



2021/22

Provisional Statement
of Accounts

Colchester City
Council



Publication Notice

It had been planned to publish the draft 2021/22 statement of accounts on the conclusion of the 2020/21 audit and report both years to 7 March 2023 Governance and Audit Committee, commencing public rights for the 2021/22 accounts.

There are now further audit delays expected in finalising the 2020/21 statement of accounts. To await the conclusions of the 2020/21 audit would therefore result in an excessive delay in publishing the draft 2021/22 Statement of Accounts. This provisional statement of accounts for 2021/22 is therefore now posted on the Council's website. It is however incomplete pending the receipt of the final audit report for 2020/21. In particular, balance sheet values brought forward into 2021/22 for property, plant and equipment are still subject to audit.

The provisional statement of accounts for 2021/22 is not the formal publication required under Accounts and Audit Regulations. The public inspection rights have not been commenced.

The 2020/21 audit is continuing. The final audit report on 2020/21 Accounts will be reported to the Council's Governance and Audit Committee as soon as it is available and the final audited 2020/21 Statement of Accounts published on the Council's website.

The formal publication of the 2021/22 draft statement of accounts and the commencement of public rights will be completed as quickly as possible.



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Provisional Statement of Accounts pending receipt of 20/21 final audit report and consequential finalisation of the 2021/22 draft accounts.



NARRATIVE STATEMENT

The Narrative Statement hopefully offers a user-friendly guide to the Council's 2021/22 accounts. Under Government regulations the statement must comment on the Council's financial performance. The statement also looks at economy, efficiency, and effectiveness in the Council's use of resources. In introducing the Council's accounts, I would particularly like to thank the Finance Team for their professionalism in meeting the challenges of recent financial years.

Paul Cook, Head of Finance

6 March 2023.

Financial Performance

Despite the impact of Covid and the additional duties placed on the Council, financial performance was excellent in 2021/22 despite all the changes to normal service operation. This reflects hard work by everybody concerned with the Council.

The 20/21 general fund revenue budget had been set before the impact of Covid could be fully understood. During 2020 the full impact of Covid was felt by local government. Income was reduced and there were new service responsibilities. Councils were supported with generous government grants. The grants protected councils from the impact of Covid and particularly losses in sales, fees and charges income.

The 21/22 budget was set in early 2021 against a middle of the road economic uncertainty because of Covid. Public Sector debt had risen to record levels, and the economy was in recession. Despite the special government grants continuing into the first part of 21/22 the Council budgeted for income losses of £4.129m compared to 20/21. The Council planned to use £2.400m of reserves to balance its revenue budget. The Council increased its element of the council tax by £4.95 a year.

The 21/22 Local Government Finance Settlement saw continuing reductions in the Council's New Homes Bonus to £2.430m.

Following considerable work by the Council during 21/22 the financial position was radically improved. Big improvements were made in income generation. The national economy recovered to some extent. The Council was able to deliver its revenue budget with only £73k use of reserves rather than the £2.400m originally assumed.

Covid resulted in delays to the Council's capital programme, where only £36.194m was spent against a programme of £62.141m. This included significant delays in the Housing Investment Programme.

The Council drew in capital funding from Government. A successful Town Investment Plan bid to the Towns Fund secured £1m of funding for accelerated projects in 21/22. These were Balkerne Gate Phase 1 and St Nicholas Square. A full award of a further £18.2m was subsequently received. Some highlights of the bid illustrate this narrative statement.

In Autumn 2022 the Council submitted a Levelling Up Bid of £19.6m. The funding was awarded in January 2023 against stiff competition from other local authorities. The continuing ability of the Council to secure external funding is a major financial strength. This too illustrates the Narrative Statement



We are Colchester

Digital Connectivity

5G
Digital Skills Hub
Digital Working Hub

AN AMAZING HISTORY AND A BRIGHTER FUTURE

5G | Town Deal funding will enable the first deployment of 5G in Colchester. 5G technology will open new business opportunities, such as virtual reality tourism.

Digital Skills Hub | An underutilised gym building at the Wilson Marriage Centre will be fully refurbished to create a new Digital Hub. This will support local people to improve their digital skills and enable them to access digital services and gain good jobs.

Digital Working Hub | The old bus depot site on Queen Street will become an Innovation Centre. This will create a grow-on space for creative and digital businesses in the local area.



We are Colchester

Transformed Youth Facilities

The Townhouse, Stanway and Highwoods Youth Centres

AN AMAZING HISTORY AND A BRIGHTER FUTURE

The Townhouse | The Townhouse Youth Centre was opened in 1969. The Town Deal will enable a full redecoration of this outdated building, together with an updated electrical system. The Sports Hall will be upgraded, together with the installation of IT infrastructure, a teaching kitchen, recording studio and secure outside area. This work will ensure that there are "Happier, healthier and more confident young people with improved life chances and reduced inequalities".

Stanway and Highwoods Youth Centres | These buildings will be updated, redecorated, and have improved digital infrastructure and equipment installed, to ensure they meet the needs of young people both today and for the foreseeable future.



Heart of Greenstead
Tamarisk Way
Essex Pedal Power
Liveable Neighbourhood

AN AMAZING HISTORY AND A BRIGHTER FUTURE

Tamarisk Way ('The Centre') | Working closely with residents, a refreshed and expanded Community Hub will be developed, affordable new housing will be built, and attractive public space will be developed in the heart of this community.

Essex Pedal Power | This is a scheme which has already been successfully rolled out in Jaywick. Residents who are furthest from employment and training will have access to a free bike to enable them to better access employment and skills development opportunities and to develop a more active lifestyle.

Liveable Neighbourhood | Measures to make walking and cycling easier and safer around the Greenstead estate will be introduced.



We are Colchester

Town Centre and Gateways

Jumbo | Holy Trinity Church | Holy Trinity Square | Kerble Street
Essex County Hospital | Balke Gate | St Nicholas Square

AN AMAZING HISTORY AND A BRIGHTER FUTURE

Jumbo | Urgent repairs will be carried out on this iconic local landmark. This will be the first step in making it into a tourist attraction/ destination.

Holy Trinity Church | The Town Deal will provide the initial funding needed to bring this Grade 1 listed building back as a Community Hub.

Holy Trinity Square | Improvements will be made to the area around the church to complement the new Community Hub. An attractive, welcoming, and calm space in the City Centre will be created.

Kerble Street | Removing the kerbs on St Isaac's Walk between Head Street and Trinity Street, will improve access for walking and cycling.

Essex County Hospital | A public space, open and accessible to all, will be created in front of the new housing development at the former hospital.

Balke Gate | Phase 1 of this project, outside The Mercury has been completed, using advanced funding from Town Deal. Phase 2 will expand the enhanced public space around Jumbo and south to Church Street.

St Nicholas Square | An attractive, welcoming open square, with mature trees, seating and expanded space for pedestrians is being created.





<p>We are Colchester</p> <p>Physical Connectivity Walking and Cycling</p> <p>AN AMAZING HISTORY AND A BRIGHTER FUTURE</p> <p>Walking and Cycling A high-quality walking and cycling path will be built, to link the City Centre with Greenstead and the University. This will provide a safer and more enjoyable route for both pedestrians and cyclists, compared to those currently available. Secure cycle parking will also be provided.</p>	<p>Some of the great projects being delivered by the Council in partnership with funding from the Town Deal.</p> <p><i>Statement of Accounts pending 2021 final audit report and finalisation of the 2021/22 accounts.</i></p>
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Bank rate was an extremely low 0.1% until December 2022. Bank rate then increased to 0.75% by the end of the financial year. Given the low interest rates available for external investments, the Council used internal funds to avoid new external borrowing. In March 2022 the Consumer Price Index excluding Housing had increased by 7% over the year. In March 2021 the annual rate was only 0.7%. Looking ahead to 2023/24, coping with inflation has now become the predominant factor in Council financial planning.

In January 2023, the National Audit Office reported only 12% of audited 21-22 local authority accounts had been published by the statutory deadline. Government is taking steps to improve this situation. Hopefully the Council can soon return to its audited accounts being published by the statutory deadline.

In December 2022 Public Sector Audit Appointments announced KPMG will be the Council's auditors for 5 years from 2023/24 onwards. The Council looks forward to working with KPMG. I would also like to thank BDO for all their audit work with the Council since the 2018/19 audit. Their last audit will be that for 2022/23.



Economy, Efficiency and Effectiveness

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

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

In setting its 2021/22 revenue budget and capital programme the Council allocated resources to work towards delivering these themes.

The Council budgeted to make economies and efficiencies of £2.528m against the 2020/21 budget of £21.599m. Full details are set out in the budget report to January 2021 Cabinet. [20/21 Budget Report](#)



The Council works with the Amphora Group and Colchester Borough Homes to deliver its services. The group accounts are included at the end of the statement of accounts

Achievements and highlights in 2021-22

The accounts reflect the delivery of many successes in 2021/22.

Substantial pressure was placed on teams involved in the implementing Covid-19 government support schemes. From 2020 over 13 different grant schemes have been implemented successfully by the Council, as well as expanded retail relief and the Covid Additional Relief Fund.

Reconciling and finalising many of the schemes continued into 2021/22. New in 2021/22 was a further Additional Restrictions Grant (Council was allocated £3.980 million) and the Omicron Hospitality & Leisure Grant. These new grants aimed to support those who had been excluded from previous relief schemes.

The schemes were introduced with very restrictive timescales meaning teams had to prioritise this work in addition to their normal duties.

The Council continued to tackle climate challenges and lead towards sustainability.

- Carbon emissions were reduced by 12.8% (14,310 tonnes) since 2020.
- £500k grant for a low carbon heating system at the Roman House headquarters.
- CARELESS no idling campaign highly commended at Sustainability Leaders Awards 2022. 53% reduction in idling car engines at traffic lights in Air Quality Management Areas.
- Stopped glyphosate weedkiller on housing sites after consultation with residents.
- Wildflower and naturalising improving biodiversity.

The creation of safe, healthy and active communities remained a strategic priority.

- Communities Can training enabling an Asset Based Community Development Approach.
- Support of Community Assets to maximise benefit to residents including planning contributions.
- A new Alliance Neighbourhood Model working across North East Essex.
- Mitigate the impacts of development with the Community planning agreement programme.
- Advice, support and signposting to grants reducing the impact of increasing fuel prices and improving home energy efficiency.
- Addressing housing issues that exacerbate inequalities and impact on the most vulnerable - supply, healthier homes, being able to remain in your home and tackling criminal landlords.
- New Health funding to build capacity and improve outcomes tackling inequalities.
- With partners leveraged external funding improving outcomes for those suffering from domestic violence and helping our Refugee and Asylum Seeker communities.
- The Council delivered a total of 78 additional affordable homes.
- A new Housing Revenue Account Asset Management Strategy and 30-Year Business Plan set a viable long-term programme for the Council's 7,000 affordable homes.
- Buying back and renting out 100 former council homes, improving their energy efficiency.
- Homelessness was prevented for 190 households and 108 were assisted into accommodation.
- Helped 124 rough sleepers and accommodated 38.
- Provided 6 move-on flats + support worker using £563k external funding.

