deficits. However, the recent rise in interest rates (and other assumptions) has seen Pension Funds nationally, including the Essex Fund, return to a surplus (with effect from 31st March 2023). The Reserve is therefore no longer required, and the full balance has been transferred to the General Fund Reserve.

**Business Rates Reserve (£3.0 million adjusted)** – the Council has benefited significantly from a sustained period of growth in its Business Rates base since Business Rates Retention (BRR) was introduced in April 2013, with the additional funding received further boosted through membership of the Essex Business Rates Pool.

The BRR system is highly complex, and the Council has – for many years – protected itself from volatility in the system through the operation of the Business Rates Reserve, which allows the prudent release of consistent (steadily growing) funding levels from the system to support the annual budget. (Subject to the temporary volatility created by the pandemic) the balance in the Reserve has been consistently growing in recent years; this makes it possible to carefully increase future base budget assumptions as well as release some accumulated funds for supporting corporate priorities. On that basis, £6.686 million has been transferred to the General Fund Reserve, leaving a residual balance in the Reserve of £3.0 million. It should be noted that a further surplus on Business Rates is expected in 2024/25, which will ‘top up’ the balance on the Reserve.

**Revolving Investment Fund (RIF) (£0 adjusted)** – the RIF has been an integral part of funding the delivery of the Council’s Regeneration priorities in recent years and currently receives an annual budgeted net contribution (a top up) of £210,000 from the General Fund. An updated assessment of the Council’s Regeneration investment needs has identified the need for greater clarity and flexibility in the future use of the Reserve. In that context, the full balance on the Reserve has been transferred to the General Fund Reserve and applied (instead) to the creation of a new “City Investment Fund” (see discussion below).

## NEW RESERVES

**City Investment Fund (£2.396 million adjusted)** – as explained above, the City Investment Fund (CIF) replaces the RIF and has been created with an opening balance of £2.396 million (the closing balance on the RIF of £1.396 million plus £1.0 million), which provides the Council with additional resources to help deliver City Centre projects and Other Regeneration priorities.

**Rolled Forward Revenue Commitments Reserve (£0.656 million adjusted)** – rolled forward revenue budgets were previously embedded within the Future Years’ Budget Reserve and have been subject to challenge and review over the last two years. An updated (fully itemised) balance has now been identified and allocated to a separate reserve to provide added clarity and transparency.

**Restructuring Reserve (£0.750 million adjusted)** – the Council has previously set aside reserves – within the Future Years’ Budget Reserve – to absorb one-off Redundancy costs and avoid budget pressures consequent to re-structuring exercises. This is something potentially still required in the future as the Council progressively puts its base budget on a long-term financially sustainable footing (the unadjusted balance held was £0.713 million).

**Turnstone Reserve (£4.0 million adjusted)** – the creation of this reserve recognises the updated commercial risk that the Council faces from the Turnstone lease arrangement at Colchester Northern Gateway; the balance would be applied as necessary to help ameliorate any resulting short and medium budget pressures that might emerge.

**“Fit for the Future” Reserve (£2.0 million adjusted)** – the delivery of the Council’s “Fit for the Future” (FFTF) (transformation) Programme is fundamental to the long-term financial sustainability of the Council. It does however require upfront investment to be successful, especially in project delivery resources. The allocated funds of £2.0 million reflects a clear commitment towards FFTF; and

**Health & Safety Reserve (£1.0 million adjusted)** – the Council takes its Health and Safety responsibilities very seriously. There has been a growing need identified in recent years for revenue resources to help fund increasing demands for addressing health and safety matters (e.g. legionella, asbestos) within the General Fund property estate. The £1.0 million allocation will enhance the Council's ability to better address such issues on a more proactive basis in discharging its landlord responsibilities.

**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.

## Note 11. Other Operating Income and Expenditure

	2023/24			2022/23		
	Gross Exp	Gross Inc	Net (Inc) / Exp	Gross Exp	Gross Inc	Net (Inc) / Exp
	£000's	£000's	£000's	£000's	£000's	£000's
Parish Council Precepts	2,365	0	2365	2,187	-	2,187
Payments to the Government Capital Receipts Pool	-	-	0	-	-	-
(Gains)/ Losses on the disposal of assets	-	(139)	(139)	3,419	(5,746)	(2,327)
Capital Receipts not linked to disposals.	1,176	24	1200	-	(141)	(141)
	<b>3,541</b>	<b>(115)</b>	<b>3,426</b>	<b>5,606</b>	<b>(5,887)</b>	<b>(281)</b>

## Note 12. Financing and Investment Income and Expenditure

	2023/24			2022/23		
	Gross Exp	Gross Inc	Net (Inc) / Exp	Gross Exp	Gross Inc	Net (Inc) / Exp
	£000's	£000's	£000's	£000's	£000's	£000's
Interest payable and similar expenses	6,209	-	6,209	5,565	-	5,565
Interest receivable and similar income	-	-2,835	-2,835	-	-2,142	-2,142
Net interest on the defined liability	-	-1,617	-1,617	2,115	-	2,115
Net movement in bad debt provision	110	-280	-170	170	-390	-221
Pension Fund Administration Expenses	175	-	175	123	-	123
Income and expenditure in relation to investment properties	1,835	-3,107	-1,272	1,128	-2,833	-1,705
Changes in fair value of investment properties	2,613	-	2,613	-	-1,874	-1,874
Impairment losses	1,837	-	1,837	-	-	-
	<b>12,779</b>	<b>-7,839</b>	<b>4,940</b>	<b>9,101</b>	<b>-7,240</b>	<b>1,861</b>



## Note 13. Taxation and Non-Specific Grant Income

	2023/24			2022/23		
	Gross	Gross Inc	Net (Inc) / Exp	Gross	Gross Inc	Net (Inc) / Exp
	Exp			Exp		
	£000	£000	£000	£000	£000	£000
Council Tax Income	-	-16,352	-16,352	-	-15,601	-15,601
Non-Domestic Rates	-	-4,690	-4,690	-	-2,135	-2,135
Non-ringfenced Government grants	-	-9,525	-9,525	-	-8,420	-8,420
Capital grants and contributions	-	-6,629	-6,629	-	-3,783	-3,783
VAT Refund	-	-	-	-	-1,520	-1,520
	-	-37,196	-37,196	-	-31,459	-31,459

## Note 14. Property, Plant and Equipment

2023/24	Council Dwellings £000	Other Land and Buildings £000	Vehicle, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Gross Carrying Amount (Cost/Valuation)</b>							
<b>At 1 April 2023</b>	454,050	191,087	23,082	399	36,845	23,661	<b>729,124</b>
Additions	27,612	2,216	1,103	-	-	13,306	44,236
Acc. Depreciation and Impairment written out to Gross Carrying A	(5,256)	(2,861)	-	-	-	-	(8,117)
Revaluations to Revaluation Reserve	2,406	4,595	-	-	(873)	-	6,128
Revaluations to (Surplus)/Deficit	(19,072)	(5,755)	-	-	-	-	(24,827)
Derecognition – disposals	(3,646)	(459)	(2,389)	-	-	(10)	(6,504)
Derecognition - other	-	-	(74)	-	-	-	(74)
Reclassified from/(to) Assets held for Sale	-	-	-	-	-	-	-
Reclassified within PPE categories	(494)	2,618	3,923	-	-	(6,223)	(176)
<b>At 31 March 2024</b>	<b>455,600</b>	<b>191,441</b>	<b>25,645</b>	<b>399</b>	<b>35,972</b>	<b>30,733</b>	<b>739,790</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2023</b>	-	(3,124)	(15,846)	-	-	-	<b>(18,970)</b>
Depreciation charge	(5,295)	(5,751)	(1,959)	-	-	-	<b>(13,006)</b>
Acc. Depreciation and Impairment written out to Gross Carrying A	5,256	2,861	-	-	-	-	<b>8,117</b>
Derecognition – disposals	33	49	2,244	-	-	-	<b>2,326</b>
Derecognition – other	-	-	69	-	-	-	<b>69</b>
Reclassified within PPE categories	6	4	-	-	-	-	<b>10</b>
<b>At 31 March 2024</b>	<b>(0)</b>	<b>(5,961)</b>	<b>(15,492)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,453)</b>
<b>Net Book Value:</b>							
<b>At 31 March 2024</b>	<b>455,600</b>	<b>185,481</b>	<b>10,153</b>	<b>399</b>	<b>35,972</b>	<b>30,733</b>	<b>718,337</b>
<b>At 31 March 2023</b>	<b>454,050</b>	<b>187,963</b>	<b>7,236</b>	<b>399</b>	<b>36,845</b>	<b>23,661</b>	<b>710,154</b>

2022/23	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Gross Carrying Amount (Cost/Valuation)</b>							
<b>At 1 April 2022</b>	<b>422,969</b>	<b>182,490</b>	<b>21,790</b>	<b>399</b>	<b>26,519</b>	<b>17,390</b>	<b>671,557</b>
Additions	22,623	3,625	1,292	-	-	10,127	37,667
Acc. Depreciation and Impairment written out to Gross Carrying A	(5,660)	(9,833)	-	-	-	-	(15,493)
Revaluations to Revaluation Reserve	34,160	14,240	-	-	10,905	-	59,305
Revaluations to (Surplus)/Deficit	(20,993)	1,604	-	-	-	-	(19,389)
Derecognition – disposals	(4,037)	(93)	-	-	-	-	(4,130)
Derecognition - other	-	-	-	-	-	-	-
Reclassified from/(to) Assets held for Sale	-	(560)	-	-	-	-	(560)
Reclassified within PPE categories	4,988	(386)	-	-	(579)	(3,856)	167
<b>At 31 March 2023</b>	<b>454,050</b>	<b>191,087</b>	<b>23,082</b>	<b>399</b>	<b>36,845</b>	<b>23,661</b>	<b>729,124</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2022</b>	<b>(773)</b>	<b>(8,572)</b>	<b>(13,848)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,193)</b>
Depreciation charge	(4,907)	(4,386)	(1,998)	-	-	-	(11,291)
Acc. Depreciation and Impairment written out to Gross Carrying A	4,900	9,833	-	-	-	-	14,733
Acc. Impairment written out to GCA	760	-	-	-	-	-	760
Impairment losses to Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	20	1	-	-	-	-	21
Reclassified within PPE categories	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>-</b>	<b>(3,124)</b>	<b>(15,846)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,970)</b>
<b>Net Book Value:</b>							
<b>At 31 March 2023</b>	<b>454,050</b>	<b>187,963</b>	<b>7,236</b>	<b>399</b>	<b>36,845</b>	<b>23,661</b>	<b>710,154</b>
<b>At 31 March 2022</b>	<b>422,196</b>	<b>173,918</b>	<b>7,942</b>	<b>399</b>	<b>26,519</b>	<b>17,390</b>	<b>648,364</b>

## Revaluations

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

The revaluations performed in 2023/24 were:

- A sample of General Fund properties as at 31 March 2024.
- Council dwellings and Homeless properties to their fair value as at 31 March 2024.
- Ad-hoc revaluations of other assets throughout the 2023/24 financial year.

