

COMPANY REGISTRATION NUMBER 04843624



**COLCHESTER BOROUGH HOMES LIMITED**

**COMPANY LIMITED BY GUARANTEE**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 MARCH 2022

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<b>Company registration number</b>	04843624
<b>The board of directors</b>	Cllr N Chapman (resigned 12 May 2022) Ms P L Goddard (resigned 2 March 2022) Mr G Mitchell (resigned 7 May 2021) Mr D Paterson Mrs L Preece (resigned 9 June 2021) Cllr L Scott-Boutell (resigned 9 June 2021) Mrs K Smout Mrs T Bourne (resigned 4 May 2022) Ms N Davey Mr J King Ms F Marshall Mrs M Burrows (appointed 10 June 2021) Mr R Sharp (appointed 25 November 2021) Mr P Sullivan (appointed 22 September 2021)
<b>Registered office</b>	1 <sup>st</sup> Floor Rowan House 33 Sheepen Road Colchester Essex CO3 3WG
<b>Statutory auditor</b>	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
<b>Internal auditor</b>	TIAA Ltd Artillery House Fort Fareham Newgate Lane Fareham PO14 1AH

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## STRATEGIC REPORT

YEAR ENDED 31 MARCH 2022

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The directors have pleasure in presenting their strategic report for the year ended 31 March 2022.

### **Principal activities and business review**

The principal activity of the Company during the period was the repair and improvement of council homes and corporate properties, tenancy management, rent collection and arrears management, homelessness and rough sleeping and other property management associated services.

The Management Agreement with Colchester Borough Council (the 'Council') continued throughout the year.

### **Results**

The surplus after tax, but before defined benefit pension scheme adjustments for the year was £275,127 (2021 : £802,653). This resulted in a deficit of £1,931,873 (2021 : £248,347 ) for the year, after adjustments for the defined benefit pension scheme.

There were some planned investments from reserves during the year which included funding a digital learning creator role and a consultant, to realise the benefits of the Housing Management system (NPS). The Company also had additional cost pressures from employing agency staff to cover vacancies and sickness, disruption to supply chains and contracted labour due to Covid and rising material prices.

### **Financial risk management objectives and policies**

The directors consider that the main financial risk to the Company is the lack of long term financial stability. The Company has mitigated this risk by holding a higher level of reserves to absorb in-year deficits and approved a 5 year business plan to ensure robust budget management. Inflation and the possibility of greater employer pension contributions are external factors which are managed through regular financial monitoring, reporting, forecasting and financial stress testing.

The Company is assessed by various metrics applicable to similar housing organisations and is looking to be in the upper quartile in the various cost and quality benchmarks. The main key performance indicators include the cost of housing management, the cost of repairs, tenant satisfaction, the levels of overdue rents, the length of time taken to re-let empty properties and customer satisfaction with repairs.

The Company retains sufficient cash for its working capital needs and does not use other financial instruments for treasury management. The company therefore has very little exposure to cash flow risk.

The Company is following government policy changes signalled by the Social Housing White Paper, particularly in respect of tighter regulation around consumer standards, a new decent homes standard, higher energy efficiency targets and increased building safety standards, which may have cost implications to implement fully.

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**STRATEGIC REPORT**

**YEAR ENDED 31 MARCH 2022**

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The directors are committed to ensuring that proper governance arrangements are in place.

Registered office:  
1st Floor  
Rowan House  
33 Sheepen Road  
Colchester  
Essex  
CO3 3WG

Signed on behalf of the directors

Mr D Paterson  
Director

Approved by the directors on 27 July 2022

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## DIRECTORS' REPORT

### YEAR ENDED 31 MARCH 2022

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The directors present their report and financial statements for the year ended 31 March 2022.

#### **Matters covered in the strategic report**

Financial risk management objectives and policies are disclosed in the strategic report.

#### **Directors**

The directors who served the Company during the year were as follows:

Cllr N Chapman (resigned 12 May 2022)

Ms P L Goddard (resigned 2 March 2022)

Mr G Mitchell (resigned 7 May 2021)

Mr D Paterson

Mrs L Preece (resigned 9 June 2021)

Cllr L Scott-Boutell (resigned 9 June 2021)

Mrs K Smout

Mrs T Bourne (resigned 4 May 2022)

Ms N Davey

Mr J King

Ms F Marshall

Mrs M Burrows (appointed 10 June 2021)

Mr R Sharp (appointed 25 November 2021)

Mr P Sullivan (appointed 22 September 2021)

#### **Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards (IASs) and applicable law.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out on the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all situations, a fair presentation will be achieved by complying with all applicable IASs. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2022

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### Directors' responsibilities (continued)

In preparing these financial statements, the directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IAS's as adopted by the United Kingdom have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are committed to ensuring that proper governance arrangements are in place.

Registered office:  
1st Floor  
Rowan House  
33 Sheepen Road  
Colchester  
Essex  
CO3 3WG

Signed on behalf of the directors

Mr D Paterson  
Director

Approved by the directors on 27 July 2022

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH HOMES LIMITED

YEAR ENDED 31 MARCH 2022

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### Opinion on financial statements

We have audited the financial statements of Colchester Borough Homes Limited for the year ended 31 March 2022 which comprise of the Income and expenditure account, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flow, and the Notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the financial statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appear to be materially misstated.



# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH HOMES LIMITED

YEAR ENDED 31 MARCH 2022

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### **Other information (continued)**

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report; or
- we have not received all of the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out in the Directors' Report the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH HOMES LIMITED

YEAR ENDED 31 MARCH 2022

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### **Auditor's responsibilities for the audit of the financial statements**

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Health and Safety at Work Act 1974 including the reinforced importance of the big 6 compliance areas, Housing Regulator Consumer Standards, Housing Act 1996 & 2004, Building Regulations, British and European Standards, Planning Legislation, Localism Act 2011, Regulatory Tenant Involvement and empowerment standard, Leasehold Legislation, Prevention of Social Housing Fraud Act 2013, Safeguarding Vulnerable Groups Act 2006, Care Act 2014, Children Act 2004, Modern Slavery Act 2015, anti-bribery and corruption, human rights and employment law, GDPR. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COLCHESTER BOROUGH HOMES LIMITED

YEAR ENDED 31 MARCH 2022

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Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the company complies with such regulations; enquiries of management and those charged with governance concerning any actual or potential litigation or claims, inspection of any relevant legal documentation, review of board minutes, testing the appropriateness of journal entries and the performance of analytical review to identify any unexpected movements in account balances which may be indicative of fraud.

### **Auditor's responsibilities for the audit of the financial statements (continued)**

No instances of material non-compliance were identified.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

### **Use of our report**

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, for our audit work, for this report, or for the opinions we have formed.

**Mr Luke Morris** (Senior Statutory Auditor)

For and on behalf of:

Scrutton Bland LLP  
Chartered Accountants & Statutory Auditor  
820 The Crescent  
Colchester Business Park  
Colchester  
Essex  
CO4 9YQ

Date:

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**INCOME AND EXPENDITURE ACCOUNT**

**YEAR ENDED 31 MARCH 2022**

	Note	2022 £	2021 £
<b>Revenue</b>	3	<b>15,664,842</b>	15,803,855
Employee costs	5	<b>(7,729,746)</b>	(7,514,478)
Defined benefit pension staff cost adjustment	5/13f	<b>(1,939,000)</b>	(858,000)
Other operating charges		<b>(7,659,969)</b>	(7,486,724)
<b>Operating deficit</b>	4	<b>(1,663,873)</b>	(55,347)
Interest receivable		-	-
Defined benefit pension interest adjustment	13f	<b>(268,000)</b>	(193,000)
<b>Deficit on ordinary activities before taxation</b>		<b>(1,931,873)</b>	(248,347)
Income tax expense		-	-
<b>Deficit for the financial year</b>		<b>(1,931,873)</b>	(248,347)

The deficit for the financial year before and after adjustments required under IAS 19 in respect of defined benefit pension schemes is as follows:

<b>Operating surplus after tax</b>	<b>275,127</b>	802,653
Defined benefit pension scheme charges:		
Staff costs adjustment	<b>(1,939,000)</b>	(858,000)
Interest costs	<b>(268,000)</b>	(193,000)
<b>Deficit for the financial year</b>	<b>(1,931,873)</b>	(248,347)

All of the activities of the Company are classed as continuing.

**The notes on pages 15 to 34 form part of these financial statements.**

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED 31 MARCH 2022**

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	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
<b>Deficit for the financial year</b>		<b>(1,931,873)</b>	<b>(248,347)</b>
Actuarial gains/(losses) arising from pension liabilities	13b	<b>3,473,000</b>	<i>(12,973,000)</i>
Difference between expected and actual return on pension fund assets and other actuarial movements	13b	<b>3,105,000</b>	<i>8,818,000</i>
<b>Total recognised deficit for the year</b>		<b><u>4,646,127</u></b>	<b><u>(4,403,347)</u></b>

**The notes on pages 15 to 34 form part of these financial statements.**

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**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 31 MARCH 2022**

	Defined benefit pension scheme reserve £	Income and expenditure account excluding pension reserve £	Total £
Balance at 1 April 2020	(8,811,000)	1,027,439	(7,783,561)
(Deficit)/Surplus for the financial year	(1,051,000)	802,653	(248,347)
Other comprehensive income for the year	(4,155,000)	-	(4,155,000)
Balance at 31 March 2021	(14,017,000)	1,830,092	(12,186,908)
(Deficit)/Surplus for the financial year	(2,207,000)	275,127	(1,931,873)
Other comprehensive income for the year	6,578,000	-	6,578,000
Balance at 31 March 2022	(9,646,000)	2,105,219	(7,540,781)

The notes on pages 15 to 34 form part of these financial statements.

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2022**

	Note	31 March 2022 £	31 March 2021 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	262,263	579,653
<b>Current assets</b>			
Trade and other receivables	7	2,160,201	2,181,544
Cash and cash equivalents	8	1,664,913	1,596,444
		<u>3,825,114</u>	<u>3,777,988</u>
<b>Total assets</b>		<u>4,087,377</u>	<u>4,357,641</u>
<b>Equity</b>			
<b>Reserves</b>			
Defined benefit pension scheme reserve		(9,646,000)	(14,017,000)
Income and expenditure account – excluding defined benefit pension scheme reserve	9	2,105,219	1,830,092
<b>Total equity</b>		<u>(7,540,781)</u>	<u>(12,186,908)</u>
<b>Non-current liabilities</b>			
Defined benefit pension fund liability	13a	9,646,000	14,017,000
Lease liabilities – long term		142,787	437,445
		<u>9,788,787</u>	<u>14,454,445</u>
<b>Current liabilities</b>			
Trade and other payables	10	1,374,003	1,561,336
Provisions	11	301,491	264,760
Lease liabilities – short term		163,877	264,008
<b>Total current liabilities</b>		<u>1,839,371</u>	<u>2,090,104</u>
<b>Total liabilities</b>		<u>11,628,158</u>	<u>16,544,549</u>
<b>Total equity and liabilities</b>		<u>4,087,377</u>	<u>4,357,641</u>

