

DRAFT



Colchester
City Council



STATEMENT
OF **ACCOUNTS**

2025-2026



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Narrative Statement

Organisational Overview and External Environment

The Statement of Accounts for Colchester City Council for the year ended 31st March 2026 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 2025/26 (“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 Accountability Act 2014. The Regulations introduced earlier deadlines for publication of the Statement of Accounts. The deadline for publication of the unaudited Statement of Accounts for 2025/26 is 30th June 2026 and 31st January 2027 for the audited Statement of Accounts, which must be approved by the Governance and Audit Committee.

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

The City of Colchester spans approximately 333 square kilometres in northeast Essex, sharing borders with Suffolk to the north, and the Essex districts of Tendring to the east, Braintree to the west, and Maldon to the southwest. As of the latest 2021 Census, Colchester remains the most populous district in Essex, with an estimated population of 192,700.

Colchester was officially granted city status on 23 November 2022, as part of the late Queen Elizabeth II’s Platinum Jubilee celebrations. This recognition reflects Colchester’s rich heritage as Britain’s oldest recorded town and its ongoing growth as a vibrant urban centre.

At the heart of the district lies the city of Colchester itself, surrounded by a network of villages and smaller towns, each with its own distinct character. Notably, parts of the northern area fall within the Dedham Vale National Landscape, a protected area of outstanding natural beauty.

The largest settlements outside the city include Wivenhoe, Tiptree, and West Mersea. Mersea Island, located in the south of the district, forms Colchester’s principal coastal area and is a popular destination for both residents and visitors.

The historic city centre, broadly defined by the Roman city walls, remains a focal point for commerce, culture, and leisure. It is home to one of the busiest shopping destinations in the Eastern region, alongside a growing number of cultural venues, museums, and attractions. Colchester continues to be an increasingly desirable place to live, work, and invest.

The City Council comprises 51 councillors across 17 wards and operates under the Leader and Cabinet model. Following the May 2026 local elections, the Council is governed by a joint Conservative and Liberal Democrat administration, with Cllr Paul Dundas (Conservative) serving as Leader and Cllr David King (Liberal Democrat) as Deputy Leader

The current political composition is:

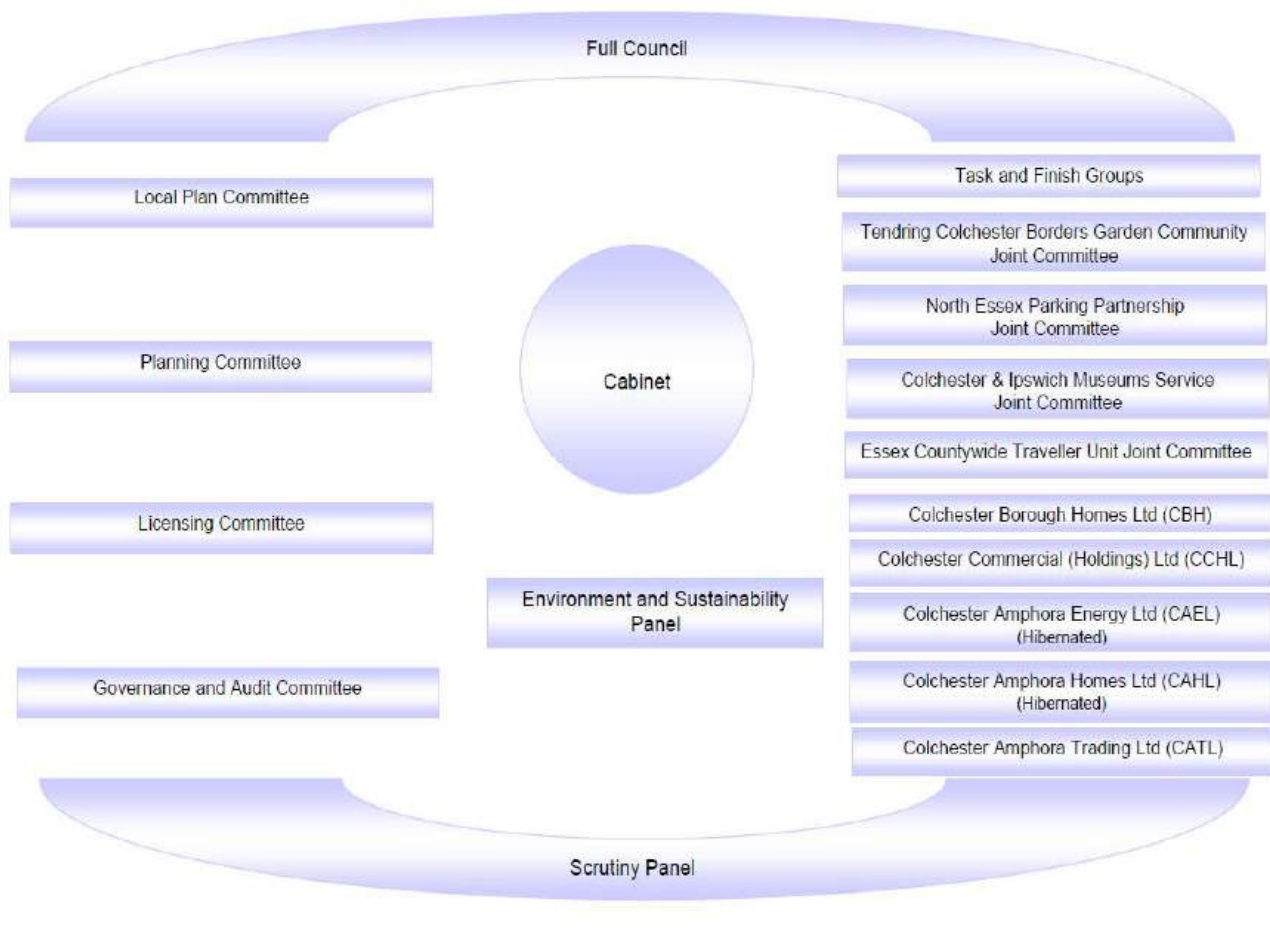
- Conservative: 18 councillors
- Liberal Democrat: 12 councillors
- Labour: 9 councillors
- Reform UK: 5 councillors
- Progressive Independents Alliance: 4 councillors
- Green Party: 3 councillors

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 2025/26 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 five 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 2025/26.



The Cabinet

The Cabinet is the main executive body of the Authority and comprises the Leader of the Council and seven other Councillors each of whom have a portfolio of responsibilities delegated to them via a Scheme of Delegation by the Leader.

The Cabinet leads the implementation of Council policy within the Council's budget and the Policy Framework. In doing this the Cabinet carries out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the Council's Constitution.

Scrutiny Panel

The Scrutiny Panel scrutinises and reviews corporate strategies, policies and the development of policies. It has key role in holding the Cabinet to account for its actions, budgetary and financial performance matters.

Licensing Committee

The Licensing Committee deals with and determines the Authority's responsibilities in relation to licensing activities such as Hackney carriage & private hire, liquor, gaming, entertainment, food and other miscellaneous licensing matters.

Planning Committee

The Planning Committee deals with and determines the Authority's planning and development control responsibilities including the determination of planning applications.

Governance and Audit Committee

The Committee has delegated responsibility from the Full Council to consider and determine:

- The approval of the Council's Statement of Accounts and review the Council's annual audit letter;
- Deal with the Council's financial management, governance, risk management and audit arrangements;
- Member code of conduct complaints

The Management of the Council

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

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

The Senior Leadership Board works closely with the Senior Leadership Team which consists of the Senior Leadership Board and Service Directors (who manage the delivery of the Council's services).

As required by law the Full Council has appointed a Head of Paid Service, Monitoring Officer and S151 Officer. 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 or if the Authority's governance arrangements are failing.

Operational Model

Organisations consolidated within the Group Accounts

There have been no changes during 2025/26 to the organisations consolidated into the Group Accounts. The Group Accounts include Colchester Borough Homes Ltd (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.
- Homelessness and 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. CCHL is in turn the 100% owner of Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd

(CAHL) and Colchester Amphora Trading Ltd (CATL). CCHL also manages some of the Council's Towns Fund Programme.

During 2024/25 and in line with the agreed strategy, CCHL hibernated the business operations of CAEL and CAHL, and transferred Amphora's Estates Team to the Council's Corporate Landlord Service. During 2025/26, CATL continued to focus on its three core revenue streams of:

- Amphora Connect (including Colchester Fibre) - Fibre Infrastructure Build & Wholesale / ISP Provider, and Digital Design & Technical Services
- Amphora Place (including Colchester Events) - Events & Venue Management, City Strategic Events Programming and developing Placemaking Proposals
- Amphora Enable (ie Helpline) – Council based Out-of-Hours Call Service, City focused CCTV monitoring and North Essex Falls Service

Risks & Opportunities

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 Leadership Board, and Operational and Project Risk Registers that are produced by individual service areas and project teams, 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.

Strategy and resource allocation

Please note that the performance information relating to the Strategic Plan Delivery Plan and Corporate Key Performance Indicators (KPIs) is a draft subject to any amendments following formal approval by Cabinet on 22 June 2026.

The Strategic Plan

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

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

Cabinet agreed changes to the council's Strategic Plan Delivery Plan (SPDP) refreshed set of actions in October 2025. No changes have been made to the 6 overarching Strategic Plan Outcomes or the Priorities Full Council agreed which underpin them.

Performance against these goals is monitored quarterly through 50 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 Red, Amber and Green (RAG) Status for each action.

At the year end point for April 2025 – March 2026, the overall position is that 35 of 50 Actions (70%) were completed or on track with a RAG Status of Green, 15 Actions marked as Amber (30%).

A summary of completed activities for the last quarter of 2025-2026 and planned activities for the first quarter of 2026-2027 against each of the six objectives can be found below.

Respond to Climate Emergency (4 green and 6 amber activities)

Implemented a structured fly-tipping training framework to ensure wardens are trained consistently and to an agreed, court-ready standard. This includes specialist training in investigations, interviews, evidence handling and case file preparation. The Fleet Strategy and provision of vehicles was confirmed. The Waste Strategy commenced with food waste from flats and the wheeled bin order and distribution was prepared. Communications, calendars, and new service details were prepared and published for introducing a new household collection scheme in line with Government requirements.

A report will be drafted and submitted to Cabinet on the future strategy for responding to the Climate Emergency in the light of LGR then refresh and implement the Climate Emergency Action Plan up to April 2028. The pilot scheme for kerbside waste collections will commence in June and the roll out will continue from July to November.

Deliver homes for those most in need (10 green)

The total number of affordable homes completed in 2025–26 was 128, bringing the total for 2023–26 to 527 homes, against a target of 380. 32 homes have been completed through the Council's buy-back scheme, and a further 25 homes have been delivered through the Council's housebuilding programme. To increase the supply and quality of temporary accommodation, Cabinet approved the Accelerated Acquisitions Programme. Activity to regulate standards and conditions in the private and social rented sectors has also continued, including site inspections for licensing purposes to ensure quality, alongside targeted inspections relating to health hazards. These activities have enabled the identification and resolution of issues through enforcement and intervention where necessary.

Planned activities for the first quarter of 2026–27 will continue to focus on maximising the delivery of affordable homes and meeting budgeted targets through the acquisition of properties and the construction of new council homes via the Housebuilding Programme. Following Cabinet approval of the Accelerated Acquisitions Programme, 15 properties will be brought forward to 2026-27, resulting in a total of 65 acquisitions and buy-backs in 2026-27.

Grow our economy so everyone benefits (4 green and 2 amber activities)

Town Deal and Levelling Up projects have continued to progress successfully, with mobilisation commenced for St Botolph's Circus; a grant bid for the Holy Trinity Church project submitted to the National Lottery Heritage Fund; and preparations underway to begin works at Trinity Square in April. In developing and maintaining key business partnerships, the focus has been on refreshing the Colchester Ambassadors engagement and developing liaison with Colchester's Business Improvement District (BID) to focus on key initiatives. As part of the review of the Economic Strategy, in preparation for its renewal, a draft of the new plan has been developed and tested with officers and portfolio holders.

The first quarter of 2026–27 will see the commencement of on street works at St Botolph's Circus and the East Hill cycleway, the continued delivery of works at Trinity Square, and the entering into contract for the Heart of Greenstead build. All key initiatives will involve close collaboration with partners, including the launch of a new programme of Colchester Ambassadors visits and continued effective liaison with BID. The draft new Economic Strategy will be tested with Cabinet Members and subsequently progressed to adoption governance

Improve health, well-being, and happiness (8 green and 1 amber activities)

As planned under the Equality Diversity and Inclusion (EDI) framework, the Enhanced Adoption Leave Policy has been completed and published. Anonymised recruitment is ready to be launched in April 2026. A programme of bespoke internal training sessions has commenced, with the first session focusing on neurodiversity and receiving very positive feedback. Prevention activity has continued, with the Colchester Community Safety Partnership reporting reductions in drug offences, antisocial behaviour and knife crime, achieved by youth engagement projects and the launch of Essex's first Tiptree Community Alcohol Partnership. Colchester Against Modern Slavery, now comprising 50 organisations, has continued its work towards a slavery free Colchester by engaging with organisations, community groups, and public through a programme of impactful conferences, training, and awareness raising events. Outreach activity has continued to enhance opportunities for the most vulnerable residents, in relation to financial equality and employment. Preparations have been made for the transition to supporting residents through the new Crisis and Resilience Fund, replacing the Household Support Fund and Discretionary Housing Payments.