The Council aimed to grow a fair economy so everyone benefits

- Business grants to get through the pandemic.
- As a partner in North Essex Economic Board with government funding supported businesses.



- A Click it Local pilot online shopping portal for independent local businesses
- A suite of business advice services (Digital, Financial, Import/Export, Skills)
- A Net Zero Business Support Programme.
- For its work, the Council nominated by the Local Government Chronicle for a national award.
- With Essex County Council and partners began a Town Centre Masterplan.
- With Colchester Business Improvement District created new parklets on the High Street.
- New gateway signage will promote use of local town centre retail
- New Economic Growth Strategy and economy and job creation priorities reflecting the strategies of partner agencies including Essex County Council.
- Up-to-date Local Plan allocating sufficient land + policies to encourage economic growth.
- Attract new businesses and allow existing firms to thrive.
- The former Andersons Yard at Marks Tey redeveloped and extended to facilitate this.
- New Asset Management Strategy for post-Covid recovery and asset management initiatives
- Continued strategic and asset management of regeneration and development sites including Colchester Northern Gateway, Wythe, and the Town Centre.

Colchester celebrated its heritage and culture.

- Cabinet endorsed a new Cultural Strategy after extensive public and stakeholder consultation.
- Strategic Arts Partner funding committed until 2026
- Cultural and Creative Events Fund launched supporting 28 projects.
- Tourism campaigns aligned with the Government Roadmap Out of Lockdown
- 'Colchester and the Beautiful Borough Welcomes You Back' film and 'Colchester Roman Holiday' themed staycation campaign with almost a million contacts at Liverpool Street ticket.
- Visit Essex London Underground targeted campaign including images of Colchester.
- Free or discounted advertising on www.visitcolchester.com for local tourism businesses.
- Hidden Colchester Walking Trail, Colchester to Wivenhoe Art and Heritage Trail (funded by Welcome Back Grant) and the Family Roman Trivia Trail.
- With eased COVID restrictions museums reopened in summer returning to pre-pandemic.
- Recovery at Colchester castle with Arts Council funded exhibition, 'Decoding the Roman Dead', a partnership research project with the University of Reading with digital outputs reaching more than 500,000 people through a collaboration with 'History Hit'.
- Natural History Museum redevelopment feasibility study with wide consultation.

Key performance indicators for 2021/22

The Council set 16 key performance indicators.

Area	Indicator	RAG Status	
		2020/21	2021/22
Housing Benefit	Time to process new claims and changes (two indicators)	Both Green	Both Green
Housing	Net additional homes provided	Red	Green
	Affordable homes delivered (gross)	Green	Red
	Homelessness cases prevented	Red	Green
	Rent collected	Red	Green
	Average time to relet council homes	Red	Red
Planning	Processing of major planning applications	Green	Green
	Processing of minor planning applications	Green	Green
	Processing of other planning applications	Green	Green



Resources and Organisational	Council Tax collected	Green	Green
	Business Rates collected	Red	Green
	Sickness rate in working days	Green	Red
Waste and recycling	Residual Waste per household	Red	Red
	Household waste reused, recycled and composted	Red	Red
	Number of weekly missed collections	Green	Green

Governance

The 2021-22 governance statement forms part of the Statement of Accounts. The Council has adopted the Executive model of a Leader and Cabinet.

The Council's Scrutiny Panel and Governance and Audit Committee are key elements of the Council's financial controls. Reports and minutes can be accessed on the council's website.

The Council's Financial Regulations are also available on the council's website.

The Senior Management Team in 2021-22 was the Chief Executive, 3 Directors and five Assistant Directors. In December 2022 the Management Team was reorganised generating significant efficiencies for the Council and is now a Chief Executive and five directors.

The Council also has a Monitoring Officer; Responsible Financial Officer and Strategic Human Resources Manager. These officers ensure the Council always acts lawfully, has sound financial administration, and is an excellent employer.

Strategic Risks

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

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

2023/24 Revenue Budget and Medium Term Financial Forecast

24 January 2023 recommended the 23/24 Revenue Budget. The table summarises the Council's position. Despite inflation pressures the Council has balanced its 23/24 budget and has made big strides towards balancing 24/25.

2023/24 Budget and Medium Term Financial Forecast	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Previous year's budget	21,875	24,735	21,458	20,932	21,832
One-off Items	(1,179)	(836)	0	0	0
Cost pressures and growth items	9,347	400	200	1,400	1,550
Capital financing	731	385	(276)	(300)	(303)
Income losses	0	(200)	(200)	(200)	0
Savings	(5,261)	(3,000)	(250)	0	0



Use of new homes bonus for one-off investment	(778)	(26)	0	0	0
Current year's budget	24,735	21,458	20,932	21,832	23,079
Business rates	(6,456)	(6,003)	(5,550)	(5,098)	(4,646)
Government Grant	(1,860)	0	0	0	0
New Homes Bonus	(576)	(550)	(550)	(550)	(550)
Council Tax	(13,936)	(14,591)	(15,152)	(15,721)	(16,304)
Previously planned use of reserves	(207)	79	79	79	279
One-off use of reserves	(1,700)	(200)	(200)	0	0
Budget Gap Cumulative	0	193	(441)	542	1,858

Collection Fund

The Council operates a separate collection fund to account for business rates and council tax collected on behalf of the Council and other preceptors. The Collection Fund as a whole has a net deficit of £33.100m 31 March 2022. This reflects the high value of business rate reliefs granted in accordance with government regulations during Covid. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

Explanation of Financial statements

The key financial statements are:

Movement in Reserves Statement (MIRS) into usable reserves and unusable reserves. It shows the net worth of the after the surplus or deficit 2020/21 and from movements in the fair value of the assets. It analyses the movement between reserves as required by regulations.

Comprehensive Income and Expenditure Statement (CIES) for the year

Balance Sheet is the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets and liabilities, and summarises information on the long-term assets held;

Cash Flow Statement of inflows and outflows of cash from the year's transactions

Expenditure Funding Analysis (EFA) shows how expenditure is used and funded under local government statutory requirements.

Notes to the Financial Statements provide more detail about the items contained in the key financial statements and the Authority's Accounting Policies.

Housing Revenue Account (HRA) accounts separately for the Council's housing.

Collection Fund – as a billing authority for business rates and council tax, the Council is responsible for keeping a separate account showing amounts owing to and from the Council, preceptors and the Department of Levelling Up, Housing and Communities.

Group Accounts for the direct financial activities of the Council combined with those bodies over which it has a formal controlling influence. Brings together the financial position of the Council, Colchester Borough Homes Limited and Colchester Commercial Holdings Limited.



For more information about these accounts, please contact:

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*Provisional Statement of Accounts pending
receipt of 20/21 final audit report
and consequential finalisation of the 2021/22
draft accounts.*



MOVEMENT IN RESERVES STATEMENT

	Revenue Reserves			Capital Reserves			Total Usable Reserves	Total Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Earmarked Reserves *Restated	Capital Receipts Reserve *Restated	Major Repairs Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	2,030	4,489	36,276	6,307	-	6	49,108	340,517	389,625
Total Comprehensive Income and Expenditure (Page 21)	(5,333)	9,783	-	-	-	-	4,450	33,615	38,065
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,131	(9,718)	-	2,936	-	33	(4,618)	4,618	-
Net Increase/(Decrease) before transfers	(3,202)	65	-	2,936	-	33	(168)	38,233	38,065
Transfers to/from Earmarked Reserves (Note 10)	3,332	1	(3,333)	-	-	-	-	-	-
Net Increase/(Decrease) in year	130	66	(3,333)	2,936	-	33	(168)	38,233	38,065
Balance at 31 March 2022	2,160	4,555	32,943	9,243	-	39	48,940	378,750	427,690
draft accounts for the year ending 31 March 2022									
Balance at 31 March 2020	2,030	4,489	36,276	6,307	-	6	49,108	340,517	389,625
Total Comprehensive Income and Expenditure (Page 21)	(7,034)	4,871	-	-	-	-	(11,911)	15,301	3,390
Adjustments between accounting basis and funding basis under regulations (Note 9)	22,900	(5,626)	-	(6,581)	-	(18)	21,361	(21,361)	-
Net Increase/(Decrease) before transfers	15,866	(10,503)	-	6,581	-	(18)	9,450	(6,060)	3,390
Transfers to/from Earmarked Reserves (Note 10)	(15,736)	10,686	15,736	-	-	-	-	-	-
Net Increase/(Decrease) in year	130	183	15,736	(6,581)	-	(18)	9,450	(6,060)	3,390
Balance at 31 March 2021	2,030	4,489	36,276	6,307	-	6	49,108	340,517	389,625

* The 2021/22 comparative figures have been restated. Refer to Note 7 Prior period adjustments.



COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Notes	2021/22			2020/21		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure *Restated	Gross Income *Restated	Net Expenditure *Restated
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate and Democratic Core		348	(578)	(230)	629	(857)	(228)
Executive Management Team		792	(8)	784	981	(31)	950
Corporate and Improvement Communities		9,229	(2,745)	6,484	15,487	(2,180)	13,307
Customer		12,476	(7,526)	4,950	13,737	(5,288)	8,449
Environment		48,549	(45,475)	3,074	46,780	(43,961)	2,819
Housing Revenue Account		23,293	(12,023)	11,270	21,468	(8,332)	13,136
Place and Client Service		20,155	(30,215)	(10,060)	31,497	(29,885)	1,612
Non-Distributed Costs		21,008	(12,210)	8,798	21,315	(7,447)	13,868
		87	-	87	93	-	93
Net Cost of Services		135,937	(110,780)	25,157	151,987	(97,981)	54,006
Other operating income and expenditure		5,954	(5,167)	787	6,334	(5,101)	1,233
Financing investment income and expenditure		7,422	(3,228)	4,194	9,751	(2,288)	7,463
Taxation and non-specific grant income		-	(34,588)	(34,588)	-	(50,791)	(50,791)
(Surplus)/Deficit on Provision of Services		149,313	(153,763)	(4,450)	168,072	(156,161)	11,911
(Surplus)/Deficit revaluation non-current assets provisional				-			(31,476)
Remeasurement of the net defined pension				(33,615)			16,175
Other Comprehensive (Income)/Expenditure	25			(33,615)			(15,301)
Total Comprehensive (Income)/Expenditure				(38,065)			(3,390)

* The 2021/22 comparative figures have been restated. Refer to Note 7 Prior period adjustments.