Authorised by the Board on 27 July 2022 and signed on its behalf by

.....  
Mr D Paterson  
Director

Company registration number: 04843624

**The notes on pages 15 to 34 form part of these financial statements.**

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**STATEMENT OF CASH FLOW**

**YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Deficit for the financial year	<u>(1,931,873)</u>	<u>(248,347)</u>
<b>Non-cash adjustments</b>		
Depreciation	<b>242,391</b>	243,417
Profit on disposal of fixed assets	<b>(40,360)</b>	-
Increase in provisions	<b>36,731</b>	34,899
Defined benefit scheme pension adjustment	<b>2,207,000</b>	1,051,000
	<u><b>2,445,762</b></u>	<u>1,329,316</u>
<b>Cash flows before changes in working capital</b>	<b>513,889</b>	1,080,969
<b>Increase in working capital</b>		
Decrease/(Increase) in trade and other receivables	<b>21,343</b>	626,402
(Decrease)/Increase in trade and other payables	<b>(187,333)</b>	(1,315,420)
	<u><b>(165,990)</b></u>	<u>(689,018)</u>
<b>Net cash flows from operating activities</b>	<b>347,899</b>	391,951
<b>Cash flows from investing activities</b>		
<b>Net cash flows from investing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Repayment of leasing liabilities	<b>(279,430)</b>	(254,056)
<b>Net cash flows used in financing activities</b>	<u><b>(279,430)</b></u>	<u>(254,056)</u>
<b>Net increase in cash and cash equivalents</b>	<b>68,469</b>	137,895
Cash and cash equivalents at the beginning of the year	<b>1,596,444</b>	1,458,549
<b>Cash and cash equivalents at end of the year</b>	<u><b>1,664,913</b></u>	<u>1,596,444</u>

The notes on pages 15 to 34 form part of these financial statements.



# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS'S

The Company's financial statements for the year were authorised for issue on 27 July 2022 and the statement of financial position signed on the board's behalf by D Paterson. Colchester Borough Homes Limited is a private company limited by guarantee, incorporated in England and Wales. Its registered number is 04843624. The registered office is Rowan House, 33 Sheepen Road, Colchester, Essex, CO3 3WG.

The Company's financial statements have been prepared in accordance with UK adopted international accounting standards (IASs) and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out in note 2.

### 2. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements are presented in sterling, are rounded to the nearest £1 and have been prepared under the historical cost basis. Sterling is also considered to be the functional currency of the Company.

#### Going concern

The financial statements show net assets before pension liabilities of £2,100,373 (2021 : £1,830,092) but net liabilities of £7,545,627 (2021 : £12,186,908) once the provision for pension liabilities is included. The financial statements have been prepared on the basis of a going concern, on the assumption that the core funding from the Council in future years will enable the increased pension contributions to be met.

The directors have prepared cashflow forecasts which anticipate that the company will be able to continue to meet its liabilities as they fall due and the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of approving these financial statements. For this reason the directors adopt the going concern basis in preparing the accounts.

#### Revenue

Revenue principally comprises of income derived from the Council and is stated exclusive of Value Added Tax.

Income received from the Council is for the management of Colchester Borough Homes and also relates to specific projects for which the money is earmarked. Costs are also recharged direct to the Council in respect of additional property services work outside the management fee.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 2. ACCOUNTING POLICIES (continued)

#### Pension costs and other post-retirement benefits

The Company participates in the Local Government Pension Scheme, administered by Essex County Council, where benefits are currently provided based on career average revalued earnings. The assets of the scheme are held separately from those of the Company.

There are no minimum funding requirements but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Company is exposed to a number of risks:

- Investment risk - The Fund holds investment 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, the 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 future liability cashflows. As the Fund holds assets such as equities the value 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 to the extent that the assets are not linked to inflation; and
- Longevity risk - In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Company e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using a quality corporate bond rate.

Pension scheme assets are valued at fair value at the reporting date.

The pension scheme deficit is recognised in full on the statement of financial position. There are no deferred tax implications.

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# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 2. ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

The depreciation basis for right-of-use assets is disclosed in the leased assets accounting policy on page 18.

#### Cash and cash equivalents

The Company's bank balances are managed as part of the treasury operations of the 'Council'. Each evening the balances are aggregated with those of the Council and placed on overnight deposit.

#### Financial instruments

Short term debtors are measured at transaction price, less any impairment.

Short term creditors are measured at the transaction price.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Provisions

Provisions are recognised when the Company has a present obligation that arises as a consequence of a past event, it is probable that an outflow of resources will be required to settle that obligation and the obligation can be reliably estimated. The provisions are measured as the estimated expenditure that will be required to settle such obligations as at the date of the statement of financial position.

A provision has been included for the expected reinstatement costs of the Company's offices at the end of the lease.

The Company recognises a provision for the annual leave accrued by employees as a result of services rendered in the current period, and which employers are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 2. ACCOUNTING POLICIES (continued)

#### Leased assets

For any new contracts entered into the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the company has the right to direct the use of the identified asset throughout the period of use.

The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 2. ACCOUNTING POLICIES (continued)

#### Leased assets (continued)

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

#### Current and deferred taxation

Any operating profit of the Company, before IAS 19 defined benefit pension scheme adjustments, arising from savings of overhead costs compared to the core funding provided by the 'Council', is non-taxable. Taxation is chargeable only on the profit from its activities with other housing organisations.

#### Standards that have been issued but not yet effective

The below accounting standards have been issued but are not yet effective. The initial application of these standards is not expected to significantly affect the financial statements.

- IAS 28 IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter) (effective for periods commencing on or after 1 January 2022).
- IFRS 3 Business Combinations – Amendments updating a reference to the Conceptual Framework (effective for periods commencing on or after 1 January 2022).
- IFRS 9 Financial Instruments – Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fee in the '10 per cent' test for derecognition of financial liabilities) (effective for periods commencing on or after 1 January 2022).
- IFRS 17 Insurance Contracts – Original issue (effective for periods commencing on or after January 2023).
- IFRS 17 Insurance Contracts – Amendments regarding implementation challenges of the original issue (effective for periods commencing on or after January 2023).