Planned activities for the first quarter of 2026–27 include the publication of the new EDI Strategy and continued collaboration with colleagues at Braintree and Tendring District Councils to review workplace diversity and inclusion and define related objectives. Within the framework of the Asset Based Community Development (ABCD) approach, the 'Communities Can' e-learning module will be relaunched to support the empowerment of Colchester's communities. Following assessment and subject to Portfolio Holder approval, tender packs for the delivery of play parks will be awarded, enabling works to commence. Colchester Against Modern Slavery (CAMS) also aims to expand its networks through closer collaboration with the Southend and Chelmsford Anti Slavery Partnerships.

Deliver modern services for a modern city (3 green, 4 amber)

Following the UK Government's "minded to" decisions on Local Government Reorganisation (LGR) and the appointment of the LGR Programme Manager, a high level Colchester LGR programme plan has been established and system working groups continue to meet regularly. The Fit for the Future Greening, Street Care & Safety service specification is nearing completion, and work on the costing model has commenced. Delivery of the newly approved Customer Strategy has begun. Consistent customer service standards and KPIs are being embedded across teams. Within the museums service, planning for the Natural History Museum redevelopment has been progressing and a £500,000 grant from Museum Estate and Development Fund has been secured for urgent tower restoration. The roll out of co-mingled collections for flats, kerbside and businesses, along with food waste collections for flats and kerbside properties, has been completed, with routes designed and implemented as required. Procurement for 140,000 wheeled bins has been completed and a new staging site identified.

In the context of Local Government Reorganisation, the activities planned for the first quarter of 2026–27 include refining the programme plan and dependencies and starting closer engagement with Tendring and Braintree District Councils. Regular liaison with the wider shadow and implementation teams will ensure activities are aligned. The phased migration of content and services to the new Colchester website will continue, with ongoing user testing and feedback informing further improvements. For kerbside and business pilot wheeled bin collection areas, new pilot routes will be implemented, preceded by communications to residents and bin delivery.

Celebrate our city, heritage, and culture (6 green and 2 amber activities)

Improvements to Castle Park including the redevelopment of Children's Play Area have been completed and are ready to be open to the public in early April 2026. Works started on the roof replacement at the Castle. A contractor has been appointed to start work on the mosaic display in Lion Walk. As part of a programme to engage residents, schools and attract

tourism the 'Discover' exhibition in Hollytrees Museum featuring a rare 6-metre-long dinosaur skeleton opened ahead of the Easter Holidays attracting international media interest.

During the first quarter of 2025–26, capital works at the Castle will continue and works on the Lion Walk mosaic will commence. The project team will undertake a mid stage review for the Natural History Museum redevelopment, followed by public consultation later that month. The team will continue to build on the interest generated by the dinosaur specimen at Hollytrees Museum and promote wider museum events and activities. First quarter grants to Strategic Arts Partners have been secured, with progress or board meetings to be attended with all recipients. Planning for the Cultural and Creative Events Fund 2027 will also commence.

Performance

Corporate Key Performance Indicators for 2025-26

The Council has agreed nineteen 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 KPIs which are aligned 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

At the year end point for April 2025 – March 2026, the overall position is that the targets for **twelve** KPIs have been achieved ('green'), and **five** did not meet the target in full ('red'). For **three** of the KPIs, year-end data is not yet available due to regulatory processes. These results will be included in this draft report once they are published.

Of the **twelve** KPIs that have been achieved ('green' KPI's), it is worth noting that some have been exceeded.

This is the case of the **Council Tax collection**, where collection has remained strong throughout the year. As a result, the cumulative level of collection exceeded the target of 97.5%. **Housing Benefit claims and changes** were processed quickly, with an average time of 2.71 days, exceeding the target. The team also achieved strong overpayment recovery, collecting over £750k, significantly more than last year. **Local Council Tax Support** processing also performed well, with Pension Age claims processed within 3.26 days, below the 5-day target. (Working Age figures are unavailable due to scheme changes). Overall performance of both the KPIs remains strong and consistent with previous years.

Excellent performance has been achieved in **Rent Collection from Tenants** with performance at 99.28%. Throughout the financial year, the Housing Management team maintained a strong focus on supporting residents to sustain their tenancies and to prevent arrears from accruing. This proactive approach is reflected in the fact that there were only two evictions due to rent arrears during the year.

The proportion of **Repairs Completed within the Target Timescale** reached 93.91%, exceeding the annual target of 91%. This positive outcome reflects continuous improvement within the service, particularly greater operational consistency and stronger scheduling and planning

arrangements. Performance also compares very favourably with peer organisations and remains within the upper quartile.

The average **Number of Days to Relet Low-cost Rental Accommodation** in 2025–26 was just under 43 days, exceeding the annual target of 55 days. This strong outcome reflects the close monitoring of the end-to-end void management process throughout the year.

Overall **customer satisfaction with repairs** for the year was just under 92%, exceeding the target of 90%. Satisfaction with repairs completed by the in-house team remained consistent throughout, while satisfaction with repairs delivered by contractors showed some fluctuation; however, the performance gap narrowed over time, contributing positively to the overall result. This improvement has been supported by raising issues at contractor meetings and ensuring early intervention where required, leading to stronger performance and increased customer satisfaction.

In relation to **social value in procurement** during 2025-26, 13 of 18 contracts awarded with a contractual spend above £100k included Social Value (SV), meaning our performance of £72.22% at year-end exceeded the target.

Another KPI that exceeded its annual target is **garden waste contracted bin subscriptions**. The number of individual bins contracted during the 2025–26 subscription period was 28,600 against a target of 27,000.

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

- Business Rates (NNDR) collected
- Number of households in temporary accommodation per 1,000 households
- Percentage of homes that do not meet the decent homes standard
- Sickness (Corporate)
- Sickness (Waste and Recycling)

Business Rates (NNDR) collected. Collection performance remained broadly consistent throughout the 2025–26 financial year, reflecting the team's continued focus on maximising income and delivering an efficient service. The year end collection rate finished 0.59%pt. below the 98% target. Analysis shows this variance was primarily attributable to national economic pressures, which led to several large businesses entering administration, restructuring, or ceasing trading. As a result, legal write offs totalling over £430k were required for businesses including Alexander Cleghorn, Chandlers (Kent Blaxhill), River Island, Poundland and Hobbycraft. Had these businesses remained solvent, the collection target would have been achieved. Similar reductions in collection levels were also reported by neighbouring authorities.

Number of households in temporary accommodation per 1,000 households. The service experienced very high demand during the year, with levels remaining above the monitoring target despite proactive interventions that prevented or relieved homelessness for 362 households. The approach to securing temporary accommodation has been reviewed and formalised to better reflect levels of need and case complexity. This formalised approach will support aligning opportunities with requirements, informed by learning from projects and other accommodation provision. The service remains focused on achieving best value acquiring better low-cost temporary accommodation and identifying opportunities to mitigate future demand.

Percentage of homes that do not meet the decent homes standard. Performance against the Decent Homes Standard remained strong, with only 0.23% of properties failing to meet the target at year end. This equates to 14 properties that do not currently meet the standard. While this means the Council's target was narrowly missed, performance represents an improvement on the previous year (0.5%pt.). Access constraints to complete the works have been a contributing factor to the

year-end position. CBH continues to work proactively with tenants to establish effective working arrangements and complete the necessary Decent Homes works in these properties.

Sickness (Corporate). The year ended with an average of 8.87 days’ sickness absence per FTE, which remains above the target of 8 days per FTE. However, absence levels reduced by 11% over the year, down from 9.99 days, equating to approximately 800 fewer working days lost to sickness compared with the previous year. Targeted measures have been introduced to strengthen oversight and enable earlier intervention in service areas with higher levels of sickness absence, with performance in the final months of the year indicating a positive impact. In response to rising mental health-related absence, a dedicated mental health pathway has also been developed for managers and employees, providing a clear, structured and supportive approach from early identification through to the management of short- and long-term absence. The pathway is scheduled to launch in May 2026.

Sickness (Waste and Recycling). The year-end sickness absence figure stands at 12.83 days per FTE, marginally above the 12 day target. However, absence levels have reduced significantly over the year, falling from 15.85 days per FTE in April 2025, representing an almost 20% reduction. This improvement reflects effective absence management and earlier interventions to support staff back into work. It is anticipated that this approach will continue to reduce absence levels over the coming year. In addition, the phased introduction of wheelie bins under the new waste strategy is expected to help lower musculoskeletal and back-related injuries, although the full benefits may not be realised until the service rollout is complete during 2026-27.

The key Corporate Performance Indicators April 2025 – March 2026 are presented below:



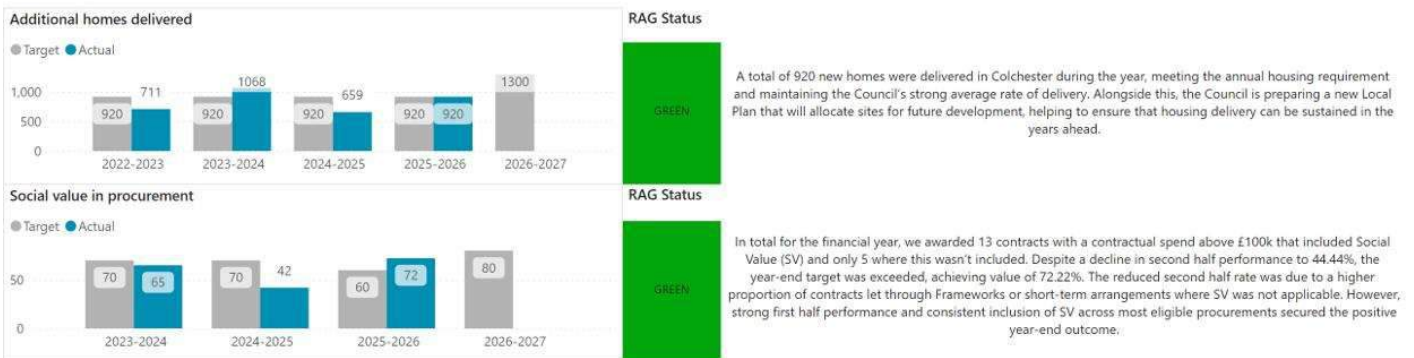
Improve health, wellbeing and happiness



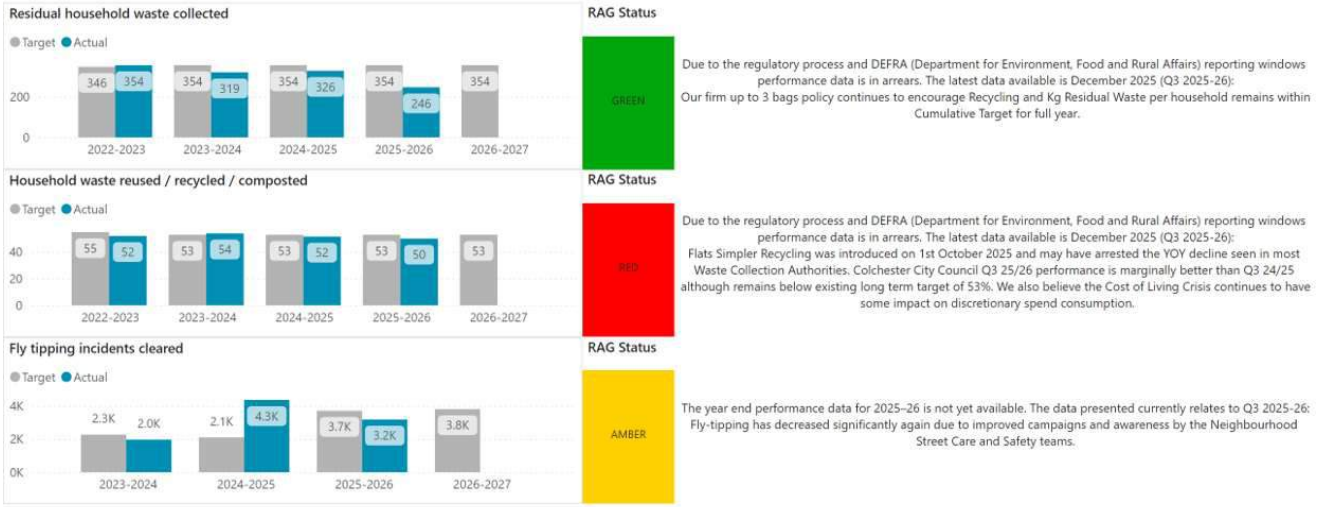
Improve health, wellbeing and happiness



Grow our economy so everyone benefits



Respond to the climate emergency



Deliver homes to those most in need



Deliver homes to those most in need



Financial Performance Summary 2025/26

REVENUE

General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2025/26.