BALANCE SHEET

	Notes	31 March 2021 £'000	31 March 2020 £'000
Property, Plant and Equipment subject to revaluations	14	614,171	594,974
Heritage Assets		1,343	1,332
Investment Properties subject to revaluations	15	40,875	40,811
Intangible Assets		2	5
Long Term Investments		6	6
Long Term Debtors	19	7,057	6,765
Investment in Subsidiaries		1,580	1,580
Total Non-Current Assets		665,034	645,473
Short Term Investments	19	53,054	40,520
Assets Held for Sale	21	2,158	2,158
Inventories		184	149
Short Term Debtors	22	17,889	34,686
Short Term Loans		45	1,560
Cash and Cash Equivalents	18	27,483	16,814
Total Current Assets		100,823	95,887
Short Term Borrowing	18	(26,745)	(15,109)
Short Term Creditors	23	(60,697)	(47,416)
Short Term Provisions	24	(2,126)	(3,400)
Grants Receipts in Advance – Revenue (provisional)	32	(2,584)	(3,744)
Total Current Liabilities		(92,152)	(69,669)
Long Term Creditors – Finance Leases	34	(104)	(104)
Long Term Provisions	23	(113)	(131)
Long Term Borrowing	19	(141,094)	(156,094)
Pension Scheme Liability	35	(83,789)	(107,975)
Grants Receipts in Advance – Capital	32	(20,915)	(17,745)
Other Long Term Liabilities		-	(17)
Total Non-Current Liabilities		(246,015)	(282,066)
Total Net Assets		427,690	389,625
Usable Reserves		(48,940)	(49,108)
Unusable Reserves	25	(378,750)	(340,517)
Total Reserves		(427,690)	(389,625)



CASHFLOW STATEMENT

	2021-22	2020-21
	£'000	£'000
Taxation	(35,471)	(23,519)
Grants and Contributions	(75,520)	(93,469)
Housing Rents	(26,891)	(29,466)
Sales of goods and rendering of services	(32,714)	(34,675)
Interest received	(176)	0
Dividends received	(172)	(225)
Other receipts from operating activities	(19)	0
Cash inflows generated from operating activities	(170,963)	(181,354)
Cash paid to and on behalf of employees	25,151	24,744
Housing benefit payments	37,006	41,085
NNDR Tariff payments	20,039	20,039
Precepts paid	2,100	2,094
Cash paid to suppliers of goods and services	48,945	39,084
Payments to the capital receipts pool	507	506
Interest paid	5,175	5,417
Other operating cash payments	2,755	15,367
Cash outflows generated from operating activities	141,678	148,336
Net cashflows from operating activities	(29,285)	(33,018)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,109)	(5,124)
Purchase of property, plant and equipment, investment property and intangible assets	34,913	35,308
Purchase of short-term and long-term investments	92,500	84,600
Proceeds from the sale of short-term and long-term investments	(80,000)	(68,500)
Capital grants	(9,321)	0
Other payments for investing activities	51	0
Other receipts from investing activities	0	(11,248)
Net cashflows from investing activities	33,034	35,036
Cash Receipts - long/short term borrowing	(20,078)	(37,500)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	0	527
Repayments of long/short term borrowing	23,350	30,000
Changes in Council Tax and NNDR balances held for preceptors	(15,550)	20,842
Other financing activities	(2,116)	(158)
Net cashflows from financing activities	(14,394)	13,711
Net (Increase) / decrease in cash and cash equivalents	(10,645)	15,729
Cash and cash equivalents 1 April	16,814	32,543
Net increase / (decrease) in cash and cash equivalents	10,645	(15,729)
Cash and cash equivalents 31 March	27,459	16,814
Cash	11	6
Call accounts and short term deposits	19,009	10,500
MMF	0	0
Bank balances	8,439	6,308
Cash and cash equivalents 31 March	27,459	16,814



NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

AP 1 - General Principles

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

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

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

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

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

AP 2 - Changes to Accounting Policies

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

AP 3 - Accruals of Income and Expenditure

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

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

AP 4 – Overheads and Support Services

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



AP 5 - Charges to Revenue for Non-Current Assets

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

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

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

AP 6 - Revenue Expenditure Funded from Capital under Statute

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

AP 7 - Minimum Revenue Provision

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

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

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



AP 8 – Council Tax and Business Rates

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

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

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

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

AP 9 – Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

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

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



Post-Employment Benefits

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

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

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

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

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

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

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



AP 10 – Financial Instruments

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

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

Financial Assets

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

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

Financial Liabilities

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

Impairment of Financial Assets

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

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

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

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



AP 11 - Government Grants and Contributions

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

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

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

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

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

AP 12 – Property, Plant and Equipment

Recognition

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

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



Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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



Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated as follows:

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

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

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

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

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

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



Disposals

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

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

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

AP 13 – Heritage Assets

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

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



AP 14 – Investment Properties

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

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

Investment properties are not depreciated.

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

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

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

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

AP 15 – Assets Held for Sale

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

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

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

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

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

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



AP 16 – Fair Value Measurement

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

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

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

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

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

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

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

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

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

AP 17 - Cash and Cash Equivalents

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



AP 18 – Provisions

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

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

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

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

AP 19 - Reserves

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

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

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



AP 20 – Leases

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

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

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

Finance Leases – The Council as Lessee

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

Finance lease payments are apportioned between:

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

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

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



Finance Leases – The Council as Lessor

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

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

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

Finance lease rentals receivable are apportioned between:

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

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

AP 21 – Contingent Liabilities

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

AP 22 - Interests in Companies

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

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

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



AP 23 – Joint Operations

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

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

AP 24 - Value Added Tax (VAT)

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

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

Provisional Statement of Accounts pending receipt of 20/21 final audit report and consequential finalisation of the 2021/22 draft accounts.



2. Expenditure and Funding Analysis

2021/22	Adjustments between Funding and Accounting Basis							
	Council Year-end Management report £'000	Adjustments (Note 2a) £'000	Net Expenditure chargeable to GF and HRA Balances £'000	Adjustments for Capital Purposes (Note 2b) £'000	Net Change for the Pensions Adjustments (Note 2b) £'000	Other Differences (Note 2b) £'000	Total Adjustments (Note 9) £'000	Net Expenditure in the CIES £'000
Corporate and Democratic Core	(147)	(83)	(230)	-	-	-	-	(230)
Executive Management Team	679	-	679	-	105	-	105	784
Corporate and Improvement	6,228	(928)	5,300	77	1,107	-	1,184	6,484
Communities	25	1,045	1,070	2,535	1,345	-	3,880	4,950
Customer	3,082	(1,088)	1,994	-	1,080	-	1,080	3,074
Environment	6,384	615	6,999	1,831	2,440	-	4,271	11,270
Housing Revenue Account	(68)	(10,048)	(10,116)	-	56	-	56	(10,060)
Place and Client	3,409	1,903	5,312	2,120	1,366	-	3,486	8,798
Non-Distributed Costs	-	388	388	-	(301)	-	(301)	87
Net Cost of Services	19,592	(8,196)	11,396	6,563	7,198	-	13,761	25,157
Other operating income and expenditure (Note 11)			2,100				(1,313)	787
Financing and Investment income and expenditure (Note 12)			9,772				(5,578)	4,194
Taxation and Non Specific Grant income (Note 13)			(20,131)				(14,457)	(34,588)
(Surplus)/Deficit on Provision of Services			3,137				(7,587)	(4,450)
Opening General Fund and HRA Balances (Page 20)			(6,519)					
(Surplus)/Deficit on Provision of Services			3,134					
Transfers to Earmarked Reserves			(3,333)					
Closing General Fund and HRA Balances (Page 20)			(6,718)					



2020/21				Adjustments between Funding and Accounting Basis				
	Council Year-end Management report	Adjustments	Net Expenditure chargeable to GF and HRA Balances	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments	Net Expenditure in the CIES
	£'000	(Note 2a) £'000	£'000	(Note 2b) £'000	(Note 2b) £'000	(Note 2b) £'000	(Note 9) £'000	£'000
Corporate and Democratic Core	(140)	(88)	(228)	-	-	-	-	(228)
Executive Management Team	893	(1)	892	-	52	6	58	950
Corporate and Improvement	6,671	6,057	12,728	20	532	28	580	13,308
Communities	536	1,131	1,667	6,134	623	24	6,781	8,448
Customer	483	(1,204)	2,279	-	524	16	540	2,819
Environment	8,180	1,005	9,185	2,798	1,121	32	3,951	13,136
Housing Revenue Account	1,833	(377)	(10,560)	12,138	33	1	12,172	1,612
Place and Client	6,449	-	7,439	5,822	573	34	6,429	13,868
Non-Distributed Costs	-	3,900	3,900	(23)	(3,784)	-	(3,807)	93
Net Cost of Services	21,302	1,302	21,302	26,889	(326)	141	26,704	54,006
Other operating income and expenditure (Note 11)			2,094				(861)	1,233
Financing and Investment income and expenditure (Note 12)			21,374				(13,911)	7,463
Taxation and Non Specific Grant income (Note 13)			(56,133)				5,342	(50,791)
(Surplus)/Deficit on Provision of Services			(5,363)				17,274	11,911
Opening General Fund and HRA Balances (Page 20)								
(Surplus)/Deficit on Provision of Services								
Transfers to Earmarked Reserves								
Closing General Fund and HRA Balances (Page 20)								



2 a.) Adjustments between the Council's year end management report to the Net Expenditure chargeable to the General Fund and HRA Balances

This table shows how the figures in the provisional outturn report taken to the Council's Governance and Audit panel are adjusted to relate to the net expenditure chargeable to the General Fund and HRA balances.

- Services and Support services not in analysis –areas that are not reported as part of the service group expenditure in the management reports such as benefits payments and subsidy, joint committees and non-direct recharges to the HRA.
- Corporate & Technical adjustments –adjustments to non-distributed costs (including pension back funding, added years and strain payments), bad debt provisions, grant income and budgets held at a corporate level.
- Amounts not included in CIES –adjustments to reflect the difference in the management reporting of the General Fund and HRA, as well as items of income and expenditure in the year which are not reflected in the General Fund revenue account.