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 2. ACCOUNTING POLICIES (continued)

#### Standards that have been issued but not yet effective (continued)

- IAS 1 Presentation of financial statements – Amendments regarding the classification of liabilities (effective for periods commencing on or after 1 January 2023).
- IAS 1 Presentation of financial statements – Amendments to defer the effective date of the January 2020 amendments (effective for periods commencing on or after 1 January 2023).
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to help distinguish between accounting estimates and accounting policies (effective for periods commencing on or after 1 January 2023).
- IAS 12 Income Taxes – Amendments regarding the clarification of the deferred tax treatment on transactions such as leases and decommissioning obligations (effective for periods commencing on or after 1 January 2023).
- IAS 16 Property, Plant and Equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective for periods on or after 1 January 2022).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments regarding the costs to include when assessing whether a contract is onerous (effective for periods on or after 1 January 2022).

#### Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the Company's directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The key judgements and estimation uncertainty that have a significant risk of causing material misstatement to the carrying amounts of assets and liabilities within the next financial year are those made in respect of the defined benefit pension scheme.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31 March 2022 amounts to £9,646,000. Further details of the assumptions made are disclosed in note 13.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 3. REVENUE

The revenue and loss before tax are attributable to the one principal activity of the Company.

All revenue arose in the United Kingdom.

An analysis of revenue by class of business is given below:

	2022 £	2021 £
Rendering of services	<u>15,664,842</u>	<u>15,803,855</u>

### 4. OPERATING DEFICIT

The operating deficit is stated after charging/(crediting) the following:

	2022 £	2021 £
<b>Included in administrative expenses:</b>		
Auditor's remuneration - audit of the financial statements	<u>16,050</u>	<u>14,550</u>
<b>Internal audit</b>		
Internal audit related to services provided by Mazars LLP	-	4,352
Internal audit related to services provided by TIAA Ltd	<u>31,750</u>	<u>29,050</u>

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

**5. EMPLOYEE COSTS**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>5,969,655</b>	5,782,787
Employer pension contributions	<b>1,172,690</b>	1,156,620
Social security costs	<b>587,401</b>	575,071
Total employee costs	<b>7,729,746</b>	7,514,478
Additional employee related costs:		
Redundancy payments	<b>6,703</b>	36,843
Agency costs	<b>299,466</b>	280,500
Other staff costs	<b>268,533</b>	324,590
Recruitment	<b>4,167</b>	18,524
Training and seminars	<b>111,989</b>	58,889
	<b>8,420,604</b>	8,233,824
IAS 19 defined benefit pension cost adjustment	<b>1,939,000</b>	858,000
	<b>10,359,604</b>	9,091,824

The average monthly number of employees during the year was made up as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Housing	<b>91</b>	90
Property services	<b>73</b>	71
Resources	<b>34</b>	36
Senior management	<b>11</b>	11
Design team	<b>6</b>	6
	<b>215</b>	214

The directors' aggregate remuneration in respect of qualifying services was:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	<b>86,091</b>	113,104
Employer pension contributions to defined contribution plans	<b>15,861</b>	21,266
	<b>101,952</b>	134,370



# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

### 5. EMPLOYEE COSTS (continued)

In the year, the number of directors receiving remuneration was 3 (2021: 2). This decrease in numbers was as a result of the position of CEO changing hands during the prior year.

In the year, the number of directors to whom retirement benefits are accruing in respect of qualifying services was 2 (2021 : 1).

All directors are entitled to be reimbursed for expenses incurred in performance of their duties. During the year these amounted to £304 (2021 : £94).

### 6. PROPERTY, PLANT AND EQUIPMENT

At 31 March 2022

	Property £	Equipment £	Motor Vehicles £	Total £
<b>Cost</b>				
At 1 April 2021	741,064	25,588	303,288	1,069,940
Additions	-	22,006	-	22,006
Disposals	(534,305)			(534,305)
At 31 March 2022	<u>206,759</u>	<u>47,594</u>	<u>303,288</u>	<u>557,641</u>
<b>Depreciation</b>				
At 1 April 2021	309,526	19,449	161,312	490,287
Charge for the year	154,102	8,295	79,994	242,391
Depreciation on disposal	(437,300)	-	-	(437,300)
At 31 March 2022	<u>26,328</u>	<u>27,744</u>	<u>241,306</u>	<u>295,378</u>
<b>Net book value</b>				
At 31 March 2022	<u>180,431</u>	<u>19,850</u>	<u>61,982</u>	<u>262,263</u>
At 1 April 2021	<u>431,538</u>	<u>6,139</u>	<u>141,976</u>	<u>579,653</u>

Included in the above line items are right of use assets as follows:

	<b>Net book value £</b>
Property	180,431
Equipment	19,850
Motor Vehicles	61,982
	<u>262,263</u>

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

**At 31 March 2021**

	Property £	Equipment £	Motor Vehicles £	Total £
<b>Cost</b>				
At 1 April 2020	741,064	25,588	303,288	1,069,940
At 31 March 2021	<u>741,064</u>	<u>25,588</u>	<u>303,288</u>	<u>1,069,940</u>
<b>Depreciation</b>				
At 31 March 2020	155,758	10,235	80,877	246,870
Charge for the year	153,768	9,214	80,435	243,417
At 31 March 2021	<u>309,526</u>	<u>19,449</u>	<u>161,312</u>	<u>490,287</u>
<b>Net book value</b>				
At 31 March 2021	<u>431,538</u>	<u>6,139</u>	<u>141,976</u>	<u>579,653</u>
At 1 April 2020	<u>585,306</u>	<u>15,353</u>	<u>222,411</u>	<u>823,070</u>