The basis for the valuations is set out in the accounting policies detailed above.

## Infrastructure Assets

	31 March 2024 £000's	31 March 2023 £000's
<b>Net Book Value 1st April 2023</b>	10,874	11,502
Additions	83	263
De-Recognition/Disposals	-	(167)
Depreciation	(729)	(724)
Depreciation on disposed assets	-	-
<b>Net Book Value 31st March 2024</b>	<b>10,228</b>	<b>10,874</b>

The Council has determined in accordance with Regulation 30M of the Local Authorities Capital Finance and Accounting (England) Amendment Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## Reconciliation of Infrastructure and Other Assets Net Book Value at 31st March 2024

	31 March 2024 £000's	31 March 2023 £000's
Infrastructure assets	10,228	10,874
Other Property Plant and Equipment assets	718,337	710,154
<b>Total Property Plant and Equipment assets</b>	<b>728,565</b>	<b>721,028</b>

## Note 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:

	2023/24 £000's	2022/23 £000's
Balance at start of the year	48,084	46,210
Additions	0	-
Reclassification	166	-
Net gains/(losses) from fair value adjustments	(2,613)	1,874
<b>Balance at end of the year</b>	<b>45,637</b>	<b>48,084</b>

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

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

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

## Note 16. Fair Value Measurement of Property Assets

### Fair Value Hierarchy

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

Recurring fair value measurements:	31-Mar-24			31-Mar-23		
	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31-Mar-24	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31-Mar-23
	(Level 2) £000	(Level 3) £000	£000	(Level 2) £000	(Level 3) £000	£000
<b>Surplus Assets</b>						
Commercial development sites	-	35,110	<b>35,110</b>	-	35,983	35,983
Residential development sites	-	650	<b>650</b>	-	650	650
Other	-	212	<b>212</b>	-	212	212
<b>Total (Note 14)</b>	-	<b>35,972</b>	<b>35,972</b>	-	<b>36,845</b>	<b>36,845</b>
<b>Investment Properties</b>						
Commercial units	-	25,027	25,027	-	26,368	26,368
Retail units	2,817	5,726	8,543	2,968	6,033	9,001
Car parks	67	2,296	2,363	71	2,419	2,490
Residential development sites	65	443	508	68	467	535
Offices	6,907	-	6,907	7,277	-	7,277
Other	2,195	93	2,288	2,313	98	2,411
<b>Total (Note 15)</b>	<b>12,051</b>	<b>33,586</b>	<b>45,637</b>	<b>12,697</b>	<b>35,385</b>	<b>48,082</b>
<b>Assets Held for sale</b>						
Residential development sites	-	-	-	560	-	560
	<b>12,051</b>	<b>69,558</b>	<b>81,609</b>	<b>13,257</b>	<b>72,230</b>	<b>85,487</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 223/24 financial year.

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

The Council's Surplus Assets and Investment Properties are valued by the Council's external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors, and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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

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

### Level 2 Valuations

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

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

### Level 3 Valuations

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



### Highest and Best Use

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

In the case of 1 Surplus Asset, the Council's external valuers have identified their highest and best uses to be as commercial/residential development sites rather than as their current uses.

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

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

	Commercial Units	Retail Units	Car parks	Residential Development sites	Other	Total
Investment Properties	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2022</b>	<b>25,940</b>	<b>6,446</b>	<b>2,155</b>	<b>412</b>	<b>37</b>	<b>34,990</b>
Transfers into level 3	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in the surplus/deficit on the provision of services	428	(413)	264	55	61	395
<b>Balance at at 31 March 2023</b>	<b>26,368</b>	<b>6,033</b>	<b>2,419</b>	<b>467</b>	<b>98</b>	<b>35,385</b>
Transfers into level 3	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-
Total gains or (losses) for the period included in the surplus/deficit on the provision of services	(1,327)	(304)	(122)	(42)	(5)	(1,799)
<b>Balance at at 31 March 2024</b>	<b>25,041</b>	<b>5,729</b>	<b>2,297</b>	<b>425</b>	<b>93</b>	<b>33,586</b>

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

## Note 17. Capital Expenditure and Financing

### Movements in Capital Financing Requirement in the year

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

	2023/24 £000's	2022/23 £000's
<b>Opening Capital Financing Requirement 1 April</b>	<b>217,769</b>	<b>199,487</b>
Opening Balance Adjustment	(1,018)	-
<i>Capital Investment</i>		
Property, Plant and Equipment	44,352	37,930
Revenue Expenditure Funded from Capital under Statute (REFCUS)	4,113	3,763
Long Term Debtors	132	200
<i>Sources of finance</i>		
Capital receipts	(5,102)	(3,420)
Government grants and other contributions	(7,010)	(3,804)
Grants and contributions towards REFCUS	(3,829)	(3,510)
HRA Major Repairs Reserve	(5,827)	(5,523)
Sums set aside from revenue and reserves	(3,398)	(4,720)
Minimum Revenue provision	(2,869)	(2,634)
Aborted Projects	(33)	-
<b>Closing Capital Financing Requirement 31 March</b>	<b>237,280</b>	<b>217,769</b>

### Capital Commitments

As of 31 March 2024, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost £12.4m. Similar commitments as of 31 March 2023 were £13.0m.

The major commitments are:

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

## Note 18. Financial Instruments

### Categories of Financial Instruments

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

The cash and cash equivalents balance of £18.704m at 31 March 2024 (£36.851m) at 31 March 2023) includes any bank overdraft balances.

### 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:

	Liabilities measured at amortised cost £000's	2023/24 Assets measured at amortised cost £000's	Totals £000's	Liabilities measured at amortised cost £000's	2022/23 Assets measured at amortised cost £000's	Totals £000's
Interest expense	6,209	-	6,209	5,565	-	5,565
<b>Total expense in Surplus/Deficit on Provision of Services</b>	<b>6,209</b>	<b>-</b>	<b>6,209</b>	<b>5,565</b>	<b>-</b>	<b>5,565</b>
Interest income	-	(2,835)	(2,835)	-	(2,142)	(2,142)
Other investment income - dividends	-	-	-	-	-	-
<b>Total income in Surplus/Deficit on Provision of Services</b>	<b>-</b>	<b>(2,835)</b>	<b>(2,835)</b>	<b>-</b>	<b>(2,142)</b>	<b>(2,142)</b>
<b>Net (gain)/loss for the year</b>	<b>6,209</b>	<b>(2,835)</b>	<b>3,374</b>	<b>5,565</b>	<b>(2,142)</b>	<b>3,423</b>

### Fair Value of Financial Assets and Liabilities

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

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

The fair values calculated are as follows:

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

	31-Mar-24		31-Mar-23	
	Book Value £000's	Fair Value £000's	Book Value £000's	Fair Value £000's
Investments	6	6	6	6
Debtors - Amortised Cost	13,152	13,152	7,021	7,021
<b>Long-term Assets</b>	<b>13,158</b>	<b>13,158</b>	<b>7,027</b>	<b>7,027</b>
<b>Short-term Investments</b>				
Bank deposits < 3 months - Amortised Cost	10,095	10,095	12,526	12,526
Cash - Amortised Cost	8,609	8,609	24,324	24,324
Debtors - Amortised Cost	-	-	8,742	8,742
Short-term Loans	-	-	29	29
<b>Other financial assets at amortised cost</b>	<b>18,704</b>	<b>18,704</b>	<b>45,621</b>	<b>45,621</b>
<b>Total Financial Assets</b>	<b>31,862</b>	<b>31,862</b>	<b>52,648</b>	<b>52,648</b>

	31-Mar-24		31-Mar-23	
	Book Value £000's	Fair Value £000's	Book Value £000's	Fair Value £000's
Short Term Creditors - Amortised Cost	(35,060)	(35,060)	(21,596)	(21,596)
Public Works Loan Board - Amortised Cost	(700)	(710)	-	-
Local Authority loans	(9,000)	(9,000)	(10,000)	(9,931)
LOBO Loans	(1,500)	(1,112)	(5,500)	(4,616)
Other borrowing	-	-	-	-
<b>Short Term Financial liabilities at amortised cost</b>	<b>(46,260)</b>	<b>(45,882)</b>	<b>(37,096)</b>	<b>(36,143)</b>
Public Works Loan Board - Amortised Cost	(131,394)	(95,398)	(132,094)	(103,758)
Other borrowing	(9,000)	(8,046)	(9,000)	(8,992)
<b>LongTerm Liabilities at amortised cost</b>	<b>(140,394)</b>	<b>(103,444)</b>	<b>(141,094)</b>	<b>(112,750)</b>
<b>Total Financial Liabilities</b>	<b>(186,654)</b>	<b>(149,326)</b>	<b>(178,190)</b>	<b>(148,893)</b>

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

The fair value of the Council's financial assets is the same as the carrying value of its investments; this reflects the Council's low risk investment strategy as approved by the Council in February 2020.