	2021/22			
	Services and Support Services not in Analysis £'000	Corporate & Technical Adjustments £'000	Amounts not included in the CIES £'000	Total Adjustments £'000
Corporate and Democratic Core	(462)	(20)	399	(83)
Executive Management Team	-	-	-	-
Corporate and Improvement	(929)	-	1	(928)
Communities	1,004	-	41	1,045
Customer	(1,087)	-	(1)	(1,088)
Environment	615	-	-	615
Housing Revenue Account	-	-	(10,048)	(10,048)
Place and Client	(1,004)	294	2,613	1,903
Non-Distributed Costs	-	388	-	388
Net Cost of Services	(1,863)	662	(6,995)	(8,196)

	2020/21			
	Services and Support Services not in Analysis £'000	Corporate & Technical Adjustments £'000	Amounts not included in the CIES £'000	Total Adjustments £'000
Corporate and Democratic Core	(438)	(27)	377	(88)
Executive Management Team	-	-	(1)	(1)
Corporate & Improvement	(1,095)	7,243	-	6,148
Communities	1,134	-	(1)	1,133
Customer	(1,295)	-	-	(1,295)
Environment	1,006	-	(1)	1,005
Housing Revenue Account	-	-	(10,377)	(10,377)
Place and Client	(999)	-	1,937	938
Non-Distributed Costs	-	3,900	-	3,900
Net Cost of Services	(1,687)	11,116	(8,066)	1,363



2 b.) 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 conditions 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 employee 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.



2 c.) Note to the Expenditure and Funding Analysis – Expenditure and Income Analysed by Nature

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

	2021/22 £'000	2020/21 £'000
Employee related expenditure	37,519	32,439
Other services expenses	83,484	94,660
Support services recharges	3,236	3,800
Depreciation, amortisation and impairment	11,699	21,088
Interest payments	5,160	5,417
Precepts and levies	2,100	2,094
Payments to Housing Capital Receipts Pool	507	507
Pension Fund expenditure	2,230	2,138
Increase in bad debt provisions		174
Losses on the disposal of assets	3,346	3,733
Changes in the fair value of investment properties	-	1,887
Other expenditure	32	135
Total Expenditure	149,313	168,072
Fees, charges and other service income	(68,737)	(54,294)
Interest and investment income	(508)	(220)
Income from Council Tax and Non Domestic Rates	(14,524)	(4,643)
Government grants and contributions	(62,110)	(89,836)
Gains on the disposal of assets	(5,166)	(5,019)
Income in relation to investment properties	(2,471)	(1,841)
Changes in the fair value of investment properties	-	-
Decrease in bad debt provisions	(76)	-
Other income	(171)	(308)
Total Income	(153,763)	(156,161)
(Surplus)/Deficit on the Provision of Services	(4,450)	11,911



3. Accounting Standards that have been issued but have not yet been adopted

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

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

4. Critical judgements in applying accounting policies

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

Classification of leases

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

Classification of investment properties

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



Valuation of Property, Plant and Equipment

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

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

Heritage Assets

The Council holds a collection of museum exhibits and works of art which are not recognised in its Balance Sheet. The Council has concluded that the total cost of obtaining the relevant valuation information for these assets (collections held prior to 1 April 2022) outweighs the benefits to the users of the financial statements.

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

Composition of Group Accounts

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



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

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

Depreciation of Property, Plant and Equipment Assets

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

Revaluation of Property, Plant and Equipment Assets

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

A valuation exercise on the properties and land owned by Colchester Borough Council was carried out with a valuation date of 31 March 2022. This valuation was undertaken by an external valuer, NPS Property Consultants Ltd, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards. In preparing the valuation, the Valuer has declared a 'material valuation uncertainty' in the valuation report.

Net Pension Liability

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

The effect on the net pension liability of changes in individual assumptions can be measured. For example a 0.1% increase in the discount rate assumption would lead to a decrease of £6 million in the net pension liability from £338 million to £332 million. See Note 35 which includes details of the sensitivity analyses on the present value of the defined benefit pension obligation.

Debt impairment

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



Provision for Business Rates Appeals

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

Provision for the impairment of Financial Instruments

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

Fair value measurements

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

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

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

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is set out in Note 15 for Investment Properties, Surplus Assets and Assets Held for Sale, and Note 18 for Financial Instruments.

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

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



6. Material items of income and expenditure

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

General Fund

The Council during the year revalued a sample of Land and Buildings Assets and Surplus Assets during the year and at the year end. These revaluations were performed by the Council's external valuers.

Housing Revenue Account

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

7. Prior period adjustments

Changes made to 2020/21 Comparative values

In 2021/22 the Council undertook a review of the structure of its internal services and this has had an impact on the composition of the services across the Council. As a result of this internal restructuring the 2020/21 comparative values in the lines within the Cost of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis were restated. There is no impact on the bottom line of the Council's core financial statements for 2020/21 as the adjustments made are reclassification amendments.

In 2021/22 it was identified that the balance held within the retained right to buy receipts reserve in earmarked reserves should be reclassified to be held within the usable capital receipts reserve. As this reserve contains the annual capital receipts generated from right to buy property sales. The 2020/21 comparatives have been restated to reflect this reclassification of this reserve balance. There is no impact on the bottom line of the Council's core financial statements for 2020/21 as the adjustments made are reclassification amendments.

8. Events after the Balance Sheet Date

Post balance sheet events will be finalised prior to formal publication of the draft statement of accounts.



9. Adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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



			Usable Reserves		
2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred from the Pensions Reserve)	9,426	3	-	-	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(40)	-	-	-	-
Council tax and NNDR (transfers to or from Collection Fund)	(8,313)	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	-	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	7,790	8,329	-	-	-
Total Adjustments to Revenue Resources	8,863	8,332	-	-	-
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(35)	(5,151)	5,186	-	-
Capital receipts not linked to disposal of non-current assets	-	-	-	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)	507	-	(507)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(5,031)	-	5,031	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	(2,289)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	(290)	(5,229)	-	-	-
Capital grants unapplied credited to the Comprehensive Income and Expenditure Statement	(33)	-	-	-	33
Total Adjustments between Revenue and Capital Resources	(2,140)	(15,411)	4,679	5,031	33
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(1,743)	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(5,031)	-
Application of capital grants to finance capital expenditure	(4,592)	(2,639)	-	-	-
Total Adjustments to Capital Resources	(4,592)	(2,639)	(1,743)	(5,031)	-
Total Adjustments	2,131	(9,718)	2,936	-	33



	Usable Reserves				
2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred from the Pensions Reserve)	2,352	(540)	-	-	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(15)	-	-	-	-
Council tax and NNDR (transfers to or from Collection Fund)	13,506	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	142	-	-	-	-
Reversal of entries included in the Surplus Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	17,399	-	-	-	-
Total Adjustments to Revenue Resources	33,384	19,163	-	-	-
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(265)	(4,755)	20	-	-
Capital receipts not linked to disposal of non-current assets	(82)	-	82	-	-
Payments to the government housing receipts pool (from Capital Receipts Reserve)	507	-	(507)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(4,781)	-	4,781	-
Statutory provision for the repayment of debt (from Capital Adjustment Account)	(1,871)	-	-	-	-
Capital expenditure finance from revenue balances (to Capital Adjustment Account)	(612)	(15,453)	-	-	-
Total Adjustments between Revenue and Capital Resources	(2,323)	(24,989)	4,595	4,781	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(536)	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(4,781)	-
Application of capital grants to finance capital expenditure	(8,179)	-	-	-	-
Cash payments in relation to deferred capital receipts	18	-	46	-	(18)
Total Adjustments to Capital Resources	(8,161)	-	(490)	(4,781)	(18)
Total Adjustments	22,900	(5,626)	4,105	-	(18)



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 March 2020 *Restated	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021 *Restated	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserve to Support Future Year's Budget	5,703	(1,688)	4,881	8,896	(6,766)	6,499	8,629
Pension Fund Deficit	3,214	(3,465)	1,595	1,344	-	935	2,279
Revenue Grants Unapplied Reserve	1,711	(3,246)	3,508	3,173	(1,754)	3,451	4,870
Repairs and Renewals Fund	2,455	(293)	683	2,845	(304)	641	3,182
Business Rates Reserve	1,625	(1,613)	15,793	15,875	(13,024)	7,067	9,918
Decriminalisation Parking Reserve	1,512	(981)	251	1,087	(751)	-	336
Revolving Investment Fund Reserve	1,400	(90)	250	1,596	(40)	500	2,056
Capital Expenditure Reserve	720	(90)	430	1,060	(170)	249	516
Insurance Reserve	561	(86)	86	652	(19)	106	739
Gosbecks Reserve	152	(18)	183	237	(20)	-	114
Other Reserves	176	-	-	176	(15)	82	304
Total	20,540	(12,206)	27,942	36,276	(22,863)	19,530	32,943

The **Reserve to Support Future Year's Budget** is maintained to provide funding for agreed items of expenditure which will occur in a future year, as well as funding allocated to support future years cost pressures.

The **Pension Fund Deficit Reserve** has been created to earmark the lump sum payment in as part of the pension triennial valuation.

The **Repairs and Renewals Fund** is maintained for the replacement of plant and equipment, and the maintenance of premises. Annual contributions are based upon the estimated renewal or repair cost, spread over the anticipated life of the asset.

The **Insurance Reserve** is kept to cover the potential risk of fire and damage to Council houses and other selected properties, as well as certain other risks. The Insurance Fund has been allocated between the provision and reserve elements.

The **Capital Expenditure Reserve** is maintained to provide finance for future capital schemes.

The **Revolving Investment Fund Reserve** has been created to support the delivery of income-producing development schemes and regeneration/economic growth projects. The three main sources of funding into the RIF are existing capital programme allocations, capital receipts and revenue funding. Revenue funding will be held in this reserve until it is required for future capital schemes or revenue expenditure as necessary.

The **Revenue Grants Unapplied Reserve** is maintained to hold the revenue grants income that have no conditions attached and are yet to be applied by the Council.

The **Business Rates Reserve** is maintained to cover the risks and volatility resulting from the Local Business Rates Retention scheme.



The **Gosbecks Reserve** is maintained to provide for the development of the Archaeological Park. The main source of funding was the 'dowry' agreed on the transfer of the land.

The **Decriminalisation Parking Reserve** is maintained to retain the surplus from the on-street parking account to be used to cover future shortfalls or support future transportation expenditure in accordance with the Decriminalisation of Parking agreement.

Other Reserves include:

- Support to spending on the Mercury Theatre building.
- Support to future Section 106 monitoring activity.
- Funding for the repair, maintenance and continuing development of ancient and historical monuments.