General Fund Services 2025/26	Net Expenditure		Variance
	Budget	Outturn	
	£000's	£000's	£000's
Corporate & Democratic Core	559	631	72
Senior Leadership Board	1,635	1,542	(93)
Modern City Services	9,107	9,516	409
CNG Leisure Park	(517)	(517)	-
Corporate Landlord	4,108	4,060	(48)
Corporate Services	9,168	10,862	1,695
Enjoy Colchester	(858)	(131)	728
Place & Prosperity	(164)	(802)	(638)
ICT & Digital Systems	3,590	3,560	(29)
Housing & Wellbeing	2,987	4,342	1,355
Total Service Budgets	29,613	33,063	3,450
<i>Central Income & Expenditure</i>	3,698	1,605	(2,093)
Corporate Funding	(33,311)	(34,826)	(1,515)
Net Totals	-	(158)	(158)

For 2025/26, the Council's outturn financial position is a c£0.2m surplus/underspend against a budget of £29.6m. This is the net position after the application of Reserves. This shows a nil movement when compared to the Q3 forecast position. This small surplus comprises a mixture of overspends and underspends in service areas offset by Corporate, Income & Expenditure which has contributed c.£3.6M. This is due to a reduction in Interest Payable and Interest Receivable along with the reduction in MRP costs following the application of Capital Receipts on Asset disposals. The key picture for the year is that demand – led pressures are concentrated in a few areas rather than being widespread. Housing (which includes Temporary Accommodation) and Corporate Services are the main drivers of overspends this year. Place & Prosperity is helping offset that with stronger income performance. A number of mitigations were put in place such as the introduction of 'Beyond The Box' which without its implementation would have seen costs increase by c.£1.9M.

Housing Revenue Account

The table below summarises the outturn on the HRA for 2025/26 compared to 2024/25.

Housing Revenue Account 2025/26	Net Expenditure		Variance
	2024/25	2025/26	
	£000's	£000's	£000's
Total Income	(39,237)	(40,581)	(1,344)
Total Expenditure	71,558	40,878	(30,680)
Net Cost of Services (inc. in CIES)	32,321	297	(32,024)
Corporate Expenses charged to HRA	585	(2,541)	(3,126)
Net Cost/(Income) of HRA Services (inc. in CIES)	32,906	(2,244)	(35,150)
Other Accounting Adjustments	5,046	5,263	217
(Surplus)/Deficit on HRA Services	37,952	3,019	(34,933)
Statutory Adjustments	(39,622)	(4,500)	35,122
Increase/(Decrease) in Balances in Year	(1,670)	(1,481)	189

Reserves Movements

Housing Revenue Account 2025/26	Net Expenditure		Variance
	2024/25	2025/26	
	£000's	£000's	£000's
Balance at 1 April	(4,379)	(6,049)	1,670
Increase/(Decrease) in Balances in Year	(1,670)	(1,481)	(189)
HRA Balances 31st March	(6,049)	(7,530)	1,481

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 and have no impact on the General Fund Reserve). Note 2 to the Accounts reconciles the two different positions in accordance with the Code. A simplified summary is presented in the table below:

	General Fund	HRA	Total Net Expenditure	Capital Adjs	Pension Adjs	Other Accounting Adjs	Net Expenditure
Net Cost of Services (Inc HRA)	43,826	(1,872)	41,954	27,057	(2,550)	-	66,461
Other Income and Expenditure	(45,366)	4,891	(40,475)	(4,656)	(5,583)	13,007	(37,707)
Surplus/Deficit	(1,540)	3,019	1,479	22,401	(8,133)	13,007	28,753
Opening GF/HRA Balances (Inc Earmark Reserves)	(28,912)	(6,049)	(34,961)				
Net Movement to Reserves	6,065	(1,480)	4,585				
Closing Balances	(22,847)	(7,529)	(30,376)				
Closing Balances Analysed							
General Fund Balance	(3,664)		(3,664)				
Earmark Reserves	(19,183)		(19,183)				
HRA Balance		(7,529)	(7,529)				
Closing Balances General Fund & HRA	(22,847)	(7,529)	(30,376)				

General Fund Balances

The Housing Revenue Account made an operational gain of £1.540m. After adjustments through reserves of £7.607m reduction resulting in downward movement in balances of

£6.065. That reduced the General Fund balances and Earmarked Reserves from £28.912m to £22,847m These are resources available to be used by the council.

Housing Revenue Account Balances

The Housing Revenue Account made an operational loss of £3.019m. After adjustments through reserves of £4.499m upwards movement. This means total movements in balances of £1,480 upwards. That lifted the HRA useable reserves from £6.049m to £7.529m These are resources available to be used by the council.

Capital

The table below summarises the Capital Expenditure outturn for 2025/26 in comparison with 2024/25.

Description	2024/25	2025/26
	£000's	£000's
General Fund	14,847	18,632
Housing Revenue Account (HRA)	37,797	40,371
Total Capital Programme	52,644	59,003

For 2025/26, the Council had a Capital Budget of £27,968k and has delivered £18,632k of capital spend in-year, which was an increase of £3,785k when compared to 2024/25. There was c.£9,400k of slippage in the Capital Programme during 2025/26.

Expenditure on the HRA Capital Programme in 2025/26 was broadly in line with expenditure in 2024/25; however, this was short of the overall budget provision of £47,225k. The most significant item of slippage related to the Home Improvement Programme (HIP), with an impact of c.£4,500k.

BALANCE SHEET

Usable Reserves

The overall balance on Usable Reserves reduced from £44.465 million to £36.577 million (i.e. down £6.485 million) over the year. Year-end usable balances comprised the following:

Movement on Usable Reserves 2025/26			
Description	31-Mar-25	31-Mar-26	Movement
	£000's	£000's	£000's
General Fund Balance	(5,796)	(3,663)	2,133
General Fund Earmarked Reserves	(23,116)	(19,184)	3,932
Housing Revenue Account Balance	(6,049)	(7,530)	(1,481)
Capital Reserves	(8,101)	(6,200)	1,901
Total Usable Reserves	(43,062)	(36,577)	6,485

Other Reserve Movements

The most significant contributions to reserves were the Business rates gain (£3.8m), budgeted contributions to the Repairs and Renewals reserve (£0.8m) and the General Fund reserve (£0.6m).

The most significant use of reserves were the targeted/planned use of the Turnstone reserve (£1.7m), the Fit for the Future reserve (£1.2m), the Revenue Grants unapplied reserve (£0.7m), the Repairs and Renewal reserve (£0.4m) and the City Investment Fund reserve (£0.4m) to fund expenditure in service budgets.

A full summary of the Council's Earmarked Reserves can be found in Note 10 on Page 53 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 2025/26 as the system and the numbers continued to settle down following the pandemic-driven upheaval experienced in 2020/21 and 2021/22.

The 2025/26 council tax outturn is a £1,570k deficit (£188k Colchester share) compared to the assumptions set at 2025/26 budget setting. This comprises a £96k in-year 2025/26 deficit and an additional £1,474k deficit brought forward from 2024/25.

The 2025/26 NNDR outturn is a £2,152k surplus (£861k Colchester share) compared to the estimated position set at 2025/26 budget setting. This comprises a £339k in-year 2025/26 deficit, offset by a brought forward surplus of £2,491k from 2024/25.

The Collection Fund carried an overall Surplus as at 31st March 2026 of £582k.

Financial Outlook

The Council's MTFE is our forward-looking financial framework that forecasts income and expenditure over a multi-year period, aligns financial resources with the council's strategic priorities and statutory duties, and supports decision-making by identifying funding gaps, risks, and opportunities.

As with many local authorities, the Council faces a challenging medium-term outlook. Following the 2025/26 Local Government Finance Settlement, which again set out a one-year funding agreement, the forecast budget gaps are as follows.

	2026/27	2027/28	2028/29	2029/30	Total
Budget Deficit (£m)	3.3	2.6	1.4	1.3	8.6

The Council has commenced budget planning for 2026/27. The focus will be on delivering cost reductions whilst minimising the impact on services and residents, and maximising income where possible.

The government has committed that the local government finance system would be reformed ahead of 2026/27 accompanied by a multi-year settlement following conclusion of the Spending Review 2025. MHCLG launched a local government funding consultation in June which concluded in August. This poses risks for the Council including funding formula reform and updates to the needs assessment formula, and the Business Rates Reset. It is difficult to quantify these risks at present and the Council works closely with external advisors to monitor.

In February 2025, it was announced that Greater Essex would be included in the Government's Devolution Priority Programme with a commitment to Local Government Reorganisation of the current two-tier system and existing unitary councils. On 25th March 2026, it was announced that Greater Essex would be reorganised into five unitary authorities, with Colchester City Council being amalgamated with Braintree District Council and Tendring District Council to form a new North East Essex unitary authority. Elections to the new authority are scheduled to take place in May 2027, with the new unitary authorities formally taking on the responsibilities of the existing authorities from 1st April 2028.

Looking forward the Council therefore does face significant financial uncertainty. However, through prudent financial management we do have considerable financial resilience including healthy financial reserves, and are committed to address existing budget gaps through the identification of savings or via securing additional income. The s151 officer does not currently assess there to be a risk of issuing a s114 notice in the short to medium term.

Key financial statements set out within this document

Movement in Reserves Statement: This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves', i.e. those that can be applied to fund expenditure or reduce local taxation, and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amount's chargeable to council tax or rents for the year. The net increase/(decrease) line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

Comprehensive Income and Expenditure Statements: This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Balance Sheet: The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, e.g. the capital receipts reserve may only be used to fund capital expenditure or repay debt. The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, e.g. the revaluation reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement: The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital, i.e. borrowing, to the Council.

Statement of Responsibilities for the Statement of Accounts

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate:

I certify that the accounts give a true and fair view of the financial position of the Council as of 31 March 2026 and its income and expenditure for the year then ended.

Anna D'Alessandro FCPA & CPFA
Interim Chief Finance Officer (Section 151 Officer)
XX January 2027

The Council's Responsibilities

The Council must:

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

I confirm that these accounts were approved by the Governance Committee at the meeting held on XX January 2027.

Councillor Alison Jay
Chair of Governance and Audit Committee
Signed on behalf of Colchester City Council
XX January 2027

Movement in Reserves Statement

2025/26	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	Total Usable Reserves	Unusable Reserves	Total Council Reserves			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2025	(5,796)	(6,049)	(23,116)	(8,095)	(6)	(43,063)	(530,293)	(573,356)			
(Surplus)/deficitt on the provision of services (accounting basis)	(1,542)	3,019	-	-	-	1,477	-	1,477			
OtherComprehensive Income and Expenditure	-	-	-	-	-	-	3,131	3,131			
Total Comprehensive Income and Expenditure	(1,542)	3,019	-	-	-	1,477	3,131	4,608			
Adjustments between accounting and funding basis under regulation - note 9	7,607	(4,499)	-	1,901	-	5,009	(5,009)	-			
Net increase/decrease before transfers to Earmarked reserves	6,065	(1,480)	-	1,901	-	6,486	(1,879)	4,608			
Transfers to/from Earmarked reserves - note 10	(3,932)	-	3,932	-	-	-	-	-			
(Increase)/Decrease in Year	2,133	(1,480)	3,932	1,901	-	6,486	(1,879)	4,608			
Balance at 31 March 2026	(3,663)	(7,530)	(19,184)	(6,194)	(6)	(36,578)	(532,169)	(568,746)			

2024/25	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	Total Usable Reserves	Unusable Reserves	Total Council Reserves			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2024	(6,917)	(4,380)	(22,709)	(10,454)	(6)	(44,466)	(540,213)	(584,682)			
(Surplus)/deficitt on the provision of services (accounting basis)	9,349	37,952	-	-	-	47,301	-	47,301			
OtherComprehensive Income and Expenditure	-	-	-	-	-	-	(35,980)	(35,980)			
Total Comprehensive Income and Expenditure	9,349	37,952	-	-	-	47,301	(35,980)	11,321			
Adjustments between accounting and funding basis under regulation - note 9	(8,635)	(39,621)	-	2,359	-	(45,897)	45,897	-			
Net increase/decrease before transfers to Earmarked reserves	714	(1,669)	-	2,359	-	1,404	9,917	11,321			
Transfers to/from Earmarked reserves - note 10	407	-	(407)	-	-	-	-	-			
(Increase)/Decrease in Year	1,121	(1,669)	(407)	2,359	-	1,404	9,917	11,321			
Balance at 31 March 2025	(5,796)	(6,049)	(23,116)	(8,095)	(6)	(43,063)	(530,293)	(573,356)			