Included in the above line items are right of use assets as follows:

	Net book value £
Property	431,538
Equipment	6,139
Motor Vehicles	<u>141,976</u>
	<u>579,653</u>

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 7. TRADE AND OTHER RECEIVABLES

	2022 £	2021 £
The Council	2,007,860	2,062,920
Other receivables	(727)	5,334
Prepayments and accrued income	153,068	113,290
	<u>2,160,201</u>	<u>2,181,544</u>

### 8. CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash at bank and in hand	<u>1,664,913</u>	<u>1,596,444</u>

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at the end of the year:

	2022 £	2021 £
Cash at bank and in hand	<u>1,664,913</u>	<u>1,596,444</u>

### 9. RESERVES

#### Company limited by guarantee

The Company is limited by guarantee and has no share capital. The liability of the member, the Council, in the event of winding-up is limited to £1.

### 10. TRADE AND OTHER PAYABLES

	2022 £	2021 £
Payable to trade suppliers	53,075	295,160
Other payables	117,254	119,992
Taxation and social security payable	401,176	463,853
Accruals and deferred income	802,498	682,331
	<u>1,374,003</u>	<u>1,561,336</u>

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**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

**11. PROVISIONS**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Provision for building reinstatement:</b>		
Balance brought forward	<b>93,581</b>	91,010
Movement for year	<b>(16,474)</b>	2,571
	<u><b>77,107</b></u>	<u>93,581</u>
<b>Environmental provision:</b>		
Balance brought forward	<b>4,180</b>	4,180
Movement for year	-	-
	<u><b>4,180</b></u>	<u>4,180</u>
<b>Provision for privately leased building venture:</b>		
Balance brought forward	<b>15,381</b>	11,821
Movement for year	-	3,560
	<u><b>15,381</b></u>	<u>15,381</u>
<b>Provision for holiday pay:</b>		
Balance brought forward	<b>151,618</b>	122,850
Movement for year	<b>53,205</b>	28,768
	<u><b>204,823</b></u>	<u>151,618</u>
Total provisions carried forward	<u><b>301,491</b></u>	<u>264,760</u>

The holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 12. FINANCIAL INSTRUMENTS

	2022 £	2021 £
<b>Financial assets</b>		
Financial assets which are debt instruments measured at amortised cost	<u>2,007,132</u>	<u>2,068,254</u>
	<u>2,007,132</u>	<u>2,068,254</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>958,327</u>	<u>1,082,933</u>
	<u>958,327</u>	<u>1,082,933</u>

Financial assets measured at amortised cost comprise balances due from the Council and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

The Company's exposure to credit risk is limited to the carrying value of its loans and receivables.

All of the Company's financial liabilities are due for payment within one year. The Company manages the related liquidity risk through the preparation of profit and cash flow forecasts, regular monitoring of actual performance against these forecasts, and ensuring that adequate sources of finance are in place to meet the requirements of the business.

The Company does not have any financial assets or liabilities measured at fair value so has no significant exposure to market risk.

The Company prepares reserves and cash flow forecasts, and regularly monitors actual performance against these forecasts in order to ensure that adequate sources of finance are in place to meet the requirements of the business. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company has access to group debt finance.

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

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**13. PENSION COMMITMENTS**

(a) The assets and liabilities of the pension scheme at 31 March were:

	<b>2022</b>		<i>2021</i>	
	<b>% of scheme assets</b>	<b>Value £</b>	<i>% of scheme assets</i>	<i>Value £</i>
Equities	<b>60.0%</b>	<b>28,611,000</b>	<i>63.3%</i>	<i>27,058,000</i>
Bonds	<b>6.8%</b>	<b>3,225,000</b>	<i>7.4%</i>	<i>3,171,000</i>
Properties	<b>8.2%</b>	<b>3,908,000</b>	<i>7.0%</i>	<i>3,014,000</i>
Cash	<b>2.5%</b>	<b>1,209,000</b>	<i>2.5%</i>	<i>1,077,000</i>
Alternative assets	<b>12.4%</b>	<b>5,889,000</b>	<i>11.5%</i>	<i>4,916,000</i>
Other managed funds	<b>10.1%</b>	<b>4,810,000</b>	<i>8.3%</i>	<i>3,538,000</i>
		<hr/>		<hr/>
Total market value of assets		<b>47,652,000</b>		<i>42,774,000</i>
		<hr/>		<hr/>
Present value of scheme liabilities		<b>(57,298,000)</b>		<i>(56,791,000)</i>
		<hr/>		<hr/>
Net estimated pension liability		<b>(9,646,000)</b>		<i>(14,017,000)</i>
		<hr/> <hr/>		<hr/> <hr/>

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 13. PENSION COMMITMENTS (continued)

The following information was received from the administering authority regarding the detail of the Fund's assets as at 31 March 2022, representing the percentages of the total Fund held in each asset class .

#### Asset breakdown

31 March 2022

Equities	60%
Gilts	2%
Other bonds	4%
Property	8%
Cash/temporary investments	3%
Alternative Assets	12%
Other managed funds	10%
<b>Total</b>	<b><u>100%</u></b>

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

**13. PENSION COMMITMENTS (continued)**

(b) Asset and liability reconciliation:

	2022 £	2021 £
<b>Reconciliation of liabilities</b>		
Liabilities at start of period	56,791,000	41,109,000
Service cost	3,106,000	1,969,000
Interest cost	1,133,000	963,000
Employee contributions	389,000	383,000
Change in financial assumptions	(3,590,000)	14,209,000
Change in demographic assumptions	-	(724,000)
Settlements and curtailments	-	16,000
Benefits paid	(648,000)	(622,000)
Experience loss on defined benefit obligation	117,000	(512,000)
	<u>57,298,000</u>	<u>56,791,000</u>