11. Other Operating Income and Expenditure

	2021/22 £'000	2020/21 £'000
Parish Council precepts	2,100	2,094
Payments to the Government housing capital receipts pool	507	507
(Gains)/Losses on the disposal of non-current assets	(1,820)	(1,286)
Capital receipts not linked to disposals	-	(82)
Total Other Operating (Income)/Expenditure	787	1,233

12. Financing and Investment Income and Expenditure

	2021/22 £'000	2020/21 £'000
Interest payable and similar charges	5,161	5,417
Interest receivable and similar income	(508)	(220)
Pension interest and administration costs	2,230	2,199
Income and expenditure in relation to investment properties	(2,441)	113
Changes in the fair value of investment properties subject to revaluations	-	(1,706)
Net movement in bad debt provisions	(79)	1,887
Other investment income	(172)	(227)
Total Financing and Investment Income and Expenditure	4,194	7,463

13. Taxation and Non-Specific Grant Income

	2021/22 £'000	2020/21 £'000
Council Tax	(14,958)	(14,471)
Non-Domestic Rates	435	9,828
Non ringfenced Government grants	(13,923)	(37,984)
Capital grants and contributions	(6,142)	(8,164)
Total Taxation and Non-Specific Grant Income	(35,588)	(50,791)



14. Property, Plant and Equipment

2021/22	Council Dwellings £'000	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2021	387,139	162,394	22,501	15,437	399	23,756	9,117	620,743
Additions	6,799	1,287	814	-	-	-	23,956	32,856
Acc. Depreciation and Impairment written out to Gross Carrying Amount		Subject to audit		-	-	-	-	-
Revaluations to Revaluation Reserve		Subject to audit		-	-	-	-	-
Revaluations to (Surplus)/Deficit		Subject to audit		-	-	-	-	-
Derecognition – disposals	(3,209)	-	(79)	-	-	-	-	(3,288)
Derecognition - other	-	-	-	-	-	-	-	-
Reclassified from/(to) Assets held for Sale		Subject to audit						
Reclassified within PPE categories		Subject to audit						
At 31 March 2022	390,729	163,681	23,236	15,437	399	23,756	33,073	650,311
Accumulated Depreciation and Impairment								
At 1 April 2021	(992)	(7,920)	(13,632)	(3,224)	-	(1)	-	(25,769)
Depreciation charge	(4,501)	(3,470)	(2,083)	(318)	-	-	-	(10,372)
Acc. Depreciation and Impairment written out to Gross Carrying Amount		Subject to audit						
Acc. Impairment written out to GCA		Subject to audit						
Impairment losses to Revaluation Reserve		Subject to audit						
Impairment losses to (Surplus)/Deficit		Subject to audit						
Derecognition – disposals		Subject to audit						
Derecognition – other		Subject to audit						
Reclassified within PPE categories		Subject to audit						
At 31 March 2022	(5,493)	(11,390)	(15,715)	(3,542)	-	(1)	-	(36,141)
Net Book Value:								
At 31 March 2022	385,236	152,291	7,521	11,895	399	23,755	33,073	614,170
At 1 April 2021	386,147	154,474	8,869	12,213	399	23,755	9,117	594,974



2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2020	367,325	137,199	21,306	7,211	399	27,281	23,125	583,846
Additions	17,678	908	1,655	-	-	-	14,518	34,759
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,238)	(2,683)	-	-	-	-	-	(6,921)
Revaluations to Revaluation Reserve	20,183	10,932	-	-	-	445	-	31,560
Revaluations to (Surplus)/Deficit	(10,274)	(5,232)	-	-	-	23	-	(15,483)
Derecognition – disposals	(2,981)	(721)	(460)	-	-	-	(21)	(4,183)
Derecognition - other	(605)	(59)	-	-	-	-	-	(664)
Reclassified from/(to) Assets held for sale	-	-	-	-	-	(2,171)	-	(2,171)
Reclassified within PPE categories	51	22,050	-	8,226	-	(1,822)	(28,505)	-
At 31 March 2021	387,139	162,394	22,501	15,437	399	23,756	9,117	620,743
Accumulated Depreciation and Impairment								
At 1 April 2020	(1,246)	(12,077)	(2,910)	-	(1)	-	(22,236)	(22,236)
Depreciation charge	(4,211)	(3,454)	(1,946)	(314)	-	-	-	(9,985)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,238	2,683	-	-	-	-	-	6,921
Acc. Impairment written out to GCA	-	-	-	-	-	-	-	-
Impairment losses to Revaluation Reserve	(85)	-	-	-	-	-	-	(85)
Impairment losses to (Surplus)/Deficit	(85)	(1)	-	-	-	-	-	(893)
Derecognition – disposals	20	38	392	-	-	-	-	450
Derecognition – other	-	59	-	-	-	-	-	59
Reclassified within PPE categories	-	-	-	-	-	-	-	-
At 31 March 2021	(992)	(7,920)	(13,632)	(3,224)	-	(1)	-	(25,769)
Net Book Value:								
At 31 March 2021	386,147	154,474	8,869	12,213	399	23,755	9,117	594,974
At 1 April 2020	367,323	129,953	9,229	4,301	399	27,280	23,125	561,610



Revaluations

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

The revaluations performed in 2021/22 were:

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

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

As at 31 March 2022	Council Dwellings	Other Land and Buildings	Vehicle, Plant and Equipment	Infra-Structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	Subject to audit							
31 March 2016								
31 March 2017								
31 March 2018								
31 March 2019								
31 March 2020								
31 March 2021								
Gross Book Value								



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:

	2021/22 £'000	2020/21 £'000
Rental income from investment properties subject to audit		(1,841)
Direct operating expenses arising from investment properties subject to audit		135
Net (gain)/loss on Investment Properties subject to audit		(1,706)

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

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

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

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

Subject to Audit	2021/22 £'000	2020/21 £'000
Balance at 1 April		42,597
Additions		101
Disposals		-
Net gains/(losses) arising from fair value adjustments		(1,887)
Transfers (to)/from Property, Plant and Equipment		-
Balance at 31 March		40,811

Investment in subsidiaries

As at 31 March 2021 the Council provided £1.580m of equity investment into the following company:

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



16. Fair Value Measurement of Property Assets

Fair Value Hierarchy

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

Recurring fair value measurements:	2021/22			2020/21		
	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31 March 2021	Other significant observable Inputs	Significant unobservable Inputs	Total Fair Value as at 31 March 2020
	(Level 2)	(Level 3)		(Level 2)	(Level 3)	
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus Assets						
Commercial development sites	Subject to audit			-	23,475	23,475
Residential development sites	Subject to audit			-	80	80
Other	Subject to audit			-	201	201
Total (Note 14)	Subject to audit				23,756	23,756
	Subject to audit					
Investment Properties	Subject to audit					
Commercial units	Subject to audit			-	21,661	21,661
Retail units	Subject to audit			2,873	7,366	10,239
Car parks	Subject to audit				1,836	1,895
Residential development sites	Subject to audit				289	289
Offices	Subject to audit			6,467	-	6,467
Other	Subject to audit			221	39	260
Total (Note 15)	Subject to audit			9,620	31,191	40,811
	Subject to audit					
Assets Held for Sale	Subject to audit					
Commercial development site	Subject to audit			-	2,158	2,158
Total (Note 20)	Subject to audit			-	2,158	2,158

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 2021/22 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 2021/22.

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

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

Level 2 Valuations

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

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



Level 3 Valuations

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

Highest and Best Use

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

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



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

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

Investment Properties Level 3 – Subject to audit					
	Commercial Units	Retail Units	Car Parks	Residential Development Sites	Other
	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2020	19,677	11,516	1,909	278	31
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Gains/(Losses) taken to the Surplus/Deficit during the year	1,985	(4,151)	(74)	11	7
Balance as at 31 March 2021	21,662	7,365	1,835	289	38
Transfers into Level 3					
Transfers out of Level 3					
Gains/(Losses) taken to the Surplus/Deficit during the year					
Balance as at 31 March 2022					

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



17. Capital Expenditure and Capital Financing

Movements in Capital Financing Requirement in the year

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

	2021/22 £'000	2020/21 £'000
Opening Capital Financing Requirement at 1 April	187,284	177,610
Capital Expenditure		
Property, Plant and Equipment	32,856	34,758
Investment Properties	64	101
Heritage Assets	12	5
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	2,381	4,932
Equity Investment	-	-
Long Term Debtors	900	1,291
Total Capital Expenditure	36,213	41,087
Less Sources of Finance		
Capital Receipts	1,743	536
Government Grants and Other Contributions	7,231	8,182
Major Repairs Reserve	5,031	4,780
Direct Revenue Contributions	5,519	16,066
Minimum Revenue Provision	2,289	1,602
Write-off of Finance Lease Creditor provisional	-	247
Total Sources of Finance	21,813	31,413
Closing Capital Financing Requirement at 31 March	201,684	187,284
Explanation of movements in year:		
Increase in underlying need to borrowing (unsupported by government financial assistance)	16,689	11,418
Assets acquired under finance leases provisional	-	105
Minimum Revenue Provision	(2,289)	(1,602)
Write-off of Finance Lease Creditor provisional	-	(247)
Increase/(Decrease) in the Capital Financing Requirement	14,400	9,674



18. Capital Commitments

At 31 March 2022, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £19.9m. Similar commitments at 31 March 2021 were £16.4m.

19. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Short Term	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Financial Assets:				
Financial Assets valued at amortised cost	-	-	53,054	40,520
Financial Assets measured at fair value through other comprehensive income	6	6	-	-
Cash and cash equivalents:				
Cash held by the Council	-	-	11	7
Bank current accounts	-	-	8,463	6,307
Short term deposits	-	-	19,009	10,500
Financial Assets carried at contract amount	7,057	6,765	10,281	7,998
Total Financial Assets	7,063	6,771	90,818	65,332
Financial Liabilities:				
Borrowings:				
Public Works Loan Board	(132,094)	(132,094)	-	-
Money Market	(9,000)	(24,000)	(25,500)	(13,850)
Financial Liabilities carried at contract value	-	-	(34,572)	(11,659)
Finance Lease liabilities	(104)	(104)	(53)	(53)
Total Financial Liabilities	(141,198)	(156,198)	(60,125)	(25,562)

The cash and cash equivalents balance of £27.483 million at 31 March 2022 (£16.814 million at 31 March 2021) includes bank overdraft balances. These bank overdrafts are an integral part of the Council's day to day cash management and they are not used for borrowing purposes. The bank overdraft balances totalled (£30.981 million) at 31 March 2022 ((£8.095 million) at 31 March 2021).