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

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

### Impairment on Financial Assets

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

Council debtors as reported in Notes 19 and 21 have also been evaluated for economic default and the bad debt provisions have been altered as appropriate.

### Soft Loans

The Council has made the following interest free loans:

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

### Loans to Private Sector Occupiers

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

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

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

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

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

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; and
- 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 £12.526m (31 March 2023 £12.526m). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2024 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 2023/24 was approved by Full Council on 23 February 2023 and is available on the Council's website.

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

### **Liquidity risk**

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

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

All sums owing on investments of £12.526m (2022/23 £12.526m) 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; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	31-Mar-24		31-Mar-23	
	£000	%	£000	%
Less than one year	19,500	12.86	10,000	6
Between one and two years	700	0.46	700	0
Between two and five years	-	-	-	-
Maturing in five to ten years	8,500	5.61	6,500	4
Maturing in more than ten years	122,894	81.07	139,394	89
<b>Total</b>	<b>151,594</b>	<b>100.00</b>	<b>156,594</b>	<b>100</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 several 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 2024, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	31-Mar-24 £000's	31-Mar-23 £000's
Increase in interest receivable on variable rate investments	(926)	(210)
Increase in interest payable on borrowings( all Council borrowing is at fixed rate)	-	-
<b>Impact on Surplus/Deficit on Provision of Services</b>	<b>(926)</b>	<b>(210)</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact CIES)	(13,928)	(16,662)
Share of overall impact credited to the HRA	(388)	(88)

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.

## Note 19. Long Term Debtors

These are debtors which fall due over a period of at least one year. They comprise finance lease debtors and advances made under the Financial Assistance Policy for Private Sector Housing.

	31-Mar-24 £000	31-Mar-23 £000
Improvement of Private Sector Houses	1,094	1,026
Finance Lease Debtors	4,781	4,570
Colchester Amphora Energy Limited	0	1,700
Other Loans	16	16
	<b>5,891</b>	<b>7,312</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.

## Note 20. Investment in Subsidiaries

As of 31 March 2024 the Council provided £1.580m of equity investment into the following company:

	Class of share	Holding	31-Mar-24 £000	31-Mar-23 £000
Colchester Commercial Holdings Limited	Ordinary	100%	1,580	1,580

## Note 21. Assets held for sale

	2023/24 £000	2022/23 £000
<b>Carrying Amount 1 April</b>	560	-
Assets newly classified as Assets Held for Sale	-	560
Asset disposals	(560)	-
Assets reclassified	-	-
<b>Total Assets Held for Sale</b>	-	560

## Note 22. Inventories

	31-Mar-24 £000	31-Mar-23 £000
Beauty	11	12
Equipment	20	48
Food & Drink	29	11
Fuel	34	35
information	29	48
Protective clothing	14	34
Retail	45	15
Stationery	1	2
Trade Bins	26	16
	<b>209</b>	<b>221</b>

## Note 23. Short-term Debtors

	31-Mar-24 £000's	31-Mar-23 £000's
Grants and Taxes	1,013	2,055
Trade Debtors	8,405	4,559
Prepayments	1,015	2,370
Housing Benefit Overpayments	446	415
NNDR ratepayers' arrears	665	375
Council Tax ratepayers' arrears	278	296
Central Government	124	1,018
Other Local Authorities	1,080	-
NHS Bodies Grants	-	1,637
Other Debtors	126	1,738
	<b>13,152</b>	<b>14,463</b>

The above short-term debtor values are presented net of impairments (allowances for non-collection). The Council's total provision for non-collection of debt is £8.3 million as at 31 March 2024 (£8.7 million as at 31 March 2023).

## Note 24. Cash and Cash Equivalents

	31-Mar-24 £000's	31-Mar-23 £000's
Cash	10	10
Call Accounts and short-term deposits	10,095	12,526
Bank Balance	8,599	24,315
	<b>18,704</b>	<b>36,851</b>

## Note 25. Short-term Creditors

	31-Mar-24 £000's	31-Mar-23 £000's
Amounts falling due within one year:		
Trade Creditors	(15,891)	(16,747)
Receipts in Advance	(2,265)	(1,472)
Other Taxes and Social Security	-	-
Collection Fund Agency	(2,206)	(7,084)
NNDR Prepayments	(2,953)	(1,112)
Council Tax Prepayments	(505)	(518)
Central Government	(171)	(547)
Other Local Authorities	(5,437)	(89)
Other Creditors	(5,632)	(5,520)
<b>Total short term creditors</b>	<b>(35,060)</b>	<b>(33,089)</b>

## Note 26. Provisions

	31-Mar-24 £000's	31-Mar-23 £000's
Non-Domestic Ratings Appeals Provision (see below)	(1,466)	(2,423)
Long-Term Provisions	(77)	(107)
Other Provision	-	-
<b>Total Provisions</b>	<b>(1,543)</b>	<b>(2,530)</b>

### Non-Domestic Ratings Appeals Provision

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

	2023/24 £000's	2022/23 £000's
Balance at 1 April	(2,423)	(2,126)
RV list amendments charged against provision for appeals	1,292	446
Changes in provision for appeals	(335)	(743)
<b>Balance at 31 March</b>	<b>(1,466)</b>	<b>(2,423)</b>

The adjustments to the provision made in 2023/24 are based on appeals against 2017 and 2023 valuations that were shown as being outstanding on the Valuation Office list of March 2017 and 2023, and an estimate of likely appeals against the 2017 and 2023 valuations.

## Note 27. Usable Reserves

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

## Note 28. Unusable Reserves

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

	31-Mar-24 £000's	31-Mar-23 £000's
Revaluation Reserve	(254,649)	(255,279)
Capital Adjustment Account	(286,714)	(302,614)
Pensions Reserve	(57,175)	(30,515)
Collection Fund Adjustment Account	(1,301)	(352)
Accumulated Absences Account	537	537
Deferred capital receipts	(4,561)	(4,607)
Financial instruments adjustment account	193	240
<b>Total</b>	<b>(603,670)</b>	<b>(592,590)</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; and
- disposed of and the gains are realized.

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.

	2023/24 £000's	2022/23 £000's
Balance 1 April	(255,279)	(200,204)
Net Gain on revaluation of assets	(6,128)	(59,305)
Accounting / Financing Adjustments:		
Accumulated gains on assets sold or scrapped	1,663	1,036
Depreciation charged to Revaluation Reserve	5,095	3,194
<b>Balance 31 March</b>	<b>(254,649)</b>	<b>(255,279)</b>

### Capital Adjustment Account

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

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

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

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



	2023/24 £000's	2022/23 £000's
Balance 1 April	(302,614)	(312,161)
Accounting / Financing Adjustments:		
Write down Intangible Assets	-	2
Depreciation	13,733	12,014
Revaluations and impairment of non-current assets	27,439	20,070
Movements in value of Investment Properties	(2,613)	(1,874)
Non-current assets written off on disposal	6,581	3,420
Revenue Expenditure Financed from Capital under Statute	4,113	3,763
Capital expenditure financed from revenue	(2,860)	(4,409)
Capital expenditure financed from Capital Receipts	(5,102)	(3,420)
Capital expenditure financed from Capital grants and contributions	(10,838)	(7,313)
Use of the Major Repairs Reserve to finance new capital expenditure	(5,827)	(5,523)
Minimum Revenue Provision	(2,869)	(2,953)
Accumulated gains on assets sold or scrapped	1,664	(1,036)
Depreciation charged to Revaluation Reserve	(7,521)	(3,194)
<b>Balance 31 March</b>	<b>(286,714)</b>	<b>(302,614)</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 balance on the Pensions Reserve can show as a debit or a credit, depending on the outcome of the above valuations, however it is currently in surplus. The statutory arrangements will ensure that funding will be set aside by the time the benefits come to be paid.

	2023/24 £000's	2022/23 £000's
Balance 1 April	(30,515)	83,789
Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability	(6,447)	(122,894)
Accounting / Financing Adjustments:		
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on provision of services	(23,146)	13,516
Employer's pension contributions and direct payments to pensioners payable in the year	2,933	(4,926)
<b>Balance 31 March</b>	<b>(57,175)</b>	<b>(30,515)</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.