	2022 £	2021 £
<b>Reconciliation of assets</b>		
Assets at start of period	42,774,000	32,298,000
Interest on assets	865,000	770,000
Return on assets less interest	3,105,000	8,818,000
Employer contributions	1,188,000	1,151,000
Employee contributions	389,000	383,000
Benefits paid	(648,000)	(622,000)
Administrative expenses	(21,000)	(24,000)
Other actuarial gains/(losses)	-	-
	<u>47,652,000</u>	<u>42,774,000</u>

(c) Return on scheme assets:

There was a positive return on scheme assets in 2021/22. This figure will vary year on year depending on the assumptions made and the underlying distribution of the fund's assets which will vary during the year and as a result it is not appropriate to break down the return on assets across the different asset categories. Actual returns on scheme assets have been positive and amounted to £3,970,000 for the year to 31 March 2022.



# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

### 13. PENSION COMMITMENTS (continued)

(d) A full actuarial valuation was carried out for the defined benefit scheme at 31 March 2020 and updated to 31 March 2022 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were:

	2022	2021
	%	%
Major assumptions:		
Rate of increase in salaries	4.20	3.85
Rate of increase in pensions in payment	3.20	2.85
Discount rate	2.60	2.00

(e) Movement in deficit during the year:

	2022	2021
	£	£
At 1 April 2021	<b>(14,017,000)</b>	<i>(8,811,000)</i>
Current service cost	<b>(3,106,000)</b>	<i>(1,985,000)</i>
Net interest cost	<b>(268,000)</b>	<i>(193,000)</i>
Actuarial gains/(losses) (note 13(b))	<b>6,578,000</b>	<i>(4,155,000)</i>
Employer contributions	<b>1,188,000</b>	<i>1,151,000</i>
Administrative costs	<b>(21,000)</b>	<i>(24,000)</i>
At 31 March 2022	<b><u>(9,646,000)</u></b>	<i><u>(14,017,000)</u></i>

The Council supports the annual pension contributions due from Colchester Borough Homes, including the back funding, through the management fee.

Defined benefit pension disclosures are not on the same basis as the triennial actuarial review of the pension fund valuation and the two are for different purposes. These disclosures are a one-off assessment at the year-end for accounting disclosure purposes. The calculations required for disclosure under IFRSs are more prescriptive. At the current time they emphasise the liabilities and produce a net obligation on the statement of financial position that is higher than the triennial valuation position.

While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to Colchester Borough Homes or indeed ALMOs generally. There is a national problem for defined benefit pension funds both private and public sector.
- The Essex County Council Pension Fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

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**13. PENSION COMMITMENTS (continued)**

(f) Analysis of the amount charged to the income and expenditure account:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Current service cost	<b>3,106,000</b>	<i>1,985,000</i>
Employer contributions	<b>(1,188,000)</b>	<i>(1,151,000)</i>
Administration Costs	<b>21,000</b>	<i>24,000</i>
Adjustment to the income and expenditure account	<b><u>1,939,000</u></b>	<i><u>858,000</u></i>

Analysis of amounts charged to finance costs:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Other finance costs: expected return on assets in the scheme	<b>865,000</b>	<i>770,000</i>
Other finance costs: interest costs	<b>(1,133,000)</b>	<i>(963,000)</i>
Net cost	<b><u>(268,000)</u></b>	<i><u>(193,000)</u></i>

During the year to 31 March 2022 the employer contribution rate was 20.2%.

(g) Life assumptions:

	<b>2022</b>	<b>2021</b>
Life expectancy:		
Current pensioner aged 65		
male	21.6	21.6
female	23.7	23.6
Future pensioner aged 65 in 20 years' time		
male	23.0	22.9
female	25.1	25.1

**COLCHESTER BOROUGH HOMES LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2022**

**13. PENSION COMMITMENTS (continued)**

(h) Sensitivity analysis

	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	56,052	57,298	58,573
Projected service cost	3,035	3,140	3,248
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	57,411	57,298	57,186
Projected service cost	3,142	3,140	3,138
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	58,451	57,298	56,170
Projected service cost	3,248	3,140	3,036
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	59,582	57,298	55,105
Projected service cost	3,268	3,140	3,016

The primary limitation of the above sensitivity analysis calculations is that each variable is considered individually, however in reality all variables are inter-related and therefore these calculations do not constitute a complete analysis.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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### 14. RELATED PARTY TRANSACTIONS

#### Ultimate controlling party

The Company is an Arms Length Management Organisation under the ultimate control of the Council, which is also the immediate parent undertaking. The members of the Council are considered to be the ultimate controlling parties.

Key management personnel received remuneration of £331,122 (2021 : £353,393). This included pension contributions of £49,477 (2021 : £52,924).

During the year, Colchester Borough Homes Limited received income of £14,915,895 (2021 : £14,183,640) from Colchester Borough Council for the Management Fee, Capital recharges and other services. During the year, Colchester Borough Homes Limited paid £449,934 (2021 : £458,292) to Colchester Borough Council for support services.

At the year end Colchester Borough Homes Limited was owed £2,007,860 (2021 : £2,062,920) by Colchester Borough Council.