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:



	2021/22			2020/21		
	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	5,160	-	5,160	5,417	-	5,417
Total expense in Surplus/Deficit on Provision of Services	5,160	-	5,160	5,417	-	5,417
Interest income	-	(265)	(265)	-	(220)	(220)
Other investment income – Dividends	-	(172)	(172)	-	(227)	(227)
Total income in Surplus/Deficit on Provision of Services	-	(437)	(437)	-	(447)	(447)
Net (gain)/loss for the year	5,160	(437)	4,723	5,417	(447)	4,970

Fair Value of Financial Assets and Liabilities

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

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

The fair values calculated are as follows:

Financial Assets	31 March 2022		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	53,054	53,054	40,520	40,520
Cash and cash equivalents	27,483	27,483	16,814	16,814
Short term debtors (Note 1 below)	10,236	10,236	6,438	6,438
Short term loans	45	45	1,560	1,560
Long term debtors	7,057	7,057	6,765	6,765
Long term investments	6	6	6	6
Total Financial Assets	97,881	97,881	72,103	72,103

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

Financial Liabilities	31 March 2022	31 March 2021
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	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	(132,094)	(148,225)	(132,094)	(162,388)
Market debt	(34,500)	(41,264)	(37,850)	(48,046)
Short term creditors (Note 2 below)	(34,572)	(34,572)	(11,659)	(11,659)
Short term finance lease liabilities	(53)	(53)	(53)	(53)
Long term finance lease liabilities	(104)	(104)	(104)	(104)
Total Financial Liabilities	(201,323)	(224,218)	(181,760)	(222,250)

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

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

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

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

Impairment on Financial Assets

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

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

Soft Loans

The Council has made the following interest free loans:

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

Loans to Private Sector Occupiers

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

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

Nature and Extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.



- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedure for managing risk

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

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

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

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and



Standard and Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

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

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £53.054 million (2020/21 £40.520 million). In line with the new accounting requirements a default review of the financial institution the Council invests with as at 31 March 2022 and the financial impact of potential default was immaterial, due to the low risk nature of the Council's investment policy.

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

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

	31 March 2022 £'000	31 March 2021 £'000
Less than twelve months	11,269	14,108
More than twelve months	1,679	1,404
Total	12,948	15,512

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

Liquidity risk

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

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

All sums owing on investments of £53.054 million (2020/21 £40.520 million) are due to be paid in less than one year.

Refinancing and Maturity risk



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

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

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

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

	Actual 31 March 2022 £'000	Actual 31 March 2022 %	Actual 31 March 2021 £'000	Actual 31 March 2021 %
Less than 1 year	20,000	12.0	8,350	4.9
Between 1 and 2 years	-	-	15,000	8.8
Between 2 and 5 years	700	0.4	700	0.4
Between 5 and 10 years	3,000	1.8	3,000	1.8
Between 10 and 20 years	22,700	13.6	22,700	13.4
Between 20 and 30 years	38,000	22.8	38,000	22.3
Between 30 and 40 years	36,894	22.1	36,894	21.7
Between 40 and 50 years	36,300	21.8	36,300	21.4
More than 50 years	9,000	5.4	9,000	5.3
Total	166,594	100	169,944	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 a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set, which provides maximum limits for fixed and variable interest rate exposure. The Technical Accounting team monitor market and forecast interest rates within the year to adjust exposures appropriately. For example, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to this assessment strategy, at 31 March 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	31 March 2022 £'000	31 March 2021 £'000
Increase in interest payable on new fixed rate borrowings	50	77
Increase in interest receivable on short term investments made in year	(704)	(689)
Impact on Surplus or Deficit on the Provision of Services	(654)	(612)
Share of overall impact credited to the HRA (net)	(126)	(157)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(68)	(37)

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



20. Long Term Debtors

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

2021/22	Balance at 31 March 2021 £'000	Interest adjustment £'000	Advances in the year £'000	Repayment in the year £'000	Other movements £'000	Balance at 31 March 2022 £'000
Improvement of Private Sector Houses	1,037	40	-	(78)	-	1,000
Finance Lease Debtors	4,646				(19)	4,627
Colchester Amphora Energy Limited	1,066	49	300	-	-	1,415
Colchester Amphora Homes Limited	-	-	-	-	-	-
Other Loans	15	-	-	-	-	15
Total	6,764	89	300	(78)	(19)	7,057

2020/21	Balance at 31 March 2020 £'000	Interest adjustment £'000	Advances in the year £'000	Repayment in the year £'000	Other movements £'000	Balance at 31 March 2021 £'000
Improvement of Private Sector Houses	956	14	91	(24)	-	1,037
Finance Lease Debtors	4,691	-		(45)	-	4,646
Colchester Amphora Energy Limited	826	40	100	-	100	1,066
Colchester Amphora Homes Limited	500	-	-	-	(500)	-
Other Loans	31	-	-	(16)	-	15
Total	7,004	54	191	(85)	(400)	6,764

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

21. Assets Held for Sale – subject to audit

	2021/22 £'000	2020/21 £'000
Balance at 1 April	2,158	-
Assets reclassified as held for sale from Property, Plant and Equipment		2,171
Disposals		-
Revaluation Losses		(13)
Balance at 31 March		2,158



22. Short Term Debtors

	2021/22 £'000	2020/21 £'000
Grants and Taxes	2,619	4,907
Trade Debtors	2,279	5,148
Prepayments	2,111	1,901
Housing Benefit Overpayments	511	539
NNDR ratepayers' arrears	815	1,661
Council Tax ratepayers' arrears	308	520
Other Debtors	9,256	20,010
Total Short Term Debtors	17,899	34,686

The above short-term debtor values are presented net of impairments (allowances for non-collection). The Council's total provision for non-collection of debtors is £8.7 million as at 31 March 2021 (£7.8 million as at 31 March 2021).

23. Short Term Creditor subject to audit

	2021/22 £'000	2020/21 £'000
Trade Creditors	(4,932)	(8,799)
Covid Restriction Grants – Agency	-	(6,286)
Receipts in Advance	(4,748)	(3,819)
Other Taxes and Social Security	(1,797)	(1,473)
Collection Fund Agency	(23,967)	(22,406)
NNDR Prepayments	(1,562)	(792)
Council Tax Prepayments	(428)	(434)
Other Creditors	(23,263)	(3,407)
Total Short Term Creditors	(60,697)	(47,416)

24. Provisions (Short and Long Term)

	2021/22 £'000	2020/21 £'000
Non-Domestic Ratings Appeals Provision (see below)	(2,126)	(3,400)
Insurance Provision	(113)	(131)
Other Provision	-	-
Total Provisions	(2,239)	(3,531)



Non-Domestic Ratings Appeals Provision

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(3,400)	(3,293)
RV list amendments charged against provision for appeals	790	938
Changes in provision for appeals	484	(1,045)
Balance at 31 March	(2,126)	(3,400)

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

The adjustments to the provision made in 2021/22 are based on appeals against 2010 valuations that were shown as being outstanding on the Valuation Office list of March 2017, and an estimate of likely appeals against the 2017 valuations.

25. Usable Reserves

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

26. Unusable Reserves subject to audit

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

Unusable Reserves	Balance at 1 April 2021 £'000	Other Comprehensive Income and Expenditure £'000	Accounting – Financing adjustments £'000	Balance at 31 March 2022 £'000
Revaluation Reserve	(148,354)	-	2,870	(145,484)
Capital Adjustment Account	(309,364)	-	(8,564)	(317,928)
Financial Instruments Adjustment Account	338	-	(40)	298
Pensions Reserve	107,975	(33,615)	9,429	83,789
Deferred Capital Receipts Reserve	(4,647)	-	-	(4,647)
Collection Fund Adjustment Account	12,998	-	(8,313)	4,685
Accumulated Absence Account	537	-	-	537
Total	(340,517)	(33,615)	(4,618)	(378,750)



Revaluation Reserve

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

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

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

*Provisional Statement of Accounts pending
receipt of 20/21 final audit report
and consequential finalisation of the 2021/22
draft accounts.*



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.

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(309,365)	(312,720)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non-current assets	10,371	9,985
Derecognition of components of non-current assets subject to audit	-	605
Revaluation losses on property, plant and equipment subject to audit	-	15,620
Revaluation losses on heritage assets subject to audit	-	5
Revaluation losses on assets held for sale subject to audit	-	13
Reversal of previously recognised revaluation losses subject to audit	-	(138)
Charges for impairment of non-current assets subject to audit	-	893
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	3,288	3,733
Amortisation of intangible assets	2	15
Revenue expenditure funded from capital under statute	2,381	4,932
Write off of Finance Lease Creditors subject to audit	-	(247)
Long Term Debtors subject to audit	78	24
Adjusting amounts written out of the Revaluation Reserve	(2,870)	(2,537)
Net written out amount of the cost of non-current assets consumed in the year	13,250	32,903
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,743)	(536)
Use of the Major Repairs Reserve to finance new capital expenditure	(5,031)	(4,781)
Use of Capital grants and contributions to finance new capital expenditure	(7,231)	(8,182)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,289)	(1,871)
Capital expenditure charged against the General Fund and HRA balances	(5,519)	(16,065)
Capital financing applied in year	(21,813)	(31,435)
Movements in the fair value of investment properties	-	1,887
Balance at 31 March	(317,928)	(309,365)



Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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.

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.



27. Trading Operations

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

Description	Line of the CIES	2021/22			2020/21		
		Income £'000	Expenditure £'000	(Surplus) / Deficit £'000	Income £'000	Expenditure £'000	(Surplus) / Deficit £'000
Colchester Leisure World	Place and Client	Property plant and equipment subject to audit			(1,190)	5,170	3,980
Northern Gateway	Place and Client				-	-	-
Trade Refuse	Environment	(481)	505	24	(481)	505	24
Building Control Chargeable Account	Communities	(392)	529	137	(392)	530	168
Land Charges	Customer	(309)	313	4	(269)	279	10
Cemetery and Crematorium	Communities	(1,732)	1,032	(700)	(1,700)	1,026	(674)
Off Street Parking	Environment	(1,029)	1,010	(19)	(1,029)	1,017	7
Net (Surplus) / Deficit on Trading Operations					(5,012)	8,527	3,515

28. 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.

	2021/22 £'000	2020/21 £'000
Allowances	524	524
Expenses	-	-
Total	524	524

29. Officers Remuneration

2021/22

Post holder	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service)	117,725	-	117,725
Executive Director	93,310	-	93,310
Executive Director	114,449	21,745	136,194



Executive Director (Note 1)	12,294	-	12,294
Executive Director (Note 2)	65,321	12,411	77,732
Assistant Director for Communities	89,158	16,940	106,098
Assistant Director for Customer	89,158	16,940	106,098
Assistant Director for Environment	82,958	15,762	98,720
Assistant Director for Corporate & Improvement	91,158	17,320	108,478
Assistant Director for Place & Client	82,958	15,762	98,720
Monitoring Officer	79,845	15,171	95,016
Section 151 Officer	80,140	15,227	95,367
Returning Officer	9,675	-	9,675

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

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

Provisional Statement of Accounts pending receipt of 20/21 final audit report and consequential finalisation of the 2021/22 draft accounts.