	2023/24 £000's	2022/23 £000's
Balance b/f	(4,608)	(4,608)
Transfer to Capital Receipts Reserve upon receipt of cash	47	-
<b>Balance 31 March</b>	<b>(4,561)</b>	<b>(4,608)</b>

### Collection Fund Adjustment Account

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

	2023/24 £000's	2022/23 £000's
Balance 1 April	(351)	4,685
Difference between accounting and statutory credit for Council Tax	(51)	308
Difference between accounting and statutory credit for Non-Domestic Rates	(898)	(5,344)
<b>Balance 31 March</b>	<b>(1,300)</b>	<b>(351)</b>

## Note 29. Cash Flow Statement – Operating Activities

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

	2023/24 £000's	2022/23 £000's
Depreciation	13,735	12,014
Amortisation	-	2
Impairment and downward valuations	27,440	20,080
Increase/(decrease) in Interest Creditors	(2,126)	413
Increase (decrease) in Creditors	14,489	(13,479)
(Increase)/Decrease in Interest and Dividend Debtors	-	(31)
(Increase)/Decrease in Debtors	2,175	1,583
Increase in Inventories	(12)	(23)
(Decrease)/increase in Pension Liability	22,572	8,590
Contributions to Provisions	292	292
Carrying amount of non-current assets sold	(33)	3,419
Movement in Investment Property values	(2,613)	(1,874)
	<b>75,919</b>	<b>30,986</b>

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

	2023/24 £000's	2022/23 £000's
Capital Grants credited to surplus or deficit on the provision of services	(280)	3,796
Proceeds from the sale of short and long term investments	1,037	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,115)	(5,746)
	<b>(3,358)</b>	<b>(1,950)</b>

### Note 30. Cash Flow Statement – Investing Activities

	2023/24 £000's	2022/23 £000's
Purchase of property, plant & equipment, investment property & intangible assets	(44,352)	(37,930)
Other capital payments	4,674	(20,460)
Other payments for investing activities	-	(343)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	-	5,746
Capital grants received	2,083	3,552
Revenue Grants Received	-	-
Proceeds from short term & long-term investments	(1,037)	35
	<b>(38,632)</b>	<b>(49,400)</b>

### Note 31. Cash Flow Statement – Financing Activities

	2023/24 £000's	2022/23 £000's
Cash Receipts of Short & Long Term Borrowing	(5,000)	10,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts	(75)	(36)
Repayments of short- & long-term borrowing	(27,250)	(20,000)
Other receipts /(payments) for financing activities	-	6,399
	<b>(32,325)</b>	<b>(3,637)</b>

### Note 32. Business Improvement Districts

On 1 October 2018 the Our Colchester Business Improvement District was launched for a five-year period. A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee to fund projects within the district's boundaries. On 1 October 2023 a new five-year BID agreement was launched, covering an expanded geographic area. The council acts as agent for Our Colchester BID by billing and collecting the additional tax. Business Improvement District, for which it is paid an annual fee of £14,568 (2022/23 £14,568) – both these charges relate to the origin BID, the charge for the new BID will be £13,300pa.

	2023/24 £000's	2022/23 £000's
Billed	(458)	(489)
Collected	410	470
Paid over to Our Colchester Bid	463	469

### Note 33. Members Allowances and Expenses

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

	2023/24 £000's	2022/23 £000's
Allowances	584	527
Expenses	3	5
	<b>587</b>	<b>532</b>

### Note 34. Officers Remuneration

Post holder information (Post Title)	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
<b>Financial Year 2023/24</b>			
Chief Executive (Head of Paid Service)	130,553	7,891	138,445
Deputy Chief Executive (Note 1 below)	108,015	13,388	121,404
Chief Operating Officer	89,799	18,307	108,106
Strategic Director	75,699	8,318	84,016
Strategic Director	87,518	9,616	97,134
Strategic Director	84,742	9,616	94,358
Monitoring Officer	79,464	8,731	88,196
Service Director - Joint ICT & Transformation Management (Note 2 below)	42,524	-	42,524
Director of Finance & Section 151 Officer (Note 3 below)	58,943	-	58,943
Returning Officer	11,154	-	11,154
	<b>768,411</b>	<b>75,869</b>	<b>844,281</b>

Note 1: Deputy Chief Executive was previously disclosed as the Executive Director in the 2022/23 accounts but was in this post from 5 January 2023.

Note 2: Shared Director with Epping Forest District Council (EFDC) 50/50 until October 2023, then shared 1/3 each between CCC, EFDC & Braintree District Council. EFDC employs this Director and recharges the other councils.

Note 3: Shared Director with Epping Forest District Council 50/50. EFDC employs this Director and recharges the Council.

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

Note 4: The Chief Executive started on 1 April 2022 on part time hours

Note 5: Deputy Chief Executive left on 25 September 2022

Note 6: Assistant Director for Corporate & Improvement Services changed role to Chief Operating Officer on 8th September 2022

Note 7: Assistant Director for Communities position removed from structure on 30 November 2022, the post holder took up the position of Strategic Director on 1 December 2022

Note 8: Assistant Director for Environment position removed from structure on 30 November 2022, the post holder took up the position of Strategic Director on 1 December 2022

Note 9: Assistant Director for Place & Client Services position removed from structure on 30 November 2022, the post holder took up the position of Strategic Director on 1 December 2022

Note 10: Section 151 Officer left on 31st March 2023.

### Number of Officers with a Salary greater than £50,000

	2023/24	2022/23
£50,000 - £54,999	6	3
£55,000 - £59,999	1	7
£60,000 - £64,999	5	4
£65,000 - £69,999	4	-
£70,000 - £74,999	2	5
£75,000 - £79,999	5	2
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
Over £100,000	-	-
	<b>23</b>	<b>22</b>

### Note 35. Termination Benefits

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 £28,357 in 2023/24 (£194,999 in 2022/23) and payments to the pension fund authority of £79,421 in 2023/24 (£54,726 in 2022/23) in respect of strains on the pension fund.

2023/24	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
<b>Exit packages cost band (including special payments)</b>				<b>£</b>
£0 - £20,000	5	-	5	7,285
£20,001 - £40,000	1	-	1	21,072
<b>Total cost included in bandings</b>				<b>28,357</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				(79,252)
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				79,421
<b>Total Exit Costs</b>				<b>28,526</b>



2022/23	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
<b>Exit packages cost band (including special payments)</b>				<b>£</b>
£0 - £20,000	3	2	5	21,986
£20,001 - £40,000	2	2	4	205,717
<b>Total cost included in bandings</b>				<b>227,703</b>
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				(22,090)
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				22,021
<b>Total Exit Costs</b>				<b>227,634</b>

### Note 36. 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.

	2023/24 £000's	2022/23 Restated £000's
External audit services	189	62
Certification of grant claims and returns	16	23
<b>Total</b>	<b>205</b>	<b>85</b>

## Note 37. Grant Income

### Credited to Services

	2023/24 £000's	2022/23 £000's
DWP Grants for Benefits		
Rent Allowances and Rent Rebates	(33,723)	(33,295)
Administration	(400)	(581)
Other	(241)	(188)
Department of Levelling Up, Housing and Communities (DLUHC)		
Rough Sleeper Accommodation Grant	(384)	(385)
Homelessness Prevention Grant	(1,420)	(1,330)
Benefits Administration	-	-
Asylum Dispersal Grant	(245)	(101)
Domestic Abuse	(36)	(34)
Energy Bills Support	(226)	(77)
New Burdens	(18)	(55)
Changing Places		(40)
Apprenticeship Levy Income	(80)	(79)
Right to Buy Admin Grant	(23)	(49)
Local Authority Treescape Fund	(50)	(72)
UK Shared Prosperity Fund	(436)	(191)
Arts Council England (ACE)	(398)	(206)
Joint Finance Contributions	(45)	(72)
Essex County Council	(2,641)	(5,130)
Essex Police and Crime Commissioner	(500)	(47)
Essex Fire and Rescue	(32)	(525)
Other Local Authorities	(902)	(884)
Colchester Primary Care Trust	(443)	(511)
Disabled Facilities Grant	(1,140)	(953)
COVID 19 Test and Trace	-	7
Department for Environment, Food and Rural Affairs (DEFRA)	(174)	(152)
s106 Contributions	(1,039)	(1,032)
NNDR Administration Grant	(241)	(236)
Other Grants and Contributions (non Government)	(1,331)	(1,103)
Other Miscellaneous Grants	(178)	(109)
<b>Total within Cost of Services</b>	<b>(46,346)</b>	<b>(47,430)</b>

**Credited to Taxation and Non-Specific Grants**

	2023/24 £000's	2022/23 £000's
<b>Revenue</b>		
COVID 19 Local Authority Support	-	(108)
Revenue Support Grant	(204)	(1)
New Burdens Grant	-	(82)
New Homes Bonus	(1,995)	(1,937)
Lower Tier Services Grant	(441)	(1,480)
Business Rates Grant (s31)	(6,576)	(4,499)
Local Council Tax Support Admin Grant	(233)	(143)
Other Non-Specific Grants	(76)	(171)
	<b>(9,525)</b>	<b>(8,421)</b>
<b>Capital</b>		
Department of Levelling Up, Housing and Communities (DLUHC)	(184)	(250)
Local Authority Housing Fund	(173)	(235)
Essex County Council (including South East Local Enterprise Partnership)	(1,384)	(1,879)
s106 Contributions	(1,261)	(1,712)
Department for Environment, Food and Rural Affairs (DEFRA)	(15)	(20)
Office of Gas & Electricity Markets (OFGEM)	(20)	(27)
Town Deal	(3,359)	(4,562)
Other	(234)	(318)
<b>Total Capital Grants within Taxation and Non-Specific Grant Income</b>	<b>(6,629)</b>	<b>(9,003)</b>
<b>Total within Taxation and non-specific grant income</b>	<b>(16,154)</b>	<b>(17,424)</b>
<b>Total income from grants and contributions</b>	<b>(62,500)</b>	<b>(64,854)</b>

**Note 38. Related Parties**

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

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

**UK Government**

UK Government has significant influence over the general operations of the Council. It is responsible for the statutory framework under which the Council operates, provides funding in the form of grants and prescribes the terms for many of the Council's material transactions with other parties (for example Council Tax billing, Business Rates billing, Housing Benefit administration). Grants received from UK Government are disclosed at Note 32.

### Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Total Members' allowances and expenses are disclosed in Note 28.