Comprehensive Income and Expenditure Statement

2024/2025			N o t e s	2025/2026			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
4,471	(26)	4,445		Corporate & Democratic Core	5,557	(26)	5,531
54,990	(41,243)	13,747	Corporate Services	47,629	(34,095)	13,534	
21,808	(13,918)	7,890	Enjoy Colchester	16,244	(14,402)	1,842	
17,493	(10,235)	7,258	Housing and Wellbeing	17,944	(9,999)	7,945	
77,081	(39,132)	37,949	Housing Revenue Account	49,369	(40,970)	8,399	
18,963	(7,641)	11,322	Modern City Services	20,434	(7,427)	13,007	
15,285	(8,272)	7,013	Place and Prosperity	10,382	(8,490)	1,892	
228	(318)	(90)	Senior Leadership Board	126	(126)	(0)	
591	(656)	(65)	Transformation & Business Imp	598	(523)	75	
210,909	(121,441)	89,468	COST OF SERVICES	168,282	(116,057)	52,225	
2,947	-	2,947	Other Operating Expenditure	11	619	(73)	546
8,644	(10,766)	(2,122)	Financing and Investment Income and Expenditure	12	2,904	(12,221)	(9,318)
-	(42,992)	(42,992)	Taxation and Non-Specific Grant Income	13	-	(41,976)	(41,976)
222,500	(175,199)	47,301	(Surplus) or Deficit on Provision of Services	171,805	(170,327)	1,477	
		(40,272)	Surplus or deficit on revaluation of fixed assets	28			(11,389)
		1,115	Remeasurement of net pension liabilities (Restated Ref Note 41)	40			3,001
		(39,157)	Other Comprehensive Income and Expenditure				(8,388)
222,500	(175,199)	8,144	Total Comprehensive Income and Expenditure	171,805	(170,327)	(6,911)	

Balance Sheet

	Notes	31-Mar-26	31-Mar-25
		£'000	£'000
Property Plant and Equipment	14	785,984	775,549
Heritage Assets		1,610	1,362
Investment Property	15	40,535	43,181
Intangible Assets		74	-
Long term Investments		6	6
Pension Asset*	40	-	-
Long Term Debtors	19	5,351	5,920
Investment in subsidiaries	20	1,580	1,579
Long Term Assets		835,140	827,597
Assets Held for Sale		14,542	-
Inventories	22	243	247
Short Term Debtors	23	25,293	16,958
Short Term Investments		-	-
Short Term Loan		-	-
Cash and Cash Equivalents	24	16,958	29,863
Current Assets		57,036	47,068
Short Term Creditors	25	(35,127)	(35,672)
Short Term Borrowing	18	(72,500)	(51,566)
Short Term Provisions	26	92	(1,184)
Revenue grants RIA		(6,078)	(4,531)
Current Liabilities		(113,613)	(92,953)
Long Term Creditors		(35,802)	(30,398)
Long Term Provisions	26	(114)	(114)
Long Term Borrowing	18	(140,394)	(140,394)
Capital Grants RIA		(33,510)	(31,537)
Pension Liabilities*	40		(5,914)
Long Term Liabilities		(209,819)	(208,357)
Net Assets		568,744	573,355
Usable Reserves	27	(36,599)	(43,062)
Unusable Reserves*	28	(532,145)	(530,293)
Total Reserves		(568,744)	(573,355)

Cash Flow Statement

	Notes	2025/26 £000	2024/25 £000
Net surplus or (deficit) on provision of services		(1,477)	(47,301)
Adjustments to net surplus or deficit on provision of services for non-cash movements	29	54,686	135,366
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	(1,973)	(4,890)
Net cash flows from Operating Activities		51,236	83,175
Investing Activities	30	(37,055)	(70,290)
Financing Activities	31	(1,276)	(1,726)
Net Increase or (decrease) in cash and cash equivalents		(12,905)	11,159
Cash and cash equivalents at the beginning of the reporting period	24	29,863	18,704
Cash and cash equivalents at the end of the reporting period		16,958	29,863

Notes to the Financial Statements

Note 1 Accounting Policies

AP 1 - General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year end of 31 March 2026. 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 2025/26 ('the Code') 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

The only change to the Council's existing accounting policies in the 2025/26 financial year is the implementation of new requirements in respect of revaluations of property, plant and equipment, as outlined within the relevant accounting policy.

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 (for NNDR) central government, 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

Employees of the Council are members of the Local Government Pension Scheme, administered by Essex County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of Essex 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 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.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at fair value or current value are formally revalued by an independent external valuer at least once every five years. From 1 April 2025, the Code requirements changed in respect of revaluations of property, plant and equipment, meaning that the Council revalues its assets once every five years with annual indexation applied to assets during the four intervening years. Where the Council cannot obtain indices without undue cost or effort, the relevant assets are revalued using a quinquennial revaluation with a desktop revaluation in year three.

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 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. Furthermore, Colchester 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.

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 that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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. However, 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 detailed within the accounting policy for property, plant and equipment.

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 highly liquid 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.

Certain 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 the relevant policies.

AP 20 – Leases - Council as Lessee

From 1 April 2024, the Council has applied IFRS 16 Leases as adopted by the Code. The new accounting standard requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

Under IFRS 16, right-of-use assets held under leases are recognised on the Balance Sheet at the commencement of the lease, measured at cost based on the present value of the lease payments

plus any payments made before the commencement date. Initial direct costs of the Council are added to the carrying amount of the asset. The asset recognised is matched by a liability for the obligation to make the lease payments (measured at their present value).

Lease payments are apportioned between:

- a charge for the acquisition of the right to use 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. 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 and revaluation and impairment losses are therefore 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 for the difference between the two.

Where leases are for items of low value, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

AP 21 – Contingent Liabilities and Contingent Assets

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.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

AP 22 - Interests in Companies

The Council has material interests in companies that have the nature of subsidiaries and therefore require the Council to prepare group accounts. In the Council's own single-entity accounts, the interests in these subsidiaries are recorded as financial assets at cost, less any provision for losses.

AP 23 – Joint Operations

Joint operations are arrangements whereby the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement.

The Council currently operates a joint operation in terms of its parking service (NEPP North Essex Parking Partnership). The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and adjusts the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the income it earns from the activities of these operations.

AP 24 - Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. 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.

AP 25 - Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

AP 26 - Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provide more reliable or relevant information about the effect of transactions, other events and condition on the Council's financial position or performance. Where a change is made, it is normally applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Exceptionally, the 205/26 Code provides that changes to the valuation of non-investment assets as set out in the Code will be applied prospectively, with no restatement of prior year figures.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

AP 27 – Inventories

Inventories are measured at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange basis in which case their cost is deemed to be fair value at the date of acquisition. Inventories are also measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In this context inventories do not include work in progress under construction contracts and financial instruments.

AP 28 – Long-Term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Accounting Adjustments	Total Adjustments	Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
Corporate & Democratic Core	1,006	4,524	-	-	4,524	5,531
Corporate Services	16,986	(2,930)	(523)	-	(3,453)	13,534
Enjoy Colchester	(1,978)	4,416	(596)	-	3,820	1,842
Housing and Wellbeing	2,885	5,152	(92)	-	5,060	7,945
Housing Revenue Account	(13,758)	11,907	(21)	-	11,886	(1,872)
Modern City Services	7,768	5,980	(741)	-	5,239	13,007
Place and Prosperity	(908)	3,058	(257)	-	2,800	1,892
Senior Leadership Board	1,880	(1,731)	(149)	-	(1,880)	-
Transformation & Business Imp	3,566	(3,320)	(171)	-	(3,491)	75
Net Cost of Services	17,447	27,057	(2,550)	-	24,507	41,954
Other Income and Expenditure	(43,244)	(4,656)	(5,583)	13,007	2,767	(40,475)
(Surplus)/Deficit	(25,797)	22,401	(8,133)	13,007	27,274	1,479
Opening General Fund and HRA Balances	(11,846)					
Movement in Reserve	(824)					
(Surplus)/Deficit	1,477					
Closing General Fund and HRA Balances	(11,193)					

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

	2025/26 £000	2024/25 £000
Employee related expenditure	43,857	39,220
Other services expenses	97,800	93,493
Support Services Recharge	5,409	4,545
Depreciation, amortisation and impairment	17,566	14,923
Interest Payments	8,254	14,305
Precepts and levies		2,528
Payments to Housing Capital Receipts Pool	560	585
Pension Fund expenditure	(8,133)	(4,667)
Increase in bad debt provisions	-	358
Losses on the disposal of assets	(2,636)	(1,098)
Expenditure in relation to investment properties	-	117
Revaluation Gain/Losses	9,129	58,191
Revaluation losses on write down of assets held for sale	-	-
Total Expenditure	171,805	222,500
Fees, charges and other service income	(79,891)	(75,738)
Interest and investment Income	(9,579)	(8,289)
Other investment income	-	-
Decrease in bad debt provisions	-	-
Income from council tax and non-domestic rates	(35,680)	(22,169)
Government grants and contributions	(45,177)	(66,510)
Gains on the disposal of assets	-	-
Income in relation to investment properties	-	(2,493)
(Gains)/Losses in the fair value of investment properties	-	-
Capital receipts not linked to disposals	-	-
Total Income	(170,328)	(175,199)
(Surplus)/Deficit on the Provision of Services	1,477	47,301

Note 3 Accounting Standards issued but not yet adopted

As at the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements.

Note 4. Critical judgements in applying accounting policies

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

Classification of leases

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

Classification of investment properties

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

Valuation of Property, Plant and Equipment

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

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

amount is not materially different from their value at year end, but as a minimum every five years.

Heritage Assets

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

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

Composition of Group Accounts

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

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

The preparation of financial statements requires the Council's management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date, and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a risk of causing an 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 2026 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 2026. 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.

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 £2.9m in the net pension liability from £215.5m to £212.6m. See Note 38 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 £7.9m for the impairment of doubtful debts as at 31 March 2026 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 31 March 2026 was £1.670m million (of which £0.668 million is attributable to Colchester City Council).

Provision for the impairment of Financial Instruments

As of 31 March 2026, 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.

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.

There are no prior period adjustments.

Note 8. Events after the Balance Sheet date

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.

	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital grants unapplied	Movement in Usable Reserves ³	Movement in Unusable Reserves	Reserves Movement
	£000	£000	£000	£000	£000	£000	£000	£000
For the year 2025-26								
Adjustments primarily involving the Capital Adjustment Account <i>reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Adjustments involving the Capital Adjustment Account								
Charges for depreciation and impairment of non-current assets	(11,102)	(6,463)	-	-	-	(17,566)	17,566	-
Revaluation gains/(losses) on Property, Plant and Equipment	927	(10,271)	-	-	-	(13,624)	13,624	-
Movements in value of Investment Properties	215	-	-	-	-	215	(215)	-
Amortisation of Intangible Assets	-	-	-	-	-	-	-	-
Capital Grants and Contributions applied	5,322	-	-	-	-	5,322	(5,322)	-
Capital grants through the I&E	-	-	-	-	-	-	-	-
Revenue Expenditure Financed from Capital under Statute	-	967	-	-	-	967	(967)	-
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	7	(2,113)	-	-	-	2,120	(2,120)	-
Amounts additions not adding value to non-current assets written off	-	-	-	-	-	-	-	-
Capital expenditure financed from Revenue Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	1,519	1,221	-	-	-	2,740	(2,740)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the repayment of debt	3,060	-	-	-	-	3,060	(3,060)	-
Adjustments involving the Capital Receipts Reserve								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	-	-	-	-	-	-	-	-
Transfer of Capital Receipts not linked to sales	-	-	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	9,198	-	-	9,198	(9,198)	-
Adjustments involving the Deferred Capital Receipts Reserve								
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	1,600	-	(1,600)	-	-	-	-	-
Adjustments involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA	-	6,463	-	(6,463)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	6,463	-	6,463	(6,463)	-
Adjustments involving the Financial Instrument Fund Adjustment Account								
Unrealised Fair Value gains/losses on financial Instruments	(66)	-	-	-	-	(66)	66	-
Adjustments involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	6,270	-	-	-	-	6,270	(6,270)	-
Adjustments primarily involving the Collection Fund Adjustment Account								
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	(145)	-	-	-	-	(145)	145	-
Adjustments primarily involving the Accumulated Absences Account								
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	-	-	-	-	-	-	-	-
Other Movements	-	5,697	(5,697)	-	-	(0)	0	-
Total Adjustments for 2025-26	7,607	(4,499)	1,901	-	-	4,954	(4,954)	-