2020/21

Post holder	Salary, Fees and Allowances £	Employer's Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service)	106,783	-	106,783
Executive Director (Note 1)	97,309	5,292	102,601
Executive Director	109,655	20,835	130,490
Executive Director	91,765	-	91,765
Assistant Director for Communities	87,458	16,617	104,075
Assistant Director for Customer	87,458	16,467	103,925
Assistant Director for Environment	78,628	14,939	93,567
Assistant Director for Corporate & Improvement	87,458	16,617	104,075
Assistant Director for Place & Client	78,671	14,914	93,585
Monitoring Officer	78,092	14,838	92,930
Section 151 Officer (Note 2)	33,333	6,333	39,676

Note 1: The Executive Director reduced their hours to 0.8 FTE as of 1 July 2020, along with leaving the pension scheme on 20 June 2020. Their full-time salary equivalent is £102,601.

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

Remuneration Band	Number of Employees	
	2021/22	2020/21
£50,000 - £54,999	3	4
£55,000 - £59,999	9	7
£60,000 - £64,999	-	3
£65,000 - £69,999	1	2
£70,000 - £74,999	6	3
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	2	-



30. Termination Benefits (Exit Packages)

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

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

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

2020/21 Exit packages cost band (including special payments)	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band	Total cost of exit packages £s
£0 - £60,000	2	7	9	197,539
Total cost included in bandings	2	7	9	197,539
Add: Adjustments to accruals made in previous financial years relating to payments made to individuals				1,142
Add: Pension strains paid in the year which relate to individuals who left in previous financial years				-
Total Exit Costs				198,681

31. External Audit Costs

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

	2021/22 £'000	2020/21 £'000
External audit services	48	48
Certification of grant claims and returns	18	18
Total	66	66

(1). additional cost from previous years audit yet to be finalised.



32. Grant Income

Credited to services:

	2021/22 £'000	2020/21 £'000
Department for Work and Pensions - Rent Allowances and Rent Rebates	35,405	39,329
Department for Work and Pensions – Housing Benefits Administration Grant	433	486
Department for Work and Pensions – Other	591	606
Department for Levelling up, Housing and Communities (DLUHC)	3,017	2,291
Department for Levelling up, Housing and Communities (DLUHC) - Business Rates & Council Tax	-	391
Arts Council	386	231
Joint Finance Contributions	951	940
Essex County Council	1,283	3,147
Essex Police and Crime Commissioner	132	121
Essex Fire and Rescue	30	31
Other Local Authorities	235	569
Colchester Primary Care Trust	1,210	785
Grants for revenue financed from capital under statute	1,121	-
COVID 19 – Test and Trace	1,123	-
COVID 19 – Business Grants	4,005	-
Other Governmental / Non-Governmental Agencies	147	304
Other Miscellaneous Grants	2,134	478
Total	52,203	49,709



Credited to Taxation and Non-Specific Grant Income:

	2021/22 £'000	2020/21 £'000
Revenue Grants:		
New Homes Bonus	2,430	3,602
Business Rates Section 31 Grants	8,642	16,657
New Burdens & Other	-	249
COVID-19 Hardship Fund	-	1,152
COVID-19 Local Authority Support	993	2,838
Sales Fees & Charges Support Grant	1,077	6,098
Local and Additional Restrictions Grant	-	6,639
Job Retention Scheme	-	749
Lower Tier Services Grant	623	-
Local Council Tax Support Grant	163	-
Essex County Council	855	-
Other Grants	413	-
Capital Grants:		
Department for Levelling up, Housing and Communities (DLHC)	-	962
Arts Council England	-	1,553
Section 106 Developer Contributions	1,027	1,340
Department for Business, Energy and Industrial Strategy	439	111
Essex County Council	169	-
Homes and Communities Agency	709	2,017
European Regional Development Fund	-	(96)
Department for Digital, Culture, Media and Sport	1,092	1,393
Council owned subsidiary companies	5	-
Other Grants	2,700	354
Total	21,337	45,618

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



Current Liabilities

Grants Receipts in Advance – Revenue

	2021/22 £'000	2020/21 £'000
Commuted sums received from developers	(2,584)	(2,608)
Other grants	-	(1,136)
Total	(2,584)	(3,744)

Long Term Liabilities

Grants Receipts in Advance – Capital

	2021/22 £'000	2020/21 £'000
Section 106 developer contributions	(13,672)	(12,531)
Other grants	(7,244)	(5,214)
Total	(20,915)	(17,745)

33. Related Parties

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

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

UK Government

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

Elected Members of the Council

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

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



Senior Officers at the Council

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

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

	2021/22			2020/21		
	Expenditure £'000	Income £'000	Loans £'000	Expenditure £'000	Income £'000	Loans £'000
Colchester Commercial Holdings Limited	1,874	828		1,837	854	-
Colchester Amphora Trading Limited	370	180		473	180	-
Colchester Amphora Homes Limited	159	105		162	45	1,545
Colchester Amphora Energy Limited	51	49	1,415	169	40	1,066
Colchester Community Stadium Limited	0	106		-	2	-
Colchester Mercury Theatre Limited	174	36		168	38	-
Parish Councils	2,562	55		2,829	96	-
Essex County Council	1,964	4,248		642	3,147	-
North Essex Gardens Communities Limited	-	-	-	254	254	-

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

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

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



34. Leases subject to audit

Finance Leases – Council as Lessee

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

	31 March 2022 £'000	31 March 2021 £'000
Other Land and Buildings		173
Vehicles, Plant, Furniture and Equipment	Subject to audit	272
Total		445

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

	31 March 2022 £'000	31 March 2021 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	50	53
Non-current	54	104
Finance costs payable in future years	7	15
Minimum Lease Payments	111	172

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	55	61	50	53
Later than one year and not later than five years	56	111	54	104
Later than five years		-		-
Total	111	172	104	157



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 March 2022 £'000	31 March 2021 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current		53
Non-current		4,685
Unearned finance income		70,990
Unguaranteed residual value of property		17
Gross investment in the lease		75,745

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

	Gross Investment		Minimum Lease Payments	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Not later than one year		292		292
Later than one year and not later than five years		1,188		1,171
Later than five years		74,265		74,265
Total		75,745		75,728



Operating Leases – Council as Lessor

The Council leases out land and building properties to third parties under operating leases for the following purposes:

- For the provision of community services such as sports facilities and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year		1,531
Later than one year and not later than five years		4,824
Later than five years		69,738
Total		76,093

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

Provisional Statement of Accounts pending receipt of 20/21 final audit report and consequential finalisation of the 2021/22 draft accounts.



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

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

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

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

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



Transactions relating to Post-employment Benefits

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

	2021/22 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	11,608	7,279
Past Service Cost	87	91
Liabilities assumed/(extinguished) on settlements	-	77
Settlements price received/(paid)	-	(65)
Financing and Investment Income and Expenditure:		
Net interest expense	2,116	2,025
Pension fund administration expenses	114	113
Other Comprehensive Income and Expenditure:		
Re-measurement of the net defined benefit liability	(33,615)	16,175
Total charged to the Comprehensive Income and Expenditure Statement	(19,690)	25,695
Movement in Reserves Statement		
Reversal of the net charges made to the Surplus/Deficit on the Provision of Services for post-employment benefits in accordance with the Code.	(13,925)	(9,520)
Employer's contributions payable to the scheme	4,496	7,708
Total charged to the Movement in Reserves Statement	(9,429)	(1,812)



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:

	2021/22 £'000	2020/21 £'000
Present value of the defined benefit obligation	(338,333)	(341,008)
Fair value of plan assets	254,544	233,033
Net liability	(83,789)	(107,975)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit of 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):

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(341,008)	(269,802)
Current service cost	(11,608)	(7,279)
Interest cost	(6,759)	(6,268)
Change in financial assumptions	15,709	(71,924)
Change in demographic assumptions	-	4,463
Experience loss/(gain) on defined benefit obligation	(863)	3,688
Liabilities assumed/(extinguished) on settlements	-	(77)
Benefits paid net of transfers in	7,397	7,465
Past service costs	(87)	(91)
Contributions by scheme participants	(1,468)	(1,565)
Unfunded pension payments	354	382
Balance at 31 March	(338,333)	(341,008)

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

	2021/22 £'000	2020/21 £'000
Balance at 1 April	233,033	179,814
Interest on assets	4,643	4,243
Return on assets less interest	18,769	47,598
Other actuarial gains/(losses)	-	-
Administration expenses	(114)	(113)
Contributions by employer	4,496	7,708
Contributions by scheme participants	1,468	1,565
Benefits paid net of transfers in	(7,751)	(7,847)
Settlement prices received/(paid)	-	65
Balance at 31 March	254,544	233,033



Local Government Pension Scheme assets comprised:

	31 March 2022		31 March 2021	
	£'000	%	£'000	%
Equities	152,835	60	143,992	62
Gilts	6,077	3	6,012	3
Other bonds	11,147	4	11,690	5
Property	20,877	8	16,591	7
Cash	6,459	3	10,996	5
Alternative assets	31,455	12	26,922	12
Other managed funds	25,694	10	16,830	6
Total	254,544	100	233,033	100

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 Ernest Waddingham, an independent firm of actuaries, with estimates being based on the latest full triennial valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuaries are:

	31 March 2022	31 March 2021
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Current pensioners		
Men	21.6 years	21.6 years
Women	23.7 years	23.4 years
Future pensioners retiring in 20 years		
Men	23.0 years	22.9 years
Women	25.1 years	24.7 years
Rate of RPI inflation	3.6% p.a.	3.2% p.a.
Rate of CPI inflation	3.2% p.a.	2.8% p.a.
Rate of increase in salaries	4.2% p.a.	3.8% p.a.
Rate of increase in pensions	3.2% p.a.	2.8% p.a.
Rate for discounting scheme liabilities	2.6% p.a.	2.0% p.a.

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that all other assumptions remain constant. The assumptions in mortality for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme on an



actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below have not changed from those used in the previous financial year.

Sensitivity analyses on the Present Value of the Defined Benefit Obligation

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

Impact on the Council's Cash Flows

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

The total contributions expected to be paid by the Council to the pension scheme in the year to 31 March 2022 is £4.018 million.

The actuary's estimate of the duration of the Employer's liabilities for 2021/22 is 20 years (2020/21: 20 years).