### Senior Officers at the Council

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

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

Related Party	2023/24		2022/23	
	Expenditure £000	Income £000	Expenditure £000	Income £000
Colchester Commercial Holdings Limited	1,799	830	1,932	667
Colchester Amphora Trading Limited	709	172	893	151
Colchester Amphora Homes Limited	64	-	134	-
Colchester Amphora Energy Limited	36	1	221	-
Colchester Mercury Theatre Limited	522	63	184	52
Parish Councils	1,354	78	2,846	86
Essex County Council	3,586	3,100	4,757	3,048
	<b>8,070</b>	<b>4,244</b>	<b>10,966</b>	<b>4,004</b>

## Note 39. Leases

### Finance Leases – Council as Lessee

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

	31-Mar-24 £000's	31-Mar-23 £000's
Other Land and Buildings	150	171
Vehicles, Plant & Equipment	80	103
	<b>230</b>	<b>274</b>

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

	31-Mar-24 £000's	31-Mar-23 £000's
Not later than one year	22	35
Later than one year	-	22
Finance Costs payable in future years	-	-
	<b>22</b>	<b>57</b>

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

	31-Mar-24 £000's	31-Mar-23 £000's
Not later than one year	22	32
Later than on year and not later than five years	-	22
Later than five years	-	-
	<b>22</b>	<b>54</b>

#### Finance Leases – Council as Lessor

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

	31-Mar-24 £000's	31-Mar-23 £000's
<i>Finance lease debtor (net present value of minimum lease payments)</i>		
Current	46	61
Non-current	4,511	4,553
Unearned finance income	70,436	70,477
Unguaranteed residual value of the property	17	17
	<b>75,010</b>	<b>75,108</b>

The gross investment in the lease over the following periods:

	31-Mar-24 £000's	31-Mar-23 £000's
Not later than one year	304	301
Later than on year and not later than five years	1,176	1,162
Later than five years	73,420	73,628
	<b>74,900</b>	<b>75,091</b>

### Operating Leases – Council as Lessee

The Council leases cars and equipment to facilitate provision of services. It also leases privately owned properties to provide a decent, affordable housing alternative to those facing homelessness.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.524m (2022/23 £2.328m).

	2023/24 £000's	2022/23 £000's
Sublease payments receivable	359,979	271,059

### 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; and
- 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:

Operating Leases - Council as Lessor		
	31-Mar-24 £000's	31-Mar-23 £000's
Not later than one year	2,052	1,498
Later than one year and not later than five years	7,522	5,158
Later than five years	113,155	76,068
	<b>122,729</b>	<b>82,724</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 2023/24 a total of £1.4 million was recognised as contingent rental income in the Comprehensive Income and Expenditure Statement (2022/23: £1.4 million).

## Note 40. Defined Benefit Pension Scheme

### Participation in the Local Government Pension Scheme

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

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

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

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

The principal risks to the Council of the scheme are:

- 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:



	2023/24 £000's	2022/23 £000's
<i>Cost of Services:</i>		
Current service cost	4,326	11,169
Past Service Cost	49	109
<i>Financing and Investment Income and Expenditure:</i>		
Net interest expense	(1,617)	2,115
Pension fund administration expenses	175	123
<i>Other Comprehensive Income and Expenditure:</i>		
Re-measurement of the net defined benefit liability	40,310	(126,902)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>43,243</b>	<b>(113,386)</b>

	2023/24 £000's	2022/23 £000's
<b>Movement in Reserves Statement</b>		
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(2,933)	(13,516)
Employer's contributions payable to the scheme	6,447	4,926
<b>Total charged to the Movement in Reserves Statement</b>	<b>3,514</b>	<b>(8,590)</b>

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

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

	31-Mar-24 £000's	31-Mar-23 £000's
Present value of the defined benefit obligation	(223,440)	(220,756)
Fair value of plan assets (bid value)	283,810	254,721
<b>Surplus /(Deficit)</b>	<b>60,370</b>	<b>33,965</b>
Present value of unfunded obligation	(3,195)	(3,450)
<b>Net defined benefit (liability) / asset</b>	<b>57,175</b>	<b>30,515</b>

The above table shows the asset/liability position of the pension fund and shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. Depending on factors in play in the annual valuation this can fluctuate between being in an asset or liability position. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy even if the fund is in a liability position. Any deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The Council is making an annual back-funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

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

	2023/24 £000's	2022/23 £000's
Balance at 1 April	(220,198)	(338,333)
Current service cost	(4,326)	(11,169)
Interest cost	(10,418)	(8,711)
Change in financial assumptions	1,961	135,332
Change in demographic assumptions	3,064	8,474
Experience loss/(gain) on defined benefit obligation	(696)	(12,346)
Benefits paid net of transfers in	9,378	7,958
Past service costs	(49)	(109)
Contributions by scheme participants	(1,694)	(1,631)
Unfunded pension payments	351	337
<b>Balance at 31 March</b>	<b>(222,627)</b>	<b>(220,198)</b>

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

##### Local Government Pension Scheme assets comprised:

	31-Mar-24		31-Mar-23	
	£000	%	£000	%
Equities	155,427	55.4	144,877	57.1
Gilts	5,013	1.8	3,678	1.4
Other bonds	-	-	-	-
Property	19,368	6.9	20,599	8.0
Cash	6,922	2.4	8,110	3.3
Alternative assets	42,662	15.2	39,807	15.5
Other managed funds	51,211	18.3	34,443	14.7
<b>Total</b>	<b>280,603</b>	<b>100.0</b>	<b>251,514</b>	<b>100.0</b>

### Impact of asset Ceiling

The asset ceiling is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions. The calculation of the asset ceiling was done following IFRIC14.

The calculations assume that:

- There is no prospect of the Council having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund.
- The Council is a scheduled body and assumed to participate indefinitely.
- Primary contributions are a minimum funding requirement (MFR).
- The MFR exceeds the current cost of accrual then the potential economic benefit from future contribution reductions is nil.
- An additional liability of £3,086k is recognisable in respect of the Employer's obligation to pay future deficit contributions, thereby increasing or generating an irrecoverable surplus.
- The value of the asset ceiling is therefore £(3,086)k.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates being based on the latest full triennial valuation of the scheme as of 31 March 2023.

The significant assumptions used by the actuary are:

	31-Mar-24	31-Mar-23
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
<i>Current pensioners</i>		
Men	20.8	21.6
Women	23.3	23.7
<i>Future pensioners retiring in 20 years</i>		
Men	22.0	23.0
Women	24.7	25.1
Rate of RPI inflation	3.25%	3.55%
Rate of CPI inflation	2.95%	2.90%
Rate of increase in salaries	3.95%	3.90%
Rate of increase in pensions	2.95%	2.90%
Rate for discounting scheme liabilities	4.90%	4.80%

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

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

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

	£000's +0.5%	£000's +0.1%	£000's -0.1%	£000's -0.5%		
<b>Adjustment to discount rate</b>						
Present value of total obligation	206,833	219,938	227,010	242,135		
Projected service cost	3,621	4,207	4,533	5,257		
<b>Adjustment to long-term salary increases</b>						
Present value of total obligation	224,623	223,633	223,195	222,282		
Projected service cost	5,280	4,535	4,364	4,353		
<b>Adjustment to pension increases and deferred revaluation</b>						
Present value of total obligation	241,403	226,840	220,102	207,608		
Projected service cost	5,280	4,535	4,205	3,599		
	<table><tr><td>+ 1 Year</td><td>- 1 Year</td></tr></table>		+ 1 Year	- 1 Year		
+ 1 Year	- 1 Year					
<b>Adjustment to life expectancy</b>						
Present value of total obligation	232,792	214,887				
Projected service cost	4,536	4,203				

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep the Council's contributions at as constant a rate as possible. The Council has agreed a funding strategy with the scheme's actuary to repay the deficit over the next 18 years and 6 months. Funding levels are monitored on an annual basis.

The next triennial valuation will be based on data as at 31 March 2023 and will be implemented with effect from 1 April 2024

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2025 is £5.334m.

The actuary's estimate of the duration of the Employer's liabilities for 2024/25 is 17 years (2023/24: 20).

## Housing Revenue Account

### HRA Income and Expenditure Statement

	Notes	2023/24 £000's	2022/23 £000's
<b>EXPENDITURE</b>			
Repairs and Maintenance		8,449	6,036
Supervision and Managment		11,560	10,676
Rents, Rates and Taxes		193	173
Depreciation	H9	5,827	5,523
Impairment			23,780
Revaluation Losses		20,673	690
Debt Management Costs		63	55
<b>Total Expenditure</b>		<b>46,765</b>	<b>46,933</b>
<b>INCOME</b>			
Gross Rent from Council Dwellings		(30,088)	(27,935)
Non-Dwelling Rents		(1,155)	(1,129)
Charges for Services and Facilities		(3,313)	(2,582)
Reversal previous reval losses		(1,603)	(2,729)
Contributions towards Expenditure		(76)	(57)
<b>Total Income</b>		<b>(36,235)</b>	<b>(34,432)</b>
<b>Net (Income)/Cost of HRA Services included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>10,530</b>	<b>12,501</b>
Net Cost of HRA Services per I&E Account		542	471
<b>Net Cost of HRA Services</b>		<b>11,072</b>	<b>12,972</b>
<b>HRA Share of Operating Income and Expenditure</b>			
(Gain)/Loss on sale of HRA fixed assets		1,176	(2,320)
Increased Provision for Bad Debts		110	170
Interest Payable and similar charges		5,471	4,564
Interest and Investment Income		(694)	(354)
		<b>17,135</b>	<b>15,032</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.

	2023/24 £000's	2022/23 £000's
<b>Balance at 1 April</b>	(4,581)	(4,555)
<u>Movement in reserves during Year</u>		
(Surplus)/ deficit on provision of services	17,135	15,032
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>17,135</b>	<b>15,032</b>
Adjustments between accounting basis & funding basis under regulations (note 9 main accounts)	(16,933)	(15,058)
<b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>	<b>202</b>	<b>(26)</b>
Transfers to/from Earmarked Reserves	-	-
<b>Increase/Decrease in Year</b>	<b>202</b>	<b>(26)</b>
<b>Balance at 31 March carried forward</b>	<b>(4,379)</b>	<b>(4,581)</b>

## Notes to the Housing Revenue Account

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

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2024, 1.55% of lettable properties were vacant (1.55% on 31 March 2023).