	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital grants unapplied	Movement in Usable Reserves ³	Movement in Unusable Reserves	Total Reserves Movement
	£000	£000	£000	£000	£000	£000	£000	£000
For the year 2024-25								
Adjustments primarily involving the Capital Adjustment Account								
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Charges for depreciation and impairment of non-current assets	(8,923)	(6,000)	-	-	-	(14,923)	14,923	-
Revaluation gains/(losses) on Property, Plant and Equipment	(10,628)	(43,739)	-	-	-	(54,367)	54,367	-
Movements in value of Investment Properties	(3,823)	-	-	-	-	(3,823)	3,823	-
Amortisation of Intangible Assets	-	-	-	-	-	-	-	-
Capital Grants and Contributions applied	-	-	-	-	-	-	-	-
Capital grants through the I&E	11,835	-	-	-	-	11,835	(11,835)	-
Revenue Expenditure Financed from Capital under Statute	(4,055)	-	-	-	-	(4,055)	4,055	-
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	(115)	(1,636)	-	-	-	(1,751)	1,751	-
Amounts additions not adding value to non-current assets written off to the Comprehensive Income and Expenditure Statement	-	(960)	-	-	-	(960)	960	-
Capital expenditure financed from Revenue Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	-	4,250	-	-	-	4,250	(4,250)	-
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>								
Statutory provision for the repayment of debt	2,511	-	-	-	-	2,511	(2,511)	-
Adjustments involving the Capital Receipts Reserve								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	113	2,464	(2,577)	-	-	-	-	-
Transfer of Capital Receipts not linked to sales	273	-	(273)	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,209	-	-	5,209	(5,209)	-
Adjustments involving the Deferred Capital Receipts Reserve								
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	-	-	-	-	-	-	-	-
Adjustments involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA	-	6,000	-	(6,000)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	6,000	-	6,000	(6,000)	-
Adjustments involving the Financial Instrument Fund Adjustment Account								
Unrealised Fair Value gains/losses on financial Instruments	-	-	-	-	-	-	-	-
Adjustments involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,423)	-	-	-	-	(1,423)	1,423	-
Employers pension contributions and direct payments to pensioners payable in the year	6,090	-	-	-	-	6,090	(6,090)	-
Adjustments primarily involving the Collection Fund Adjustment Account								
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	(490)	-	-	-	-	(490)	490	-
Adjustments primarily involving the Accumulated Absences Account								
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	-	-	-	-	-	-	-	-
Total Adjustments for 2023-24	(8,635)	(39,621)	2,359	-	-	(45,897)	45,897	-

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-24 £000	Transfers out £000	Transfers in £000	Balance at 31-Mar-25 £000	Transfers out £000	Transfers in £000	Balance at 31-Mar-26 £000
Bng Monitoring Fee Reserve				-	-	(3)	(3)
Pension Fund Deficit				-	-	-	-
R I F Reserve				-	-	-	-
Ringfenced R&R Bals				-	2	(677)	(675)
Em Res To Support Future Bud	-	-	(1,000)	-	-	-	-
Lgr & Capacity Reserve	-	-	(1,000)	-	202	(502)	(299)
Local Plan Reserve	-	-	(500)	-	321	(200)	121
Planning Appeals Reserve	-	-	(500)	-	330	(47)	283
Systems Upgrade Reserve	-	-	(500)	-	189	(500)	(311)
Heritage Mersea Mount				(9)	-	-	(9)
Colchester & Ipswich Museums	(27)	54	(51)	(24)	-	(86)	(110)
Pve Asset Replacemnt				(32)	-	-	(32)
Gosbecks	(71)	35	(3)	(38)	22	-	(16)
Monkwick (Pylons)	(48)	-	-	(48)	21	-	(27)
Mercury Theatre				(76)	-	(20)	(96)
Decrim. Parking	39	-	(118)	(79)	-	(350)	(429)
Heritage				(104)	5	(2)	(100)
Res Col Community Stadium				(129)	-	-	(129)
S106 Monitoring				(297)	-	-	(297)
Carry Forward Rev Commitments	(656)	350	(25)	(332)	130	(84)	(287)
Capital Expenditure	(340)	-	-	(340)	-	-	(340)
Insurance Reserve	(443)	127	(70)	(384)	193	(290)	(482)
Restructuring	(750)	-	-	(750)	7	-	(743)
Fit For The Future (Transform)	(2,000)	1,242	(1,000)	(758)	492	-	(267)
Health And Safety	(1,000)	55	-	(945)	14	-	(931)
Bmp (Corp Props Gf)	(538)	1	(110)	(1,060)	73	-	(987)
Strat Plan Delivery Reserve	(1,500)	-	-	(1,500)	87	-	(1,413)
R&R Bals (Unrf.)	(2,839)	402	(841)	(2,219)	159	561	(1,499)
City Investment Fund	(2,396)	407	(250)	(2,239)	285	-	(1,954)
Turnstone	(4,000)	1,647	-	(2,353)	2,699	(346)	0
Rev Grants Unapplied	(3,139)	710	(356)	(2,784)	508	(607)	(2,883)
Business Rates	(3,000)	4,700	(3,814)	(6,614)	1,346	-	(5,268)
Total	(22,708)	9,730	(10,138)	(23,116)	7,085	(3,153)	(19,183)

Below are further details of significant movements in earmarked reserves:

- **LGR & Capacity Reserve Top-up £0.5m** - Top-up temporarily from the Business Rates Reserve until Pooling gain is received, (it is likely that we will receive monies from MHCLG for LGR Implementation, quantum and timing currently unknown, it is however unlikely to be sufficient to cover all implementation costs - amount estimated).
- **Systems Upgrade Reserve Top-up of £0.5m** - Top-up temporarily from the Business Rates Reserve until Pooling gain is received, (c£250k set aside for E-fin upgrade and the balance for other Corporate Systems – amounts estimated)
- **CNG Leisure Park Reserve (formerly Turnstone Reserve)** - Top-up of £346,000. Top-up temporarily from the Business Rates Reserve until Pooling gain is received

- **General Risk Contingency £1m** - This will be fully rolled-forward into 2026/27, given the Council's surplus year-end position
- **Local Plan Reserve Top-up of £0.2m** - Movement of funds from Planning Appeals Reserve, (Reserve required to produce a Local Plan – amount estimated)
- **Planning Appeals Reserve Reduction of £0.2m** - Movement of funds to Local Plan Reserve, (Reserve required whilst Local Plan is in production – amount estimated)

Note 11. Other Operating Income and Expenditure

	2025/26	2024/25
	Net (Inc) / Exp	Net (Inc) / Exp
	£000's	£000's
Parish Council Precepts	2,695	2,500
Payments to the Government Capital Receipts Pool	488	585
(Gains)/ Losses on the disposal of assets	(2,636)	135
Capital Receipts not linked to disposals.		(273)
	546	2,947

Note 12. Financing and Investment Income and Expenditure

	2025/26	2024/25
	Net (Inc) / Exp	Net (Inc) / Exp
	£000's	£000's
Interest payable and similar expenses	10,327	7,948
Interest receivable and similar income	(10,648)	(8,273)
Net interest on the defined liability	(5,583)	(3,204)
Net movement in bad debt provision	(233)	(210)
Pension Fund Administration Expenses		169
Income and expenditure in relation to investment properties	(3,180)	(2,376)
Changes in fair value of investment properties		3,824
Impairment losses	-	-
	(9,318)	(2,122)

Note 13. Taxation and Non-Specific Grant Income

	2025/26	2024/25
	Net (Inc) / Exp	Net (Inc) / Exp
	£000's	£000's
Council Tax Income	(17,758)	(16,784)
Non-Domestic Rates	(6,407)	(4,320)
Non-ringfenced Government grants	(6,368)	(10,053)
Capital grants and contributions	(11,444)	(11,835)
Total	(41,976)	(42,992)

Note 14. Property, Plant and Equipment

2025/26	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Carrying Amount (Cost/Valuation)							
At 1 April 2025	483,385	231,143	26,743	399	26,967	17,574	786,211
Additions	40,311	9,060	2,745	0	0	6,194	58,310
Acc. Depreciation and Impairment written out to Gross Carrying Amount							-
Revaluations to Revaluation Reserve							-
Revaluations to (Surplus)/Deficit	-	-	-	-	-	-	-
Derecognition – disposals	(4,215)	(549)	-	-	-	-	(4,764)
Derecognition - other	-	-	-	-	-	-	-
Reclassified from/(to) Assets held for Sale	-	-	-	-	(14,542)	-	(14,542)
Reclassified within PPE categories	-	7,759	-	-	2,692	(11,421)	(970)
At 31 March 2026	519,481	247,413	29,488	399	15,117	12,347	824,245
Accumulated Depreciation and Impairment							
At 1 April 2025	(1)	(7,447)	(18,094)	-	1	(16)	(25,557)
Depreciation charge	(2,599)	(4,606)	(2,687)	-	-	-	(9,892)
Acc. Depreciation and Impairment written out to Gross Carrying Amount							-
Acc. Impairment written out to GCA	-	-	-	-	-	-	-
Impairment losses to Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-
Derecognition – disposals	19	-	-	-	-	-	19
Derecognition – other	-	-	-	-	-	-	-
Reclassified within PPE categories	-	16	-	-	-	(16)	-
At 31 March 2026	(2,581)	(12,037)	(20,781)	-	1	(32)	(35,430)
Net Book Value:							
At 31 March 2026	516,900	235,376	8,707	399	15,118	12,315	788,815
At 31 March 2025	483,384	223,696	8,649	399	26,968	17,558	760,654

2024/25	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Carrying Amount (Cost/Valuation)							
At 1 April 2024	455,600	191,441	25,645	399	35,972	30,734	739,791
Additions	34,390	33,697	1,098	-	-	9,793	78,978
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(5,297)	(4,286)	-	-	(1)	-	(9,584)
Revaluations to Revaluation Reserve	26,433	22,705	-	-	(8,897)	-	40,241
Revaluations to (Surplus)/Deficit	(43,496)	(10,681)	-	-	(107)	-	(54,284)
Derecognition – disposals	(1,656)	-	-	-	-	(30)	(1,686)
Derecognition - other	(960)	-	-	-	-	-	(960)
Reclassified from/(to) Assets held for Sale	-	(1,483)	-	-	-	-	(1,483)
Reclassified within PPE categories	18,371	(250)	-	-	-	(22,923)	(4,802)
At 31 March 2025	483,385	231,143	26,743	399	26,967	17,574	786,211
Accumulated Depreciation and Impairment							
At 1 April 2024	-	(5,961)	(15,492)	-	-	-	(21,453)
Depreciation charge	(5,317)	(5,788)	(2,602)	-	-	-	(13,707)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	5,297	4,286	-	-	1	-	9,584
Acc. Impairment written out to GCA	-	-	-	-	-	-	-
Impairment losses to Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses to (Surplus)/Deficit	-	-	-	-	-	-	-
Derecognition – disposals	19	-	-	-	-	-	19
Derecognition – other	-	-	-	-	-	-	-
Reclassified within PPE categories	-	16	-	-	-	(16)	-
At 31 March 2025	(1)	(7,447)	(18,094)	-	1	(16)	(25,557)
Net Book Value:							
At 31 March 2025	483,384	223,696	8,649	399	26,968	17,558	760,654
At 31 March 2024	455,600	185,480	10,153	399	35,972	30,734	718,338

Revaluations

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

The revaluations performed in 2025/26 were:

- A sample of General Fund properties as at 31 March 2026.
- Council dwellings and Homeless properties to their fair value as at 31 March 2026.

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

Infrastructure Assets

	31-Mar 2026 £000's	31-Mar 2025 £000's
Net Book Value 1st April 2025	14,894	10,227
Additions	1,855	1,083
De- Recognition / Disposals	-	-
Depreciation	(942)	(1,217)
Depreciation on disposed assets	-	-
Other movements in cost	970	4,801
Net Book Value 31st March 2026	16,777	14,894

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 2026

	31-Mar 2026 £000's	31-Mar 2025 £000's
Infrastructure assets	16,777	14,894
Other Property Plant and Equipment assets	783,132	760,654
Net Book Value 31st March 2025	799,909	775,548

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:

	2025/26 £000	2024/25 £000
Balance at start of the year		45,637
Additions		-
Reclassification		1,483
Net gains/(losses) from fair value adjustments		(3,823)
Disposals		(115)
Balance at end of the year		43,182

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-26			31-Mar-25		
	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31-Mar-26	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31-Mar-25
	(Level 2) £000's	(Level 3) £000's	£000's	(Level 2) £000's	(Level 3) £000's	£000's
Surplus Assets						
Commercial development sites				0	26,415	26,415
Residential development sites				0	0	0
Other				0	553	553
Total (Note 14)				-	26,968	26,968
Investment Properties						
Commercial units				0	25,381	25,381
Retail units				3380.7	7053.8	10,435
Car parks				58	1,893	1,951
Residential development sites				0	472	472
Offices				4,605	0	4,605
Other				228	110.2	338
Total (Note 15)				8,272	34,910	43,181
Assets Held for sale						
Residential development sites				0	0	0
				8,272	61,878	70,149

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 2025/26 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 2025/26.