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**MANAGEMENT INFORMATION**

**YEAR ENDED 31 MARCH 2022**

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**The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 6 to 9.**

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**DETAILED INCOME STATEMENT**

**YEAR ENDED 31 MARCH 2022**

	£	2022 £	2021 £
<b>Revenue</b>			
Management fee		9,936,331	9,940,180
Capital fee		3,205,538	3,442,480
Trading income		685,122	1,384,870
Sundry income		85,656	35,345
Other income		1,752,195	1,000,980
		<u>15,664,842</u>	<u>15,803,855</u>
<b>Operating costs (before defined benefit pension scheme adjustment)</b>			
Employee costs	8,420,604		8,233,824
Premises costs	113,947		82,508
Other operating costs	1,301,480		1,272,698
Service delivery direct costs	5,553,684		5,412,172
		<u>15,389,715</u>	<u>15,001,202</u>
<b>Surplus on ordinary activities</b>		275,127	802,653
Defined benefit pension scheme staff cost adjustments		(1,939,000)	(858,000)
Defined benefit pension scheme interest adjustment		(268,000)	(193,000)
<b>Deficit on ordinary activities post defined benefit pension scheme adjustments and pre taxation</b>		<u>(1,931,873)</u>	<u>(248,347)</u>

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE DETAILED INCOME STATEMENT**

**YEAR ENDED 31 MARCH 2022**

	£	2022 £	2021 £
<b>Employee costs</b>			
Salaries	5,969,655		5,782,787
Employers national insurance contributions	587,401		575,071
Staff pension contributions	1,172,690		1,156,620
		<b>7,729,746</b>	7,514,478
Redundancy payments	6,703		36,843
Agency	299,466		280,500
Other staff costs	268,533		324,590
Recruitment	4,167		18,524
Training and seminars	111,989		58,889
		<b>690,858</b>	719,346
		<b>8,420,604</b>	8,233,824
Defined benefit pension costs adjustment		<b>1,939,000</b>	858,000
		<b>10,359,604</b>	9,091,824
<b>Premises costs</b>			
Rent	67,648		21,054
Utilities	10,337		14,094
Repairs and maintenance	22,572		24,993
Other premises costs	13,390		22,367
		<b>113,947</b>	82,508
<b>Other operating costs</b>			
Travel and subsistence	40,047		47,773
Telephone	67,024		82,561
Printing, postage and stationery	59,048		48,064
Publicity and marketing	35,091		35,436
IT and other equipment	71,051		105,475
Insurance	92,942		115,826
Catering	11,405		3,982
Support services	449,934		458,292
Internal auditors remuneration	31,750		34,851
Auditors remuneration	16,050		14,550
Professional fees and consultants	223,756		47,730
Other expenses	(16,420)		13,152
P&L on disposal of fixed assets	(40,360)		-
Depreciation	242,391		243,417
Interest payable	13,911		18,774
Bank charges	1,766		2,815
Corporation tax	2,094		-
		<b>1,301,480</b>	1,272,698

**COLCHESTER BOROUGH HOMES LIMITED  
COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE DETAILED INCOME STATEMENT**

**YEAR ENDED 31 MARCH 2022**

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	£	2022 £	2021 £
<b>Service delivery direct costs</b>			
Sub-contractors	4,800,225		4,840,439
Materials	538,350		367,066
Vehicle expenses	63,806		59,125
Ex gratia payments	11,781		36,906
Grants	125,280		94,175
Other service delivery direct costs	14,242		14,461
		<u>5,553,684</u>	<u>5,412,172</u>



# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## ANNUAL GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2022

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### 1. Scope of Responsibility

Colchester Borough Homes (CBH), formed in October 2003, is the Arms-Length Management Organisation of Colchester Borough Council (CBC), responsible for the management and maintenance of the Council's homes and transferred general fund services. In 2021/22, these were primarily financed from the Council through a Management Fee of £9,936,000. This fee also includes professional fees to manage capital and revenue projects, Corporate Facilities management fee and CBH Revenue work costs. The capital projects costing £3,206,000 are paid directly by CBC.

There is a formally binding Management Agreement between the Council and CBH in place until August 2023, and a recently agreed extension of 5 years will extend the agreement until August 2028. This clearly sets out the governance arrangements that should apply between the two parties and complies with national best practice.

CBH is managed by a Board comprising at least three Council nominees, three tenants, four independent members (including the Chair) and the Chief Executive. The Memorandum and Articles of Association were revised and approved in 2017, Colchester Borough Homes is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Three committees report to the Board: Finance & Audit, Operations & Performance and Governance & Remuneration. Additionally, there is also a Residents Voice Panel. These all have formal, approved terms of reference, which are reviewed annually.

### 2. The Purpose of the Governance Framework

Good governance leads to good management, good performance, good stewardship, good public engagement and ultimately good outcomes for citizens and the service user. Good governance enables the Company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises of the systems, processes, culture and values by which the Company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the Company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process, designed to:

- identify and prioritise the risks to the achievement of the Company's policies, aims and objectives

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## ANNUAL GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2022

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- to evaluate the likelihood of those risks being realised and the impact should they be realised
- to manage them efficiently, effectively, and economically.

The governance framework has been in place at Colchester Borough Homes for the year ended 31 March 2022 and up to the date of approval of the financial statements of accounts. Colchester Borough Homes exercises control through:

Colchester Borough Homes exercises control through:

- Corporate governance arrangements outlined in the Memorandum & Articles of Association, the NHF Code of Governance and the Standing Financial Instructions.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal annual appraisal system using 'check-ins' (monthly) and 'Quarterlies' through the MyContribution App.
- The preparation of forecasts and budgets that allow the committees and the executive officers to monitor the key business risks and financial objectives, and identify variances arising during the monthly reporting cycle.
- Business planning based on a Strategic Plan, that sets out key actions to enable CBH to achieve its goals for the ensuing year, and the Medium Term Delivery Plan which is approved by CBC. This cascades through supporting Service Plans and individual performance appraisals (quarterlies). The key aims of the Strategic Plan are:
  - ✓ Customer Plan
    - To deliver services that reflects the needs and diversity of our customers
    - To make it easy for customers to do business with us
    - To improve Customer Satisfaction
  - ✓ Value for Money, Technology and Investment Plan
    - To invest money in a way that helps customers and communities
    - To use technology to do things better
    - To get the most for the money we spend
  - ✓ People Plan
    - To support our staff to do the best job possible
    - To make CBH a great place to work

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## ANNUAL GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2022

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- ✓ Business Development Plan
  - To protect services by looking after the future of the business
  - To bring in extra income to invest in our services
- ✓ Leadership Plan
  - To show we can be trusted to do what we say we will
  - To be clear about our organisational goals and how to achieve them
- ✓ Community Plan
  - To raise awareness of our work in the community
  - To bring together organisations and residents for the benefit of the community

The Executive Management and the Board carry out regular reviews of performance against objectives and targets detailed in the Strategic Plan.