HRA INCOME AND EXPENDITURE STATEMENT

	Notes	2021/22 £'000	2020/21 £'000
Dwelling rents		(26,629)	(26,316)
Non-dwelling rents	H3	(1,053)	(1,049)
Charges for services and facilities		(2,478)	(2,465)
Contributions towards expenditure		(55)	(54)
Total Income		(30,215)	(29,884)
Repairs and maintenance		5,535	4,643
Supervision and management		9,311	9,741
Rents, rates, taxes and other charges		217	131
Depreciation	H9	5,031	4,781
Impairment losses		-	892
Revaluation losses		-	10,641
Reversal of previously recognised revaluation losses		-	(3)
Derecognition of non-current assets		-	605
Amortisation		-	3
Debt management costs		61	64
Movement in the provision for bad debts		-	-
Total Expenditure		20,155	31,498
Net (Income)/Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement		(10,060)	1,614
HRA services share of Corporate and Democratic Core		399	377
Net (Income)/Expenditure for HRA Services		(9,661)	1,991
HRA share of the Other Operating Expenditure			
(Gain)/Loss on sale of HRA non-current assets		(1,852)	(1,772)
Capital Receipts not linked to sales		-	-
HRA share of the Financing and Investment Income and Expenditure			
Interest payable and similar charges	H8	4,303	4,490
Interest and investment income		(13)	(37)
Movement in the provision for bad debts		80	205
Capital grants		(2,640)	-
(Surplus)/Deficit for the year on HRA services		(9,783)	4,877

Provisional Statement of Accounts pending receipt of 20/21 final audit report and consequential finalisation of the 2021/22 draft accounts.



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.

	Notes	2021/22	2020/21
		£'000	£'000
Balance on the HRA at 1 April		4,489	4,306
Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement		9,783	(4,877)
Adjustments between accounting basis and funding basis under statute	Note 9	(9,718)	(5,626)
Increase/(Decrease) before transfers (to)/from reserves		65	(10,503)
Transfers (to)/from Earmarked Reserves		1	10,686
Increase/(Decrease) in the year on the HRA Balance		66	183
Balance on the HRA at 31 March		4,555	4,489



NOTES TO THE HOUSING REVENUE ACCOUNT

H1. Dwellings Rents and Analysis of the Housing Stock

The Account shows the total rent income collectable for the year after an allowance has been made for empty properties. On 31 March 2022, 3.0% of lettable properties were vacant (1.74% at 31 March 2021).

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

	31 March 2022	31 March 2021
Analysis by Type of Dwelling:		
Houses and Bungalows	2,965	2,959
Flats and Maisonettes	2,942	2,946
Total Dwellings	5,907	5,905
Analysis by Number of Bedrooms:		
Bedsitters/1 Bedroom	2,354	2,374
2 Bedrooms	1,773	1,758
3 Bedrooms	1,688	1,679
4 or more Bedrooms	92	94
Total Dwellings	5,907	5,905
The change in stock can be summarised as follows:		
Stock at the beginning of the year	5,905	5,892
Add: New Build, Acquisitions, Conversions etc.	78	60
Deduct: Sales, Demolitions, Conversions, etc.	(76)	(47)
Stock at the end of the year	5,907	5,905

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

Balance Sheet valuation of HRA Assets	31 March 2022 £'000	31 March 2021 £'000
Council Dwellings		386,150
Other Land and Buildings		10,586
Vehicles, Plant, Furniture and Equipment		34
Surplus Assets		50
Total		396,820



H2. Vacant Possession Value of the Housing Stock

The vacant possession value of the Council's HRA lettable dwellings at 31 March 2022 was £ subject to audit million (£1,019.2 million as at 1 April 2021). The value represents the Council's estimate of the total sum that it would receive if all its dwellings were sold on the open market. The Balance Sheet value disclosed in Note H1 is calculated on the basis of rents receivable on existing tenancies and is lower than the vacant possession value. This is because the existing tenancy rents are lower than what would be obtainable on the open market. The difference between the two values represents the economic cost of providing Council housing at below market rents.

H3. Non-Dwelling Rents

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

H4. Charges for Services and Facilities

Income totalling £0.101 million subject to audit from Supporting People charges in 2021/22 (2020/21: £0.107 million) is shown under Charges for services and facilities.

H5. Major Repairs Reserve

	2021/22 £'000	2020/21 £'000
Balance as at 1 April	-	-
Transfers in – depreciation (Note H9)	5,031	4,781
Capital Spending on Dwelling Stock met from Reserve	(5,031)	(4,781)
Balance as at 31 March	-	-

H6. Pension Reserve

Under the full implementation of IAS 19 (see Note 35) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.



H7. HRA Capital Financing

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

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

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

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

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

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



H8. Interest Payable

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

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

	2021/22 £'000	2020/21 £'000
HRA Interest Charge	4,303	4,490

H9. Depreciation charges

Provisional subject to audit	2021/22 £'000	2020/21 £'000
Council Dwellings		4,271
Other Land and Buildings		489
Vehicles, Plant and Equipment		21
Total Depreciation	5,031	4,781

H10. Rent Arrears

The arrears at 31 March 2021 totalled £1.347 million. This excludes prepayments of £0.840 million and is analysed as follows:

	2021/22 £'000	2020/21 £'000
Due from Current Tenants	898	937
Due from Former Tenants	449	396
Total Rent Arrears	1,347	1,333
Prepayments	(840)	(756)
Net Rent Arrears	507	577

These arrears include all charges due from tenants and leaseholders i.e. rent, service charges and other charges. The HRA has been setting aside funds into a provision to meet irrecoverable debts in respect of such arrears. At 31 March 2022 the provision totalled £0.975 million (2020/21: £0.865 million).



H11. Revenue Balances

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

	2021/22 £'000	2020/21 £'000
Revenue Balance at 1 April	4,489	4,306
Adjust: Housing Revenue Account Surplus/(Deficit)	66	183
Revenue Balance at 31 March	4,555	4,489
Less: Committed Sum		
Investment in Housing Stock 2021/22 and Future Years	(2,637)	(2,335)
Estimate Balance Carried Forward	(318)	(554)
Uncommitted Balance	1,600	1,600

H12. Capital Expenditure Charged to Revenue

This represents the cost of capital works spent on Council housing that have been funded from revenue. The Council has decided to further supplement the resources available for capital by using part of the accumulated revenue balance to support the Housing Investment Programme. Therefore the revenue balances carried forward above (£2.637 million) will be used to support spending in future years.



COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	2021/22			2020/21		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Income						
Council Tax	(120,242)	-	(120,242)	(115,788)	-	(115,788)
Transitional Relief, S31A(1)(C)	-	-	-	(1,140)	-	(1,140)
Non-Domestic Rates	-	(49,873)	(49,873)	-	(30,858)	(30,858)
	(120,242)	(49,873)	(170,115)	(116,928)	(30,858)	(147,786)
Precepts Demands and Shares						
Central Government	-	31,536	31,536	-	32,091	32,091
Colchester Borough Council	14,688	25,229	39,917	14,596	25,675	40,271
Essex County Council	85,268	5,676	90,944	84,462	5,777	90,239
Essex Fire and Rescue	4,639	631	5,270	4,724	642	5,366
Police and Crime Commissioner for Essex	12,000	-	12,000	12,699	-	12,699
Charges to Collection Fund						
Transitional Protection Payment	-	381	381	-	436	436
Cost of Collection Allowance	-	238	238	-	243	243
Interest	-	-	-	-	-	-
Provision for Bad Debts including write offs	1,544	1,318	2,862	1,451	507	1,958
Provision for Appeals	-	(3,185)	(3,185)	-	268	268
Apportionment of Previous Year Surplus/(Shortfall)						
Central Government	-	(15,983)	(15,983)	-	(606)	(606)
Colchester Borough Council	(37)	(12,787)	(12,824)	(55)	(485)	(540)
Essex County Council	(216)	(2,877)	(3,093)	(318)	(109)	(427)
Essex Fire and Rescue	(12)	(320)	(332)	(18)	(12)	(30)
Police and Crime Commissioner for Essex	(33)	-	(33)	(48)	-	(48)
	117,841	29,857	147,698	117,493	64,427	181,920
Movement on the Collection Fund Balance						
(Surplus)/Deficit for the year	(2,401)	(20,016)	(22,417)	565	33,569	34,134
(Surplus)/Deficit at the beginning of the year	904	32,193	33,097	339	(1,376)	(1,037)
(Surplus)/Deficit as at 31 March	(1,497)	12,177	10,680	904	32,193	33,097



NOTES TO THE COLLECTION FUND ACCOUNTS

C1. General

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

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

The Collection Fund as a whole has a net deficit of £10.7m as at the 31 March 2022. Specific grant funding has been received towards the deficit, but under the accounting regulations this cannot be allocated directly to the Collection Fund. The Council's share of the grant has been allocated to an earmarked reserves as per note 10 and will be released to meet the deficit over a 3 year period.

C2. Income from Council Tax

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

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

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



C3. Income from Business Ratepayers

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

As of 2021/22, Colchester were part of the 50% retention and the local shares are as follows:

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

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

Income from Non-Domestic Rates

	31 March 2022 £'000	31 March 2021 £'000
Gross NNDR due in year	81,259	81,617
Less: allowance and other adjustments	31,386	50,759
NNDR income	49,873	30,858

C4. Council Tax and NNDR Surplus/Deficit

Any surplus or deficit on the Fund is shared between the relevant precepting bodies in their respective proportions. Likewise, deficits are proportionately charged to the relevant precepting bodies in the following years. The cumulative surplus/deficit at the end of March 2022 will be distributed in proportion to the value of the respective precepts as shown below:

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



C5 Debtors for Local Taxation

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

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

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THE GROUP ACCOUNTS ON COMPLETION OF 2020/21 AUDIT

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receipt of 20/21 final audit report
and consequential finalisation of the 2021/22
draft accounts.*



GLOSSARY OF TERMS

Accruals Concept

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

Actuarial Gains and Losses

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

Amortisation

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

Appropriations

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

Billing Authority for Council Tax and Non-Domestic Rates

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

Budget Requirement

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

Capital Expenditure

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

Capital Financing Requirement

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

Capital Programme

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

Capital Receipts

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

Carry Forwards

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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



Collection Fund

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

Contingent Liabilities

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Depreciation

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

Earmarked Reserves

Amounts set aside for specific future commitments or potential liabilities.

Effective Interest Rate

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

Fair Value

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

Financial Instruments

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

General Fund

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

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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

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amount set annually by Central Government. Various reliefs are in operation. NNDR income is collected by the Council and is then shared with Central Government, Essex County Council and Essex Fire and Rescue.

Precept

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

Principal Amount

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

Property, Plant and Equipment (PPE)

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

Provisions

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Revaluation

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Useful Life

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



INDEPENDENT AUDITOR'S REPORT TO BE ADDED AFTER AUDIT
TO THE MEMBERS OF COLCHESTER BOROUGH COUNCIL

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