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.

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.

	2025/26 £000's	2024/25 £000's
Opening Capital Financing Requirement 1 April	291,664	237,280
<i>Capital Investment</i>		
Property, Plant and Equipment	52,432	80,030
Investment Properties	-	-
Heritage Assets	248	84
Intangible assets	74	-
Revenue Expenditure Funded from Capital under Statute (REFCUS)	4,624	4,055
Long Term Debtors	2,051	81
<i>Sources of finance</i>		
Capital receipts	(5,910)	(5,209)
Government grants and other contributions	(6,804)	(8,034)
Grants and contributions towards REFCUS	(4,108)	(3,801)
HRA Major Repairs Reserve	(6,463)	(6,000)
Sums set aside from revenue and reserves	(1,242)	(4,250)
Repayment of loan	(5,675)	-
Minimum Revenue provision	(1,216)	(2,543)
Aborted Projects		(30)
Closing Capital Financing Requirement 31 March	319,675	291,664

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 £16.958 as at 31 March 2026 (31 March 2025: £29.863m) is presented net of 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:

	2025/26			2024/25		
	Liabilities measured at amortised cost £000's	Assets measured at amortised cost £000's	Totals £000's	Liabilities measured at amortised cost £000's	Assets measured at amortised cost £000's	Totals £000's
Interest expense	10,029	-	10,029	7,948	-	7,948
Total expense in Surplus/Deficit on Provision of Services	10,029	-	10,029	7,948	-	7,948
Interest income	-	(9,512)	(9,512)	-	(8,273)	(8,273)
Other investment income - dividends	-	-	-	-	-	-
Total income in Surplus/Deficit on Provision of Services	-	(9,512)	(9,512)	-	(8,273)	(8,273)
Net (gain)/loss for the year	10,029	(9,512)	517	7,948	(8,273)	(325)

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 – MUFG Corporate Markets.

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-26		31-Mar-25	
	Book Value £000's	Fair Value £000's	Book Value £000's	Fair Value £000's
Investments	6	6	6	6
Debtors - Amortised Cost	5,113	5,113	5,920	5,920
Long-term Assets	5,119	5,119	5,926	5,926
Short-term Investments				
Bank deposits < 3 months - Amortised Cost	21,500	21,500	33,133	33,133
Cash - Amortised Cost	(4,542)	(4,542)	(3,270)	(3,270)
Debtors - Amortised Cost	25,244	25,244	16,958	16,958
Short-term Loans	-	-	-	-
Other financial assets at amortised cost	42,202	42,202	46,821	46,821
Total Financial Assets	47,321	47,321	52,747	52,747

	31-Mar-25		31-Mar-24	
	Book Value £000's	Fair Value £000's	Book Value £000's	Fair Value £000's
Short Term Creditors - Amortised Cost	(34,141)	(34,141)	(35,672)	(35,672)
Public Works Loan Board - Amortised Cost	(58,000)	(57,631)	(43,700)	(43,769)
Local Authority loans	(13,000)	(13,000)	(5,000)	(5,000)
LOBO Loans	(1,500)	(935)	(1,500)	(979)
Other borrowing	(1,366)	(1,366)	(1,366)	(1,366)
Short Term Financial liabilities at amortised cost	(108,007)	(107,073)	(87,238)	(86,786)
Public Works Loan Board - Amortised Cost	(131,394)	(83,932)	(131,394)	(86,670)
Other borrowing	(9,000)	(6,684)	(9,000)	(7,330)
LongTerm Liabilities at amortised cost	(140,394)	(90,616)	(140,394)	(94,000)
Total Financial Liabilities	(248,401)	(197,689)	(227,632)	(180,786)

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 2024.

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 22 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. ⁽⁰⁰⁾

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 MUFG Corporate Markets. 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 £21.500m (31 March 2025: £33.133m). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2026 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 2025/26 was approved by Full Council in March 2025 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.

	31-Mar-26 £000's	31-Mar-25 £000's
Repayable between:		
less than one year	72,500	50,200
between 1 and 2 years		
	72,500	50,200

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 £21.500m (31 March 2025: £33.133) 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-26		31-Mar-25	
	£000's	%	£000's	%
Less than one year	72,500	34.05	50,200	26.34
Between one and two years	-	-	-	0.00
Between two and five years	3,000	1.41	3,000	1.57
Between five and ten years	7,500	3.52	7,500	3.94
More than ten years	129,894	61.01	129,894	68.15
Total	212,894	100	190,594	100

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.

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-26 £000	31-Mar-25 £000
Improvement of Private Sector Houses	1,209	1,143
Finance Lease Debtors	4,127	4,761
Colchester Amphora Energy Limited	-	-
Other Loans	16	16
Total	5,351	5,920

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 2026, the Council provided £1.580m of equity investment into the following company:

	Class of share	Holding	31-Mar-26 £000	31-Mar-25 £000
Colchester Commercial Holdings Limited	Ordinary	100%	1580	1580

Note 21. Assets held for sale

	2025/26 £000	2024/25 £000
Carrying Amount 1 April	-	-
Assets newly classified as Assets Held for Sale	14,542	-
Asset disposals	-	-
Assets reclassified	-	-
Total Assets Held for Sale	14,542	-

Note 22. Short-term Debtors

	31-Mar-26 £000	31-Mar-25 £000
Grants and Taxes	2,810	3,246
Trade Debtors	11,488	6,381
Prepayments	8,389	1,720
Housing Benefit Overpayments	290	374
NNDR ratepayers' arrears	1,576	1,661
Council Tax ratepayers' arrears	681	859
Central Government	0	38
Other Local Authorities	-	2,408
NHS Bodies Grants	-	-
Other Debtors	11	271
	25,244	16,958

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 £7.9 million as at 31 March 2026 (£8.0 million as at 31 March 2025).

Note 23. Cash and Cash Equivalents

	31-Mar-26 £000	31-Mar-25 £000
Cash	9	10
Call Accounts and short-term deposits	21,500	33,133
Bank Balance (Overdraft)	(4,552)	(3,280)
	16,958	29,863

Note 24. Short-term Creditors

	31-Mar-26 £000	31-Mar-25 £000
Amounts falling due within one year:		
Trade Creditors	(13,696)	(13,609)
Receipts in Advance	(3,992)	(4,305)
Other Taxes and Social Security	(1,330)	(1,244)
Collection Fund Agency	-	-
NNDR Prepayments	(1,423)	(1,285)
Council Tax Prepayments	(568)	(543)
Central Government	(8,489)	(9,963)
Other Local Authorities	(2,565)	(1,266)
Other Creditors	(2,078)	(3,457)
Total short term creditors	(34,141)	(35,672)

Note 25. Provisions

	31-Mar-26 £000's	31-Mar-25 £000's
Non-Domestic Ratings Appeals Provision (see below)	92	(1,184)
Long term Provisions	(114)	(113)
Other Provision	-	-
Total Provisions	(22)	(1,297)

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.

	2025/26 £000	2024/25 £000
Balance at 1 April	(2,959)	(1,551)
RV list amendments charged against provision for appeals	3,325	799
Changes in provision for appeals	(274)	(432)
Balance at 31 March	92	(1,184)

The adjustments to the provision made in 2025/26 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 26. Usable Reserves

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

Movement on Usable Reserves 2025/26	31-Mar-25 £000's	31-Mar-26 £000's	Movement £000's
General Fund Balance (Unallocated)	(5,796)	(3,663)	2,133
General Fund Earmarked Reserves	(23,116)	(19,184)	3,932
Housing Revenue Account Balance	(6,049)	(7,530)	(1,481)
Capital Reserves	(8,101)	(6,200)	1,901
Total Usable Reserves	(43,062)	(36,577)	6,485

Note 27. 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-26 £000's	31-Mar-25 £000's
Revaluation Reserve	(285,691)	(288,616)
Capital Adjustment Account	(249,128)	(242,943)
Pensions Reserve	4,508	5,914
Collection Fund Adjustment Account	(673)	(817)
Accumulated Absences Account	537	537
Deferred capital receipts	(1,848)	(4,561)
Financial instruments adjustment account	127	194
Total	(532,168)	(530,293)

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.

	2025/26 £000's	2024/25 £000's
Balance 1 April	(288,616)	(254,649)
Net Gain on revaluation of assets		534
Accounting / Financing Adjustments:	-	-
Opening Balance Adjustment	(288,616)	(254,115)
Adjusted Balance 1 April	(8,768)	(40,272)
Accumulated gains on assets sold or scrapped	5,429	535
Depreciation charged to Revaluation Reserve	6,264	5,236
Balance 31 March	(285,691)	(288,616)

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.

	2025/26 £000's	2024/25 £000's
Balance 1 April	(242,943)	(286,714)
Accounting / Financing Adjustments:	-	(534)
Adjusted Opening Balance 1 April	(242,943)	(287,248)
Write down Intangible Assets	-	-
Depreciation	17,566	14,923
Revaluations and impairment of non-current assets	6,168	54,284
Revaluation losses on heritage assets		84
Movements in value of Investment Properties		3,823
Non-current assets written off on disposal	219	1,751
Derecognition of components of non-current assets		960
Long Term Debtors		32
Revenue Expenditure Financed from Capital under Statute	(967)	4,055
Capital expenditure financed from revenue	(2,740)	(4,250)
Capital expenditure financed from Capital Receipts	(9,198)	(5,209)
Capital expenditure financed from Capital grants and contributions	(5,322)	(11,835)
Use of the Major Repairs Reserve to finance new capital expenditure	(8,850)	(6,000)
Minimum Revenue Provision	(3,060)	(2,543)
Accumulated gains on assets sold or scrapped		(535)
Depreciation charged to Revaluation Reserve	-	(5,236)
Impairment	-	-
Balance 31 March	(249,128)	(242,943)

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.

	2025/26 £000's	2024/25 £000's
Balance 1 April	5,914	6,281
Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability	3,001	1,115
Accounting / Financing Adjustments:		
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on provision of services	1,863	4,572
Employer's pension contributions and direct payments to pensioners payable in the year	(6,270)	(6,054)
Balance 31 March	4,508	5,914

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.

	2025/26 £000's	2024/25 £000's
Balance b/f	(4,561)	(4,561)
Transfer to Capital Receipts Reserve upon receipt of cash	2,939	-
Balance 31 March	(1,622)	(4,561)

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.

	2025/26 £000's	2024/25 £000's
Balance 1 April	(817)	(1,301)
Difference between accounting and statutory credit for Council Tax	9	109
Difference between accounting and statutory credit for Non-Domestic Rates	136	375
Balance 31 March	(673)	(817)

Financial Instruments Adjustment Account

	2025/26 £000's	2024/25 £000's
Balance b/f	193	193
Statutory charge for discount		
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	69	-
Balance 31 March	262	193

Accumulated Absences Reserve

	2025/26 £000's	2024/25 £000's
Balance b/f	537	537
Difference between accounting and statutory credit for holiday	-	-
Balance 31 March	537	537

Note 28. Cash Flow Statement – Operating Activities

	2025/26 £000's	2024/25 £000's
Depreciation	17,566	14,923
Amortisation		-
Impairment and downward valuations	13,624	54,367
Increase/(decrease) in Interest Creditors	2,379	1,739
Increase (decrease) in Creditors	(3,912)	31,010
(Increase)/Decrease in Interest and Dividend Debtors		-
(Increase)/Decrease in Debtors	16,958	(3,806)
Increase in Inventories	247	(38)
(Decrease)/increase in Pension Liability	11,538	36,304
Contributions to Provisions	(1,815)	(245)
Carrying amount of non-current assets sold	(2,113)	(2,711)
Movement in Investment Property values	215	3,823
	54,686	135,366

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

	2025/26 £000's	2024/25 £000's
Capital Grants credited to surplus or deficit on the provision of services	(1,973)	(2,040)
Proceeds from the sale of short and long term investments		-
Proceeds from the sale of property plant and equipment, investment property and intangible assets		(2,850)
	(1,973)	(4,890)

Note 29. Cash Flow Statement – Investing Activities

	2025/26 £000's	2024/25 £000's
Purchase of property, plant & equipment, investment property & intangible assets	(52,184)	(79,947)
Other capital payments	6,675	4,137
Other payments for investing activities	4,368	630
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	2,113	2,850
Capital grants received	1,973	2,040
Revenue Grants Received	-	-
Proceeds from short term & long-term investments	-	-
	(37,055)	(70,290)

Note 30. Cash Flow Statement – Financing Activities

	2025/26	2024/25
	£000's	£000's
Cash Receipts of Short & Long Term Borrowing	(1,276)	(982)
Cash payments for the reduction of the outstanding liabilities relating to finance leases & on-balance sheet PFI contracts		(455)
Repayments of short- & long-term borrowing	-	-
Other receipts /(payments) for financing activities		(289)
	(1,276)	(1,726)

Note 31. 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.