### 3. Review of Effectiveness

Colchester Borough Homes conducts, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Executive Directors and Corporate Management Team within the Company, who have responsibility for the development and maintenance of the governance environment. This is supported by the Internal Audit's annual report, and by comments made by external auditors and other review agencies and inspectorates.

The company has produced a Strategic Plan, setting out the direction of the company until 2022. This combined with the Medium Term Delivery Plan are the primary guiding documents for the Company. From these plans, Key Performance Indicators (KPIs) and projects are produced. A performance and scrutiny framework is in place to review and monitor delivery against these. This is a combination of Board, corporate management, tenant and CBC scrutiny as well as benchmarking against other providers.

CBH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of:

- The Board receiving quarterly progress reports on delivery of the Strategic plans and the Medium Term Delivery Plan.
- The Governance & Remuneration Committee considering significant staffing matters.
- The Finance & Audit Committee considering Internal Audit reports throughout the year, reviewing how well strategic risks are identified and managed, and monitoring financial performance against budgets.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## ANNUAL GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2022

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- The Finance & Audit Committee monitoring the regular review of key policies against an agreed policy review timetable.
- The Residents Voice, consisting of involved residents and Resident Board Members, reviewing policies which affect services to Residents, influencing decisions about housing services, challenging and scrutinising performance and oversee the Community investment fund.
- The Operations and Performance Committee reviewing and scrutinising the performance of the Strategic plans and the Medium Term Delivery Plan. Reviewing performance against the Business Development Plan and scrutinising new business opportunities. Reviewing resident engagement, social value and complaints.
- The monthly review and update of the Board and Committee work plan.

CBH will ensure that its arrangements to monitor the effectiveness of its governance arrangements remain in place and reflect best practice.

### Internal Audit

Internal Audit is delivered through a contract with TIAA Ltd from 1<sup>st</sup> April 2020 for the next 5 years.

The audit plan was delivered, with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly by the due date. Reports were presented to each Finance & Audit Committee of progress against the audit plan as well as the status of outstanding recommendations.

Internal Audit performance is subject to annual review by the external auditor of CBH in order that they can place reliance on its audit work. The Company provided the Council with the following assurance regarding the robustness of its governance arrangements during the year:

- Internal Audit reports
- Board and Committee Work Plan
- The Annual Report, which incorporates the Head of Internal Audit's annual report (including an opinion on the effectiveness of the company's systems of internal control)

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## ANNUAL GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2022

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### External Audit

External Audit of the annual financial statements is undertaken by Scrutton Bland LLP with a view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work, Scrutton Bland LLP will consider whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland LLP will issue a report to management at the conclusion of the audit work. This will include a management letter that will contain comments and recommendations for improvements in operations and internal control in respect of the Company. This will be discussed with management prior to the issue of the final report. The report will also include details of significant adjusted and unadjusted items that arise as a result of the audit work.

The Finance & Audit Committee considers the external auditor's report and recommends adoption of the financial statements to the Board.

### 4. Significant Governance Issues completed in 2021/22

The significant governance issues raised in 2020/21 and actioned in 2021/22 were:

- **Development of new Strategic Plan 2022 - 2027**  
A working group consisting of the executive team and three Board Members developed the new strategic plan. Consultation took place with all stakeholders and the plan is due for launch in May 2022.
- **Induction of new Board Members and briefings of new administration.**  
Two new Board members were inducted and the Chair and CEO attended the briefing sessions for the new administration.
- **Conduct a Board Effectiveness Review**  
In line with best practice (every 3 years), Central Consultancy were commissioned to conduct a Board Effectiveness Review, completing in April 2022.
- **Data protection training for all staff**  
A new e-learning course was developed specifically for CBH with 93% of staff having completed it by the 31<sup>st</sup> March 2022.

# COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## ANNUAL GOVERNANCE STATEMENT

YEAR ENDED 31 MARCH 2022

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### 5. Significant Governance Issues to be addressed in 2022/23

The following significant governance issues have been raised through the Board and Committee work plan to be completed in 2022/23.

- Implement the findings of the Board Effectiveness Review.
- Update of the Management Agreement and associated schedules in line with the action plan agreed at the time of extension.
- Induction of new Board Members and briefings of new administration.

#### Action Plan

An action plan is set out below to address the governance issues that have been identified. Progress against this plan will be monitored by the Finance and Audit Committee and Board.

Description	Action	Responsibility	Target Completion Date
Board Effectiveness Review	Implement the findings of the Board Effectiveness Review.	Chair and Governance business partner	March 2023
Management Agreement Action Plan	Ensure the CBH contribution is well planned, consulted on and that the overall plan remains on target	DMT	January 2023
New Administration	Prepare and deliver briefings to new Portfolio Holders for Housing, Resources and Communities	DMT and Chair	September 2022

Through completing this action plan the Company is satisfied that it will have made the improvements that were identified in its review of effectiveness.

Signed: \_\_\_\_\_  
(Chair of the Board)

Signed: \_\_\_\_\_  
(Chair of the Finance & Audit Committee)

Signed: \_\_\_\_\_  
(Director of Business Improvement)