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

	31-Mar-24 £000's Total Stock	31-Mar-23 £000's Total Stock
<b>Analysis by Type of Dwelling</b>		
Houses and Bungalows	3,015	2,995
Flats and Maisonettes	2,981	2,934
<b>Total Dwellings</b>	<b>5,996</b>	<b>5,929</b>
<b>Analysis by Number of Bedrooms</b>		
Bedsitters/1 bedroom	2,411	2,366
2 bedrooms	1,790	1,789
3 bedrooms	1,702	1,682
4 or more bedrooms	93	92
<b>Total Dwellings</b>	<b>5,996</b>	<b>5,929</b>

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

<b>Stock as at 1 April 2023</b>	<b>5,929</b>	<b>5,907</b>
Add: New Builds, Acquisitions, Conversions etc.	85	62
Deduct: Sales, Demolitions, Conversions etc.	(18)	(40)
<b>Stock as at 31 March 2024</b>	<b>5,996</b>	<b>5,929</b>

The most recent valuation of HRA dwellings that has been prepared was at 31 March 2024 and this is reflected in the valuation shown below:



	31-Mar-24 £000's	31-Mar-23 £000's
Council Dwellings (HRA)	455,598	454,140
Other Land and Buildings	15,078	4,175
Assets under Construction	19,680	8,610
Surplus Assets	610	610
Assets Held for Sale	-	560
<b>Total</b>	<b>490,966</b>	<b>468,095</b>

## H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings as of 31 March 2024 was £1,119.2m (£1,119.2m as of 1 April 2023). 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 based on 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

	31-Mar-24 £000's	31-Mar-23 £000's
Garages and other charges	(1,082)	(1,037)
Land and other buildings	(73)	(92)
<b>Total</b>	<b>(1,155)</b>	<b>(1,129)</b>

## H4. Charges for Services and Facilities

Income totalling £0.111m from Supporting People charges in 2023/24 (2022/23: £0.107m) is shown under Charges for services and facilities.

## H5. Major Repairs Reserve

	31-Mar-24 £000's	31-Mar-23 £000's
Balance Brought Forward	-	-
Amount Transferred to the Major Repairs Reserve During the Year	5,827	5,523
Financing of Capital Expenditure for the year	(5,827)	(5,523)
<b>Balance Carried Forward</b>	<b>-</b>	<b>-</b>

## H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 40) 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

	2023/24 £000's	2022/23 £000's
<b>HRA Capital Expenditure</b>		
Dwelling Stock	17,194	16,017
New Build - Council Dwellings	7,307	1,634
Dwelling Acquisitions	14,431	12,006
<b>Total Expenditure</b>	<b>38,932</b>	<b>29,657</b>
<b>Financed by</b>		
Borrowing	20,732	16,700
Government Grants and Other Contributions	4,887	733
Capital Receipts	4,174	2,292
Revenue Contributions	3,312	4,409
Major Repairs Reserve	5,827	5,523
<b>Total</b>	<b>38,932</b>	<b>29,657</b>

Receipts from the sale of Council houses have decreased in 2023/24. 18 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2023/24/23 (38 in 2022/23).

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.

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

<b>Summary of HRA Capital Receipts</b>	<b>2023/24 £000's</b>	<b>2022/23 £000's</b>
Sale of Council Houses Direct	2,443	5,332
Other (including shared ownership)	560	405
<b>Total</b>	<b>3,003</b>	<b>5,737</b>

## 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.

	<b>2023/24 £000's</b>	<b>2022/23 £000's</b>
HRA Interest Charge	5,471	4,564

## H9. Depreciation Charges

	<b>2023/24 £000's</b>	<b>2022/23 £000's</b>
Council Dwellings	5,295	4,907
Other Land and Buildings	532	614
Vehicles, Plant and Equipment	-	2
<b>Total</b>	<b>5,827</b>	<b>5,523</b>

The Council is required to maintain a Major Repairs Reserve. The Council transfers an amount annually into the reserve to support spending on council dwellings. The reserve is only available for funding repairs of a capital nature or to repay debt. Any sums unspent are carried forward for use in future years.

## H10. Rent Arrears

The arrears at 31 March 2024 totalled £1.436m. This excludes prepayments of £0.922m and is analysed as follows:

	31-Mar-24 £000's	31-Mar-23 £000's
Due from Current Tenants	995	951
Due from Former Tenants	441	435
<b>Total Rent Arrears</b>	<b>1,436</b>	<b>1,386</b>
Prepayments	(922)	(955)
<b>Net Rent Arrears</b>	<b>514</b>	<b>431</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. As of 31 March 2024, the provision totalled £1.206m (31 March 2023: £1.006m).

## H11. Revenue Balances

Out of the revenue balance of £4.379m, a sum of £2.779m has already been committed for future use.

	2023/24 £000	2022/23 £000
Revenue Balance at 1 April	4,581	4,555
Adjust for the Housing Revenue Accounts Surplus / (Deficit)	(202)	26
<b>Revenue Balance at 31 March</b>	<b>4,379</b>	<b>4,581</b>
Less: Committed Sum Investment in Housing Stock 2024/25 and Future Years	(2,779)	(2,608)
Estimate Balance Carried Forward	-	373
<b>Uncommitted Balance</b>	<b>1,600</b>	<b>1,600</b>

## H12. Capital Expenditure Charged to Revenue

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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 (£2.779m) will be used to support spending in future years.

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## Collection Fund

### Collection Fund Income and Expenditure Statement

	Council Tax £000's	2023/24 NNDR £000's	Total £000's	Council Tax £000's	2022/23 NNDR £000's	Total £000's
Income	(133,250)	(64,517)	(197,767)	(126,871)	(58,607)	(185,478)
<b>Precepts Demands and Shares</b>						
Central Government	-	32,267	32,267	-	28,436	28,436
Colchester City Council	16,301	25,814	42,115	15,488	22,749	38,237
Essex County Council	95,516	5,808	101,324	90,683	5,118	95,801
Essex Fire and Rescue	5,288	645	5,933	4,875	569	5,444
Police and Crime Commissioner for Essex	15,377	-	15,377	14,143	-	14,143
<b>Charges to the Collection Fund</b>						
Transitional Protection Payment	-	-	-	-	312	312
Cost of Collection Allowance	-	241	241	-	236	236
Provision for Bad Debts (including write-offs)	1,160	561	1,722	772	282	1,054
Provision for Appeals	-	(2,394)	(2,394)	-	743	743
<b>Apportionment of Previous Years' Surplus/(Shortfall)</b>						
Central Government	-	(335)	(335)	-	(6,600)	(6,600)
Colchester City Council	(105)	(268)	(373)	420	(5,280)	(4,860)
Essex County Council	(611)	(60)	(671)	2,402	(1,188)	1,214
Essex Fire and Rescue	(33)	(7)	(40)	132	(131)	1
Police and Crime Commissioner for Essex	(94)	-	(94)	375	-	375
	<b>132,798</b>	<b>62,273</b>	<b>195,071</b>	<b>129,290</b>	<b>45,246</b>	<b>174,536</b>
<b>Movement on the Collection Fund Balance</b>						
(Surplus)/Deficit for the year	(452)	(2,244)	(2,696)	2,419	(13,361)	(10,942)
(Surplus)/Deficit at the beginning of the year	922	(1,184)	(262)	(1,497)	12,177	10,680
<b>(Surplus)/Deficit at 31 March</b>	<b>470</b>	<b>(3,428)</b>	<b>(2,958)</b>	<b>922</b>	<b>(1,184)</b>	<b>(262)</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 surplus of £(2.958)m as at the 31 March 2024. 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 2023/24 was 71,723 (64,731 in 2022/23). For the year ended 31 March 2024, the band D Council Tax was set at £1,975.5 (£1,900.21 in 2022/23). The tax base for 2023/24 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,499	6/9	5,666
B	21,787	7/9	16,945
C	20,135	8/9	17,898
D	15,413	9/9	15,413
E	8,873	11/9	10,845
F	4,167	13/9	6,019
G	2,416	15/9	4,027
H	150	18/9	300
Contributions in lieu from the Ministry of Defence Properties			772
<b>Total Band D</b>			<b>77,885</b>
Net effect of premiums and discounts			(6,162)
<b>Council Tax Base for the calculation of Council Tax</b>			<b>71,723</b>



### C3. Income from Business Ratepayers

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

As of 2023/24, Colchester were part of the 50% retention and the local shares are as follows:

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

The total Non-Domestic Rateable value at the 2023/24 year-end was £165.639m (2022/23: £165.639m) and the Standard Non-Domestic rate multiplier for the year was 49.9p (2022/23: 51.2p).

#### Income from Non-Domestic Rates

	2023/24 £000's	2022/23 £000's
Gross NNDR due in the year	86,609	82,504
Less: allowances and other adjustments	(24,645)	(23,897)
<b>NNDR Income</b>	<b>61,964</b>	<b>58,607</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 2024 will be distributed in proportion to the value of the respective precepts as shown below:

	2023/24			2022/23		
	Council Tax £000's	NNDR £000's	TOTAL £000's	Council Tax £000's	NNDR £000's	TOTAL £000's
Colchester City Council	59	(1,371)	(1,313)	115	(473)	(358)
Central Government	-	(1,714)	(1,714)	-	(592)	(592)
Essex County Council	340	(309)	31	667	(107)	560
Essex Fire and Rescue	19	(34)	(15)	37	(12)	25
Police and Crime Commissioner for Essex	53	-	53	103	-	103
<b>Total (Surplus)/Deficit</b>	<b>470</b>	<b>(3,428)</b>	<b>(2,958)</b>	<b>922</b>	<b>(1,184)</b>	<b>(262)</b>

## C5. Provision for Council Tax and NNDR Bad or Doubtful Debts and Provision for NNDR for Valuation Appeals

Provisions for both bad debts and appeals are assessed annually, and adjustments are charged to the Collection Fund. The movements are detailed in the table below.