	2025/26	2024/25
	£'000's	£'000's
Allowances	599	574
Expenses	1	2
	600	576

Note 32. Officers Remuneration

Post Holder	Salary, Fees and Allowances	Bonuses	Expense Allowances	Employers Pension Contributions	Total Remuneration
	£	£	£	£	£
Financial Year 2025/26					
Chief Executive	146,447	0	350	31,047	177,843
Executive Director Place (Deputy Chief Executive)	132,921	0	512	28,179	161,612
Chief Operating Officer	122,257	0	183	24,381	146,821
Strategic Director	88,814	0	474	18,828	108,116
Strategic Director	102,691	0	332	21,770	124,793
Strategic Director	102,691	0	474	21,770	124,935
Interim Chief Finance Officer S151 Officer	260,715	0	0	55,272	315,987
Monitoring Officer	94,195	0	0	19,969	114,164
	1,050,730	0	2,324	221,217	1,274,270

Post holder information (Post Title)	Salary, Fees and Allowances	Bonuses	Expense Allowances	Employer's Pension Contributions	Total Remuneration
	£	£	£	£	£
Financial Year 2024/25 (Restated)					
Chief Executive	141,906	-	357	30,084	172,347
Executive Director (Deputy Chief Executive)	128,800	-	248	27,306	156,354
Chief Operating Officer	113,300	-	235	24,020	137,555
Chief Finance Officer (S151 Officer)	86,060	-	-	18,245	104,305
Strategic Director (Assoc Director of Alliance Integrated Strategic Partnerships)	99,506	-	139	21,095	120,740
Strategic Director	99,506	-	412	21,095	121,013
Strategic Director	99,506	-	139	21,095	120,740
Monitoring Officer	91,313	-	9	19,358	110,680
	859,897	-	1,540	182,297	1,043,734

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

	2025/26	2024/25
£50,000 - £54,999	15	11
£55,000 - £59,999	5	4
£60,000 - £64,999	5	5
£65,000 - £69,999	1	2
£70,000 - £74,999	1	4
£75,000 - £79,999	1	3
£80,000 - £84,999	7	5
£85,000 - £89,999	1	-
£90,000 - £94,999	-	1
£95,000 - £99,999	1	-
	37	35

Note 33. Termination Benefits

?

2025/26	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
Exit packages cost band (including special payments)				£
£0 - £20,000	3	3	6	78,837
£20,001 - £40,000	1	-	1	114,770
£40,001 - £60,000	-	1	1	57,006
Total Exit Costs				250,613

2024/25	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages
Exit packages cost band (including special payments)				£
£0 - £20,000	4	8	12	41,188
£20,001 - £40,000	1	4	5	76,013
£40,001 - £60,000	1	1	2	108,574
Total Exit Costs				225,775

Note 34. 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.

	2025/26 £'000	2024/25 (Restated) £'000
External audit services	211	206
Certification of grant claims and returns	-	25
Total	211	231

Note 35. Grant Income

Credited to Services

	2025/26 £'000's	2024/25 £'000's
DWP Grants for Benefits		
Rent Allowances and Rent Rebates	(27,223)	(32,517)
Administration	(392)	(393)
Other	(134)	(189)
Department of Levelling Up, Housing and Communities (DLUHC)	-	
Rough Sleeper Accommodation Grant	(292)	(461)
Homelessness Prevention Grant	(1,782)	(1,271)
Benefits Administration	-	(3)
Asylum Dispersal Grant	(623)	(548)
Domestic Abuse	-	(36)
Green P&M relief	(36)	
Energy Bills Support	-	-
New Burdens	(62)	-
Changing Places	-	(154)
Apprenticeship Levy Income	(220)	(109)
Right to Buy Admin Grant	(60)	(18)
Local Authority Treescape Fund	-	(108)
UK Shared Prosperity Fund	(309)	(738)
Towns Revenue Funding	(26)	
DEL Contingency	(2)	
Local Plan implementation Fund s31	(37)	
Redmond Review Implementation	(26)	
Arts Council England (ACE)	(412)	(396)
Joint Finance Contributions	(1,090)	(1,150)
Essex County Council	(2,735)	(2,980)
Essex Police and Crime Commissioner	-	4
Essex Fire and Rescue	-	-
Other Local Authorities	(1,637)	(931)
Colchester Primary Care Trust	(440)	(351)
Disabled Facilities Grant	-	(1,194)
Department for Environment, Food and Rural Affairs (DEFRA)	(237)	(157)
s106 Contributions	(100)	(231)
NNDR Administration Grant	(240)	(239)
Other Grants and Contributions (non Government)	(125)	(412)
Other Miscellaneous Grants	(316)	(263)
Total within Cost of Services	(38,555)	(44,845)

Credited to Taxation and Non-Specific Grants

Revenue	2025/26 £'000	2024/25 £'000
COVID 19 Local Authority Support	-	-
Revenue Support Grant	(269)	(220)
New Burdens Grant	-	-
Lower Tier Services Grant	(1,247)	(1,292)
New Homes Bonus	(736)	(634)
Business Rates Grant (s31)	(6,190)	(6,371)
Local Council Tax Support Admin Grant	-	(223)
Other Non-Specific Grants	(697)	(866)
	(9,140)	(9,606)
Capital		
Department of Levelling Up, Housing and Communities (DLUHC)	(2,860)	(3,573)
Local Authority Housing Fund	(967)	(680)
Essex County Council (including South East Local Enterprise Partnership)	(491)	(2,327)
s106 Contributions	(1,254)	(467)
Department for Environment, Food and Rural Affairs (DEFRA)	(709)	(196)
Office of Gas & Electricity Markets (OFGEM)	-	-
Town Deal	(4,202)	(3,321)
Other	(431)	(1,495)
Total Capital Grants within Taxation and Non-Specific Grant Income	(10,913)	(12,059)
Total within Taxation and non-specific grant income	(20,053)	(21,665)
Total income from grants and contributions	(58,608)	(66,510)

Note 36. 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 shows 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 Colchester City Council Statement of Accounts 2024/25 with other parties (for example Council Tax billing, Business Rates billing, Housing Benefit administration). Grants received from UK Government are disclosed within Note 35.

Other Local Authorities

Other local authorities are related parties of the Council as UK government exerts significant influence over all local authorities, as well as over the Council itself. The Council acts as the billing authority for council tax and business rates (NNDR), distributing income to the various preceptors, i.e. Essex County Council, UK government, Essex Police and Crime Commissioner, and Essex Fire and Rescue. Details of transactions executed by the Council in its capacity as a billing authority are disclosed within the Collection Fund Income and Expenditure Statement. Furthermore, details of grants received from other local authorities are disclosed within Note 35.

Essex Pension Fund is a post-employment benefit plan for the benefit of Council employees and is therefore a related party of the Council. Details of contributions paid by the Council into the Fund can be found within Note 38.

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 31.

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 32.

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

<u>Full List of Related Parties</u>	<u>2025/26</u>		<u>2024/25 (Restated)</u>	
	<u>Expenditure (£'000)</u>	<u>Income (£'000)</u>	<u>Expenditure (£'000)</u>	<u>Income (£'000)</u>
Colchester Borough Homes Ltd	25,716	877	22,346	1,006
Colchester Commercial Holdings Ltd	1,214	293	1,356	431
Colchester Amphora Trading Ltd	513	207	770	349
Colchester Amphora Homes Ltd	-	-	23	3
Colchester Amphora Energy Ltd	-	-	1,148	-
Parish Councils	4,503	67	1,823	54
Colchester Mercury Theatre Ltd	174	40	170	73

Note 37. Leases

Finance Leases – Council as Lessee

This table shows the change in the value of right-of-use assets held under leases by the Council:

	Land and Buildings £000's	Investment Properties £000's	Vehicles, Plant and Equipment £000's	Total £000's
Balance at 1 April 2025	-	282	64	346
Additions	36,842	-	269	37,111
Revaluations	(5,220)	-	-	(5,220)
Depreciation charge	(2,113)	-	(134)	(2,247)
Disposals	-	-	-	-
Balance at 31 March 2026	29,509	282	199	29,990

Lease transactions under leases

The following expenses and cash flows in relation to leases were incurred:

Comprehensive Income and Expenditure Statement	2025/26 £000s
Leases (within the scope of IFRS 16)	
Interest expense on lease liabilities	1,871
Expenses relating to short-term liabilities	-
Expenses relating to leases of low value items (excluding short term leases)	-
Income from subletting right-of-use assets	- 1,595
Cash flow Statement	
Total cash outflow for leases	276

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

Maturity analysis of lease liabilities	31-Mar-26 £000's	31-Mar-25 £000's
Less than one year	2,840	1,669
One to five years	8,993	8,183
More than five years	64,505	61,370
Total undiscounted liabilities	76,338	71,222

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-26 £000's	31-Mar-25 £000's
<i>Finance lease debtor (net present value of minimum lease payments)</i>		
Current	59	50
Non-current	1,210	4,473
Unearned finance income	981	70,032
Unguaranteed residual value of the property	-	-
	2,250	74,555

The gross investment in the lease over the following periods:

	31-Mar-26 £000's	31-Mar-25 £000's
Not later than one year	137	290
Later than one year and not later than five years	571	1,188
Later than five years	1,542	73,077
	2,250	74,555

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:

	31-Mar-26 £000's	31-Mar-25 £000's
Not later than one year	4,532	1,955
Later than one year and not later than five years	17,028	7,252
Later than five years	183,980	111,474
	205,540	120,681

Note 38. 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:

	2025/26 £000's	2024/25 £000's
<i>Cost of Services:</i>		
Current service cost	3,720	6,626
Past Service Cost	0	98
<i>Financing and Investment Income and Expenditure:</i>		
Net interest expense	(5,720)	(55)
Pension fund administration expenses	119	169
<i>Other Comprehensive Income and Expenditure:</i>		
Re-measurement of the net defined benefit liability (Restated Ref Note 41)	(3,001)	(1,115)
Total charged to the Comprehensive Income and Expenditure Statement	(4,882)	5,723

Movement in Reserves Statement	2025/26 £000's	2025/26 £000's
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(1,863)	(4,572)
Employer's contributions payable to the scheme	6,270	6,090
Total charged to the Movement in Reserves Statement	4,407	1,518

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-26 £000's	31-Mar-25 £000's
Present value of the defined benefit obligation	(212,950)	(196,945)
Fair value of plan assets (bid value)	315,855	294,814
Surplus /(Deficit)	102,905	97,869
Asset Ceiling		(100,989)
Present value of unfunded obligation	(2,547)	(2,794)
Net defined benefit (liability) / asset	100,358	(5,914)

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):

	2025/26 £000's	2024/25 £000's
Balance at 1 April	(199,739)	(223,428)
Current service cost	(3,720)	(4,360)
Interest cost	(11,355)	(10,724)
Change in financial assumptions	9,279	32,864
Change in demographic assumptions	(6,406)	-
Experience loss/(gain) on defined benefit obligation	(11,718)	-
Liabilities assumed/(extinguished) on settlements	(679)	
Benefits paid net of transfers in	10,470	7,456
Past service costs	-	(98)
Contributions by scheme participants	(1,984)	(1,813)
Unfunded pension payments	355	364
Balance at 31 March	(215,497)	(199,739)

Reconciliation of the movements in fair value of the scheme assets

	2025/26 £000's	2024/25 £000's
Balance at 1 April	294,814	280,603
Interest on assets	17,057	13,928
Return on assets less interest	10,491	369
Other actuarial gains/(losses)	(4,647)	-
Administration expenses	(119)	(169)
Contributions by employer	6,270	6,090
Contributions by scheme participants	1,984	1,813
Benefits paid net of transfers in	(10,825)	(7,820)
Settlement Prices received /(paid)	830	-
Balance at 31 March	315,855	294,814

Local Government Pension Scheme assets comprised:

	31-Mar-26		31-Mar-25	
	£000's	%	£000's	%
Equities	171,001	54	161,867	55
Gilts	4,520	1	4,469	2
Other bonds	-	-	-	-
Property	28,535	9	23,797	8
Cash	6,358	2	5,750	2
Alternative assets	50,022	16	44,437	15
Other managed funds	55,395	18	54,494	18
Total	315,831	100.0	294,814	100.0

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.

Reconciliation for the asset ceiling table

Description*	£'000
Effect of the asset ceiling – start of Period	(63,456)
Net Interest	(3,149)
Re-measurement gain/(Loss)	(34,384)
Effect of the asset Ceiling – end of period	(100,989)

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 2025.

The significant assumptions used by the actuary are:

	31-Mar-26	31-Mar-25
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
<i>Current pensioners</i>		
Men	21.8	20.8
Women	24.1	23.3
<i>Future pensioners retiring in 20 years</i>		
Men	23.4	22.1
Women	25.9	24.8
Rate of RPI inflation	3.30%	3.20%
Rate of CPI inflation	2.90%	2.90%
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	3.90%	2.90%
Rate for discounting scheme liabilities	6.10%	5.80%

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%
Adjustment to discount rate				
Present value of total obligation	201,414	212,548	218,516	231,338
Projected service cost	3,165	3,654	3,923	4,513
Adjustment to long-term salary increases				
Present value of total obligation	216,177	215,631	215,363	214,836
Projected service cost	3,786	3,786	3,786	3,786
Adjustment to pension increases and deferred revaluation				
Present value of total obligation	230,223	218,564	213,151	203,078
Projected service cost	4,569	3,933	3,645	3,120
	+ 1 Year		- 1 Year	
Adjustment to life expectancy				
Present value of total obligation	223,659	207,674		
Projected service cost	3,923	3,653		

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 2025 and will be implemented with effect from 1 April 2026.

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2027 is £6.423m.

The actuary's estimate of the duration of the Employer's liabilities for 2025/26 is 15 years (2024/25: 17).

Housing Revenue Account

HRA Income and Expenditure Statement

	Notes	2025/26 £000's	2024/25 £000's
EXPENDITURE			
Repairs and Maintenance		9,972	8,100
Supervision and Management		13,915	12,391
Rents, Rates and Taxes		185	263
Depreciation	H9	6,463	6,000
Impairment		-	-
Revaluation Losses		10,271	43,746
Derecognition of Non-Current Assets		-	960
Debt Management Costs		72	98
Total Expenditure		40,878	71,558
INCOME			
Gross Rent from Council Dwellings		(34,800)	(33,841)
Non-Dwelling Rents		(1,543)	(1,392)
Charges for Services and Facilities		(4,138)	(3,932)
Reversal previous reval losses		-	(6)
Contributions towards Expenditure		(100)	(66)
Total Income		(40,581)	(39,237)
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement			
		297	32,321
Net Cost of HRA Services per I&E Account			
		(2,541)	585
Net Cost of HRA Services			
		(2,244)	32,906
HRA Share of Operating Income and Expenditure			
(Gain)/Loss on sale of HRA fixed assets		(2,113)	(827)
Increased Provision for Bad Debts		158	197
Interest Payable and similar charges		7,736	6,356
Interest and Investment Income		(518)	(680)
		3,019	37,952

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.

	2025/26 £000's	2024/25 £000's
Balance at 1 April	(6,049)	(4,379)
Movement in reserves during Year	-	-
(Surplus)/ deficit on provision of services	3,019	37,952
Total Comprehensive Income & Expenditure	3,019	37,952
Adjustments between accounting basis & funding basis under regulations (note 9 main accounts)	(4,500)	(39,622)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,481)	(1,670)
Transfers to/from Earmarked Reserves	-	-
Increase/(Decrease) in Year	(1,481)	(1,670)
Balance at 31 March carried forward	(7,530)	(6,049)

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 2026, 1.11% of lettable properties were vacant (1.55% on 31 March 2025).

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

	31-Mar-26 £000's Total Stock	31-Mar-25 £000's Total Stock
Analysis by Type of Dwelling		
Houses and Bungalows	3,025	3,005
Flats and Maisonettes	3,064	3,066
Total Dwellings	6,089	6,071
Analysis by Number of Bedrooms		
Bedsitters/1 bedroom	2,451	2,452
2 bedrooms	1,792	1,795
3 bedrooms	1,737	1,723
4 or more bedrooms	109	101
Total Dwellings	6,089	6,071

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

Stock as at 1 April 2025	6,071	5,996
Add: New Builds, Acquisitions, Conversions etc.	64	95
Deduct: Sales, Demolitions, Conversions etc.	(46)	(20)
Stock as at 31 March 2026	6,089	6,071

The most recent valuation of HRA dwellings that has been prepared was at 31 March 2026 and this is reflected in the valuation shown below:

H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings as of 31 March 2026 was £1,235.1m (£1,276.9m as of 31 March 2025). 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-26 £000's	31-Mar-25 £000's
Garages and other charges	(1,405)	(1,268)
Land and other buildings	(138)	(124)
Total	(1,543)	(1,392)

H4. Charges for Services and Facilities

Income totalling £0.137m from Supporting People charges in 2025/26 (2024/25: £0.133m) is shown under Charges for services and facilities.

H5. Major Repairs Reserve

	31-Mar-26 £000's	31-Mar-25 £000's
Balance brought forward	-	-
Amount Transferred to the Major Repairs Reserve During the Year	6,463	6,000
Financing of Capital Expenditure for the year	(6,463)	(6,000)
Balance Carried forward	-	-

H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 38) 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

	2025/26 £000's	2024/25 £000's
HRA Capital Expenditure		
Dwelling Stock	24,771	22,921
New Build - Council Dwellings	15,872	6,118
Dwelling Acquisitions	154	8,758
Total Expenditure	40,797	37,797
Financed by		
Borrowing	26,237	20,639
Government Grants and Other Contributions	336	1,962
Capital Receipts	6,540	4,946
Revenue Contributions	1,221	4,250
Major Repairs Reserve	6,463	6,000
Total	40,797	37,797

Receipts from the sale of Council houses have increased in 205/26. 46 tenants purchased their property under the Right to Buy Scheme/Rent to Mortgage Scheme in 2025/26 (18 in 2024/25). 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, 2024/25 and 2025/26, 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 2024/25 and 2025/26.

Summary of HRA Capital Receipts	2025/26 £000's	2024/25 £000's
Sale of Council Houses Direct	6,109	2,118
Other (including shared ownership)	-	350
Total	6,109	2,468

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.

	2025/26 £000's	2024/25 £000's
HRA Interest Charge	7,736	6,356

H9. Depreciation Charges

	2025/26 £000's	2024/25 £000's
Council Dwellings	5,591	5,315
Other Land and Buildings	873	685
Vehicles, Plant and Equipment		-
Total	6,464	6,000

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 2026 totalled £1.673m. This excludes prepayments of £1.261m and is analysed as follows:

	31-Mar-26 £000's	31-Mar-25 £000's
Due from Current Tenants	1,011	1,041
Due from Former Tenants	662	497
Total Rent Arrears	1,673	1,538
Prepayments	(1,261)	(1,062)
Net Rent Arrears	412	476

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 2026, the provision totalled £1.209m (31 March 2025: £1.093m).

H11. Revenue Balances

The revenue balance at 31 March 2026 of £6.290m is net of a transfer of £1.079m to earmarked reserves during 2025/26. In determining the value of this £1.079m net transfer, £1.221m has been committed towards investment in housing stock for future years.

	2025/26 £000's	2024/25 £000's
Revenue Balance at 1 April	6,049	4,379
Transfer to earmarked reserve	(1,079)	-
Adjust for the Housing Revenue Accounts Surplus / (Deficit)	1,320	1,670
Revenue Balance at 31 March	6,290	6,049
Less: Committed Sum		
Investment in Housing Stock for Future Years	-	(2,049)
Estimate Balance Carried Forward	-	-
Uncommitted Balance	6,290	4,000

Collection Fund

Collection Fund Income and Expenditure Statement

	2025/26			2024/25		
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Income	(147,223)	(68,594)	(215,817)	(140,328)	(63,837)	(204,165)
Precepts Demands and Shares						
Central Government	-	33,940	33,940	-	32,978	32,978
Colchester City Council	17,777	27,152	44,929	16,912	26,383	43,295
Essex County Council	106,150	6,109	112,259	100,688	5,936	106,624
Essex Fire and Rescue	5,885	679	6,564	5,463	659	6,122
Police and Crime Commissioner for Essex	17,497		17,497	16,296	-	16,296
Charges to the Collection Fund						
Transitional Protection Payment		(169)	(169)	-	(1,484)	(1,484)
Cost of Collection Allowance		240	240	-	239	239
Interest			-	-	-	-
Provision for Bad Debts (including write-offs)	159	274	433	1,854	433	2,287
Provision for Appeals		91	91	-	(2,083)	(2,083)
Apportionment of Previous Years' Surplus/(Shortfall)						
Central Government	-	308	308	-	857	857
Colchester City Council	(11)	247	236	15	686	701
Essex County Council	(114)	56	(58)	85	154	239
Essex Fire and Rescue	(6)	6	-	5	17	22
Police and Crime Commissioner for Essex	(18)		(18)	13	-	13
	147,319	68,933	216,252	141,331	64,775	206,106
Movement on the Collection Fund Balance						
(Surplus)/Deficit for the year	96	339	435	1,003	938	1,941
(Surplus)/Deficit at the beginning of the year	1,474	(2,491)	(1,017)	471	(3,429)	(2,958)
(Surplus)/Deficit at 31 March	1,570	(2,152)	(582)	1,474	(2,491)	(1,017)
(Surplus)/Deficit Allocation at 31 March						
Colchester Borough Council	188	(861)	(673)	179	(996)	(817)
Central Government		(1,076)	(1,076)		(1,246)	(1,246)
Essex County Council	1,130	(194)	936	1,065	(224)	841
Essex Fire And Rescue	63	(21)	42	58	(25)	33
Police and Crime Commissioner for Essex	189		189	172		172
Total (Surplus)/Deficit	1,570	(2,152)	(582)	1,474	(2,491)	(1,017)

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 £0.582m as at 31 March 2026.

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 2025/26 was 67,200 (71,343 in 2023/24). For the year ended 31 March 2026, the band D Council Tax was set at £2,192.08 (£2,069.49 in 2024/25). The tax base for 205/26 was calculated as follows:

Band	Chargeable Dwellings	Ratio to Band D	Band D Equivalent Dwellings
A	8,757	6/9	5,838
B	22,274	7/9	17,324
C	20,269	8/9	18,017
D	15,738	9/9	15,738
E	9,050	11/9	11,061
F	4,286	13/9	6,191
G	2,442	15/9	4,070
H	152	18/9	304
Contributions in lieu from the Ministry of Defence Properties			772
Total Band D			79,315
Net effect of premiums and discounts			12,115
Council Tax Base for the calculation of Council Tax			67,200

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 2025/26, 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 as at the 2025/26 year-end was £176.796m (£177.061m in 2024/25 (restated)) and the Standard Non-Domestic rate multiplier for the year was 49.9p (49.9p in 2024/25) and 55.5p (54.6p in 2024/25) for small businesses.

Income from Non-Domestic Rates

	2025/26 £000's	2024/25 £000's
Gross NNDR Payable in the year	92,598	93,389
Less: allowances and other adjustments	(23,838)	(29,492)
NNDR Payable	68,760	63,897

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 31 March 2026 will be distributed in proportion to the value of the respective precepts as shown below:

	2025/26			2024/25		
	Council Tax £000's	NNDR £000's	Total £000's	Council Tax £000's	NNDR £000's	Total £000's
Colchester City Council	188	(861)	(673)	179	(996)	(817)
Central Government		(1,076)	(1,076)		(1,245)	(1,245)
Essex County Council	1,130	(194)	936	1,065	(224)	841
Essex Fire and Rescue	63	(21)	42	58	(25)	33
Police and Crime Commissioner for Essex	189		189	172	-	172
Total (Surplus)/Deficit	1,570	(2,152)	(582)	1,474	(2,491)	(1,017)

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.

	Council Tax: Provision for Bad Debts £000's	Business Rates: Provision for Bad Debts £000's	Business Rates: Provision for Appeals £000's
Balance at 1 April	9,033	2,959	1,579
Provision utilisation	(326)	(1,185)	(4,735)
Provision made in year	159	274	4,826
Provision at 31 March	8,866	2,048	1,670

	31-Mar-26			31-Mar-25		
	Council Tax £000's	Business Rates £000's	Appeals Provision £000's	Council Tax £000's	Business Rates £000's	Appeals Provision £000's
Debts Outstanding						
Less Than 1 Year	3,686	1,650		3,461	1,289	
More Than 1 Year	8,316	2,240		7,164	2,499	
Total Tax Debtor	12,002	3,890		10,625	3,788	
Provisions Held						
Balance at 1 April	9,033	2,959	1,579	7,591	3,876	3,663
Movement	(167)	(911)	91	1,442	(917)	(2,084)
Provision at 31 March	8,866	2,048	1,670	9,033	2,959	2

C6. Debtors for Local Taxation

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

	31-Mar-26		31-Mar-25	
	Council Tax £000's	Business Rates £000's	Council Tax £000's	Business Rates £000's
Less than one year	403	670	286	872
More than one year	1,033	928	1,288	643
Total Debtors for Local Taxation	1,436	1,598	1,573	1,515

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.

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