	<b>Council Tax: Provision for Bad Debts £000's</b>	<b>Business Rates: Provision for Bad Debts £000's</b>	<b>Business Rates: Provision for Appeals £000's</b>
Balance at 1 April	6,602	3,315	6,057
Provision utilisation	(224)	-	(3,231)
Provision made in year	1,212	561	836
<b>Provision at 31 March</b>	<b>7,590</b>	<b>3,876</b>	<b>3,662</b>

## C6. Debtors for Local Taxation

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

	<b>31-Mar-24</b>		<b>31-Mar-23</b>	
	<b>Council Tax £000's</b>	<b>Business Rates £000's</b>	<b>Council Tax £000's</b>	<b>Business Rates £000's</b>
Less than one year	1,566	625	1,364	751
More than one year	598	461	553	465
<b>Total Debtors for Local Taxation</b>	<b>2,164</b>	<b>1,086</b>	<b>1,917</b>	<b>1,216</b>

## Group Accounts

### Introduction

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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.

The statements are intended to present financial information about the parent (the Council) and the subsidiaries (Colchester Borough Homes Limited and Colchester Commercial Holdings Limited) by bringing together their results in a unified set of accounts. The accounts have been brought together on a line-by-line basis incorporating income and expenditure fully in the relevant service revenue account and combining assets and liabilities in the Balance Sheet. Inter-group balances and transactions have been eliminated during the consolidation of the Group Accounts.

### Accounting Policies

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

## Group Movement in Reserves Statement

	Revenue Reserves			Capital Reserves			Unusable Reserves	Total Group Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2023	(4,326)	(4,582)	(28,067)	(11,672)	(19)	(48,666)	(592,591)	(641,257)
Movement in Reserves in 2023/24:								
(Surplus)/ deficit on the provision of services (accounting basis)	3,608	17,135	-	-	-	20,743	-	20,743
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(29,443)	(29,443)
<b>Total Comprehensive Income and Expenditure</b>	<b>3,608</b>	<b>17,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,743</b>	<b>(29,443)</b>	<b>(8,700)</b>
Adjustments between accounting and funding basis under regulation	(2,000)	(16,933)	-	1,218	13	(17,702)	18,430	728
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>1,608</b>	<b>202</b>	<b>-</b>	<b>1,218</b>	<b>13</b>	<b>3,041</b>	<b>(11,013)</b>	<b>(7,972)</b>
Transfers to/from Earmarked reserves - note 11	(5,359)	-	5,359	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>(3,751)</b>	<b>202</b>	<b>5,359</b>	<b>1,218</b>	<b>13</b>	<b>3,041</b>	<b>(11,013)</b>	<b>(7,972)</b>
<b>Balance at 31 March 2024</b>	<b>(8,077)</b>	<b>(4,380)</b>	<b>(22,708)</b>	<b>(10,454)</b>	<b>(6)</b>	<b>(45,625)</b>	<b>(603,604)</b>	<b>(649,229)</b>

	Revenue Reserves			Capital Reserves			Unusable Reserves	Total Group Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2022	(4,508)	(4,555)	(32,943)	(9,205)	(39)	(51,250)	(418,018)	(469,268)
(Surplus) /deficit on the provision of services (accounting basis)	6,704	15,029	-	-	-	21,733	-	21,733
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(191,847)	(195,853)
<b>Total Comprehensive Income and Expenditure</b>	<b>6,704</b>	<b>15,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,733</b>	<b>(191,847)</b>	<b>(174,120)</b>
Adjustments between accounting and funding basis under regulation	(1,646)	(15,056)	-	(2,467)	20	(19,149)	17,274	(1,875)
<b>Net increase/decrease before transfers to Earmarked reserves</b>	<b>5,058</b>	<b>(27)</b>	<b>-</b>	<b>(2,467)</b>	<b>20</b>	<b>2,584</b>	<b>(174,573)</b>	<b>(175,995)</b>
Transfers to/from Earmarked reserves	(4,876)	-	4,876	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>182</b>	<b>(27)</b>	<b>4,876</b>	<b>(2,467)</b>	<b>20</b>	<b>2,584</b>	<b>(174,573)</b>	<b>(175,995)</b>
<b>Balance at 31 March 2023</b>	<b>(4,326)</b>	<b>(4,582)</b>	<b>(28,067)</b>	<b>(11,672)</b>	<b>(19)</b>	<b>(48,666)</b>	<b>(592,591)</b>	<b>(641,257)</b>

## Group Comprehensive Income and Expenditure Statement

Expenditure	2023/24			2022/23		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000	£000	£000	£000	£000	£000
Corporate & Democratic Core	788	(1,050)	(262)	360	(1,411)	(1,051)
Modern City Services	15,495	(7,091)	8,404	-	-	-
Corporate Services	59,457	(45,359)	14,098	10,133	(2,523)	7,610
Enjoy Colchester	17,339	(13,903)	3,436	-	-	-
Place and Prosperity	9,496	(7,733)	1,763	22,729	(13,317)	9,412
Senior Leadership Board	2,050	(313)	1,737	24,395	(12,192)	12,203
Transformation & Business Imp	1,769	1,869	3,638	41,606	(37,653)	3,953
Housing and Wellbeing	(832)	(9,982)	(10,814)	(3,701)	(6,823)	(10,524)
Non Distributed Costs	(299)	430	131	(1,371)	655	(716)
Housing Revenue Account	46,765	(36,235)	10,530	47,401	(34,432)	12,969
CCHL Ltd	4,690	(3,150)	1,540	4,672	(3,287)	1,385
CBH Ltd	19,435	(3,316)	16,119	18,892	(1,947)	16,945
<b>Cost of Services</b>	<b>176,153</b>	<b>(125,833)</b>	<b>50,320</b>	<b>165,116</b>	<b>(112,930)</b>	<b>52,186</b>
<b>Other Operating Expenditure</b>	<b>3,541</b>	<b>(115)</b>	<b>3,426</b>	<b>5,606</b>	<b>(5,887)</b>	<b>(281)</b>
<b>Financing and Investment Income and Expenditure</b>	<b>12,779</b>	<b>(8,587)</b>	<b>4,192</b>	<b>9,335</b>	<b>(7,123)</b>	<b>2,212</b>
<b>Taxation and non-specific grant income and expenditure</b>	<b>1</b>	<b>(37,196)</b>	<b>(37,195)</b>	<b>43</b>	<b>(31,459)</b>	<b>(31,416)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>192,474</b>	<b>(171,731)</b>	<b>20,743</b>	<b>180,100</b>	<b>(157,399)</b>	<b>22,701</b>
Surplus on revaluation of non-current assets.			(7,454)			(59,305)
Actuarial (gains)/losses on pension assets/liabilities			(21,989)			(136,548)
<b>Other Comprehensive Income and Expenditure</b>			<b>(29,443)</b>			<b>(195,853)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(8,700)</b>			<b>(173,152)</b>

## Group Balance Sheet

	31-Mar-24 £000	31-Mar-23 £000
Property, Plant and Equipment	728,805	722,470
Heritage Assets	1,332	1,332
Investment Properties	45,637	48,083
Intangible Assets	-	-
Long Term Investments	6	6
Long Term Debtors	5,891	6,012
Investment in subsidiaries	-	-
<b>LONG TERM ASSETS</b>	<b>781,671</b>	<b>777,903</b>
Assets Held for Sale	1,165	560
Inventories	505	551
Short Term Debtors	15,020	13,750
Short Term Loans	-	29
Cash and Cash Equivalents	22,874	41,611
<b>CURRENT ASSETS</b>	<b>39,564</b>	<b>56,501</b>
Short Term Creditors	(39,692)	(35,409)
Short Term Borrowing	(11,740)	(16,764)
Provisions	(1,715)	(2,707)
Capital grants receipts in advance	(5,179)	(6,140)
<b>CURRENT LIABILITIES</b>	<b>(58,326)</b>	<b>(61,020)</b>
Long Term Creditors	-	(19)
Provisions	(77)	(107)
Long Term Borrowing	(141,094)	(139,794)
Other Long Term Liabilities	(187)	(215)
Pension Liabilities	57,175	34,523
Capital grants receipts in advance	(29,497)	(23,235)
<b>LONG TERM LIABILITIES</b>	<b>(113,680)</b>	<b>(128,847)</b>
<b>NET ASSETS</b>	<b>649,229</b>	<b>644,537</b>
Usable Reserves	(45,625)	(47,939)
<b>USABLE RESERVES</b>	<b>(45,625)</b>	<b>(47,939)</b>
Unusable Reserves	(603,604)	(596,598)
Issued share capital	-	-
<b>UNUSABLE RESERVES</b>	<b>(603,604)</b>	<b>(596,598)</b>
<b>TOTAL RESERVES</b>	<b>(649,229)</b>	<b>(644,537)</b>

## Group Cash Flow Statement

	2023/24 £000	2022/23 £000
Net surplus or (deficit) on provision of services	(19,419)	(22,437)
Adjustments to net surplus or deficit on provision of services for non-cash movements	74,938	34,883
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,357)	(1,750)
<b>Net cash flows from Operating Activities</b>	<b>52,162</b>	<b>10,696</b>
Investing Activities	(38,543)	(49,491)
Financing Activities	(32,356)	(3,792)
<b>Net Increase or (decrease) in cash and cash equivalents</b>	<b>(18,737)</b>	<b>(42,587)</b>
Cash and cash equivalents at the beginning of the reporting period	41,612	84,198
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>22,875</b>	<b>41,611</b>



## Notes to the Group Accounts

### G1 General

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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 Subsidiary Companies Consolidated into the Group Accounts

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

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

### G3 Consolidation of Operating Income and Expenditure

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

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

### G4 Events after the Balance Sheet date

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The Statement of Accounts was authorised for issue by the Section 151 Officer on 22 November 2024. Events taking place after this date are not reflected in the financial statements or notes.

There are no other additional items which arose after the year end of 31 March 2024 that would materially affect these Group accounts, and as such no adjustments have been made to the figures reported in the Group financial statements or notes.

## G6 Short-term Debtors

	31-Mar-24 £000	31-Mar-23 £000
Amounts falling due within one year:		
Grants and Taxes	1,013	2,619
Trade Debtors	9,662	2,945
Prepayments	1,247	2,264
Housing benefit Overpayments	446	511
NNDR ratepayers	665	815
Council Tax ratepayers	278	308
Other Debtors	1,240	9,029
Total short term debtors	14,551	18,491

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

## G7 Cash and Cash Equivalents

	31-Mar-24 £000	31-Mar-23 £000
Cash	10	10
Call Accounts and short term deposits	14,265	17,286
Bank Balance	8,599	24,314
	22,874	41,610

## G8 Short-term Creditors

	31-Mar-24	31-Mar-23
	£000	£000
Amounts falling due within one year:		
Trade Creditors	(16,739)	(17,081)
Receipts in Advance	(2,265)	(1,472)
Other Taxes and Social Security	(1,027)	(686)
Collection Fund Agency	(2,206)	(7,084)
NNDR Prepayments	(2,953)	(1,112)
Council Tax Prepayments	(505)	(518)
Central Government	(171)	(547)
Other Local Authorities	(5,437)	(89)
Other Creditors	(5,537)	(7,944)
	-	-
<b>Total short term creditors</b>	<b>(36,840)</b>	<b>(36,533)</b>

## G9 Subsidiary Reserves

	31-Mar-24	31-Mar-23
	£000	£000
<b>Colchester Borough Homes Limited</b>		
Income and Expenditure Account	1,148	1,321
Defined benefit pension scheme reserve	-	-
<b>Colchester Commercial Holdings Limited</b>		
Income and Expenditure Account	(56)	103
<b>Total Subsidiaries Reserves</b>	<b>1,092</b>	<b>1,424</b>

## G10 Cash Flow from Operating Activities

	2023/24	2022/23
	£000	£000
Depreciation	13,777	12,163
Amortisation	-	2
Impairment and downward valuations	27,440	20,080
Increase/(decrease) in Interest Creditors	(2,220)	412
Increase (decrease) in Creditors	16,429	(14,437)
(Increase)/Decrease in Interest and Dividend Debtors	(172)	25
(Increase)/Decrease in Debtors	141	4,072
Increase in Inventories	22	281
(Decrease)/increase in Pension Liability	21,909	10,464
Contributions to Provisions	258	275
Carrying amount of non-current assets sold	(33)	3,419
Movement in Investment Property values	(2,613)	(1,874)
<b>Net cashflows from operating activities</b>	<b>74,938</b>	<b>34,882</b>

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

	2023/24 £000	2022/23 £000
Capital Grants credited to surplus or deficit on the provision of services	(280)	3,796
Proceeds from the sale of short and long term investments	1,037	-
Proceeds from the sale of property plant and equipment, investment property and intangible	(4,114)	(5,746)
Other receipts from investing activities	-	200
Dividends paid		172
<b>Net cashflows from investing activities</b>	<b>(3,357)</b>	<b>(1,578)</b>

## G11 Cash Flow from Investing Activities

	2023/24 £000	2022/23 £000
Purchase of property, plant & equipment, investment property & intangible assets	(44,358)	(38,021)
Other capital payments	4,674	(20,460)
Other payments for investing activities	95	(343)
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	-	5,746
Capital grants received	2,083	3,552
Revenue Grants Received	-	35
	<b>(37,506)</b>	<b>(49,491)</b>

## G12 Cash Flow from Financing Activities

	2023/24 £000	2022/23 £000
Cash Receipts of Short & Long Term Borrowing	(5,000)	10,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-	(106)	(191)
Repayments of short- & long-term borrowing	(27,250)	(20,000)
Other receipts /(payments) for financing activities	-	6,399
	<b>(32,356)</b>	<b>(3,792)</b>

## G13 Officers Remuneration

The remuneration paid to the senior officers within Colchester City Council is shown in Note 34.

**Colchester Borough Homes Limited**

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

<b>2023-24</b>	<b>Salary (inc. fees &amp; allowances)</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>
	£	£	£
Chief Executive Officer	109,238	22,066	131,304
Director of Business Improvement	82,324	16,629	98,953
Director of Operations	82,350	16,635	98,985
	<b>273,912</b>	<b>55,330</b>	<b>329,242</b>

<b>2022-23</b>	<b>Salary (inc. fees &amp; allowances)</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>
	£	£	£
Chief Executive Officer	78,813	15,862	94,675
Director of Business Improvement	83,208	16,808	100,016
Director of Operations	83,208	16,808	100,016
	<b>245,229</b>	<b>49,478</b>	<b>294,707</b>

**Colchester Commercial Holdings Limited**

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

<b>2023-24</b>	<b>Salary (inc. fees &amp; allowances)</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>
	£	£	£
Managing Director	99,986	6,327	106,313
Senior Commercial Manager	75,802	3,858	79,660
Finance Manager & Company Secretary	47,294	2,017	49,311
	<b>223,082</b>	<b>12,202</b>	<b>235,284</b>

<b>2022-23</b>	<b>Salary (inc. fees &amp; allowances)</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>
Managing Director	55,028	1,375	56,403
Senior Commercial Manager	68,815	3,442	72,257
Finance Manager & Company Secretary	40,902	2,018	42,920
	<b>164,745</b>	<b>6,835</b>	<b>171,580</b>

	<b>2023/24</b>	<b>2021/22</b>
£50,000-54,999	6	4
£55,000-59,999	10	10
£60,000-64,999	4	5
£65,000- 69,999	8	7
£70,000-74,999	6	6
£75,000-79,999	4	4
£80,000-84,999	1	1
£85,000-89,999	-	-
£90,000-94,999	-	-
£95,000-99,999	1	1
Over £100,000	1	1
	<b>41</b>	<b>39</b>

## G14 Termination Benefits

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).

There were no exit packages in 2023/24, total value of exit packages in 2022/23 was £256k.

## G15 Defined Benefit Pensions Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council (CCC) 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 CCC and CBH to make the payments that need to be disclosed at the time that employees earn their future entitlement.

CCC 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 2023/24, all assets and liabilities were transferred to the Council with all costs in relation to the current services included in the council's accounts.

### Transactions Relating to Retirement Benefits

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

#### Local Government Pension Scheme

	2023/24 £000	2022/23 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current service cost	5,700	14,077
Past Service Cost	49	109
Financing and Investment Income and Expenditure:		
Net interest expense	2,182	2,349
Pension fund administration expenses	209	146
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	40,642	(149,454)
<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>48,782</b>	<b>(132,773)</b>

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

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

	31-Mar-23 £000	31-Mar-22 £000
Fair value of plan liabilities	(262,382)	(258,924)
Fair value of plan assets	339,774	304,479
<b>Net surplus /(liability)</b>	<b>77,392</b>	<b>45,555</b>



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

	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(258,924)	(395,124)
Current service cost	(5,700)	(14,275)
Interest cost	(12,255)	(8,844)
Change in financial assumptions	3,056	138,922
Change in demographic assumptions	3,567	8,474
Experience loss/(gain) on defined benefit obligation	(1,028)	(12,463)
Benefits paid net of transfers in	10,797	8,606
Past service costs	(49)	(109)
Contributions by scheme participants	(2,197)	(2,020)
Unfunded pension payments	351	337
<b>Balance at 31 March</b>	<b>(262,382)</b>	<b>(276,496)</b>

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

	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	304,479	302,196
Interest on assets	14,437	7,848
Return on assets less interest	22,065	(4,019)
Other actuarial gains/(losses)	-	(635)
Administration expenses	(209)	(146)
Contributions by employer	7,953	6,217
Contributions by scheme participants	2,197	2,068
Benefits paid net of transfers in	(11,148)	(9,050)
<b>Balance at 31 March</b>	<b>339,774</b>	<b>304,479</b>

## Glossary of Terms

**Accruals Concept**

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

**Actuarial Gains and Losses**

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

**Amortisation**

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

**Appropriations**

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

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

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

**Budget Requirement**

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

**Capital Expenditure**

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

**Capital Financing Requirement**

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

**Capital Programme**

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

**Capital Receipts**

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

**Carry Forwards**

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

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

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

**Collection Fund**

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

**Contingent Liabilities**

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

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

**Debtors**

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

**Depreciation**

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

**Earmarked Reserves**

Amounts set aside for specific future commitments or potential liabilities.

**Effective Interest Rate**

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

**Fair Value**

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

**Financial Instruments**

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

**General Fund**

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

**Gross Book Value**

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

**Housing Revenue Account (HRA)**

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

**IFRS (International Financial Reporting Standards)**

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

**Impairment**

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

**Intangible Assets**

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

**Investment Properties**

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

**Leases**

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

**Major Repairs Reserve (MRR)**

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

**Minimum Revenue Provision (MRP)**

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

**Net Book Value (NBV)**

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

**Non-Distributed Costs**

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

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

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

**Precept**

This is the amount of Council Tax income that local authorities providing services within the Colchester borough require to be paid from the Collection fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all the precepts levied on the Billing Authority. Precepts are raised by Colchester City

Council for Essex County Council, Police and Crime Commissioner for Essex, Essex Fire and Rescue and Town and Parish Councils.

**Principal Amount**

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

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

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

**Provisions**

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

**Prudential Code**

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

**Public Works Loan Board (PWLB)**

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

**Revaluation**

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

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

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

**Useful Life**

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

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## **Independent Auditor's Report to the Members of Colchester City Council**

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